



**SUNFLAG IRON & STEEL CO. LTD.**  
**THIRTIETH (30<sup>th</sup>) ANNUAL REPORT**  
**2015 - 2016**

**SUNFLAG IRON AND STEEL COMPANY LIMITED**

<b>BOARD OF DIRECTORS</b>	Mr. P. B. BHARDWAJ (Non-executive Chairman) Mr. RAVI BHUSHAN BHARDWAJ (Non-executive Vice-Chairman) Mr. PRANAV BHARDWAJ (Managing Director) Dr. E. R. C. SHEKAR (Non-executive, Independent Director) Mr. S. GAJENDRAN (Non-executive, Independent Director) CA JAYESH M. PARMAR (Non-executive, Independent Director) Mr. KUMAR JITENDRA SINGH (Non-executive, Independent Director) Mrs. NEELAM KOTHARI (Non-executive, Independent Director) Mr. SURENDRA KUMAR GUPTA (Deputy Managing Director) Mr. SUHRIT RAVI BHUSHAN BHARDWAJ - Alternate Director to Mr. Ravi Bhushan Bhardwaj (Effective 7 <sup>th</sup> November 2015 and Upto 28 <sup>th</sup> May 2016) Mr. VINOD KUMAR KAPUR - Alternate Director to Mr. P.B. Bhardwaj (Effective 8 <sup>th</sup> February 2016)
<b>CHIEF FINANCIAL OFFICER</b>	CA R. MURALIDHAR, Executive Director (Finance)
<b>COMPANY SECRETARY</b>	CS PRANAB PANIGRAHI
<b>STATUTORY AUDITORS</b>	M/s. PATEL, SHAH & JOSHI CHARTERED ACCOUNTANTS, MUMBAI
<b>SECRETARIAL AUDITORS</b>	M/s. MUKESH PARAKH & ASSOCIATES COMPANY SECRETARIES, NAGPUR
<b>COST AUDITORS</b>	M/s. G. R. PALIWAL & COMPANY COST ACCOUNTANTS, NAGPUR
<b>BANKERS</b>	STATE BANK OF INDIA BANK OF INDIA CANARA BANK INDIAN BANK STATE BANK OF BIKANER AND JAIPUR IDBI BANK LIMITED
<b>REGISTERED OFFICE</b>	33, MOUNT ROAD, SADAR, NAGPUR - 440001 (MAHARASHTRA)
<b>WORKS</b>	WARTHI, BHANDARA ROAD, BHANDARA - 441905 (MAHARASHTRA)
<b>WEB SITE</b>	www.sunflagsteel.com
<b>REGISTRAR &amp; SHARE TRANSFER AGENT</b>	BIGSHARE SERVICES PRIVATE LIMITED, MUMBAI

**CONTENTS**

<b>Particulars</b>	<b>Page No.</b>	<b>Particulars</b>	<b>Page No.</b>
Notice of Annual General Meeting	1	Statement containing silent features of Financial Statements of Subsidiaries, Associate and Joint Venture Companies pursuant to Section 129(3) of the Companies Act, 2013	59
Board's Report	6		
Corporate Governance Report	24	Consolidated Financial Statements & Reports	
Standalone Financial Statements & Reports		• Independent Auditors' Report	60
• Independent Auditors' Report	40	• Balance Sheet	62
• Balance Sheet	44	• Statement of Profit and Loss	63
• Statement of Profit and Loss	45	• Cash Flow Statement	64
• Cash Flow Statement	46	• Accounting Policies and Notes forming part of financial statements	65
• Accounting Policies and Notes forming part of financial statements	47	Proxy Form and Attendance Slip	75-77

**SUNFLAG IRON AND STEEL COMPANY LIMITED****REGISTERED OFFICE : 33, MOUNT ROAD, SADAR, NAGPUR - 440 001**

Corporate Identification Number (CIN) – L 27100 MH 1984 PLC 034003

Tel No. + 91 712 2524661 / 2520356-7-8, Fax No. + 91 712 2520360, E-Mail ID : investor@sunflagsteel.com, Website : www.sunflagsteel.com

**NOTICE**

**NOTICE** is hereby given that the **Thirtieth (30<sup>th</sup>) Annual General Meeting** of the Members of **Sunflag Iron and Steel Company Limited** will be held on **Friday, the 23<sup>rd</sup> day of September 2016 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 Financial Statements (Standalone & Consolidated) of the Company for the year ended 31<sup>st</sup> March 2016, the Balance Sheet as at 31<sup>st</sup> March 2016, Statement of Profit and Loss and Cash Flow Statement for the financial year ended 31<sup>st</sup> March 2016, together with the Board's Reports and report of the Statutory Auditors thereon.
2. To appoint a Director in place of Mr. Surendra Kumar Gupta (DIN : 00054836), who retires by rotation and, being eligible, offers himself for re-appointment.
3. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution :

**Appointment of Messers S S Kothari Mehta & Co., Chartered Accountants, New Delhi (ICAI Firm Registration No. 000756N) as the Statutory Auditors of the Company.**

"RESOLVED THAT pursuant to Section 139, 141, 142 and other applicable provisions of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (as amended), Messers S S Kothari Mehta & Co., Chartered Accountants, New Delhi (ICAI Firm Registration No. 000756N), be and are hereby appointed as the Statutory Auditors of the Company for a term of two (2) years to hold office of the Statutory Auditors of the Company from the conclusion of Thirtieth (30<sup>th</sup>) Annual General Meeting until the conclusion of Thirty-second (32<sup>nd</sup>) Annual General Meeting to be held for the financial year 2017-2018 ending 31<sup>st</sup> March 2018, subject to ratification by the Members at the Thirty-first (31<sup>st</sup>) Annual General Meeting of the Company, and at a remuneration as decided by the Committee of the Board and / or Board of Directors of the Company."

4. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution :
- Re-appointment of Messers Patel, Shah & Joshi, Chartered Accountants, Mumbai (ICAI Firm Registration No. 107768W) as the Joint Statutory Auditors of the Company.**

"RESOLVED THAT pursuant to Section 139, 141, 142 and other applicable provisions of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (as amended), Messers Patel, Shah & Joshi, Chartered Accountants, Mumbai (ICAI Firm Registration No. 107768W), be and are hereby appointed as the Joint Statutory Auditors of the Company to hold office of the Statutory Auditors of the Company from the conclusion of Thirtieth (30<sup>th</sup>) Annual General Meeting until the conclusion of Thirty-first (31<sup>st</sup>) Annual General Meeting to be held for the financial year 2016-2017 ending 31<sup>st</sup> March 2017, at a remuneration as decided by the Committee of the Board and / or Board of Directors of the Company."

**SPECIAL BUSINESS**

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

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

"RESOLVED THAT pursuant to provisions of Section 197 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modifications and / or re-enactment thereof for the time being in force) and Article 130 of the Articles of Association of the Company, a sum not exceeding one percent (1%) of the net profits of the Company per annum calculated in accordance with the provisions of Sections 198 of the Act, be paid to and distributed amongst the Non-executive Directors of the Company for each financial year, for a period of five (5) financial years commencing from the financial year 2016-2017.

FURTHER RESOLVED THAT the remuneration by way of commission i.e. a sum not exceeding one percent (1%) of the net profits of the Company calculated in accordance with the provisions of Sections 198 of the Act, be paid to and distributed amongst all the Non-executive Directors of the Company as (i) a fixed sum of ₹ 1,20,000/- (₹ One Lakh Twenty Thousand) to each Non-executive Independent Director/s of the Company, for their tenure of the whole financial year but, in proportionate, for their tenure of part of the financial year, if any, and (ii) the balance amount shall be distributed equally amongst Mr. P. B. Bhardwaj, Non-Executive Chairman and Mr. Ravi Bhushan Bhardwaj, Non-Executive Vice-Chairman of the Company."

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

**Ratification of Remuneration of Cost Auditors of the Company**

"RESOLVED THAT pursuant to provisions of Section 148 and all other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modifications and / or re-enactment thereof, for the time being in force), M/s. G. R. Paliwal & Company, Cost Accountants, Nagpur (Membership No. 7815), whose appointment as the Cost Auditors of the Company for the financial year 2016-2017 has been duly approved by the Board of Directors based on the recommendations of the Audit Committee of the Board of the Company, be paid a sum ₹ 1,90,000 (₹ One Lakh Ninety Thousand) plus service tax as applicable and reimbursement of actual out of pocket expenses, if any, as a remuneration for audit of cost records of the Company for the financial year 2016-2017, as recommended by the Board of Directors based on the recommendations of the Audit Committee of the Board of the Company, be and are hereby ratified."

By Order of the Board

**CS Pranab Panigrahi**  
Company Secretary  
Membership No. ACS - 16186

**NOTES :**

**A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY, SO APPOINTED SHALL NOT HAVE ANY RIGHT TO SPEAK AT THE MEETING. PROXY FORM, IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT (48) HOURS BEFORE THE TIME APPOINTED FOR THE MEETING.**

A Proxy submitted on behalf of the Company, Trust or Society (Institutional Investors) must be supported by an appropriate Resolution or Authority, as applicable. A person can act as a proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than 10% (ten percent) of the total Share Capital of the Company carrying voting rights. In case, a proxy is proposed to be appointed by a member holding more than 10% (ten percent) of the total Share Capital of the Company carrying voting rights, then such proxy shall not act as proxy for any other person or shareholder.

1. An explanatory statement pursuant to Section 102(1) of the Companies Act, 2013 in respect of Ordinary and Special Business under Item Nos. 3, 4, 5 and 6 is annexed hereto and form part of the Notice.
2. All documents referred to in the Notice including Explanatory Statement thereof, will be available for inspection by Members during working hours on any working day till the date of the Annual General Meeting at the Registered Office of the Company and also at the place of the Meeting at the scheduled time of Annual General Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 17<sup>th</sup> Day of September, 2016 to Friday, the 23<sup>rd</sup> Day of September, 2016 (both days inclusive) for the purpose of Annual General Meeting.
4. Members are requested to send their queries, if any, in writing at least 10 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 77, duly filled in, for attending the meeting.

**6. DEMATERIALISATION OF SHARES**

This is to inform that about 1073.79 lakhs shares (59.58%) of the total Equity Shares have already been dematerialized as of 31<sup>st</sup> March 2016. The Shareholders who have not dematerialised their Equity Shareholding may opt the same accordingly.

**7. REGISTRAR & SHARE TRANSFER AGENT**

**M/s. Bigshare Services Private Limited, E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai – 400072** have been appointed by the Company as the Registrar and Share Transfer Agent effective 31<sup>st</sup> 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. TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND**

The dividend declared by the Company which remains unpaid/unclaimed for a period of Seven (7) years is required to be transferred to the Investor Education & Protection Fund (IEPF) established by the Central Government pursuant to Section 124(5) of the Companies Act, 2013.

As such, the details of dividends remaining unpaid / unclaimed for Seven (7) years and subsequently its transfer to IEPF Account of Central Government is as under :

S. N.	Date of AGM	Date of Transfer to IEPF	Amount (₹)
1	Twentieth (20 <sup>th</sup> ) - 28 <sup>th</sup> September 2006	27 <sup>th</sup> September 2013	15,92,685.00
2	Twenty-first (21 <sup>st</sup> ) - 25 <sup>th</sup> September 2007	24 <sup>th</sup> September 2014	11,71,767.00
3	Twenty-second (22 <sup>nd</sup> ) - 23 <sup>rd</sup> September 2008	22 <sup>nd</sup> September 2015	18,71,945.00

Moreover, the dividend for the financial year 2008-2009 declared at Twenty-third (23<sup>rd</sup>) Annual General Meeting held on 25<sup>th</sup> September 2009 remaining unpaid / unclaimed is due for transfer to the credit of IEPF on **24<sup>th</sup> September 2016**. The Members are requested to claim their unpaid / unclaimed Dividend(s), if any, declared and paid for the financial years 2009-2010 and 2010-2011 including for financial year 2008-2009 immediately.

Pursuant to the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with Companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed dividend lying as on 23<sup>rd</sup> September 2015 (date of last Annual General Meeting) on the Company's website [www.sunflagsteel.com](http://www.sunflagsteel.com) as also on the Ministry of Corporate Affairs' website.

10. In terms of Regulation 39 of SEBI (LODR) Regulations, 2015, the Company has transferred 28,050 equity shares to "**Sunflag Iron and Steel Company Limited – Unclaimed Suspense Account**" effective 3<sup>rd</sup> August 2015, as these shares were lying unclaimed since dates of allotments. Shareholders of these unclaimed shares can contact the Company to claim their shares. During the year under review, no rightful shareholder has claimed any shares from this account. The detailed list of shares transferred to this suspense account is available on the Company's website [www.sunflagsteel.com](http://www.sunflagsteel.com).

**11. 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 address, so far, are requested to register their e-mail address with the Company, Registrar and Share Transfer Agent or Depository Participant (DP), as the case may be.

**12. E-VOTING**

In compliance with provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 including Amendment Rules, 2015 and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide its Members facility to exercise their right to vote at the Annual General Meeting by electronic means and the business may be transacted through e-voting services provided by the Central Depository Services (India) Limited (CDSIL).

**The instructions for members for voting electronically are as under:-**

**I. In case of members receiving e-mail :**

- i) The e-voting period begins on **Tuesday, the 20<sup>th</sup> September 2016 at 10:00 Hrs.** and ends on **Thursday, the 22<sup>nd</sup> September 2016 at 17:00 Hrs.** During this period Shareholders' of the Company, holding Equity Shares either in physical form or in dematerialised (demat) form, as on the cut-off date (record date) of **Friday, the 16<sup>th</sup> September 2016**, may cast their vote electronically. The e-voting module shall be disabled by CDSIL for voting thereafter.
- ii) Log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com)
- iii) Click on "Shareholders" Tab.
- iv) Now Enter your User ID
  - a) For CDSIL : 16 digits beneficiary ID
  - b) For NSDL : 8 Character DP ID followed by 8 Digits Client ID
  - c) Members holding shares in Physical Form should enter Folio Number registered with the Company
- v) Next enter the Image Verification as displayed and Click on Login.
- vi) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any Company, then your existing password is to be used.
- vii) If you are a first time user, then follow the steps given below :

<b>For Members holding shares in Demat Form and Physical Form</b>	
PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> <li>• Members who have not updated their PAN with the Company / Depository Participant are requested to use the first two letters of their name and the last 8 digits of the sequence number (refer serial no. printed on the name and address sticker / postal ballot form / mail) in the PAN field.</li> <li>• In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with serial number 1 then enter RA00000001 in the PAN field.</li> </ul>
DOB	Enter the Date of Birth as recorded in your demat account or in the Company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details	Enter the Dividend Bank Details as recorded in your demat account or in the Company records for the said demat account or folio.

- viii) After entering these details appropriately, click on "SUBMIT" tab.
- ix) Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSIL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- xi) Click on the EVSN for SUNFLAG IRON AND STEEL COMPANY LIMITED to vote.
- xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.

- xvii) If Demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- xviii) Shareholders can also cast their vote using CDSIL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.**
- xix) Note for Non – Individual Shareholders and Custodians
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves as Corporates.
  - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
  - After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
  - The list of accounts linked in the login should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
  - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- xx) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com), under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

**II. In case of members receiving the physical copy :**

- a) Please follow all steps from Serial No. (i) to Serial No. (xx) above to cast vote.
- b) The e-voting period begins on **Tuesday, the 20<sup>th</sup> September, 2016 at 10:00 Hrs.** and ends on **Thursday, the 22<sup>nd</sup> September, 2016 at 17:00 Hrs.** During this period Shareholders' of the Company, holding Equity Shares either in physical form or in dematerialised (demat) form, as on the cut-off date (record date) of **Friday, the 16<sup>th</sup> September, 2016**, may cast their vote electronically. The e-voting module shall be disabled by CDSIL for voting thereafter.
- c) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com) under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) or Toll-free No. 1800 200 5533.
- d) The Board of Directors has appointed M/s. Mukesh Parakh & Associates, Company Secretary in Practice, Nagpur (ICSI Membership No. FCS-4343 & Certificate of Practice No. 13693) as a Scrutinizer to process the e-voting (including voting through ballot form received from members) and voting at the venue of the Annual General Meeting in a fair and transparent manner.
- e) CS Pranab Panigrahi (ICSI Membership No. ACS-16186) Company Secretary of the Company shall be responsible for addressing all the grievances in relation to this Annual General Meeting including e-voting.
- f) The Notice of the Annual General Meeting will be sent to all the Members, whose names appear in the Register of Members as on cut-off date i.e. Friday, the 16<sup>th</sup> September 2016 through Courier / Post and also by E-Mail, if registered. The Members may also download a copy of the Notice from the Website of the Company ([www.sunflagsteel.com](http://www.sunflagsteel.com)).
- g) The Members of the Company, holding Equity Shares either in physical form or in dematerialised (demat) form as on Friday, the 16<sup>th</sup> September 2016 and not casting their vote electronically, may only cast their vote at the Annual General Meeting. The voting rights of shareholders shall be in proportion to their shareholding of paid-up share capital of the Company as on Friday, the 16<sup>th</sup> September 2016.
- h) Kindly note that the shareholders can opt only one mode of voting i.e. either by e-voting or physical mode. If you are opting for e-voting, then do not vote by physically also. However, in case shareholder cast their vote through e-voting as well as physically, then voting done through e-voting will prevail.
- i) **The results of voting shall be declared within forty-eight (48) hours of the conclusion of the Thirtieth (30<sup>th</sup>) Annual General Meeting. The results of voting so declared along with the Scrutinizer's Report shall be placed on the Company's Website ([www.sunflagsteel.com](http://www.sunflagsteel.com)), CDSIL Website and shall also be communicated to the Stock Exchanges (BSE & NSE).**

**EXPLANATORY STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013**

**Item No. 3 and 4 :**

In terms of approval and / or recommendations of the Audit Committee and Board of Directors of the Company, the Members of the Company has approved the re-appointment of M/s. Patel, Shah & Joshi, Chartered Accountants, Mumbai at its Twenty-ninth (29<sup>th</sup>) Annual General Meeting held on 25<sup>th</sup> September 2015 to hold the Office of the Statutory Auditors of the Company from the conclusion of the Twenty-ninth (29<sup>th</sup>) Annual General Meeting until the conclusion of ensuing Thirtieth (30<sup>th</sup>) Annual General Meeting of the Company.

In view of applicability of the provisions of Section 139 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (as amended) and pursuant to the recent Order namely 'the Companies (Removal of Difficulties) Third Order, 2016' of the Ministry of Corporate Affairs published in the Gazette of India (Extraordinary) on 30<sup>th</sup> June 2016 effective 1<sup>st</sup> April 2014, the Company can consider the re-appointment of M/s. Patel, Shah & Joshi, Chartered Accountants, Mumbai - the existing Statutory Auditors for a further period of one (1) financial year (2016-2017) i.e. from the conclusion of Thirtieth (30<sup>th</sup>) Annual General Meeting until the conclusion of Thirty-first (31<sup>st</sup>) Annual General Meeting of the Company to be held for the financial year 2016-2017.

The provisions of Section 139 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (as amended) regarding rotation of Statutory Auditors are applicable to the Company.

As such, the Company proposed for appointment of M/s. S S Kothari Mehta and Co., Chartered Accountants, New Delhi as the Statutory Auditors of the Company for a term of two (2) years from the conclusion of Thirtieth (30<sup>th</sup>) Annual General Meeting until the conclusion of Thirty-second (32<sup>nd</sup>) Annual General Meeting of the Company to be held for the financial year 2017-2018.

Simultaneously, the Company felt that it would be appropriate if the Company would continue with M/s. Patel, Shah & Joshi, Chartered Accountants, Mumbai - the existing Statutory Auditors for a further permissible period of one (1) financial year (2016-2017) i.e. from the conclusion of Thirtieth (30<sup>th</sup>) Annual General Meeting until the conclusion of Thirty-first (31<sup>st</sup>) Annual General Meeting of the Company so that the Company as well as the new incumbent would be benefited with the expertise and long association of M/s. Patel, Shah & Joshi, Chartered Accountants, Mumbai - the existing Statutory Auditors of the Company. This will also help for an easy and smooth transition period of change in the office of the Statutory Auditors of the Company.

As a matter of good corporate governance practice, a special notice has been received under Section 140(4)(i) of the Companies Act, 2013 from a member proposing appointment of M/s. S S Kothari Mehta and Co., Chartered Accountants, New Delhi as the Statutory Auditors of the Company.

The Audit Committee and Board of Directors at their respective meeting/s, has considered the qualification and experience of the proposed Statutory Auditors of the Company and has recommended their appointment/s as above.

None of the Directors, Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the said Resolution. The Board of Directors of the Company recommends the resolution/s for approval of the members in the interest of the Company.

**Item No. 5 :**

Pursuant to the provisions of Section 197 of the Companies Act, 2013 read with the rules made there under, the Company can make payment of remuneration by way of commission to the Non-Executive Director/s of the Company, if it authorises such payment by way of a resolution passed by the members of the Company.

The Members of the Company, at the Twenty-fifth (25<sup>th</sup>) Annual General Meeting held on 23<sup>rd</sup> September 2011, pursuant to the provisions of Section 309 of the Companies Act 1956, approved by way of Special Resolution, the payment of remuneration by way of commission to all Non-executive Director/s of the Company, of a sum not exceeding one percent (1%) of the net profits of the Company, calculated in accordance with the provisions of Section 198, 349 and 350 of the Companies Act, 1956, for each financial year, for a period of five (5) years commencing from the financial year 2011-2012.

Pursuant to Section 309 of the Companies Act, 1956, such approvals obtained from the members are valid only for a period of five (5) years. As such, the validity of the earlier resolution passed by the members of the Company expires with payment of remuneration by way of commission for the financial year 2015-2016.

Accordingly, an approval is sought from the members of the Company for payment of remuneration by way of commission to all the Non-executive Director/s of the Company for a further period of five (5) years commencing from the financial year 2016-2017 as set out in the resolution.

The Non-Executive, Independent Director/s were contributing to the overall performance of the Company through participating in the various decision making processes from time to time based on their rich experience and expertise in the respective field. Moreover, the additional efforts and contributions coupled with long standing association with the Company, of the Non-Executive Chairman and Vice-Chairman (categorised as a part of the Promoter Group) is always a boost for the overall performance and growth of the Company.

As such, it is proposed that, remuneration not exceeding one percent (1%) of the net profits of the Company calculated in accordance with provisions of Section 198 of the Companies Act, 2013 be continued to be paid and distributed amongst the Non-Executive Director/s of the Company as proposed in the resolution, for a further period of five (5) financial years commencing from the financial year 2016-2017.

Except Mr. Surendra Kumar Gupta (DIN : 00054836), Deputy Managing Director of the Company, all the Directors are, concerned or interested, financially or otherwise, in the said resolution to the extent of the remuneration that may be received by the Director/s respectively. The Board of Directors of the Company recommends the resolution for approval of the members in the interest of the Company.

**Item No. 6 :**

On recommendations of the Audit Committee, the Board of Directors of the Company at its meeting held on 28<sup>th</sup> May 2016 appointed M/s. G. R. Paliwal & Company, Cost Accountants, Nagpur (Membership No. 7815) as the Cost Auditors of the Company for the financial year 2016-2017 to audit the cost records of the Company at a remuneration of ₹1,90,000/- (₹ One Lakh Ninety Thousand) plus service tax as applicable and reimbursement of actual out of pocket expenses, if any.

Pursuant to Section 148(3) of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014, the remuneration as recommended by the Board of Directors, is subject to ratification by the shareholders / members of the Company.

None of the Directors, Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the said Resolution. The Board of Directors of the Company recommends the resolution for ratification of the members in the interest of the Company.

By Order of the Board

**CS Pranab Panigrahi**  
Company Secretary  
Membership No. ACS - 16186

**BOARD'S REPORT**

To

**The Shareholders**

The Board of Directors of the Company hereby present the Thirtieth (30<sup>th</sup>) Annual Report together with the Audited Financial Statements for the year 2015-2016 ended 31<sup>st</sup> March 2016.

During the financial year under review, the profitability of Steel industry is shrinking across India due to sluggish market demand and onslaught of high imports. Even though the raw material prices have gone down in the FY 2015-2016, the same was not enough to maintain margins given the decrease in steel prices. Despite the Government initiation on many infrastructure and policy reforms, the pick-up in steel demand in the domestic market has been slower than expected. However, with the continuous efforts by the Company's Management towards strict cost reduction and better financial / working capital management, has helped to improve its overall performance in order to survive in the difficult market conditions.

**1. FINANCIAL RESULTS**

The summarised financial results for the year are as follows :

(₹ in Lakh)

Sr. No.	Particulars	For the financial year ended	
		31 <sup>st</sup> March 2016	31 <sup>st</sup> March 2015
1	Total Income	166,716	176,259
2	Total Expenditure	146,963	158,731
3	Gross Profit	19,753	17,528
4	Finance Cost	6,055	7,144
5	Profit before Depreciation	13,698	10,384
6	Depreciation	5,176	5,113
7	Profit before exceptional and extraordinary items and Tax	8,522	5,271

**2. FINANCE**

Your Company has ended the financial year with a profit after tax of ₹ 5,734 Lakh. After taking into account the brought forward profit of ₹ 36,290 Lakh, your Company has carried forward an amount of ₹ 42,024 Lakh.

**3. DIVIDEND**

To cope up with market conditions and to achieve high growth, there is a need to upgrade product and its process with latest technology. The Company is always in the process of upgrading its facilities with certain capital projects either through renovation, addition, expansion or modernisation. Simultaneously, the Company is required to infuse its internal accruals to comply with the requirements of the lending banks financing for such capital projects.

As such, the Board of Directors does not recommend any dividend on the equity shares for the financial year 2015-2016 ended 31<sup>st</sup> March 2016.

**4. SHARE CAPITAL**

During the financial year under review, there is no change in the capital structure of the Company and accordingly, the issued, subscribed and paid-up share capital of the Company stand at ₹ 1,802,194,480 as on 31<sup>st</sup> March 2016.

**5. MARKET SCENARIO**

Despite various initiatives of the Indian Government, domestic steel companies are facing stiff competition due to dumping from China, Korea and Japan. Moreover, there was no substantial increase in demand from automobile and auto component industries. However, it is expected to improve the current market scenario in the days to come after a long slow down of the previous year/s. **SUNFLAG STEEL** is continuing to develop new high value grades of alloy steel to cater the needs of domestic as well as international markets in addition to existing ones.

**6. COMPANY'S WORKING / OPERATIONS**

During the financial year under review, the operational (production) details of the Company are as under (Production in MT and Power in Lakh kWh) :

Sr No	Particulars	Financial Year 2015-2016	Financial Year 2014-2015
1	Direct Reduction Plant (I + II)	98,092	130,762
2	Steel Melt Shop	334,991	319,969
3	Rolled products	322,504	312,839
4	Mini Blast Furnace (Hot Metal)/ Pig Iron	265,468	234,841
5	Sinter Plant	336,801	295,794
6	Coal (Belgaon Coal Block)	165,013	196,380
7	Power Plant (Lakh kWh)	1598.54	1609.56



## 7. PROJECTS

### **Steel Plant :**

During the financial year 2015-2016, the Company has installed alloy feeding system in Ladle re-heating furnace – 2 of Steel Melt Shop wherein alloy materials will be weighed and fed through automatic process in to steel ladle in re-heating process. This system has reduced heat cycle time and in turn, has resulted in improved productivity.

Further, the Company has proposed installation of new capital projects, viz., (i) Pulverized Coal Injection System (ii) Refurbishing of Mini Blast Furnace (iii) Capacity Enhancement of Sinter Plant (iv) Conversion of Heat Recovery Boiler of DRP-I to Dual Operation of FBC and WHRB. The projects are expected to be commissioned in the financial year 2017-2018.

### **Subsidiary Companies :**

#### **Sunflag Power Limited :**

There were no specific developments or updates for reporting to the members and the process of obtaining necessary approvals were continued for implementation and commencement of operations of Hydro Power Project of the Company at Hanol-Tuini in the State of Uttarakhand.

#### **Sunflag Special Steels Limited :**

The management is exploring the business opportunities for the Company and in absence thereof, may explore the possibilities of closure of the Company according to the provisions of applicable law.

#### **Khappa Coal Company Private Limited :**

In view of order of the Hon'ble Supreme Court of India dated 24<sup>th</sup> September 2014, the Khappa & Ext<sup>n</sup> coal block which was allocated to Khappa Coal Company Private Limited, stands de-allocated with immediate effect. The closure of the said Company solely depends upon the outcome of final decision regarding bank guarantee and compensation from the appropriate authorities.

#### **Joint Venture (JV) Companies :**

##### **Madanpur (North) Coal Company Private Limited and C T Mining Private Limited :**

In view of order of the Hon'ble Supreme Court of India dated 24<sup>th</sup> September 2014, the coal block(s) which were allocated to Madanpur (North) Coal Company Private Limited in the state of Chhattisgarh and to C T Mining Private Limited in the state of Jharkhand, stands de-allocated with immediate effect. The closure of the said Company solely depends upon the outcome of final decision regarding bank guarantee and compensation from the appropriate authorities.

##### **Gujarat State Mining and Resources Corporation Limited :**

The Joint Venture (JV) Company, in absence of viability to continue, has made an application and submitted requisite documents for strike-off (closure) of name of the Company and in turn, had received a confirmation Dated 3<sup>rd</sup> May 2016 from the Office of the Registrar of Companies, Gujarat at Ahmedabad about the Striking-off of its Name pursuant to Section 560(3) of the Companies Act, 1956 that at the expiration of thirty (30) days from the date hereof of the name, unless cause is shown to the contrary, will be struck-off from the Register and the said Company will stand dissolved.

##### **Daido D.M.S. India Private Limited :**

The Joint Venture (JV) Company was formed by Sunflag jointly with Daido Steel Co. Ltd., Japan and Daido Die and Mold Steel Solutions Co. Ltd., Japan. Sunflag has made an investment of INR 36,000,000/- (INR Three crores sixty lakhs) constituting Twenty percent (20%) in the capital of the said JV Company. The JV Company's main object is to carry on the business as manufacture (processing, heat treatment, surface treatment), import, export, distribute or otherwise deal in die, mould steel (tool steel and other metallic materials), processed products and mould parts thereof.

##### **Ramesh Sunwire Private Limited :**

Sunflag jointly with Stumpp Schuele & Somappa Springs Private Limited, Bengaluru has proposed for formation of a Joint Venture (JV) Company in the state of Maharashtra with an object of manufacturing high quality alloy steel wire for automobile and auto component industries both in domestic and export market.

## 8. NATURE OF BUSINESS ACTIVITIES AND CHANGES THEREOF

During the financial year 2015-2016 under review, the Board of Directors, though exploring addition to existing business and commercial activities, had neither been explored any change in nature of business and commercial activities for the Company nor there is a change in nature of business and commercial activities of the Company. As such, no specific details regarding change in nature of business activities are required to be given or provided.

## 9. PUBLIC DEPOSITS

During the financial year 2015-2016 under review, the Company has neither invited nor accepted any public deposits within the meaning of Section 73 and 74 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014 (as amended). As such, no specific details prescribed in Rule 8(1) of the Companies (Accounts) Rules, 2014 (as amended) are required to be given or provided.

## 10. DIRECTORS AND KEY MANAGERIAL PERSONNEL

The changes amongst the Directors including the Executive Directors and Key Managerial Personnel during the period are as follows :-

### **I. CHANGES IN THE MANAGEMENT STRUCTURE**

- i. Mr. Ravi Bhushan Bhardwaj ceased to be the Managing Director and Key Managerial Personnel (KMP) of the Company effective 12<sup>th</sup> August 2015. However, he continued as a Non-executive Vice Chairman of the Company.

- ii. Mr. Pranav Bhardwaj, Joint Managing Director is re-designated as the Managing Director of the Company effective 12<sup>th</sup> August 2015.
- iii. Mr. Surendra Kumar Gupta, Whole-time Director designated as the Director & CEO is re-designated as the Deputy Managing Director of the Company effective 12<sup>th</sup> August 2015.

## **II. KEY MANAGERIAL PERSONNEL (KMP)**

Apart from change referred to in (I), there is no change in the Key Managerial Personnel (KMP) of the Company and accordingly, Mr. Pranav Bhardwaj (Managing Director), Mr. Surendra Kumar Gupta (Deputy Managing Director), Mr. R. Muralidhar (Executive Director (Finance) & CFO) and CS Pranab Panigrahi (Company Secretary) continued to act as the Key Managerial Personnel (KMP) of the Company pursuant to the provisions of Section 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (as amended).

## **III. DIRECTORS INCLUDING INDEPENDENT DIRECTORS, WOMEN DIRECTOR AND CHANGES AMONGST THEM**

- a. During the continuous absence of Mr. Ravi Bhushan Bhardwaj, Non-executive Vice Chairman (DIN : 00054700) from India, Mr. Suhrit Ravi Bhushan Bhardwaj (DIN : 02318190) was appointed as an Alternate Director effective 7<sup>th</sup> November 2015. Further, he ceased to be the Alternate Director effective 28<sup>th</sup> May 2016, as Mr. Ravi Bhushan Bhardwaj, Non-executive Vice Chairman (DIN : 00054700) returned to India.
- b. During the continuous absence of Mr. P. B. Bhardwaj, Non-executive Chairman (DIN : 00136076) from India, Mr Vinod Kumar Kapur (DIN : 05256912) was appointed as an Alternate Director effective 8<sup>th</sup> February 2016.
- c. Pursuant to Section 149 and 152 of and Schedule IV to the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 (as amended), Listing Agreement and Listing Regulations (to the extent applicable), Dr. E. R. C. Shekar, Mr. S. Gajendran, CA Jayesh M. Parmar, Mr. Kumar Jitendra Singh and Mrs. Neelam Kothari continued to be the Independent, Non-executive Directors on the Board of the Company as they satisfy the criteria of independence under respective statutory provisions.

## **IV. RETIREMENT BY ROTATION**

Pursuant to Section 152 of Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 (as amended), Mr. Surendra Kumar Gupta (DIN : 00054836), Deputy Managing Director retires by rotation and being eligible, offers himself for re-appointment. The Board recommends his re-appointment in the interest of the Company.

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

## **11. NUMBER OF MEETINGS OF THE BOARD**

Five (5) meetings of the Board of Directors of the Company were held during the financial year 2015-2016 under review on 30.05.2015, 12.08.2015, 07.11.2015, 08.02.2016 and 15.03.2016.

## **12. DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors confirms :

- i. That in the preparation of the Annual Financial Accounts, the applicable Accounting Standards had been followed along with proper explanation, relating to material departures;
- ii. That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that 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 Financial Statements on a going concern basis;
- v. That the Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls were adequate and operating effectively; and
- vi. That the Directors had devised proper system to ensure compliance with the provisions of all applicable laws and regulations and that such systems were adequate and operating effectively.

## **13. COMMITTEE(S) OF THE BOARD**

The Company has constituted all the requisite Committee(s) of the Board, namely Audit Committee, Nomination and Remuneration Committee, Stakeholders' Relationship Committee, Corporate Social Responsibility Committee, Share Transfer Committee, Risk Management Committee and Project Monitoring Committee, pursuant to the provisions of the Companies Act, 2013 read with the rules made there under and Listing Agreement or Listing Regulations (to the extent applicable). The details of its constitution, objective or terms of reference and other related information has been provided under the Corporate Governance Report, which forms part and parcel of the Board's Report.

## **14. AUDITORS**

### **I. STATUTORY AUDITORS AND THEIR REPORT :**

M/s. S S Kothari Mehta & Co., Chartered Accountants, New Delhi (ICAI Firm Registration No. 000756N) have been recommended by the Audit Committee and subsequently by the Board of Directors of the Company to be appointed as the Statutory Auditors of the Company at the ensuing Thirtieth (30<sup>th</sup>) Annual General Meeting to hold office of the Statutory Auditors for a period of two (2) years from the conclusion of Thirtieth (30<sup>th</sup>) Annual General Meeting until the conclusion of Thirty-second (32<sup>nd</sup>) Annual General Meeting, subject to ratification by the members at Thirty-first (31<sup>st</sup>) Annual General Meeting of the Company.

M/s. Patel, Shah & Joshi, Chartered Accountants, Mumbai (Firm Registration No. 107768W) - the Statutory Auditors of the Company are eligible and recommended for re-appointment as the Joint Statutory Auditors at the ensuing Thirtieth (30<sup>th</sup>) Annual General Meeting to hold office of the Statutory Auditors for a further period of one (1) year from the conclusion of Thirtieth (30<sup>th</sup>) Annual General Meeting until the conclusion of Thirty-first (31<sup>st</sup>) Annual General Meeting.

Both the proposed Statutory Auditors have furnished a Certificate of their consent, qualification and eligibility for appointment including re-appointment under Section 139 and 141 of the Companies Act, 2013 read with the rules and regulations made thereunder.

The Auditors' Report submitted by M/s. Patel, Shah & Joshi, the Statutory Auditors of the Company to the shareholders for the financial year 2015-2016 ended 31<sup>st</sup> March 2016 do not contain any qualification. 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 and as such, do not call for any explanations.

During the financial year 2015-2016 under review :

- there is no fraud occurred, noticed and/or reported by the Statutory Auditors under Section 143(12) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (as amended);
- the observations made by the Statutory Auditors on the financial statements for the financial year 2015-2016 under review including the affairs of the Company are self explanatory and do not contain any qualification, reservation, adverse remarks or disclaimer thereof.

As such, no specific information, details or explanations required to be given or provided by the Board of Directors of the Company.

## II. COST AUDITORS AND THEIR REPORT :

Pursuant to Section 148 of the Companies Act 2013, the Board of Directors of the Company, on the recommendations of the Audit Committee, has appointed M/s. G. R. Paliwal & Company (Membership No. 7815), Cost Accountants, Nagpur as the Cost Auditors of the Company for the financial year 2016-2017 and has also recommended their remuneration to the shareholders for their ratification at the ensuing Annual General Meeting.

The said Cost Auditors have furnished a Certificate of their eligibility for appointment pursuant to Section 141(3)(g), Section 148(5) of the Companies Act, 2013 read with the rules made there under, Certificate for independence and arms length relationship with the Company and have confirmed about their not being disqualified for such appointment including re-appointment within the meaning of Section 141(3) of the Companies Act, 2013.

Pursuant to the applicable provisions of the Act read with the rules made there under, the Cost Audit Report for the financial year 2014-2015 was filed vide SRN : S39583471 dated 26<sup>th</sup> September 2015.

## III. SECRETARIAL AUDITORS AND THEIR REPORT :

M/s. Mukesh Parakh & Associates, Company Secretary in Practice, Nagpur (Membership No. FCS-4343 & Certificate of Practice No. 13693), were appointed as the Secretarial Auditors of the Company for the financial year 2015-2016 ended 31<sup>st</sup> March 2016.

The Secretarial Audit Report in Form No. MR-3 submitted by the said Secretarial Auditors is attached herewith as an **Annex – B** and forms part and parcel of the Board's Report, do not contain any adverse remarks and qualifications, is self explanatory and do not call for any further explanations by the Company.

Further, the Company has re-appointed M/s. Mukesh Parakh & Associates, Company Secretary in Practice, Nagpur (Membership No. FCS-4343 & Certificate of Practice No. 13693), as the Secretarial Auditors of the Company for the financial year 2016-2017 ending 31<sup>st</sup> March 2017.

## 15. PERSONNEL / PARTICULARS OF EMPLOYEES

The information required under Section 197 of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below:

- The ratio of the remuneration of each Executive Director to the median remuneration of the employees of the Company for the financial year :

Executive Directors	Ratio to Median remuneration
Mr. Ravi Bhushan Bhardwaj - Non-executive Vice-Chairman	9.84 : 1
Mr. Pranav Bhardwaj - Managing Director	24.50 : 1
Mr. Surendra Kumar Gupta - Deputy Managing Director	16.28 : 1

- The percentage increase in remuneration of each Director, Chief Executive Officer, Chief Financial Officer, Company Secretary in the financial year 2015-2016 :

Directors, Chief Executive Officer, Chief Financial Officer and Company Secretary	% increase in remuneration in the financial year
Mr. Ravi Bhushan Bhardwaj - Non-executive Vice Chairman	N.A.
Mr. Pranav Bhardwaj - Managing Director	5.83%
Mr. Surendra Kumar Gupta - Deputy Managing Director	4.42%
Mr. R. Muralidhar - Chief Financial Officer	6.17%
CS Pranab Panigrahi - Company Secretary	3.26%

- c. The percentage increase in the median remuneration of employees in the financial year : 0.80%
- d. The number of permanent employees on the rolls of Company as on 31<sup>st</sup> March 2016 : 1349
- e. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:  
The average annual increase was about 5%. During the financial year, the total increase is approximately 5%, after accounting for promotions and other event based compensation revisions.  
Increase in the managerial remuneration for the financial year was around 5% other than commission based on net profit as per the terms of their appointment.
- f. Affirmation : Remuneration paid to Director/s, Key Managerial Personnel and Employees of the Company is as per the remuneration policy of the Company.
- g. Information as per Section 197 of the Companies Act, 2013 ("the Act") and Rule 5(2) of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 (as amended), forms part of this report. However, in terms of Section 136(1) of the Act, the Report and Financial Statements are being sent to all the shareholders and others entitled to receive the same, excluding the statement of particulars of employees. The statement is available for inspection by the members at the Registered Office of the Company during business hours on any working day up to the date of the ensuing Annual General Meeting. If any member interested in obtaining a copy thereof, such member may write to the Company Secretary, whereupon a copy would be sent.

#### 16. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGES EARNINGS AND OUTGO

The particulars relating to energy conservation, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of The Companies (Accounts) Rules, 2014 are given in the **Annex - C** to this report.

#### 17. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT, 2013

Name of the related party and nature of relationship	Nature of contracts / arrangements / transactions	Duration of contracts / arrangements / transactions	Salient terms of the contracts / arrangements / transactions, including the value, if any	Dates of approval by the Board, if any	Amount paid as advance, if any
Sunflag Power Limited - Wholly owned subsidiary	Interest Free Unsecured Loan	Continuing	N.A.	30.05.2015 and ratified on 28.05.2016	₹ 12,08,663/- for the financial year 2015-2016
Daido D.M.S. India Pvt. Ltd. Associate (JV) Company	Investment in equity Share Capital	N.A.	N.A.	30.05.2015 and ratified on 28.05.2016	₹ 36,000,000 in the capital of the Company

#### 18. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES UNDER SECTION 188 OF THE COMPANIES ACT, 2013

- a) Details of contracts or arrangements or transactions not at arm's length basis :  
**There are no such transactions and hence not applicable.**
- b) Details of contracts or arrangements or transactions at arm's length basis :  
**The details of contracts or arrangements or transactions in the ordinary course of business and at arm's length basis are as given below :**

##### Form No. AOC – 2

Pursuant to clause (h) of sub-section (3) of Section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014 (Amended) :

Name of the related party and nature of relationship	Nature of contracts / arrangements / transactions	Duration of contracts / arrangements / transactions	Salient terms of the contracts / arrangements / transactions, including the value, if any	Dates of approval by the Board, if any	Amount paid as advance, if any
Haryana Television Limited	Ordinary Course of Business and at Arm's length	Continuing	Rent paid for Company's Godown at Faridabad	30.05.2015 and ratified on 28.05.2016	Rent : ₹ 47,84,453/- for the financial year 2015 -2016
Mr. Suhrit Ravi Bhushan Bhardwaj	Ordinary Course of Business and at Arm's length	Continuing	Rent paid for Company's Transit House	30.05.2015 and ratified on 28.05.2016	Rent : ₹ 20,50,830/- for the financial year 2015 -2016

#### 19. LISTING OF SHARES

The Equity shares of the Company continued to be listed with and actively traded on the BSE Limited (BSE) and The National Stock Exchange of India Limited (NSE). The listing fees for the financial year 2016-2017 have been paid to both the Stock Exchanges (BSE & NSE).

**20. DEMATERIALISATION OF SHARES**

As on 31<sup>st</sup> March 2016, there were approximately 1073.79 lakh equity shares dematerialised through depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited, which represents about 59.58% of the total issued, subscribed and paid-up capital of the Company.

**21. EXTRACT OF THE ANNUAL RETURN**

The extract of the Annual Return as on 31<sup>st</sup> March 2016 pursuant to the provisions of Section 92(3) of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014 (as amended) is furnished in the **Annex – D** attached to this report, which forms an integral part of this report.

**22. TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND**

The detailed information related to the dividend declared by the Company in the previous years together with amount remained unpaid or unclaimed, its transfer to the Investor Education and Protection Fund are provided in Notes annexed to the Notice convening the Thirtieth (30<sup>th</sup>) Annual General Meeting of the Company.

**23. CORPORATE GOVERNANCE**

The Company is committed to maintain the highest standards of corporate governance and adhere to the corporate governance requirements set out by the SEBI through Listing Agreement and Listing Regulations (to the extent applicable) executed with the stock exchanges(s). The Company has also implemented several best corporate governance practices as prevalent globally.

Your Directors are pleased to report that your Company has complied with the SEBI Guidelines on Corporate Governance as of 31<sup>st</sup> March 2016 relating to the Listing Agreement and Listing Regulations (to the extent applicable). A Certificate from M/s. Mukesh Parakh & Associates, Company Secretary in Practice, Nagpur (Membership No. FCS-4343, Certificate of Practice No. 13693) confirming compliance with conditions as stipulated under Listing Agreement and Listing Regulations (to the extent applicable) is annexed to the Corporate Governance Report.

**24. CORPORATE SOCIAL RESPONSIBILITY (CSR)**

The Company's steel plant is located at Bhandara Road, Village Warthi, Tahsil Mohadi, District Bhandara. It is located at a distance of 12 kilometers from the district place Bhandara. The unit is surrounded by about 3 villages in the radius of 5 Kms. The Company is having its captive coal mines at Belgaon, near Village Aathmurdi in Chandrapur district. The residents of these localities are directly or indirectly associated with the Company. The Company has primarily focused on the development of the residents of these localities.

All the activities/programmes covered under SISCO CSR are being monitored by the CSR Committee and are implemented by the CSR Sub-committee.

As required, the details pertaining to the Corporate Social Responsibility (CSR) activities together with details of expenditure is enclosed herewith as an **Annex – A** and the same is attached to this Report.

**25. CODES OF CONDUCT OF BUSINESS PRINCIPLES & ETHICS AND PREVENTION OF INSIDER TRADING AND OTHER CODES / POLICIES**

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

- i) Code of Conduct of Business Principles and Conduct;
- ii) Code of Prevention of Insider Trading in Sunflag securities by the designated persons (insider) (as amended from time to time);
- iii) Code for Vigil Mechanism - Whistle Blower Policy ;
- iv) Code for Independent Directors;
- v) Corporate Social Responsibility Policy;
- vi) Risk Management Policy;
- vii) Policy on Document Preservations (Regulation 9 of the SEBI (LODR) Regulations, 2015);
- viii) Policy for determining of 'material' Subsidiary (Regulation 16 of the SEBI (LODR) Regulations, 2015);
- ix) Policy on materiality of related party transaction/s and on dealing with related party transactions (Regulation 23 of the SEBI (LODR) Regulations, 2015); and
- x) Policy for determination of materiality, based on specified criteria and accordingly, grant authorisation for determination of materiality of events (Regulation 30 of the SEBI (LODR) Regulations, 2015).

The aforesaid code(s) and policy(ies) are available on the Company's website [www.sunflagsteel.com](http://www.sunflagsteel.com)

**26. MATERIAL DEVELOPMENT IN HUMAN RESOURCES****INDUSTRIAL RELATIONS**

During the financial 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.

**SEXUAL HARASSMENT OF WOMEN AT THE WORKPLACE**

Sunflag Iron and Steel Company Limited (“the Company”) has in place an Anti Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013 and Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees etc) are covered under this Policy. The Certificate by Deputy Managing Director and Chairman, Audit Committee of the Company to that effect is enclosed herewith as an **Annex - E** and forms part of this report.

**HEALTH AND SAFETY**

Departmental safety coordinators are identified for monitoring & training on safety related matter at shop-floor. Safety Committee and Apex Committee are available for periodical review on safety, health & environment of all departments.

Regular Training on Safety is being organised for New Joinee, regular employees & contract labour. Mock-drills are conducted for practical exposure to meet emergency need on quarterly basis.

Hand book on safety awareness are distributed to all employees.

**27. 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 :-

- (a) that all assets and resources are used efficiently and are adequately protected;
- (b) that all the internal policies and statutory guidelines are complied with; and
- (c) the accuracy and timing of financial reports and management information is maintained.

**28. MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY**

During the financial year 2015-2016 under review, there are no material changes and commitments, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relates and the date of this report. As such, no specific details are required to be given or provided.

**29. DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY’S OPERATIONS IN FUTURE**

During the financial year 2015-2016 under review, no significant and material order is passed by any of the Regulators or Courts or Tribunals impacting the going concern status and Company’s operations in future. As such, no specific details are required to be given or provided.

**30. OTHER DISCLOSURES**

The details regarding Board and its Committee meetings, Evaluation of Board performance, Declaration by Independent Directors, Remuneration policy for Directors and KMP’s, Induction, training and familiarisation programmes for Directors including Independent Directors and such other related information has been provided under the Corporate Governance Report, which forms part and parcel of the Board’s Report.

**31. ENCLOSURES**

- a) Annex – A : Annual Report on Corporate Social Responsibility (CSR) activities together with expenditure details;
- b) Annex – B : Secretarial Auditors Report in Form No. MR-3;
- c) Annex – C : Report on Energy Conservation, Technology Absorption and Foreign Exchanges Earnings and Outgo;
- d) Annex – D : Extract of Annual Return as of 31<sup>st</sup> March, 2016 in the prescribed Form No. MGT-9; and
- e) Annex – E : Certificate on Sexual Harassment of Women at the Workplace and its Prevention, Prohibition & Redressal.

**32. ACKNOWLEDGEMENT**

The Directors acknowledge with thanks co-operation and assistance received by the Company from the Members, Central & State Government 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

**ANNEX 'A' TO BOARD'S REPORT**
**ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES**

1. A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs. :
1. CSR activities at **SUNFLAG STEEL** are carried out and monitored mainly through inhouse Departments.
  2. Contribution or donation made to such other Organisation or Institutions as may be permitted under the applicable provisions from time-to-time.
  3. Directly by the Company for fulfilling its responsibilities towards various stakeholders.
- The Company has framed a CSR Policy in compliance with the provisions of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 (as amended) and Listing Regulations, and the same together with details of activities, expenditure etc. are placed on the Company's website [www.sunflagsteel.com](http://www.sunflagsteel.com)
2. The Composition of the CSR Committee :
- Chairman of the Committee :**  
Mr. Ravi Bhushan Bhardwaj - Non-executive Vice Chairman
- Members of the Committee :**
1. Dr. E.R.C. Shekar - Non-executive, Independent Director
  2. CA Jayesh M Parmar - Non-executive, Independent Director
  3. Mr. Surendra Kumar Gupta - Deputy Managing Director
3. Average net profit of the company for last three financial years (Amount ₹ in Lacs) : ₹ 1,950.92 Lacs
4. Prescribed CSR Expenditure [two percent (2%) of the amount as in item 1 above] : ₹ 39.02 Lacs
5. Details of amt. spent during the financial year on CSR activities :
1. Total amount to be spent for the Financial Year : ₹ 39.02 Lacs
  2. Amount unspent, if any; : The Company has spent ₹ 41.21 Lacs against the mandated ₹ 39.02 Lacs during the Financial year 2015 - 2016. Hence, there is no unspent amount.
3. Manner in which the amount spent during the financial year : The manner in which the amount spent is detailed in the Annex I

**Annex – I**
**CORPORATE SOCIAL RESPONSIBILITY - EXPENDITURE : FY 2015-2016**

(Amount in ₹)

CSR project or activity identified	Sector in which the Project is covered	Projects or programs 1) Local area or other 2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads: 1) Direct expenditure on projects or programs 2) Overhead	Cumulative expenditure upto the reporting period	Amount spent : Direct or through implementing agency
Integrated Rural Development around the manufacturing site of the Company as well as Company's Coal Block at Belgaon, both in the state of Maharashtra	Health Care	In the nearby	102934	102934	102934	Total amount of ₹ 4120621 spent directly by the Company itself
	Education & Skill development - Upgradation of skills of local youths	Villages of Company's Works & Belgaon Coal blocks viz Villages Warthi, Sirsi, Eklari, Atmurdi, Dongargaon	250981	250981	353915	
	Environment Sustainability and Protection of Flora & Fauna		88267	88267	442182	
	Rural Development viz Drinking water, rural health & sanitation, construction of roads participation in Swachha Bharat Abhiyan etc.		3459660	3678439	4120621	

The CSR Committee confirms that the implementation of CSR Policy is in compliance with the CSR Objectives and Policy of the Company.

 Dr. E.R.C. Shekar  
Director - DIN : 00013670

 Mr. Surendra Kumar Gupta  
Deputy Managing Director - DIN : 00054836

**ANNEX 'B' TO BOARD'S REPORT****Form No. MR – 3  
SECRETARIAL AUDIT REPORT  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014]

To

The Members

Sunflag Iron and Steel Company Limited  
C I N - L 27100 MH 1984 PLC 034003  
33, Mount Road, Sadar, Nagpur - 440001

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Sunflag Iron and Steel Company Limited** (hereinafter called as '**the Company**'). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company, review of management representation letter along with quarterly compliance reports by respective department heads, Company Secretary, Chief Financial Officer, Chief Executive Officer noted and taken on record by the Board of Directors of the Company at their meeting/s and also the information and explanation provided by the Company, its officers, agents and authorised representatives during the conduct of Secretarial Audit, We hereby report that in our opinion, the Company has, during the audit period covering the financial year 2015-2016 ended on 31 March 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year 2015-2016 ended on 31 March 2016 according to the provisions of :-

- i) The Companies Act, 2013 ('the Act') and the rules made there under;
- ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- iii) The Depositories Act, 1996 and Regulation and Bye-laws framed there under;
- iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') to the extent applicable :-
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (till 14 May 2015) and The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (effective 15 May 2015);
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase scheme) Guidelines, 1999 and The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 – Not Applicable to the Company during the audit period;
  - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 – Not Applicable to the Company during the audit period;
  - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 – Not Applicable to the Company during the audit period;
  - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 – Not Applicable to the Company during the audit period; and
  - i) The other Regulations and Guidelines of the Securities and Exchange Board of India to the extent and as may be applicable to the Company.

We have also examined compliance with the applicable clauses of the following :

- i) Secretarial Standards (SS-1 for Meetings of the Board of Directors and SS-2 for General Meetings) issued by the Institute of Company Secretaries of India effective 1 July 2015;
- ii) The Listing Agreement/s entered into by the Company with the BSE Limited (BSE) and The National Stock Exchange of India Limited (NSE) till 30 November 2015;
- iii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Sub-regulation (4) of the Regulation 23 and Regulation 31A, effective 2 September 2015; and
- iv) The Listing Agreement/s (Listing Regulations) entered into by the Company with the BSE Limited (BSE) and The National Stock Exchange of India Limited (NSE) pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 effective 1 December 2015.

During the audit period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that, having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, on test-check basis, the Company has complied with the following laws applicable specifically to the Company :-

- i) The Mines Act, 1952 and the Rules made there under;
- ii) The Explosives Act, 1884 and the Rules made there under;
- iii) The Environment (Protection) Act, 1986 and the Rules made there under;



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- iv) The Water (Prevention and Control of Pollution) Act, 1974; the allied Act and Rules made thereunder;
  - v) The Air (Prevention and Control of Pollution) Act, 1981 and the Rules made there under;
  - vi) The Hazardous Waste (Management, Handling and Transboundary Movement) Rules, 2008 and The Manufacture, Storage and Import of Hazardous Chemical Rules, 1989
  - vii) The Boilers Act, 1923
  - viii) The Indian Electricity Act, 1910; The Electricity Act, 2003; and the Rules made there under;
  - ix) The Legal Metrology Act, 2009

We further report that :-

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors including Woman Director. The change in the composition of the Board of Directors that took place during the period under review, were carried out in compliance with the provisions of the Act.

Adequate notice of at least seven days in advance was given to all directors to schedule the Board and Committee meetings. Agenda and detailed notes on agenda were sent in advance, and a system exists for seeking and obtaining further information and clarification on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, all decisions at the Board and Committee meetings, as the case may be, are carried out unanimously and no dissenting views have been recorded.

We further report that as per the information / explanations given to us and the representation made by the management and relied upon by us, there are adequate systems, processes and control mechanism exist in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with all applicable Laws, Rules, Regulations, Guidelines, Standards, etc. to the Company.

We further report that during the audit period, the Company has following specific events / actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. :-

- a) Adoption of new set of Articles of Association of the Company *inter-alia* pursuant to the Companies Act, 2013.
- b) Change in Management Structure – (i) Mr. Ravi Bhushan Bhardwaj ceased to be the Managing Director & Key Managerial Personnel (KMP) of the Company effective 12 August 2015. However, is continued as a Non-Executive Vice Chairman of the Company; (ii) Mr. Pranav Bhardwaj, Joint Managing Director is re-designated as the Managing Director of the Company effective 12 August 2015 and re-appointment for a further period of five (5) years effective 17 January 2016; and (iii) Mr. Surendra Kumar Gupta, Whole-time Director designated as the Director & CEO is re-designated as the Deputy Managing Director of the Company effective 12 August 2015.

**For M/s. Mukesh Parakh & Associates  
Company Secretaries**

**CS Mukesh D. Parakh  
Proprietor  
M. No. FCS - 4343 CoP No. 13693**

**Nagpur  
19.08.2016**

**Note : The Secretarial Audit Report is to be read with our letter of even date which is annexed as an Annex A and forms an integral part of this Report.**

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#### Annex A

To

The Members

Sunflag Iron and Steel Company Limited  
C I N - L 27100 MH 1984 PLC 034003  
33, Mount Road, Sadar, Nagpur - 440001

Our Secretarial Audit Report of even date is to be read along with this letter :-

**1. Management's Responsibility**

It is the responsibility of the management of the Company to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

**2. Auditor's Responsibility**

- a) Our responsibility is to express an opinion on these secretarial records, standards and procedures followed by the Company with respect to secretarial compliances.
- b) We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe, the processes and practices that we followed provide a reasonable basis for our opinion. We also believe that audit evidence and information obtained from the Company's management is adequate and appropriate for us to provide a basis for our opinion.
- c) We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
- d) Wherever required, we have obtained the management's representation about the compliance of laws, rules and regulations and happening of events, etc.
- e) The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.

**3. Disclaimer**

The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**For M/s. Mukesh Parakh & Associates  
Company Secretaries**

**CS Mukesh D. Parakh  
Proprietor  
M. No. FCS - 4343 CoP No. 13693**

**Nagpur  
19.08.2016**

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**ANNEX 'C' TO BOARD'S REPORT****CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**  
[Section 134(3)(m) of The Companies Act, 2013 read with Rule 8(3) of The Companies (Accounts) Rules, 2014]**A. CONSERVATION OF ENERGY****i) The following measures were taken during the year under review for conservation of energy :**

- i. Replacement of Light Diesel Oil (LDO) with premium furnace oil in heat treatment furnace to save fuel consumption
- ii. Relocation of burners in Reheating Furnace of Alloy Steel Mill to optimise fuel consumption
- iii. Replacement of Recuperator in Reheating Furnace of Blooming Mill to optimise fuel consumption
- iv. Increased usage of Hot Metal / Oxygen to reduce power consumption in EAF

**ii) The steps taken by the Company for utilising alternate source of energy :**

The Company is exploring the possibility of alternate source of energy

**iii) The capital investment on energy conservation equipments :**

There was no capital investment on energy conservation equipments during the reporting year

**B) RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION :**

New grade developed

**BENEFITS**

New market Development for critical auto components

**FUTURE PLAN :**

- i. Pulverised Coal Injection System
- ii. Refurbishing of Mini Blast Furnace
- iii. Capacity Enhancement of Sinter Plant
- iv. Conversion of Heat Recovery Boiler of DRP - I to Dual Operation of FBC and WHRB

**Expenditure on Research and Development :**

Sr. No.	Particulars	2015-2016	2014-2015
1	Capital (₹ in Lacs)	--	--
2	Recurring (₹ in Lacs)	--	33.39
3	Total (₹ in Lacs)	--	33.39
4	Total R&D Expenditure as a percentage of net turnover	--	0.02%

**C) FOREIGN EXCHANGE EARNINGS AND OUTGO**

(₹ in Lakh)

Particulars	2015-2016	2014-2015
i) Earnings : Export of Goods	5,187	7,967
ii) Out Go		
a) CIF Value of imports	7,187	9,921
b) Others including Technical Services	252	91

For and on behalf of the Board

**Nagpur**  
**19.08.2016**

**Dr. E.R.C. Shekar**  
Director  
DIN : 00013670

**Surendra Kumar Gupta**  
Deputy Managing Director  
DIN : 00054836

**ANNEX 'D' TO BOARD'S REPORT****Form No. MGT - 9****EXTRACT OF ANNUAL RETURN AS ON 31.03. 2016**

[Pursuant to section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

**I. REGISTRATION AND OTHER DETAILS :**

1. CIN	-	L27100MH1984PLC034003
2. Registration Date	-	12 <sup>th</sup> September, 1984
3. Name of the Company	-	Sunflag Iron and Steel Company Limited
4. Category / Sub-Category of the Company	-	Public Limited (Listed) Company having Share Capital, Company Limited by Shares, Indian Non-Government Company
5. Address of the Registered office and contact details	-	33, Mount Road, Sadar, Nagpur - 440001 (Maharashtra)
6. Whether listed Company Yes/ No	-	Yes (BSE & NSE)
7. Name, Address and Contact details of Registrar and Transfer Agent, if any	-	M/s Bigshare Services Private Limited E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400072 (Maharashtra)

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY :**

All the business activities contributing 10% or more of the total turnover of the Company shall be stated :

Name and Description of Main Products / Services	NIC Code of the Product / Service	% to total turnover of the Company
Steel & Steel Products (Rolled Products)	2410	96.33%

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES :**

Sr. No.	Name and Address of the Company	CIN / GLN	Holding / Subsidiary / Associate	% of shares held	Applicable Section
1.	Sunflag Power Limited B-203, Mount View Apartment, Nr Ansal Green Valley Bhagirathipuram, Jakhan, Pajpur Road, Dehradun, UR-248001	U31200UR2003PLC027802	Subsidiary	99.88	2(87)
2.	Khappa Coal Company Private Limited 33, Mount Road, Sadar, Nagpur, Maharashtra - 440001	U10100MH2009PTC191907	Subsidiary	63.27	2(87)
3.	Sunflag Special Steels Limited 267, Kharavela Nagar, Bhubaneswar, Odisha - 751001	U27102OR2003PLC007099	Subsidiary	99.88	2(87)
4.	C T Mining Private Limited Datma More, Behind CCL GM's Bungalow, P.S. - Kuju Ramgarh, Jharkhand - 825316	U10100JH2008PTC013329	Associate	31.80	2(6)
5.	Madanpur (North) Coal Company Pvt Ltd Navbharat Udyog Bhawan Ring Road, No-1 Telibandha, Raipur, Chhatisgarh - 492006	U10101CT2007PTC020161	Associate	11.7318	2(6)
6.	Daido D.M.S. India Pvt. Ltd. Plot No. 255, Sector-24, Faridabad, Haryana - 121005	U28113HR2015FTC054839	Associate	20.00	2(6)

**Note :**

The Company's Associate (Joint Venture) Company namely, Gujarat State Mining and Resources Corporation Limited ('GSMRCL') in which the Company holds 49% of Issued, Subscribed and Paid-up Share Capital of GSMRCL, has made an application and submitted requisite documents for strike-off (closure) of name of the Company from the Register of the Office of the Registrar of Companies, Gujarat at Ahmedabad.

The JV Company had received a confirmation Dated 3<sup>rd</sup> May 2016 from the Office of the Registrar of Companies, Gujarat at Ahmadabad about the Striking-off the Name of the Joint Venture Company Namely "GUJARAT STATE MINING AND RESOURCES CORPORATION LIMITED" (GSMRCL) pursuant to Sub-Section (3) of Section 560 of the Companies Act, 1956 that at the expiration of thirty (30) days from the date hereof the name of the GUJARAT STATE MINING AND RESOURCES CORPORATION LIMITED (GSMRCL), Unless cause is shown of the contrary, will be struck-off from the Register and the said Company will stand dissolved.

In view of above, the name of Gujarat State Mining and Resources Corporation Limited ('GSMRCL') is not mentioned/covered under the head 'Particulars of Holding, Subsidiary and Associate Companies'.

**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**
**i) Category-wise Share Holding :**

Category of Shareholder	No of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total	Demat	Physical	Total	% of Total	
<b>A. Promoters</b>									
<b>1) Indian</b>									
a) Individual/HUF	1612140	--	1612140	0.89	1612140	--	1612140	0.89	No Change
b) Central Govt.	--	--	--	--	--	--	--	--	--
c) State Govt.(s)	--	--	--	--	--	--	--	--	--
d) Bodies Corporate	8333356	--	8333356	4.62	8333356	--	8333356	4.62	No Change
e) Banks/FI	--	--	--	--	--	--	--	--	--
f) Any Other	--	--	--	--	--	--	--	--	--
<b>Sub-total (A-1)</b>	<b>9945496</b>	<b>--</b>	<b>9945496</b>	<b>5.51</b>	<b>9945496</b>	<b>--</b>	<b>9945496</b>	<b>5.51</b>	<b>No Change</b>
<b>2) Foreign</b>									
a) NRIs- Individuals	13217398	--	13217398	7.33	13217398	--	13217398	7.33	No Change
b) Other Individuals	--	--	--	--	--	--	--	--	--
c) Bodies Corporate	--	65253582	65253582	36.21	--	65253582	65253582	36.21	No Change
d) Banks / FI	--	--	--	--	--	--	--	--	--
e) Any Other...	--	--	--	--	--	--	--	--	--
<b>Sub-total (A-2)</b>	<b>13217398</b>	<b>65253582</b>	<b>78470980</b>	<b>43.54</b>	<b>13217398</b>	<b>65253582</b>	<b>78470980</b>	<b>43.54</b>	<b>No Change</b>
<b>Total shareholding of Promoter(A) (A-1 + A-2)</b>	<b>23162894</b>	<b>65253582</b>	<b>88416476</b>	<b>49.06</b>	<b>23162894</b>	<b>65253582</b>	<b>88416476</b>	<b>49.06</b>	<b>No Change</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	--	88000	88000	0.049	--	88000	88000	0.049	No Change
b) Banks / FI	19731	88800	108531	0.060	1015	88700	89715	0.050	(0.01)
c) Central Govt.	--	--	--	--	--	--	--	--	--
d) State Govt(s)	--	--	--	--	--	--	--	--	--
e) Venture Capital Funds	--	--	--	--	--	--	--	--	--
f) Insurance Companies	--	1100	1100	0.0006	--	1100	1100	0.0006	No Change
g) FIs	50000	--	50000	0.028	--	--	--	--	(0.028)
h) Foreign Venture Capital Funds	--	--	--	--	--	--	--	--	--
i) Others (specify)	--	--	--	--	--	--	--	--	--
<b>Sub-total (B-1)</b>	<b>69731</b>	<b>177900</b>	<b>247631</b>	<b>0.137</b>	<b>1015</b>	<b>177800</b>	<b>178815</b>	<b>0.099</b>	<b>(0.038)</b>
<b>2. Non-Institutions</b>									
a) Bodies Corporate									
i) Indian	9900982	72950	9973932	5.534	4118968	69020	4187988	2.324	(3.21)
ii) Overseas	18021945	--	18021945	10.000	18021945	--	18021945	10.000	No Change
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	17415345	7416207	24831552	13.778	19091982	7274017	26365999	14.629	0.851
ii) Individual shareholders holding nominal share capital in excess of ₹ one lac	38112170	76400	38188570	21.190	42288615	58250	42346865	23.497	2.307
c) Others (specify) (NRIs, Trust, Clearing Members/Corp.)	532290	7052	539342	0.299	694308	7052	701360	0.389	0.090
<b>Sub-total (B-2)</b>	<b>83982732</b>	<b>7572609</b>	<b>91555341</b>	<b>50.802</b>	<b>84215818</b>	<b>7408339</b>	<b>91624157</b>	<b>50.840</b>	<b>0.038</b>
<b>Total Public Shareholding (B) = (B-1 + B-2)</b>	<b>84052463</b>	<b>7750509</b>	<b>91802972</b>	<b>50.940</b>	<b>84216833</b>	<b>7586139</b>	<b>91802972</b>	<b>50.940</b>	<b>No Change</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	--	--	--	--	--	--	--	--	--
<b>Grand Total (A+B+C)</b>	<b>107215357</b>	<b>73004091</b>	<b>180219448</b>	<b>100.000</b>	<b>107379727</b>	<b>72839721</b>	<b>180219448</b>	<b>100.000</b>	<b>No Change</b>

**ii) Shareholding of Promoters**

Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change Share holding during the year
	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total Shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total Shares	
Sunflag Ltd., Channel Islands, UK	65253582	36.21	--	65253582	36.21	--	No change
Suhrit Ravi Bhushan Bhardwaj	13217398	7.33	--	13217398	7.33	--	No change
Supra Corporation Limited	8333356	4.62	--	8333356	4.62	--	No change
Pranav Bhardwaj	912140	0.51	--	912140	0.51	--	No change
Ravi Bhushan Bhardwaj	700000	0.39	--	700000	0.39	--	No change
<b>Total</b>	<b>88416476</b>	<b>49.06</b>	<b>--</b>	<b>88416476</b>	<b>49.06</b>	<b>--</b>	<b>No change</b>

**iii) Change in Promoters' Shareholding (please specify, if there is no change)**

Particulars	Shareholding at the beginning of the year		Shareholding at the end of the year	
	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
At the beginning of the year				
Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc)	No change			
At the End of the year				

**iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) :**

Name of the Top 10 (ten) Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year		Change in Shareholding during the year	
	No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1. Daido Steel Co. Ltd., Japan	18021945	10.00	18021945	10.00	--	--
2. Usha B Sanghavi	7540160	4.18	9757668	5.41	2217508	1.23
3. Bhupendra G Sanghavi	5420230	3.01	7111203	3.95	1690973	0.94
4. Kanwaljit Singh Bakshi	5000000	2.77	5000000	2.77	--	--
5. Baijnath Maniram Holding & Finance Co. Pvt. Ltd.	2477059	1.37	--	--	(2477059)	(1.37)
6. Dharendra B Sanghavi	3738783	2.07	4301951	2.39	563168	0.32
7. Bhupendra G Sanghavi (HUF)	2459975	1.36	2767502	1.54	307527	0.18
8. Baijanath Maniram Holding & Finance Co. Pvt. Ltd.	1390000	0.77	--	--	(1390000)	(0.77)
9. Baijanath Maniram Holding & Finance Co. Pvt. Ltd.	930423	0.52	--	--	(930423)	(0.52)
10. S.N. Damani Holdings Private Limited	800000	0.44	800000	0.44	--	--
11. Bhavini D Sanghavi	787106	0.44	787106	0.44	--	--
12. Anil Kantiprasad Poddar	573494	0.32	573494	0.32	--	--
13. Sangita Jogani	506897	0.28	506897	0.28	--	--

**v) Shareholding of Directors and Key Managerial Personnel & their relatives :**

Names	Shareholding at the beginning of the year		Shareholding at the end of the year	
	No. of shares of the Company	% of total shares of the Company	No. of shares of the Company	% of total shares of the Company
1. Mr. Pranav Bhardwaj, Managing Director	912140	0.506	912140	0.506
2. Mr. Ravi Bhushan Bhardwaj, Vice Chairman	700000	0.388	700000	0.388
3. Mr. Surendra Kumar Gupta, Deputy Managing Director	--	--	--	--
4. Dr. E.R.C. Shekar, Independent Director	2000	0.0011	2000	0.0011
5. Mr. R. Muralidhar, Executive Director (Finance) & CFO (KMP)	8000	0.0044	8000	0.0044
6. CS Pranab Panigrahi, Company Secretary (KMP)	--	--	--	--
7. Mr. Suhrit Ravi Bhushan Bhardwaj (Relative of Director & KMP)	13217398	7.33	13217398	7.33
8. Mrs. Rajyalakshmi Rambhatla (Relative to CFO - KMP)	900	0.0005	900	0.0005

**V. INDEBTEDNESS**
**Indebtedness of the Company including interest outstanding / accrued but not due for payment**

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	346,28,73,344	65,29,27,236	--	411,58,00,580
ii) Interest due but not paid	--	--	--	--
iii) Interest accrued but not due	11,224,469	--	--	11,224,469
<b>Total (i + ii + iii)</b>	<b>347,40,97,813</b>	<b>65,29,27,236</b>	<b>--</b>	<b>412,70,25,049</b>
<b>Change in Indebtedness during the financial year</b>				
i) Addition	--	--	--	--
ii) Reduction	153,60,01,281	5,80,47,580	--	159,40,48,861
Net Change	153,60,01,281	5,80,47,580	--	159,40,48,861
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	192,92,89,125	59,48,79,656	--	252,41,68,781
ii) Interest due but not paid	--	--	--	--
iii) Interest accrued but not due	88,07,407	--	--	88,07,407
<b>Total (i + ii + iii)</b>	<b>193,80,96,532</b>	<b>59,48,79,656</b>	<b>--</b>	<b>253,29,76,188</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**
**A. Remuneration paid to Managing Director, Whole-time Directors and/or Manager :**

(Amount in ₹)

S N	Particulars of Remuneration	Name of MD / WTD / Manager			Total Amount
		Mr. Ravi Bhardwaj (*)	Mr. Pranav Bhardwaj(\$)	Mr. S. K. Gupta (#)	
1.	Gross salary				
	a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	7,676,907	12,294,029	8,138,396	28,109,332
	b) Value of prerequisites u/s 17(2) Income-tax Act, 1961	295,831	264,394	208,204	768,429
	c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	--	--	--	--
2.	Stock Option	--	--	--	--
3.	Sweat Equity	--	--	--	--
4.	Commission	6,690,713	18,274,635	--	24,965,348
	- as % of profit	--	--	--	--
	- others, specify	--	--	--	--
5.	Others, please specify	--	--	--	--
	<b>Grand Total (A)</b>	<b>14,663,451</b>	<b>30,833,058</b>	<b>8,346,600</b>	<b>53,843,109</b>
	Overall Ceiling as per the Act : 10% of Net Profits calculated in accordance with Section 198 of the Companies Act, 2013				

\* Remuneration and Commission of Mr. Ravi Bhushan Bhardwaj, presently designated as the Non-executive Vice-Chairman is considered till the time he holds the office of the Managing Director of the Company i. e. from 1<sup>st</sup> April 2015 to 12<sup>th</sup> August 2015.

§ Remuneration to Mr. Pranav Bhardwaj is considered as the Joint Managing Director for the period 1<sup>st</sup> April 2015 to 12<sup>th</sup> August 2015 and as the Managing Director of the Company for the period 12<sup>th</sup> August 2015 to 31<sup>st</sup> March 2016 though there is no change in the terms of remuneration.

# Remuneration to Mr. Surendra Kumar Gupta is considered as the Whole-time Director for the period 1<sup>st</sup> April 2015 to 12<sup>th</sup> August 2015 and as the Deputy Managing Director of the Company for the period 12<sup>th</sup> August 2015 to 31<sup>st</sup> March 2016 though there is no change in the terms of remuneration.

**B. Remuneration to other Directors:**

(Amount in ₹)

Name of Directors	Sitting Fees	Commission	Others	Total Amount
<b>A. Independent Directors</b>				
1. Dr. E.R.C. Shekar	79,500	100,000	--	179,500
2. Mr. S. Gajendran	72,000	100,000	--	172,000
3. CA Jayesh M Parmar	57,000	100,000	--	157,000
4. Mr. K J Singh	40,500	100,000	--	140,500
5. Mrs. Neelam Kothari	22,500	100,000	--	122,500
<b>Total A</b>	<b>271,500</b>	<b>500,000</b>	<b>--</b>	<b>771,500</b>
<b>B. Other Non-Executive Directors</b>				
Mr. P.B. Bhardwaj	--	8,637,317	--	8,637,317
<b>Total B</b>	<b>--</b>	<b>8,637,317</b>	<b>--</b>	<b>8,637,317</b>
<b>Total A + B</b>	<b>271,500</b>	<b>9,137,317</b>	<b>--</b>	<b>9,408,817</b>
<b>Total Remuneration paid to Non-Executive Directors (excluding sitting fees)</b>				<b>9,137,317</b>
Overall Ceiling as per the Act : 1% of Net Profits calculated in accordance with Section 198 of the Companies Act, 2013				

**C. Remuneration paid to Key Managerial Personnel other than MD/ Manager / WTD :**

(Amount in ₹)

Particulars of Remuneration	Mr. R. Muralidhar Chief Financial Officer	CS Pranab Panigrahi Company Secretary	Total
Gross salary			
a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	6,978,400	2,099,320	9,077,720
b) Value of perquisites u/s 17(2) Income-tax Act, 1961	312,000	162,000	474,000
c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	--	--	--
Stock Option	--	--	--
Sweat Equity	--	--	--
Commission			
- as % of profit	--	--	--
- others, specify	--	--	--
Others, please specify			
<b>Total</b>	<b>7,290,400</b>	<b>2,261,320</b>	<b>9,551,720</b>

**VII. Penalties / Punishments / Compounding of offences :**

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment Compounding fees imposed	Authority [RD/NCLT/ Court]	Appeal made if any (give Details)
<b>A. COMPANY</b> Penalty Punishment Compounding			Nil, hence not applicable		
<b>B. DIRECTORS</b> Penalty Punishment Compounding			Nil, hence not applicable		
<b>C. OTHER OFFICERS IN DEFAULT</b> Penalty Punishment Compounding			Nil, hence not applicable		

For and on behalf of the Board

Nagpur  
19.08.2016Dr. E.R.C. Shekar  
Director  
DIN : 00013670Surendra Kumar Gupta  
Deputy Managing Director  
DIN : 00054836

**ANNEX 'E' TO BOARD'S REPORT****CERTIFICATE****Sexual Harassment of Women at the Workplace and its Prevention, Prohibition & Redressal***[Pursuant to Section 22 & 28 of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013]*

This is to certify that :

Sunflag Iron and Steel Company Limited ("the Company") has in place an Anti Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013 and Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees etc) are covered under this Policy.

The following is the Summary of sexual harassment complaints received and disposed off during the year under review i.e. Financial Year 2015-2016 :

Number of Complaints received	<b>NIL</b>
Number of Complaints disposed off	<b>NIL</b>

For and on behalf of the Board

**Nagpur**  
**19.08.2016**

**Dr. E.R.C. Shekar**  
Director  
DIN : 00013670

**Surendra Kumar Gupta**  
Deputy Managing Director  
DIN : 00054836



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## 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 in the state of Maharashtra to produce high quality Special Steel with manufacturing facilities like Sponge Iron Plant, Mini Blast Furnace, Sinter Plant, Captive Power Plant and Rolling Mills.

*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.

Further, due to implementation of Blooming Mill, *SUNFLAG STEEL* can cater to foreign as well as indigenous customers of their needs of Rolled Products for higher sections and thus offering a better product mix. The Blooming Mill will yield better quality of higher size rolled products and Bloom / Ingots due to better compression ratio and more specifically used in the critical applications like crank shaft quality and it can be supplied to Original Equipment Manufactures (OEM).

### GLOBAL ECONOMIC SCENARIO & OUTLOOK

The financial year 2016-2017 will be a challenging and difficult year for the global economy. Global growth is picking up somewhat after a number of weak years. A global GDP growth rate of 3.5%, the latest IMF forecast, is lower than the 4.5% average that preceded the decade before the great recession, but it is better than the average over the past five years.

### INDIAN ECONOMIC SCENARIO & OUTLOOK

India has emerged as the fastest growing major economy in the world as per the Central Statistics Organisation (CSO) and International Monetary Fund (IMF). According to the Economic Survey 2015-16, the Indian economy will continue to grow more than 7 per cent in 2016-17.

Based on the recommendations of the Foreign Investment Promotion Board (FIPB), FDI inflows have increased 40 per cent during April-December 2015 to reach US\$ 29.44 billion. Furthermore, the initiatives by Government of India like Make in India, Digital India and Start-up India will play a vital role in the driving the Indian economy.

### INDIAN STEEL INDUSTRY

India is the world's third-largest producer of crude steel (up from eighth in 2003) and is expected to become the second-largest producer by 2016. The growth in the Indian steel sector has been driven by domestic availability of raw materials such as iron ore and cost-effective labour. Consequently, the steel sector has been a major contributor to India's manufacturing output.

India's crude steel capacity reached 109.85 Million Tonnes (MT) in 2014-15, a growth of 7.4 per cent. Production of crude steel grew by 8.9 per cent to 88.98 MT. Total finished steel production for sale increased by 5.1 per cent to 92.16 MT. Consumption of total finished steel increased 3.9 per cent to 76.99 MT. The Government of India is aiming to scale up steel production in the country to 300 MT by 2025 from 81 MT in 2013-14.

### AUTOMOBILE AND AUTO COMPONENT INDUSTRY

The automobile industry is one of the key drivers that boosts the economic growth of the country. Since the de-licensing of the sector in 1991 and the subsequent opening up of 100 percent FDI through automatic route, Indian automobile sector has come a long way. Today, almost every global auto major has set up facilities in the country.

### COSTS - STEEL BUSINESS

During the year under review, the Company continued to focus on cost improvements through Total Productive Maintenance (TPM) and strict cost reduction policies, wherever applicable.

### STEEL SECTOR – THREATS AND CHALLENGES

- Delays in the government allocating sufficient iron ore blocks, regulatory approvals and challenges in land acquisition have slowed many steel projects. Some of these hopefully get addressed in the current quarter.
- Shift towards relatively lower steel demand growth in most of the heavy-weight economies including China.
- Structural shifts in the Chinese market arising from over capacity coupled with weakening prices are threatening the Indian players.
- As China threat was partly getting managed through the anti dumping duty route, we now have Russian problem. Russia is a key producer of steel and as its currency has hit rock bottom, the Indian market will again see very cheap imports.
- The franchisee route or the smaller producers perhaps are the biggest threat to the industry. They are able to use the name of big players and use the re-cycle material.

### OPPORTUNITIES

- The Indian steel industry is expected to register exponential growth in the future, riding on increasing urbanization, and projected growth of infrastructure, automobile and real estate sectors.
- India's outlook has improved following the election of the new government which is promising pro-business reforms. The government of India has set a target to triple Indian steel production to 300 million tons by 2025.
- Key foreign players in the industry are investing in India which gives an optimistic feel for the industry.

### MATERIAL DEVELOPMENT

*SUNFLAG STEEL* was not able to maintain its profitability mainly due to marginal rise in selling prices of its products versus abnormal rise in the cost of inputs such as iron ore, pig iron and coke and largely due to overall decelerated global and Indian economic growth.

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.

### CAUTIONARY STATEMENT

The 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.

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## CORPORATE GOVERNANCE REPORT

### Brief statement on the Company's Philosophy on Code of Corporate Governance :

At **SUNFLAG STEEL**, Corporate Governance has been an integral part of the way we have been doing our business since inception. We believe that good Corporate Governance emerges from the application of the best and sound management practices and compliance with the laws coupled with adherence to the highest standards of transparency and business ethics. These main drivers, together with the Company's ongoing contributions to the local communities through meaningful "Corporate Social Responsibility" initiatives will play a pivotal role in fulfilling our renewed vision to be the most sustainable and competitive Company in our industry and our mission to create value for all our stakeholders.

Your Company has already implemented the Code of Corporate Governance as prescribed by the Securities and Exchange Board of India ('SEBI') (Listing Obligations and Disclosure Requirements) ('LODR') Regulations, 2015 ("Listing Regulations"). Your Company has in its place 'SISCO Code of Business Principles and Conduct' for its Board members (including Non-executive Independent Directors) as well as members of senior management. The Company is also following various Codes viz. 'SISCO Code for Prevention of Insider Trading' as per the SEBI (Prohibition of Insider Trading) Regulations, 1992 and the SEBI (Prohibition of Insider Trading) Regulations, 2015 (to the extent applicable). The Company has also formulated various Policy(ies) as required and/or in compliance with the Companies Act, 2013 read with the rules made there under as well as the Listing Regulations and accordingly, has formulated the necessary Committee(s) thereof. All the necessary and requisite information are being posted and updated from time to time on the Company's Website.

The Company always believes in compliances as applicable under various statutory and other rules or regulations governing the Company from time to time. As such, the Company is in due compliance of the provisions of Secretarial Standards (SS-1 for Meetings of the Board of Directors and SS-2 for General Meetings) effective 1<sup>st</sup> July 2015 in true sense and spirits.

### 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 & 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 31<sup>st</sup> March, 2016 consisted of :

Non-Executive Directors	Executive Directors
<p><b>Promoter Group</b></p> <p>Mr. P. B. Bhardwaj (DIN : 00136076) Mr. Ravi Bhushan Bhardwaj (DIN : 00054700)</p> <p><b>Non-Promoter Group - Independent</b></p> <p>Dr. E.R.C. Shekar (DIN : 00013670) Mr. S. Gajendran (DIN : 00250136) CA Jayesh M Parmar (DIN : 00802843) Mr. Kumar Jitendra Singh (DIN : 00626836) Mrs. Neelam Kothari (DIN : 06709241)</p>	<p><b>Promoter Group</b></p> <p>Mr. Pranav Bhardwaj (DIN : 00054805)</p> <p><b>Non-Promoter Group</b></p> <p>Mr. Surendra Kumar Gupta (DIN : 00054836)</p>

**Note** : During the financial year under review :

Mr. Ravi Bhushan Bhardwaj ceased to be the Managing Director & Key Managerial Personnel (KMP) of the Company effective 12<sup>th</sup> August 2015. However, he continued as a Non-executive Vice Chairman of the Company.

Mr. Pranav Bhardwaj, Joint Managing Director is re-designated as the Managing Director of the Company effective 12<sup>th</sup> August 2015.

Mr. Surendra Kumar Gupta, Whole-time Director designated as the Director & CEO is re-designated as the Deputy Managing Director of the Company effective 12<sup>th</sup> August 2015.

Mr. Suhrit Ravi Bhushan Bhardwaj (DIN : 02318190) has been appointed as an Alternate Director to Mr. Ravi Bhushan Bhardwaj, Non-Executive Vice Chairman (DIN : 00054700) effective 7<sup>th</sup> November 2015.

Mr. Vinod Kumar Kapur (DIN : 05256912) has been appointed as an Alternate Director to Mr. P. B. Bhardwaj, Non-Executive Chairman (DIN : 00136076) effective 8<sup>th</sup> February 2016.

**b) Meetings, agenda and proceedings etc. of the Board of Directors :**

**The attendance of Directors at the Board Meetings and Twenty-ninth (29<sup>th</sup>) Annual General Meeting, details of their Directorship in other Companies, Partnership in other Firms or LLP and Membership in the Board Committees of the Company :**

- Five (5) meetings of the Board of Directors were held on 30.05.2015, 12.08.2015, 07.11.2015, 08.02.2016 and 15.03.2016 during the financial year under review.
- Last **Annual General Meeting (AGM)** was held on 25.09.2015

Sr. No.	Name of Director	No. of Board Meetings Attended	Whether Attended last AGM	Directorship in other Companies *	Partnership in LLP	Committee Membership of SISCO
1	Mr. P. B. Bhardwaj	2	Yes	3	--	1
2	Mr. Ravi Bhushan Bhardwaj	2	--	4	--	4
3	Mr. Pranav Bhardwaj	4	Yes	6	--	2
4	Dr. E. R. C. Shekar	4	Yes	4	--	7
5	Mr. S. Gajendran	5	Yes	2	--	3
6	CA Jayesh M Parmar	3	Yes	5	2	4
7	Mr. Kumar Jitendra Singh	4	Yes	1	--	1
8	Mrs. Neelam Kothari	2	Yes	--	2	--
9	Mr. Surendra Kumar Gupta	5	Yes	7	--	6
10	Mr. Suhrit Ravi Bhushan Bhardwaj	--	NA	1	--	--
11	Mr. Vinod Kumar Kapur	1	NA	3	--	--

\* Membership in other Companies denotes other than Foreign Companies.

None of the Non-executive Directors have any material pecuniary relationship or transactions with the Company other than receiving Sitting Fees for the Board and its Committee Meetings and profit based Commission.

The Company ensures that all statutory, significant material information are placed before the Board or Committees of Directors for their noting, consideration, review and approval, if any, to enable them to discharge their responsibilities as trustees of the large family of stakeholders. During the financial year, all the information on matters mentioned in terms of Clause 49 of the Listing Agreement (till 30<sup>th</sup> November 2015) and Regulation 17(3), Regulation 27 Schedule - II Part - E of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (effective 1<sup>st</sup> December 2015) has been placed before the Board for their considerations and approval, if any. The Board periodically reviews compliance of all laws applicable to the Company.

Scheduling and selection of Agenda items for the Board Meetings :

All departments of the Company schedule their work and plans in advance, particularly with regard to matters requiring consideration at the Board or its Committee Meetings.

Post meeting follow-up mechanism

All important decisions taken at the Board or its Committee Meetings are promptly communicated to the concerned departments. Action Taken Report on decisions and minutes of previous meetings are placed at the succeeding meetings of the Board and its Committee for noting, ratification and approval, if any.

Code of Conduct for the Board of Directors and Senior Management :

The Code of Conduct has already been communicated to all the Board members and members of the senior management. The Code is also available on the Company's website [www.sunflagsteel.com](http://www.sunflagsteel.com). All the Board members and senior management personnel have confirmed compliance with the Code for the financial year ended 31<sup>st</sup> March, 2016. The Annual Report contains a declaration to this effect signed by Deputy Managing Director and Chairman, Audit Committee of the Company.

**c) Woman Director :**

As per the provisions of the Companies Act, 2013 read with the Clause 49 of the Listing Agreement (erstwhile), Mrs. Neelam Kothari (DIN : 06709241), a qualified Chartered Accountant and Cost Accountant from Mumbai, appointed and continued to be on the Board of the Company effective 29<sup>th</sup> September, 2014.

**d) Separate Meeting of Independent Directors :**

As stipulated by Schedule IV - Code of Independent Directors to the Companies Act, 2013 and the Regulations 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate meeting of the Independent Directors of the Company was held on 11<sup>th</sup> March, 2016 to review the performance of Non-independent Directors (including the Non-executive Chairman and Vice-Chairman) of the Company and the Board as a whole. The Independent Directors also reviewed the quality, content and timeliness of the flow of information between the Management, the Board and its Committees, which is necessary to effectively and reasonably perform and discharge their duties.

**e) Induction, Training and Familiarisation Program for Board Members :**

The provision of an appropriate induction programme for new Directors and ongoing training for existing Directors is a major contributor to the maintenance of high Corporate Governance standards of the Company. Every such newly appointed Director is required to undergo through a formal induction program including the presentation from the Managing Director and Deputy Managing Director on the Company's manufacturing, marketing, finance and other important aspects. The Chief Financial Officer and the Company Secretary are jointly responsible for ensuring that such induction and training programmes are provided to all such Directors. The Independent Directors, from time to time, request management to provide detailed understanding of any specific project, activity or process of the Company. The management provides such information and training either at the meeting of Board of Directors or otherwise.

The induction for Director/s include interactive sessions with executive committee members, business and functional heads, visit to the manufacturing and coal mine sites, visits to locations where the CSR activities have been carried out by the Company, etc. On the matters of specialised nature, the Company engages services of outside experts and consultants for presentation and discussion with the Board members from time to time.

The presentations are made by the management team giving an overview and familiarise the Directors with the operations and business model of the Company. The Directors are also appraised about the Industry developments, new initiatives and strategy of the Company from time to time. The Board members were presented with reports, internal policies and periodic presentations at the Board and its Committee meetings. The Board members are also appraised of their roles, authorities, rights and responsibilities under various laws and regulations applicable to the Company, including but not limited to, the Companies Act, 2013 read with the rules made there under and the SEBI (LODR) Regulations, 2015 (Listing Regulations), a note of that effect is available on the Company's website.

**f) Evaluation of the Board's Performance :**

During the financial year, the Board continued with a formal mechanism for evaluating its performance as well as that of its Committees and individual Directors, including the Chairman and Vice Chairman of the Board. The exercise was carried out through a structured evaluation process covering various aspects of the Board functioning such as composition of the Board and its Committees, experience & competencies, performance of specific duties and obligations, governance issues, etc. Separate exercise was carried out to evaluate the performance of individual Directors including the Chairman and Vice Chairman of the Board, who were evaluated on parameters such as attendance, contribution at the meetings, independent judgment, safeguarding of minority shareholders interest etc.

The evaluation of the Independent Directors was carried out by the entire Board and that of the Chairman, Vice Chairman and the Non-Independent Directors were carried out by the Independent Directors. The Directors were satisfied with the evaluation results, which reflected the overall engagement of the Board and its Committees with the Company.

**g) Agenda :**

All the meetings are conducted as per well designed and structured agenda. All the agenda items are backed by necessary supporting information, notes and documents (except for the critical price sensitive information, which is circulated at the meeting itself) to enable the Board and its Committee to take informed decisions. The agenda also includes item related to ratification, confirmation and approval, if any, of minutes of the previous meetings of the Board, its Committees and Subsidiary Companies. Additional agenda items, if any, in the form of "Other Business" are included with the permission of the Chairman and with the consent of a majority of the Directors present in the meeting, which shall include at least one Independent Director, if any. The agenda including notes thereof are generally circulated together with seven clear days Notice prior to the Board and its Committee Meetings. In addition, the resolutions are passed by circulation for any business exigencies, were later placed in the ensuing Board Meeting for ratification and approval, if any.

The Companies Act, 2013 read with the relevant rules made thereunder, now facilitates the participation of Directors in the Board and its Committee Meetings through video conferencing or other audio visual mode. Accordingly, the option to participate in the meeting through video conferencing (subject to technical aspects) was made available for the Directors except in respect of such meetings and items which are not permitted to be transacted through video conferencing pursuant to the provisions of the Companies Act read with the relevant rules made there under.

The Board periodically reviews the items required to be placed before it and in particular, reviews and approves quarterly and half yearly unaudited statements of financial results and the audited statements of annual financial results, corporate strategies, business plans, annual budgets, projects and capital expenditure. The Board monitors overall operating performance, progress of major projects and review such other items which require Board's attention. It directs and guides the activities of the management towards the set goals and seeks accountability. It also sets standards of corporate behaviour, ensures transparency in corporate dealings and compliance with all applicable laws and regulations. The agenda for the Board meeting covers items set out as per the various laws and regulations applicable to the Company, including but not limited to, the Companies Act, 2013 read with the rules made there under and the SEBI (LODR) Regulations, 2015 (Listing Regulations) to the extent these are relevant and applicable to the Company.

**h) Invitees and Proceedings :**

Apart from the Board members, the Company Secretary is a Secretary to the Board and all its Committees while the Chief Financial Officer (CFO) is invited to attend the Board Meetings as well as its Committee Meetings. Other senior management executives are called, as and when necessary, to provide additional inputs for the items being discussed by the Board and its Committees. The CFO makes presentation on the quarterly and annual operating - financial performance and capital expenditure budget. The Managing Directors, CFO and other senior executives make presentations on capital expenditure proposals and progress, operational health, safety and other business issues. The Chairman of various Board Committees brief the Board on all the important matters discussed and decided at their respective Committee meetings, which are generally held prior to the Board meeting.

**i) Post Meeting Action :**

Post meetings, all important decisions taken at the meeting were communicated to all the concerned officials and departments. An Action Taken Report is prepared and reviewed periodically by the Company Secretary for the action taken and pending for further action.

**j) Support and Role of Company Secretary :**

The Company Secretary is responsible for convening the Board and its Committee meetings, preparation and distribution of agenda and other documents, recording of the minutes of the meetings. He acts as interface between the Board and the management, provides required assistance or assurance to the Board and the management on compliance and governance aspects.

**k) Brief Profile of Directors :****Mr. P. B. Bhardwaj - Non-Executive Chairman (DIN : 00136076)**

Mr. P. B. Bhardwaj, 79, is from the renowned Industrial family. He was instrumental in setting up the state of the art integrated Steel Plant of Sunflag Iron and Steel Company Limited at Warthi, Bhandara Road, Bhandara in the state of Maharashtra and is associated with the Company since its inception in the year 1984. He has rich and varied experience in various fields of Steel, Textiles, Knitting, etc. He is a Chairman in Share Transfer Committee of the Company. He is not holding any equity shares in the capital of the Company.

**Mr. Ravi Bhushan Bhardwaj - Non-Executive Vice-Chairman (DIN : 00054700)**

Mr. Ravi Bhushan Bhardwaj, 73, hails from a renowned family of industrialists and an industrial entrepreneur himself. He has vast experience in various industries and particularly, Steel and Textile industry. He is associated with the Company since its inception as part of the Promoter and Promoter Group, working as the Vice-Chairman and Managing Director of the Company since year 1998 and effective 12<sup>th</sup> August 2015, on ceasing as the Managing Director, continued as the Non-Executive Vice Chairman of the Company.

He is a Chairman of Corporate Social Responsibility (CSR) Committee and member of Share Transfer Committee; Stakeholders' Relationship Committee and Nomination & Remuneration Committee and as an Invitee to Audit Committee of the Company. He is holding 700,000 (0.39%) equity shares in the capital of the Company.

**Mr. Pranav Bhardwaj - Managing Director (DIN : 00054805)**

Mr. Pranav Bhardwaj, 43, is a British National and person of Indian origin. He has graduated as B.Sc. Majoring in Chemistry and Business Management (Joint Honors Degree) from the world renowned Imperial College of London. Subject to the superintendence, control and direction of the Board of Directors, Mr. Pranav Bhardwaj is overall in-charge of running the business affairs of the Company, As a Managing Director, he has successfully led the Company by his unstinted efforts and wide contributions, which resulted into a turnaround overall performance. The Company had made remarkable growth under his leadership.

He is a member of Stakeholders' Relationship Committee and Share Transfer Committee of the Company. He is holding 912,140 (0.51%) equity shares in the capital of the Company. He is also holding the position of Vice-Chairman at the prestigious Alloy Steel Producers Association of India (ASPA).

**Dr. E.R.C. Shekar - Non-executive, Independent Director (DIN : 00013670)**

Dr. E. R. C. Shekar, 84, is graduated in the Metallurgical Engineering and awarded Doctorate in that field. He was the Managing Director of Steel Authority of India Limited (SAIL). He has gained nearly five decades of experience in steel making and marketing. He is associated with Sunflag since year 1991 as a Non-executive, Independent Director. He is a Chairman of the Audit Committee, Nomination & Remuneration Committee, Stakeholders' Relationship Committee, Project Monitoring Committee and Risk Management Committee. He is also a member of Share Transfer Committee and Corporate Social Responsibility (CSR) Committee of the Board. He is holding 2,000 (0.001%) equity shares in the capital of the Company.

**Mr. S. Gajendran - Non-executive, Independent Director (DIN : 00250136)**

Mr. S. Gajendran, 72, is graduated from Madras University as Electrical Engineer and started his career with Bharat Earth Movers Limited, Bangalore in the year 1969. After that, he joined Tamilnadu Electricity Board in the year 1970 and served the Board in various capacities in rural areas and Chennai. He then joined IDBI in the year 1979 and served in various capacities and handling projects appraisal, follow-up of large industrial concerns, etc. He retired from the services of IDBI in the year 2004 as a Director JNIDB.

He is associated with Sunflag effective 16<sup>th</sup> June 2008 as a Non-executive, Independent Director. Presently, he is a member of Audit Committee, Nomination & Remuneration Committee and Stakeholders' Relationship Committee of the Company. He is not holding any equity shares in the capital of the Company.

**CA Jayesh M Parmar - Non-executive, Independent Director (DIN : 00802843)**

CA Jayesh M Parmar, 51, a Fellow Member of the Institute of the Chartered Accountants of India (the ICAI), in Practice as a Chartered Accountant, a Partner with M/s. Kanu Doshi Associates, Chartered Accountants, Mumbai since year 1993. He is a member of Audit Committee, Nomination & Remuneration Committee, Corporate Social Responsibility (CSR) Committee and Risk Management Committee of the Board. He is not holding any equity shares in the capital of the Company.

**Mr. Kumar Jitendra Singh - Non-executive, Independent Director (DIN : 00626836)**

Mr. Kumar Jitendra Singh, 64, is B.Sc. Engineering (Mechanical) from Bihar College of Engineering and pursued Bachelor of Law from Ranchi University. He was awarded fellowship in research from CSIR in the year 1976. His last position held was Chairman cum Managing Director (CMD) of MOIL Limited from 16<sup>th</sup> March, 2009 to 31<sup>st</sup> October, 2012 before retiring. He has more than 31 years of experience in varied industries such as maintenance of steel plant, project management and equipment procurement for steel plant, refractory industry, refractory application and management in steel plants, metal and mining industry, etc. He is member of Project Monitoring Committee. He is not holding any equity shares in the capital of the Company.

**Mrs. Neelam Kothari - Non-executive, Independent Director (DIN : 06709241)**

Mrs. Neelam Kothari, 46, is a qualified Chartered Accountant and Cost Accountant, also stood rank in both the professional course examinations. She has earlier worked with IDBI Bank Limited from the year 1993 to 2009 in various capacities. During her career spanning across 15 years, she rose from a management trainee to one of the youngest Deputy General Manager in the IDBI Bank Limited. She is not holding any equity shares in the capital of the Company.

**Mr. Surendra Kumar Gupta - Deputy Managing Director (DIN : 00054836)**

Mr. Surendra Kumar Gupta, 68, is graduated in Mechanical Engineering (B.E.) and thereafter pursued Diploma in Business Management. He has wide experience of over 38 years in Steel & Steel making industry. He was appointed as Whole-time Director in July, 2007 designated as the Director & CEO of the Company. He is a member of Share Transfer Committee, Stakeholders' Relationship Committee, Corporate Social Responsibility (CSR) Committee, Project Monitoring Committee and Risk Management Committee of the Company. He is not holding any equity shares in the capital of the Company.

**Mr. Suhrit Ravi Bhushan Bhardwaj (DIN : 02318190) - Alternate Director to Mr. Ravi Bhushan Bhardwaj, Non-executive Vice-Chairman (DIN : 00054700)**

Mr Suhrit Ravi Bhushan Bhardwaj, 42, a Kenyan National and person of Indian origin. He has been appointed as an Alternate Director to Mr. Ravi Bhushan Bhardwaj, Non-Executive Vice Chairman effective 11<sup>th</sup> November 2015. 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 Promoter group, he preferred to join Sunflag group companies as trainee in Kenya in the year 1997. He is having rich experience while working at basic levels through training and further heading in production, planning and control, maintenance and services, quality control, purchase, marketing, customer satisfaction and human resources management. He is instrumental in project development and commercial aspects. Presently, he is Group Managing Director of Sunflag Group, Kenya which owns textile manufacturing units employing about 4000 employees. He is Director of Supra Corporation Limited and holding 13,217,398 (7.33%) equity shares in the capital of the Company.

**Mr. Vinod Kumar Kapur (DIN : 05256912) - Alternate Director to Mr. P. B. Bhardwaj, Non-executive Chairman (DIN : 00136076)**

Mr. Vinod Kumar Kapur, 67, a qualified Chartered Accountant and Company Secretary by profession, having a rich experience of over four decades. He has been appointed as an Alternate Director to Mr. P. B. Bhardwaj, Non-Executive Chairman effective 8<sup>th</sup> February, 2016.

He is holding a directorship in Haryana Television Limited, Divit Textiles Private Limited and Ridge Farm Developers Private Limited. He does not hold any shares in the capital of the Company.

**3) AUDIT COMMITTEE****a) Constitution :**

The Board has constituted a well-qualified Audit Committee with Dr. E. R. C. Shekar as the Chairman of the Committee. All the members including Chairman of the Committee are Non-Executive Independent Directors. They possess requisite knowledge of accounts, audit, finance, taxation, internal controls etc.

**b) Terms of Reference, Roles & Responsibility :**

I Pursuant to Regulation 18(3) read with Part C of Schedule - II to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the terms of reference, roles and responsibilities of the audit committee shall includes, amongst others, the followings :

1. oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
3. approval of payment to statutory auditors for any other permissible services rendered by the statutory auditors;

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4. reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to :
    - a) matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
    - b) changes, if any, in accounting policies and practices and reasons for the same;
    - c) major accounting entries involving estimates based on the exercise of judgment by management;
    - d) significant adjustments made in the financial statements arising out of audit findings;
    - e) compliance with listing and other legal requirements relating to financial statements;
    - f) disclosure of any related party transactions;
    - g) modified opinion(s) in the draft audit report;
  5. reviewing, with the management, the quarterly financial statements before submission to the board for approval;
  6. reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter;
  7. reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
  8. approval or any subsequent modification of transactions of the listed entity with related parties;
  9. scrutiny of inter-corporate loans and investments;
  10. valuation of undertakings or assets of the listed entity, wherever it is necessary;
  11. evaluation of internal financial controls and risk management systems;
  12. reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
  13. reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
  14. discussion with internal auditors of any significant findings and follow up there on;
  15. reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
  16. discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
  17. to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
  18. to review the functioning of the whistle blower mechanism;
  19. approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
  20. Carrying out any other function as is mentioned in the terms of reference of the audit committee.

**II. The audit committee shall mandatorily review the following information :**

1. management discussion and analysis of financial condition and results of operations;
2. statement of significant related party transactions (as defined by the audit committee), submitted by management;
3. management letters/letters of internal control weaknesses issued by the statutory auditors;
4. internal audit reports relating to internal control weaknesses; and
5. the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.
6. statement of deviations:
  - a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).
  - b) annual statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

In addition to above :

- The Audit Committee shall have discussions with the Statutory auditors on the audit of the quarterly, half-yearly and yearly financial statements, the yearly audit plan, matters relating to compliance of Accounting standards and policies, their observations arising from the audit of the Company's financial statements and other related matters.
  - The Audit Committee during their meetings shall review with the management and the auditors (both external and internal) on all issues which are required to be reviewed by the Audit Committee pursuant to the Companies Act, 2013 and the Listing Regulations. The Audit Committee shall also review 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 shall also review the actions taken by the Company on various observations and queries of the auditors.
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**c) Composition :****Chairman :** Dr. E.R.C. Shekar - Independent, Non-executive Director**Members :** Mr. S. Gajendran and CA Jayesh M Parmar (Independent, Non-executive Directors)**Secretary :** CS Pranab Panigrahi, Company Secretary**d) Invitees / Participants :**

- i) Mr. Ravi Bhushan Bhardwaj, Non-executive, Vice-Chairman
- ii) Mr. Surendra Kumar Gupta, Deputy Managing Director
- iii) CA R. Muralidhar, Executive Director (Finance) & CFO
- iv) Statutory Auditors
- v) Secretarial Auditors
- vi) Cost Auditors
- vii) Internal Auditors

**e) Meetings and Attendance :**

Four (4) meetings of the Audit Committee were held on 30.05.2015, 12.08.2015, 07.11.2015 and 08.02.2016 during the financial year.

**Attendance :**

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

**4) NOMINATION & REMUNERATION COMMITTEE****a) Composition :** Nomination and Remuneration Committee consists of following Directors viz.**Chairman :** Dr. E.R.C. Shekar - Independent Non-executive Director**Members :** Mr. S. Gajendran, CA Jayesh M Parmar, (Independent, Non-executive Director/s), Mr. Ravi Bhushan Bhardwaj, Non-executive, Vice Chairman and Mr. Surendra Kumar Gupta, Deputy Managing Director of the Company**Secretary :** CS Pranab Panigrahi, Company Secretary**b) Terms of Reference of the Nomination & Remuneration Committee :**

Pursuant to Regulation 19(4) read with Part D of Schedule - II to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the committee is empowered to :

- a) identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance ;
- b) formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees;
- c) while formulating the policy under (b) above, ensure that :
  - i) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully ;
  - ii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks ; and
  - iii) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals:
- d) such other functions and activities as may be assigned and delegated from time to time either by the Board of Directors of the Company or pursuant to the provisions of the Companies Act, 2013 read with the rules made there under and the Listing Regulations.

**c) Meeting and attendance**

Five (5) meetings of the Nomination and Remuneration Committee were held on 30.05.2015, 12.08.2015, 07.11.2015, 08.02.2016 and 11.03.2016

**Attendance :**

Name of Director	Dr. E.R.C. Shekar	Mr. S. Gajendran	CA Jayesh Parmar	Mr. Ravi Bhardwaj	Mr. S.K. Gupta
No. of Meetings Attended	5	5	4	2	5

**d)** The Committee looks after appointment / re-appointment, review and finalisation of the annual increments (remuneration) payable to the Executive Directors and Key Managerial Personnel (KMP) of the Company within the prescribed limits of the Companies Act, 2013 read with the rules made thereunder.



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

The total remuneration of Executive Directors consists of :

- a fixed component – consisting of salary, perquisites and benefits; the perquisites and benefits are in line with the applicable and prevalent rules of the Company.
- Commission @2% on net profits of the Company paid to the Managing Director and Joint Managing Director of the Company respectively, for the period up to 12<sup>th</sup> August 2015.
- Commission @2% on net profits of the Company paid only to the Managing Director effective 12<sup>th</sup> August 2015.
- No commission was paid to the Deputy Managing Director of the Company.
- No sitting fees was paid to the Executive Directors for attending Board and its Committee Meetings.

Further, as a matter of policy the Company adheres to and follows the relevant provisions of the Companies Act, 2013 read with relevant Schedule & Rules made there under, for payment of remuneration to the Key Managerial Personnel of the Company.

**ii) For Independent Director(s) :**

The committee looks after the selection of candidates to be recommended for appointment as an Independent Director on the Board of the Company.

The Sitting Fees @ ₹ 7,500/- and @ ₹ 3,000/- per meeting of the Board and its Committee thereof, as the case may be, respectively, have been paid to the Non-executive Independent Directors together with reimbursement of actual travel and out-of-pocket expenses incurred for attending such meetings.

**iii) Commission to Independent Director/s and Non-executive Chairman :**

The members at its 25<sup>th</sup> Annual General Meeting held on 23<sup>rd</sup> September 2011 has approved the payment of remuneration by way of commission @1% (one percent) of the net profits of the Company to the Non-executive Directors 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 of the Company. In turn, the Board of Directors of the Company at its meeting held on 31<sup>st</sup> January 2012 has resolved and finalised fixed and proportion for payment of remuneration by way of commission @1% (one percent) of the net profits of the Company to each of the Non-executive Directors of the Company.

Accordingly, a provision for a sum of ₹ 9,137,317/- equivalent to 1% (one percent) of net profits of the Company payable to the Non-Executive Independent Directors and Non-executive Chairman for the financial year 2015-2016 is made as follows :

Dr. E.R.C. Shekar	: ₹ 100,000
Mr. S. Gajendran	: ₹ 100,000
CA Jayesh M Parmar	: ₹ 100,000
Mr. Kumar Jitendra Singh	: ₹ 100,000
Mrs. Neelam Kothari	: ₹ 100,000

and the balance of ₹ 8,637,317/- be payable to Mr. P.B. Bhardwaj, Non-executive Chairman of the Company.

**e) The details of Sitting fees, Remuneration for the financial year 2015 - 2016 and Commission for the financial 2014-2015 paid to all the Directors during the financial year 2015-2016 are as under :**

Amount in ₹

Name	Designation	Sitting Fees	Remuneration and perquisites	Commission for the FY 2014 - 2015	Total Amount
Mr. P.B. Bhardwaj	Non-executive Chairman	--	--	25,98,243	25,98,243
Mr. Ravi Bhushan Bhardwaj	Non-executive Vice-Chairman	--	79,72,738	6,73,392	86,46,130
Mr. Pranav Bhardwaj	Managing Director	--	1,25,58,423	6,73,392	1,32,31,815
Dr. E.R.C. Shekar	Non-executive, Independent Director	79,500	--	1,00,000	1,79,500
Mr. S. Gajendran	Non-executive, Independent Director	72,000	--	1,00,000	1,72,000
CA Jayesh M Parmar	Non-executive, Independent Director	57,000	--	1,00,000	1,57,000
Mr. Kumar Jitendra Singh	Non-executive, Independent Director	40,500	--	65,000	1,05,500
Mrs. Neelam Kothari	Non-executive, Independent Director	22,500	--	50,000	72,500
IDBI Bank Limited	Nominee Director	--	--	87,000	87,000
Mr. Surendra Kumar Gupta	Deputy Managing Director	--	83,46,600	--	83,46,600

**f) The details of proposed Commission payable to all the Directors in respect of financial year 2015 - 2016 are as under :**

Name	Designation	Proposed Commission for the Financial Year 2015 - 2016 (₹)
Mr. P.B. Bhardwaj	Non-executive Chairman	86,37,317
Mr. Ravi Bhushan Bhardwaj	Non-executive Vice-Chairman	66,90,713
Mr. Pranav Bhardwaj	Managing Director	1,82,74,635
Dr. E R C Shekar	Non-executive Independent Director	1,00,000
Mr. S Gajendran	Non-executive Independent Director	1,00,000
CA Jayesh M Parmar	Non-executive Independent Director	1,00,000
Mr. Kumar Jitendra Singh	Non-executive Independent Director	1,00,000
Mrs. Neelam Kothari	Non-executive Independent Director	1,00,000
Mr. Surendra Kumar Gupta	Deputy Managing Director	--

Refer Note under Sr. No. 2(a) – Composition of the Board of Directors - for change in designation of Mr. Ravi Bhushan Bhardwaj, Mr. Pranav Bhardwaj and Mr. Surendra Kumar Gupta.

**5) STAKEHOLDERS' RELATIONSHIP COMMITTEE****Objective :**

This Committee is responsible for the satisfactory redressal of investors' and shareholders' complaints and recommends measures for overall improvement in the quality of investor services. Especially, it looks after grievances of shareholders and investors complaints like dematerialisation or rematerialisation of shares; transfer of shares, transmission of shares, non-receipt of share certificates, annual report, dividend(s) etc. and timely redressal of their grievance thereto and such other functions pursuant to Regulation 20(4) read with Part D of Schedule - II to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**Composition :**

The Stakeholders' Relationship Committee is consisting of Dr. E. R. C. Shekar, Independent, Non-executive Director as its Chairman and Mr. Ravi Bhushan Bhardwaj, Mr. Pranav Bhardwaj, Mr. S. Gajendran and Mr. Surendra Kumar Gupta, as the Committee members while CS Pranab Panigrahi, is a Secretary to the Committee.

**Meetings :**

During the financial year, the committee had four (4) meetings and reviewed :

- the system of handling with and responding to complaints received from the Shareholders and Investors.
- The status of complaint letters received from Shareholders / Investors, Stock Exchanges, SEBI, Depositories viz. NSDL & CDSIL and responses thereto.

At the beginning of the year	Received during the year	Resolved during the year	At the end of the year
NIL	23	23	NIL

**6) SHARE TRANSFER COMMITTEE**

The Share Transfer Committee consists of five (5) members, viz. three (3) Non-executive Directors and two (2) Executive Directors, as per details given below :

**Composition :**

**Chairman :** Mr. P B Bhardwaj, Non-executive Director

**Members :** Mr. Ravi Bhushan Bhardwaj, Non-executive Vice Chairman, Mr. Pranav Bhardwaj and Mr. Surendra Kumar Gupta – Executive Directors and Dr. E. R. C. Shekar, Independent, Non-executive Director.

**Secretary :** CS Pranab Panigrahi, Company Secretary

The Securities and Exchange Board of India (SEBI) vide its Circular bearing reference No. CIR/MIRSD/8/2012 dated 5<sup>th</sup> July 2012, in view to expedite the share transfer process in the interest of investors and in consultation with Stock Exchanges, has reduced the time-line for registration of transfer of Equity Shares by the Listed Companies to fifteen (15) days.

In view of above, the Board considered and granted the authorisation (sub-delegation) to CS Pranab Panigrahi, Company Secretary of the Company and in his absence, CA R. Muralidhar, Executive Director (Finance) & CFO of the Company to approve all the transfer, transmission, transposition, deletion of name, rematerialisation of shares, issue of duplicate shares, consolidation, splitting of shares and ratify dematerialisation of shares on weekly basis to comply with the directions issued by the SEBI. The Board has authorised Share Transfer Committee to ratify all the approvals for all routine transfers, transmission, rematerialisation of shares and ratifications for dematerialisation of shares carried out by the Company Secretary and in his absence, by the Executive Director (Finance) & CFO of the Company on the quarterly basis.

**Other Information :**

- The Company has already created a designated e-mail ID for the Investor Grievances or Complaints as *investor@sunflagsteel.com*. The required information had already been sent to the concerned Stock Exchanges and also displayed at the Company's website *www.sunflagsteel.com*
- The Securities and Exchange Board of India (SEBI) vide its Circular reference CIR/MRD/DP/10/2013 dated 21<sup>st</sup> March 2013 has directed the Listed Companies for the usage of electronic modes for making cash payments to the investors and further asked to maintain the proper Bank Mandate or ECS Records of the investors.

In view of this, those shareholders who have not yet furnished or updated their Bank or ECS particulars, may kindly register the same with the Company or RTA, if shares are held in physical mode and with their Depository Participant (DP), if the shares are held in demat mode.

- c) In terms of Regulation 39 of the SEBI (LODR) Regulations, 2015, the Company has transferred 28,050 equity shares to “Unclaimed Suspense Account” effective 3<sup>rd</sup> August 2015, as these shares were lying unclaimed since respective date of allotments. The Shareholders of these unclaimed shares can contact the Company to claim their shares. The voting rights on these shares shall remain frozen till the rightful owner of such shares claim the shares. During the financial year under review, no rightful shareholder has claimed any shares from this account. The detailed list of shares transferred to this suspense account is available on the Company’s website [www.sunflagsteel.com](http://www.sunflagsteel.com).

**Green Initiative** – Electronic copy of full Annual Report is being sent to all the members whose e-mail IDs are registered with the Company or Depository Participants. For members who have not registered their e-mail IDs with the Company or Depository Participants, a hard copy of Abridged Annual Report is being sent. The Company will send a hard copy of the full Annual Report, if requested by the Member. The Members are requested to support this green initiative and register their e-mail IDs promptly with DPs in case of electronic shares or with the RTA, in case of physical shares.

#### 7) CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR)

The Company is an eligible Company qualifying Under Section 135(1) of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 (as amended) for undertaking the Corporate Social Responsibility (CSR) activities as per the Company’s CSR Policy during the financial year 2015- 2016.

Accordingly the Company has constituted a Corporate Social Responsibility (CSR) Committee as required under Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 (as amended). The Committee is headed by Mr. Ravi Bhushan Bhardwaj and consists of Dr. E. R. C. Shekar, CA Jayesh M Parmar and Mr. Surendra Kumar Gupta as its members.

During the financial year ended on 31<sup>st</sup> March 2016, the CSR Committee had 3 (three) meetings which were attended by the members as under :

SN	Name of Director	Designation	No. of meetings held / Attended
1	Mr. Ravi Bhushan Bhardwaj	Non-executive Vice Chairman	3 / 1
2	Dr. E. R. C. Shekar	Non-executive Independent Director	3 / 3
3	CA Jayesh M Parmar	Non-executive Independent Director	3 / 2
4	Mr. Surendra Kumar Gupta	Deputy Managing Director	3 / 3

**Secretary** : CS Pranab Panigrahi is Secretary to the Committee.

The Terms of Reference of the Committee are as follows :

- formulate and recommend to the Board, a Corporate Social Responsibility (CSR) Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII to the Companies Act, 2013 as amended from time to time;
- recommend the amount of expenditure to be incurred on the activities referred to in clause (a);
- monitor the Corporate Social Responsibility (CSR) Policy of the Company from time to time; and
- such other functions/activities as may be assigned/delegated from time to time by the Board of Directors of the Company and/or pursuant to the provisions of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014.

#### Disclosure :

SN	Headings	Particulars
1	Average net profits of the Company for last three (3) financial years	₹1950.92 Lacs
2	Prescribed CSR Expenditure [two percent (2%) of the amount as in item 1 above]	₹ 39.02 Lacs
3	Details of CSR spent during the financial year (FY) : a) Total amount to be spent for the FY 2015-2016 b) Amount unspent, if any; c) Manner in which the amount spent during the FY 2015-2016	₹ 41.21 Lacs The Company has spent ₹ 41.21 Lacs against the mandated ₹ 39.02 Lacs during the Financial year 2015 - 2016. Hence, there is no unspent amount. The manner in which the amount spent is detailed in the Annex-A to Board’s Report.

Further, the Company has already constituted sub-committee of the executives of the Company in order to look after the day to day activities, recommendations for payments, certifying the completion of CSR activities, etc. and which will, in turn report to the CSR Committee on quarterly or as and when required basis. The Sub-committee of executive meets at regular intervals to ascertain the accomplishment of work and consequent release of payment.

**8) RISK MANAGEMENT COMMITTEE (RMC)**

The Risk Management Committee (RMC) is required to lay down the procedures for risk assessment, risk minimisation procedures and in turn, the Board shall be responsible for framing, implementing and monitoring the risk management plan of the Company.

The Business Risk Evaluation and Management (BREM) is an ongoing process within the Organisation. The Company has a robust risk management framework to identify, monitor and minimise risks as also identify business opportunities. The objectives and scope of the Risk Management Committee broadly comprises :-

- Oversight of risk management performed by the executive management; Reviewing the BREM policy and framework in line with local & legal requirements and SEBI guidelines;
- Reviewing risks and evaluate treatment including initiating mitigation actions and ownership as per a pre-defined cycle;
- Defining framework for identification, assessment, monitoring, mitigation and reporting of risks.

Within its overall scope as aforesaid, the Committee shall review risks trends, exposure, potential impact analysis and mitigation plan.

The Committee reviewed the risk trend, exposure and potential impact analysis carried out by the management. It was specifically confirmed by the Managing Director, Deputy Managing Director and the CFO that the mitigation plans are finalised up to date, owners are identified and the progress of mitigation actions are monitored and such other related information to the Committee. The Risk management committee met once in the financial year 2015-2016.

The Risk management committee comprises of the Directors and senior executives as members, as per details given below together with their attendance :

**Members – Directors :**

SN	Name of Director	Designation	No. of meetings held / Attended
1	Dr. E.R.C. Shekar	Non-executive, Independent Director	1/1
2	CA Jayesh M Parmar	Non-executive, Independent Director	1/0
3	Mr. Surendra Kumar Gupta	Deputy Managing Director	1/1

**Members – Senior Executives :**

SN	Name of Senior Executives	Designation	No. of meetings held / Attended
1	CA R. Muralidhar	Executive Director (Finance) & CFO	1/1
2	Mr. R.K. Malhotra	Executive Director (Marketing)	1/1

**Secretary :** CS Pranab Panigrahi, Company Secretary

**9) PROJECT MONITORING COMMITTEE (PMC)**

In view of implementation of new projects viz (i) New Sinter Plant (ii) Gas Cumbuster (iii) Shot Blasting Machine and (iv) Pulverized Coal Injection System the Board has recommended to constitute the Project Monitoring Committee to look after the process and progress of these new projects. Accordingly, the Board of Directors of the Company at its meeting held on 8<sup>th</sup> February 2016 has constituted the Project Monitoring Committee (PMC), as under :

Chairman : Dr. E.R.C. Shekar, Independent, Non-executive Director

Members : Mr. Kumar Jitendra Singh (Independent, Non-executive Director) & Mr. Surendra Kumar Gupta, Dy. Managing Director.

Secretary : CS Pranab Panigrahi, Company Secretary

**Meeting and attendance**

One (1) meeting of Project Monitoring Committee (PMC) was held on 11.03.2016.

SN	Name of Director	Designation	No. of meetings held / Attended
1	Dr. E.R.C. Shekar	Non-executive Independent Director	1/1
2	Mr. K.J. Singh	Non-executive Independent Director	1/1
3	Mr. Surendra Kumar Gupta	Deputy Managing Director	1/1

**10) VIGIL MECHANISM / WHISTLE BLOWER POLICY**

With the rapid expansion of business in terms of volume, value and geography, various risks associated with the business have also increased considerably. One such risk identified is the risk of fraud & misconduct. The Audit Committee is committed to ensure fraud-free work environment and in this directions, the Audit Committee had formulated the Whistle Blower Policy providing a platform to all the employees, vendors and customers to report any suspected or confirmed incident of fraud or misconduct through any of the reporting protocols.

In order to instill more confidence amongst Whistle Blowers, the management of the reporting protocols were managed by an independent agency. Adequate safeguards have been provided in the Whistle Blower Policy to prevent victimisation of anyone who is using this platform and direct access to the Chairman of the Audit Committee is also available in exceptional cases.

This Whistle Blower Policy is applicable to all the directors, employees, vendors and customers of the Company and it is also posted on the website of the Company.

The main objectives of the policy are as under :

- i) to protect the brand, reputation and assets of the Company from loss or damage, resulting from suspected or confirmed incidents of fraud/ misconduct.
- ii) to provide guidance to the employees, vendors and customers on reporting any suspicious activity and handling critical information and evidence.
- iii) to provide healthy and fraud-free work culture.
- iv) to recommend to the management for taking appropriate actions such as disciplinary action, termination of service, changes in policies & procedure and review of internal control systems;
- v) to review the policy from time to time

#### 11) GENERAL BODY MEETINGS

##### a) Details of last three (3) Annual General Meetings (AGM) :

S. No.	Year	Location	Date	Time
1	29 <sup>th</sup> AGM - 2015	Indian Medical Association's J. R. Shaw Auditorium, North Ambazari Road, Nagpur - 440010	25.09.2015	15:00 Hrs.
2	28 <sup>th</sup> AGM - 2014		26.09.2014	15:00 Hrs.
3	27 <sup>th</sup> AGM - 2013		25.09.2013	15:00 Hrs.

- b) Some special resolutions were passed at the above meetings. There has been no use of Postal Ballot so far.
- c) The Company has provided e-voting platform to the shareholders during the 29<sup>th</sup> Annual General Meeting held during financial year 2015 - 2016.

#### 12) DISCLOSURES

##### a) Related Party Disclosures :

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 (Promoter and Promoter Group)
Mr. P. B. Bhardwaj Mr. Ravi Bhushan Bhardwaj	Promoter and Promoter Group
Mr. Pranav Bhardwaj Mr. Surendra Kumar Gupta CA R. Muralidhar CS Pranab Panigrahi	Key Managerial Personnel (KMP)
Mr. Suhrit Ravi Bhushan Bhardwaj	Relative of Key Managerial Personnel (Promoter and Promoter Group)
Madanpur (North) Coal Company Private Limited C T Mining Private Limited	Joint Venture Companies

**Note :** The Company's Associate (Joint Venture) Company namely Gujarat State Mining and Resources Corporation Limited ('GSMRCL') in which the Company holds 49% of Issued, Subscribed and Paid-up Share Capital of GSMRCL, has made an application and submitted requisite documents for strike-off (closure) of name of the Company from the Register of the Office of the Registrar of Companies, Gujarat at Ahmedabad.

The JV Company had received a confirmation Dated 3<sup>rd</sup> May 2016 from the Office of the Registrar of Companies, Gujarat at Ahmedabad about the Striking-off the Name of the Joint Venture Company Namely "GUJARAT STATE MINING AND RESOURCES CORPORATION LIMITED" (GSMRCL) pursuant to Sub-Section (3) of Section 560 of the Companies Act, 1956 that at the expiration of thirty (30) days from the date hereof the name of the GUJARAT STATE MINING AND RESOURCES CORPORATION LIMITED (GSMRCL), unless cause is shown to the contrary, will be struck-off from the Register and the said Company will stand dissolved.

In view of above, the name of Gujarat State Mining and Resources Corporation Limited ('GSMRCL') is not mentioned/ covered under the head 'Related Party Disclosures'.

##### b) Transactions with the related parties :

Sr. No.	Particulars	Amount (₹)
a)	Subsidiary Companies - Unsecured Loan or Advances	12,08,663
b)	Associate Enterprises - Rent Paid	47,84,453
c)	Beneficiary - Rent Paid	20,50,830
d)	Key Managerial Personnel, Promoter & Promoter Group - Remuneration and Commission	72,032,146

c) **Disclosure under Section 22 & 28 of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013.**

The Company has in place an Anti Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. The Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this Policy.

The following is the Summary of sexual harassment complaints received and disposed off during the financial year 2015-2016 :

Number of Complaints received	<b>NIL</b>	Number of Complaints disposed off	<b>N.A.</b>
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d) **Compliance with Regulators :**

The Company has complied with the all the requirements of regulatory authorities on capital markets. There have been no instance of non-compliance by the Company on any matters related to the capital markets, nor have any penalty or strictures been imposed on the Company by the SEBI, Stock Exchanges or any other statutory authorities on such matters, for the last 3 (three) financial years.

e) **Other Disclosures :**

- i. Transactions with related parties, as per requirements of Accounting Standard 18, are disclosed in notes to accounts annexed to the financial statements.
- ii. There are no materially significant transactions with the related parties viz. Promoters, Directors, KMP, their relatives or Subsidiaries that had potential conflict with the Company's interest. Suitable disclosures as required by the Accounting Standard (AS 18) has been made in the Annual Report.
- iii. The Company has followed all relevant Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 while preparing Financial Statements.
- iv. There are no pecuniary relationships or transactions of Independent, Non-Executive Directors vis-à-vis the Company which has potential conflict with the interests of the Company at large.
- v. During the year ended 31<sup>st</sup> March 2016, the Company does not have any material listed and unlisted Subsidiary Company(ies) as defined in Clause 49 of the Listing Agreement / Regulation 16(1)(c) of the Listing Regulations, 2015, as the case may be. Pursuant to Regulation 24 of the Listing Regulations, 2015 one independent director is on the board of directors of unlisted Subsidiary, audit committee shall review the financial statements of unlisted Subsidiary and minutes of the meetings of the board of directors of the unlisted subsidiary shall placed at the meeting of the board of directors of the listed entity.
- vi. The Independent Directors have confirmed that they meet the criteria of 'Independence' as stipulated under Section 149 of the Companies Act, 2013 read with the rules made there under, Clause 49 of the Listing Agreement / Regulation/s 16(1)(b) and 25 of the Listing Regulations, 2015, as the case may be.

**13) MEANS OF COMMUNICATION**

- a) The quarterly and annual financial results are being furnished to Stock Exchanges and published either in Financial Express, Indian Express, or Times of India in English and Loksatta or Maharashtra Times in Marathi. The quarterly and annual financial results are also displayed on the Company's Notice Board as well as uploaded on the Company's website [www.sunflagsteel.com](http://www.sunflagsteel.com)
- b) Management Discussion and Analysis forms part of this Annual Report.

**14) GENERAL SHAREHOLDER INFORMATION**

- a) Thirtieth (30<sup>th</sup>) Annual General Meeting - Friday, the 23<sup>rd</sup> September, 2016 at 3.00 P.M.
- b) Book Closure Dates - From Saturday, the 17<sup>th</sup> September, 2016 to Friday, the 23<sup>rd</sup> September, 2016 (both days inclusive)
- c) **Financial Calender**

	<b><u>Tentative Schedule</u></b>
i) Unaudited Results for the Quarter ending on 30.06.2016	- July / August 2016
ii) Unaudited Results for the Quarter / half year ending on 30.09.2016	- October / November 2016
iii) Unaudited Results for the Quarter ending on 31.12.2016	- January / February 2017
iv) Audited Results for the Quarter / year ending on 31.03.2017	- May 2017
- d) **Listing of Equity Shares**

For the year 2015 - 2016, Equity Shares of the Company	- BSE Limited (BSE)
were listed with (1) BSE Limited and (2) the National	- The National Stock Exchange of India Limited (NSE)
Stock Exchange of the India Limited	
- e) **Equity Shares - Stock Codes :**

Trading Symbol at Stock Exchanges	- 500404 (BSE)
	- SUNFLAG (NSE)
Demat ISI Number in NSDL & CDSIL	- INE947A01014 - Sunflag Iron - Equity

**f) Stock Market Data**

The high and low prices recorded on the BSE Limited (BSE) and The National Stock Exchange of India Limited (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 2015	26.00	21.00	24.45	20.85	29095	26898	8845	8145
May 2015	24.10	20.05	24.20	20.65	28071	26424	8490	7997
June 2015	21.75	15.65	21.75	15.80	27969	26307	8467	7940
July 2015	19.30	16.20	19.40	16.20	28578	27416	8655	8315
August 2015	21.25	17.55	21.30	17.60	28418	25298	8622	7667
September 2015	20.40	17.80	20.40	17.50	26472	24834	8055	7540
October 2015	21.15	18.25	21.15	18.00	27618	26169	8336	7931
November 2015	22.25	19.10	22.85	19.05	26824	25451	8116	7714
December 2015	24.60	21.00	24.60	20.60	26256	24868	7979	7551
January 2016	27.30	20.80	27.30	20.95	26197	23840	7973	7242
February 2016	26.95	18.70	24.70	18.50	25002	22495	7600	6826
March 2016	22.00	18.65	22.20	18.35	25480	23133	7778	7035

(Source : Official website of BSE Limited (BSE) & The National Stock Exchange of India Limited (NSE))

**g) Registrar & Share Transfer Agent and process of transfer of shares :**

Effective 31<sup>st</sup> March 2003, **M/s Bigshare Services Private Limited, E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400072** have been acting as the Registrar & Share Transfer Agent. All the Shareholders and Investors related Services, subject to the approval of the Company either through Board or Committee of the Board, are done by the said Registrar and Share Transfer Agent for and on behalf of the Company.

**h) a) Distribution of Shareholding as on 31<sup>st</sup> March, 2016 :**

Shareholding of nominal value of		Shareholders		Value of Shares	
₹	₹	Number	%	Amount (₹)	%
Upto 5000		57,073	84.98	104,896,500	5.82
5001	10000	5,779	8.60	47,247,000	2.62
10001	20000	2,377	3.54	36,855,360	2.05
20001	30000	691	1.03	17,858,910	0.99
30001	40000	263	0.39	9,599,030	0.53
40001	50000	282	0.42	13,607,970	0.76
50001	100000	347	0.52	26,812,530	1.49
100001	1802194480	351	0.52	1,545,317,180	85.75
<b>Total</b>		<b>67,163</b>	<b>100.00</b>	<b>1,802,194,480</b>	<b>100.00</b>

**h) b) Pattern of Shareholdings as on 31<sup>st</sup> March, 2016 :**

S N	Category	No. of Holders	No. of Shares	%
1	Promoters and Promotor Group - Foreign	2	78,470,980	43.54
2	Promoters and Promotor Group - Indian	3	9,945,496	5.52
3	Non Resident Indians and FIIs	201	626,310	0.35
4	Financial Institutions	3	40,900	0.02
5	Bodies Corporate	615	4,187,988	2.32
6	Banks (Nationalised and Others)	14	44,815	0.03
7	Mutual Funds/UTI/Trust	17	89,105	0.05
8	Foreign Body Corporates	1	18,021,945	10.00
9	Indian Public including the Directors, KMPs and their Relatives	66,263	68,724,864	38.13
10	Clearing Members / Corporations	44	63,045	0.03
<b>Total</b>		<b>67,163</b>	<b>180,219,448</b>	<b>100.00</b>

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

The equity shares of the Company are compulsorily traded in electronic form only. As on 31<sup>st</sup> March 2016, there were approximately 1073.79 lakh equity shares dematerialised through depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited, which represents about 59.58% of the total paid-up capital of the Company. The equity shares of the Company were actively traded on BSE Limited (**BSE**) and the National Stock Exchange of India Limited (**NSE**) and have good liquidity.

- j) Plant Location :** Sunflag Iron and Steel Company Limited  
Works: P.O.: Bhandara Road, Warthi, BHANDARA - 441905 (Maharashtra)  
Phone Nos : 07184 - 285551 to 285555

<b>ADDRESS FOR CORRESPONDENCE OF SHAREHOLDERS / INVESTORS</b>	
<b>For all matters relating to Shares &amp; Dematerialisation of shares be sent to :</b>	<b>For all matters relating to Annual Reports / Dividend / Grievances :</b>
M/s. Bigshare Services Private Limited E-2/3, Ansa Industrial Estate, Saki Vihar Road Saki Naka, Andheri (East), MUMBAI - 400072 Phone : 022 - 4043 0200 Fax : 022 - 2847 5207 E-mail : investor@bigshareonline.com Website : <a href="http://www.bigshareonline.com">http://www.bigshareonline.com</a>	Company Secretary Sunflag Iron and Steel Company Limited 33, Mount Road, Sadar, Nagpur - 440001 Phone : 0712-2524 661 / 2520 356 Fax : 0712-2520 360 E-Mail : investor@sunflagsteel.com Website : <a href="http://www.sunflagsteel.com">http://www.sunflagsteel.com</a>

**15) 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 the Listing Regulations, 2015.

**16) Certificate on Corporate Governance :**

The Company has obtained a certificate from the Company Secretary in Practice regarding compliance stipulation of Corporate Governance as stipulated in the Listing Regulations, 2015 and the same is reproduced hereunder.

**NON-MANDATORY REQUIREMENTS****1. Shareholder Rights :**

The financial results are not being furnished to the individual Shareholders as they are furnished to the Stock Exchanges and also published through the newspapers (Financial Express / Indian Express or Times of India in English and Loksatta or Maharashtra Times in Marathi) as well as displayed on the Company's website [www.sunflagsteel.com](http://www.sunflagsteel.com).

**2. Postal Ballot :**

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

**3. 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 year under review.

**4. Separate posts of Chairman, Vice Chairman and Managing Director :**

The Chairman and Vice Chairman of the Board are Non-executive Directors and their positions are separate from that of the Managing Directors of the Company.

**5. Reporting of Internal Auditor :**

The Internal Auditor reports to the Audit Committee of the Board of Directors of the Company.

**6. Audit Qualifications :**

The Company's financial statement for the year ended 31<sup>st</sup> March, 2016 does not contain any audit qualification.

For and on behalf of the Board

**Nagpur**  
**19.08.2016**

**Dr. E.R.C. Shekar**  
Director  
DIN : 00013670

**Surendra Kumar Gupta**  
Deputy Managing Director  
DIN : 00054836



**AUDITORS' CERTIFICATE****Auditors Certificate on compliance with the conditions of Corporate Governance**

To

The Members  
Sunflag Iron and Steel Company Limited  
C I N - L 27100 MH 1984 PLC 034003  
33, Mount Road, Sadar, Nagpur - 440001

We have examined the compliance of the conditions of Corporate Governance by Sunflag Iron and Steel Company Limited ('the Company'), for the year ended 31 March 2016, as stipulated in Clause 49 of the Listing Agreement ('Listing Agreement') of the Company with Stock Exchanges for the period 1 April 2015 to 30 November 2015 and as per the relevant provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') as referred to in Regulation 15(2) of the Listing Regulations for the period 1 December 2015 to 31 March 2016.

The compliance of conditions of the Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implications 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 explanation given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement or Listing Regulations, as applicable.

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

Signed and Issued on Friday, the 19 August 2016 at Nagpur.

**For M/s. Mukesh Parakh & Associates  
Company Secretaries**

**CS Mukesh D. Parakh  
Proprietor  
M. No. FCS - 4343 CoP No. 13693**

**Declaration from Managing Director regarding the adherence to the Code of Business Conduct and Principles by the Board of Directors and Senior Management**

To

The Members  
Sunflag Iron and Steel Company Limited  
C I N - L 27100 MH 1984 PLC 034003  
33, Mount Road, Sadar, Nagpur - 440001

On the basis of the written declaration received from the Members of the Board and Senior Management Personnel of the Company in terms of the relevant provisions of Clause 49 of the Listing Agreement or Regulation 15(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (to the extent applicable), we hereby certify that the Members of the Board of Directors and the Senior Management Personnel of the Company have affirmed compliance with the Code of Business Principles and Conduct of the Company during the financial year ended 31<sup>st</sup> March 2016.

For and on behalf of the Board

**Nagpur  
19.08.2016**

**Dr. E.R.C. Shekar**  
Director  
DIN : 00013670

**Surendra Kumar Gupta**  
Deputy Managing Director  
DIN : 00054836

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**INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS**

To

The Members  
Sunflag Iron and Steel Company Limited  
C I N - L 27100 MH 1984 PLC 034003  
33, Mount Road, Sadar, Nagpur - 440001

**Report on Standalone Financial Statements**

We have audited the accompanying Standalone Financial Statements of **SUNFLAG IRON AND STEEL COMPANY LIMITED** ("the Company") which comprise of Balance Sheet as at 31<sup>st</sup> March 2016, Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the State of affairs of the Company as at 31<sup>st</sup> March, 2016 and its profit and its cash-flows for the year ended on that date.

**Report On Other Legal and Regulatory Requirements**

As required by the Companies (Auditor's Report) Order, 2016 ('the order') issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Companies Act, 2013, we give in the **Annexure-A**, a statement on the matters specified in paragraphs 3 and 4 of the order, to the extent applicable.

As required by Section 143(3) of the Act, we report that ;

- a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c) the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d) in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
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- e) on the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2016, taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2016 from being appointed as a director in terms of Section 164(2) of the Act;
- f) with respect to the adequacy of the Internal Financial Controls over the financial reporting of the company and the operating effectiveness of such controls, refer to our separate report in "**Annexure - B**" and;
- g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i) The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer **Annexure - C** of our Report and note 27.3(i) to the financial statements.
  - ii) The Company does not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii) The Company does not have any pending amount, required to be transferred, to the Investor Education and Protection Fund.

**For Patel, Shah & Joshi**  
**Chartered Accountants**  
**Firm Regn. No. 107768W**

**CA Jayant I. Mehta**  
**Partner**  
**Membership Number - 42630**

**Nagpur**  
**28<sup>th</sup> May, 2016**

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#### **ANNEXURE - A TO INDEPENDENT AUDITOR'S REPORT**

**Referred to in paragraph under "Report on the other legal and regulatory requirements" section of our report of even date on the accounts of the Company for the year ended 31<sup>st</sup> March 2016 :**

On the basis of sample checks and according to the information and explanations given to us during the course of our audit, we report that;

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b) The fixed assets have been physically verified by the management at reasonable intervals, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - c) i) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed / transfer deed / conveyance deed provided to us, we report that, the title deeds, comprising the immovable properties of land acquired and buildings which are freehold, are held in the name of the Company as at the balance sheet date.
  - ii) In respect of immovable properties of land that have been taken on lease and disclosed as fixed asset in the financial statements, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement.
  - ii) We are informed that the physical verification of inventory has been conducted during the year by the management at reasonable intervals. As explained to us, no material discrepancies were noticed on such verification.
  - iii) a) According to the information and explanations given to us, the Company has, during the year, granted loan and advance to a Body Corporate covered in the register maintained under Section 189 of the Companies Act, 2013.
  - b) In the case of loan and advance granted to the Body Corporate listed in the register maintained under Section 189 of the Act. the terms of arrangements do not stipulate any repayment schedule and the loans are repayable on demand. Accordingly, the paragraph 3(iii)(b) of the Order is not applicable to the Company in respect of repayment of the principal amount.
  - c) There are no overdue amounts of more than rupees one lakh in respect of the loan and advance granted to the body corporate listed in the register maintained under Section 189 of the Act.
  - iv) According to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Companies Act, 2013 in respect of loans, investment, guarantees and security.
  - v) We are informed that the Company has not accepted any deposit during the year under Section 73 to 76 of the Companies Act, 2013 and rules made there under.
  - vi) According to the information and explanations given to us, Central Government has prescribed the maintenance of cost records under section (1) of the Section 148 of the Companies Act, 2013. We have broadly reviewed the cost records maintained by the Company and are of the opinion that prima facie the Company has maintained the prescribed cost records pursuant to the Companies (Cost Records and Audit) Rules 2014.
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- vii) a) The Company is regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Duty of Customs, Duty of Excise, Value Added Tax, Cess and other statutory dues to the appropriate authorities.
  - b) No disputed amounts payable, other than those mentioned in the attached **Annexure - C**, in respect of Income Tax, Service Tax, Sales Tax or Duty of Customs or Duty of Excise or Value Added Tax were outstanding as at 31<sup>st</sup> March, 2016.
  - viii) The Company has not defaulted in repayment of any loans or borrowings from financial institutions, banks, Government or dues to debenture holders during the year. Accordingly, clause (viii) of the Order is not applicable and hence not commented upon.
  - ix) The Company has not raised money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, clause (ix) of the Order is not applicable and hence not commented upon.
  - x) According to the information and explanations given to us, no material fraud by the Company or any fraud on the Company by its officers or employees has been noticed or reported during the year.
  - xi) According to the information and explanations given to us, the managerial remuneration has been paid or provided for, in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act 2013.
  - xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, clause (xii) of the order is not applicable and hence not commented upon.
  - xiii) According to the information and explanations given to us, all transactions with related parties are in compliance with Section 177 and 188 of the Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.
  - xiv) The Company has not made any preferential allotment or private placement of shares or full or partly convertible debentures during the year under review.
  - xv) According to the information and explanations given to us and based on our examination of the record of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly, clause (xv) of the Order is not applicable and hence not commented upon.
  - xvi) The Company is not required to be registered under Section 45-1A of the Reserve Bank of India Act, 1934. Accordingly, the clause (xvi) of the Order is not applicable to the Company and hence not commented upon.
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### **ANNEXURE - B TO THE INDEPENDENT AUDITOR'S REPORT**

#### **"Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of Sunflag Iron and Steel Company Limited ("the Company") as of 31<sup>st</sup> March, 2016 in conjunction with our audit of the financial statements of the Company for the period ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining Internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal Financial Controls and issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness on internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

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**Meaning of Internal Financial Controls over Financial Reporting**

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that;

- 1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- 2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- 3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31<sup>st</sup> March, 2016 based on, the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For Patel, Shah & Joshi**  
**Chartered Accountants**  
**Firm Regn. No. 107768W**

**CA Jayant I. Mehta**  
**Partner**  
**Membership Number - 42630**

**Nagpur**  
**28<sup>th</sup> May 2016**

**Annexure - C**

<b>Statement of unpaid disputed statutory dues and annexure to report as at 31<sup>st</sup> March, 2016</b>				
<b>Particulars of Statutory Dues</b>	<b>Amount (₹ in Lacs)</b>	<b>Period to which the amount related</b>	<b>Forum where dispute is pending</b>	<b>Whether paid or unpaid</b>
<b><u>Excise Duty</u></b>				
Deptt.'s show cause	27	2009 - 2010	Commissioner, Central Excise	Not Deposited
Departmental appeal (penalty)	38	2013 - 2014	Tax Appellate Tribunal	Deposited
<b>Total</b>	<b>65</b>			
<b><u>Sales Tax</u></b>				
Company's appeal	2,659	2005 - 2006 to 2009 - 2010	High Court / Supreme Court (Although the Company has filed Writ Petition but has paid this amount under protest)	Deposited under protest
<b>Total</b>	<b>2,659</b>			
<b><u>Income Tax</u></b>				
Company's appeals	353	2005 - 2006	Income Tax Appellate Tribunal	Deposited
	100	2007 - 2008	Income Tax Appellate Tribunal	Deposited
	235	2008 - 2009	Income Tax Appellate Tribunal	Deposited
	214	2009 - 2010	Commissioner of Income Tax (Appeal)	Deposited
	581	2005 - 2006	Commissioner of Income Tax (Appeal)	Not Deposited
	54	2006 - 2007	Commissioner of Income Tax (Appeal)	Not Deposited
	14	2008 - 2009	Commissioner of Income Tax (Appeal)	Not Deposited
	160	2009 - 2010	Commissioner of Income Tax (Appeal)	Not Deposited
	12	2010 - 2011	Commissioner of Income Tax (Appeal)	Not Deposited
<b>Total</b>	<b>1,723</b>			

**SUNFLAG IRON AND STEEL COMPANY LIMITED, NAGPUR  
BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2016**

Particulars	Note No.	As at 31.03.2016 (₹ in Lacs)	As at 31.03.2015 (₹ in Lacs)
<b>A. EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
a) Share Capital	3	18,022	18,022
b) Reserves and Surplus	4	46,065	40,331
c) Money received against share warrants		--	--
<b>2. Share application money pending allotment</b>		--	--
<b>3. Non-current Liabilities</b>			
a) Long-term Borrowings	5	6,956	13,826
b) Deferred Tax Liabilities (Net)	6	7,455	6,515
c) Other Long Term Liabilities	7	180	281
d) Long-term Provisions	8	1,470	1,389
<b>4. Current Liabilities</b>			
a) Short-term Borrowings	9	11,172	19,777
b) Trade Payables	10	14,433	19,730
c) Other Current Liabilities	11	8,437	8,403
d) Short-term Provisions	12	7,372	4,887
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>121,562</b>	<b>133,161</b>
<b>B. ASSETS</b>			
<b>1. Non-current Assets</b>			
a) Fixed Assets	13		
i. Tangible Assets		53,470	57,024
ii. Intangible Assets		--	--
iii. Capital work-in-progress		400	282
iv. Intangible Assets under Development		--	--
b) Non-current Investments	14	1,125	767
c) Deferred Tax Assets (net)		--	--
d) Long-term Loans and Advances	15	2,974	3,592
e) Other Non-current Assets		--	--
<b>2. Current Assets</b>			
a) Current Investments		--	--
b) Inventories	16	31,488	39,414
c) Trade Receivables	17	21,037	18,850
d) Cash and Bank Balances	18	6,352	5,326
e) Short-term Loans and Advances	19	4,566	7,640
f) Other Current Assets	20	150	266
<b>TOTAL ASSETS</b>		<b>121,562</b>	<b>133,161</b>
Corporate information and Significant accounting policies and Notes forming part of Financial Statements	1 & 2		

*As per our attached report of even date*

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

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

Nagpur  
28<sup>th</sup> May 2016

**RAVI BHUSHAN BHARDWAJ**  
*VICE CHAIRMAN*

**PRANAV BHARDWAJ**  
*MANAGING DIRECTOR*

**SURENDRA KUMAR GUPTA**  
*Dy. MANAGING DIRECTOR*

**CA R. MURALIDHAR**  
*EXECUTIVE DIRECTOR (FINANCE) & CFO*

**CS PRANAB PANIGRAHI**  
*COMPANY SECRETARY*

**DR. E.R.C. SHEKAR**

**S. GAJENDRAN**

**CA JAYESH M. PARMAR**

**K. J. SINGH**

**MRS. NEELAM KOTHARI**

**V. K. KAPUR**

*DIRECTORS*

**SUNFLAG IRON AND STEEL COMPANY LIMITED, NAGPUR  
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016**

Particulars	Note No.	Year Ended 31.03.2016 (₹ in Lacs)	Year Ended 31.03.2015 (₹ in Lacs)
1. Revenue from Operations	21	<b>186,332</b>	195,837
Less : Excise Duty		<b>(20,204)</b>	(20,178)
Net Revenue from operations		<b>166,128</b>	175,659
2. Other Income	22	<b>588</b>	600
3. Total Revenue (1 + 2)		<b>166,716</b>	176,259
4. Expenses :			
Cost of Materials Consumed	23 (a)	<b>87,834</b>	103,247
Other Manufacturing Expenses	23 (b)	<b>39,138</b>	40,688
Purchases of Stock-in-Trade		--	--
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	24	<b>1,118</b>	(717)
Employee Benefits Expense	25	<b>9,826</b>	8,206
Finance Costs	26	<b>6,055</b>	7,144
Depreciation and Amortisation Expense	13	<b>5,176</b>	5,113
Other Expenses	27	<b>9,047</b>	7,307
Total Expenses		<b>158,194</b>	170,988
5. Profit / (Loss) before exceptional and extraordinary items and tax		<b>8,522</b>	5,271
6. Less : Exceptional items (refer note 14.b, 15)		<b>(5)</b>	(2,545)
Add : Exceptional items		--	2,457
7. Profit before tax (5-6)		<b>8,517</b>	5,183
8. Tax Expense :			
a) Current tax expense for current year		<b>1,843</b>	1,087
b) Current tax expense relating to prior years		--	--
c) Deferred tax	06	<b>940</b>	1,655
9. Profit / (Loss) for the period from continuing operations		<b>5,734</b>	2,441
10. Earnings per equity share (Amount in ₹) :	28		
1) Basic		<b>3.18</b>	1.42
2) Diluted		<b>3.18</b>	1.42
Corporate information and Significant accounting policies and Notes forming part of Financial Statements	1 & 2		

*As per our attached report of even date*

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

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

**Nagpur**  
28<sup>th</sup> May 2016

**RAVI BHUSHAN BHARDWAJ**  
*VICE CHAIRMAN*

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**V. K. KAPUR**

*DIRECTORS*

**SUNFLAG IRON AND STEEL COMPANY LIMITED, NAGPUR  
CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016**

Particulars	For the year ended 31.03.2016 (₹ in Lacs)		For the year ended 31.03.2015 (₹ in Lacs)	
<b>A. Cash flow from operating activities</b>				
Net Profit/(Loss) before extraordinary items and tax		8,517		5,183
<i>Adjustments for :</i>				
Depreciation and amortisation	5,176	--	5,113	--
(Profit) / loss on sale / write off of assets	(1)	--	--	--
Finance costs	6,055	--	7,144	--
Interest income	--	--	--	--
Exceptional adjustment to carrying amounts of Fixed Assets (Refer Note 13)	5		(2,457)	
Provision for doubtful trade and other receivables, loans and advances	--	11,235	--	9,800
Operating profit/(loss) before working capital changes		19,752		14,983
<i>Changes in working capital :</i>				
<i>Adjustments for (increase)/decrease in operating assets :</i>				
Inventories	7,926		(6,348)	
Trade receivables	(2,187)		1,923	
Short-term loans and advances	3,121		486	
Long-term loans and advances	618		(793)	
Other current assets	118		(74)	
<i>Adjustments for increase/(decrease) in operating liabilities :</i>				
Trade payables	(5,297)		(1,040)	
Other current liabilities	35		(148)	
Short-term provisions	2,484		505	
Other long-term liabilities	(101)		(641)	
Long-term provisions	81	6,798	--	(6,130)
Cash flow from extraordinary items		--		--
Cash generated from operations		26,550		8,853
Net income tax (paid)/refunds		(1,893)		(1,087)
<b>Net cash flow from / (used in) operating activities (A)</b>		24,657		7,766
<b>B. Cash flow from investing activities</b>				
Capital expenditure on fixed assets, including capital advances	(1,742)		(383)	
Long-term investments in - Joint ventures	(360)		--	
<b>Net cash flow from / (used in) investing activities (B)</b>		(2,100)		(383)
<b>C. Cash flow from financing activities</b>				
Proceeds from issue of equity shares	--		5,587	
Proceeds from long-term borrowings	--		--	
Repayment of long-term borrowings	(6,870)		(7,886)	
Net increase/(decrease) in working capital borrowings	(8,606)		2,873	
Proceeds from other short-term borrowings	--		--	
Repayment of unsecured Deferred Sales Tax Loan	--		(553)	
Finance cost	(6,055)		(7,144)	
<b>Net cash flow from / (used in) financing activities (C)</b>		(21,531)		(7,123)
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>		1,026		260
Cash and cash equivalents at the beginning of the year		5,326		5,066
Effect of exchange differences on restatement of foreign currency cash and cash equivalents		--		--
<b>Cash and cash equivalents at the end of the year (Refer Note 18)</b>		6,352		5,326
<b>Refer Corporate information and Significant accounting policies</b>				

As per our attached report of even date

For PATEL, SHAH & JOSHI  
Chartered Accountants

CA JAYANT I. MEHTA  
PARTNER  
Membership Number - 42630

Nagpur  
28<sup>th</sup> May 2016

RAVI BHUSHAN BHARDWAJ  
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V. K. KAPUR

DIRECTORS



**Notes forming part of the Financial Statements for the year ended 31<sup>st</sup> March, 2016**
**1. Corporate information**

Sunflag Iron and Steel Company Limited was incorporated in 1984 and engaged in the business of manufacturing and sale of Special Steel Rolled products.

**2. Significant accounting policies**

The significant accounting policies have been predominantly presented below in the order of the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.

**2.1 Basis of accounting and preparation of financial statements**

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014. The financial statements have been prepared on accrual basis under the historical cost convention.

**2.2 Use of estimates**

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

**2.3 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 net realisable 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.

**2.4 Cash and cash equivalents (for purposes of Cash Flow Statement)**

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

**2.5 Cash flow statement**

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

**2.6 Tangible fixed assets**

Fixed assets are carried at cost less accumulated depreciation and impairment losses, if any. The cost of fixed assets includes interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use and other incidental expenses incurred up to that date. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance. Assets are valued net of CENVAT claimed.

**Capital work-in-progress :**

Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

**2.7 Intangible assets**

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

**2.8 Depreciation and amortisation**

Depreciation has been provided on the straight-line method as per the useful lives prescribed in Part - C of Schedule II to the Companies Act, 2013 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as under. In respect of additions / deletions made during the year, depreciation is provided on a *pro-rata* basis.

- a) Leasehold land is amortised over the duration of the lease
- b) No depreciation has been provided on the freehold land and Capital Work in Progress
- c) Office Equipment costing less than Rupees one Lac is charged to revenue in the year of purchase
- d) Depreciation on Heavy and Light Vehicles are provided on Written Down Value method
- e) Intangible assets are amortised over their estimated useful life

**2.9 Revenue recognition****a) Sale of goods**

Sales comprises sale of goods and services, but net of sales returns. In order to comply with the "Accounting Standards Interpretation-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.

**b) Other income**

- i) Interest income is accounted on accrual basis.
- ii) Government Incentives Scheme is recognised when there is reasonable assurance that the Company will comply with the terms and conditions attached to them. Accordingly subsidy under such scheme is recognised on the basis of actual / applied / receipt of approval letter from the Government Authority.
- iii) Export benefits are accounted for in the year of exports based on eligibility and when there is no uncertainty in receiving the same.

**2.10 Foreign currency transactions and translations****a) Initial recognition**

Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

**b) Measurement of foreign currency monetary items at the Balance Sheet date**

Foreign currency monetary items (other than derivative contracts) of the Company outstanding at the Balance Sheet date are restated at the year-end rates.

**c) Treatment of exchange differences**

Exchange differences arising on settlement / restatement of short-term foreign currency monetary assets and liabilities of the Company are recognised as income or expense in the Statement of Profit and Loss.

**2.11 Investments**

Long-term investments (excluding investment in properties), are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost or fair value.

**2.12 Employee benefits****Long Term 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 Statement of Profit and Loss. The Company pays contribution to a recognised Provident Fund.

**Short Term Benefits**

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

**2.13 Borrowing costs**

Borrowing costs include interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset upto the date of capitalisation of such asset is added to the cost of the assets.

**2.14 Leases**

For assets acquired under operating lease, rentals payable are charged to the Statement of Profit and Loss.

**2.15 Earnings per share**

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

**2.16 Taxes on income**

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

### 2.17 Research and development expenses

Revenue expenditure pertaining to research and development is charged to the Statement of Profit and Loss.

### 2.18 Unamortised Expenses

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

### 2.19 Joint venture operations

The accounts of the Company reflect its share of the Assets, Liabilities, Income and Expenditure of the Joint Venture Operations which are accounted on the basis of the audited accounts of the Joint Ventures on line-by-line basis with similar items in the Company's accounts to the extent of the participating interest of the Company as per the Joint Venture Agreements.

### 2.20 Impairment of assets

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

### 2.21 Provisions and contingencies

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes.

### 2.22 Insurance claims

Insurance claims are accounted for on the basis of claims admitted / expected to be admitted and to the extent that there is no uncertainty in receiving the claims.

### 2.23 Service tax input credit

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainty in availing / utilising the credits.

### 2.24 Excise & 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.

## 3. SHARE CAPITAL

Particulars	As at 31.03.2016		As at 31.03.2015	
	Number	Amount (₹ in Lacs)	Number	Amount (₹ in Lacs)
<b>Authorised</b>				
Equity Shares of ₹ 10/- each	205,000,000	20,500	205,000,000	20,500
<b>Issued</b>				
Equity Shares of ₹ 10/- each	180,219,448	18,022	180,219,448	18,022
<b>Subscribed &amp; Fully Paid up Equity Shares</b>				
Equity Shares of ₹ 10/- each fully paid	180,219,448	18,022	180,219,448	18,022

#### a) Terms / Voting Rights attached to the Equity Shares

The paid up capital of the Company consists of only equity shares of ₹ 10/- each. Every equity shareholder is entitled to one vote per share.

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

**b) Reconciliation of number of shares outstanding at the beginning and end of the year :**

Movement of Shares	As at 31.03.2016	As at 31.03.2015
Opening number of shares issued	180,219,448	162,197,503
Shares issued during the year	--	18,021,945
Share bought back during the year	--	--
Closing number of shares issued	180,219,448	180,219,448

**c) Details of Shareholders holding more than 5% shares in the Company**

Name of Shareholder	As at 31.03.2016		As at 31.03.2015	
	Number of Shares held	% of Holding	Number of Shares held	% of Holding
Sunflag Limited, Channel Islands, UK	65,253,582	36.21%	65,253,582	36.21%
Daido Steel Co. Ltd. Japan	18,021,945	10.00%	18,021,945	10.00%
Mr. Suhrit Ravi Bhardwaj	13,217,398	7.33%	13,217,398	7.33%
Mrs. Usha B. Sanghavi	9,757,668	5.41%	7,540,160	4.18%

4. RESERVES & SURPLUS	As at 31.03.2016	As at 31.03.2015
<b>a) Capital Reserves</b>	(₹ in Lacs)	
Opening Balance	25	25
(+) Current Year Transfer	--	--
(-) Written Back in Current Year	--	--
Closing Balance (a)	25	25
<b>b) Other Reserves – General Reserves</b>		
Opening Balance	231	231
(+) Current Year Transfer	--	--
(-) Written Back in Current Year	--	--
Closing Balance (b)	231	231
<b>c) Share Premium</b>		
Opening Balance	3,785	--
(+) Current Year Transfer	--	3,785
(-) Written Back in Current Year	--	--
Closing Balance (c)	3,785	3,785
<b>d) Surplus / (Deficit) in Statement of Profit and Loss</b>		
Opening Balance	36,290	33,849
(+) Net Profit / (Net Loss) for the current year	5,734	2,441
Closing Balance (d)	42,024	36,290
<b>Total (a+b+c+d)</b>	<b>46,065</b>	<b>40,331</b>
<b>5. LONG TERM BORROWINGS</b>		
<b>a) Long Term Borrowings - Secured</b>		
Term Loans - From Banks	1,007	7,297
<b>Total Long Term Borrowings - Secured</b>	<b>1,007</b>	<b>7,297</b>
<b>b) Long Term Borrowings - Unsecured</b>		
From Promoters (Interest Free) @	1,375	1,375
Other Loans and Advances #		
– Interest Free Sales Tax Loan	4,574	5,154
<b>Other Long Term Borrowings - Unsecured</b>	<b>5,949</b>	<b>6,529</b>
<b>Total Long Term Borrowings (a + b)</b>	<b>6,956</b>	<b>13,826</b>

@ The Unsecured loans comprising interest free loans given by Promoters. There is no stipulation as to the repayment hence there is no default in repayment during the period.

# The Unsecured loans comprising interest free Sales Tax Loan. The repayment of the Sales Tax Loan is made as per the schedule and there is no default in repayment during the period.

- i) Term Loans from Banks are secured by a first mortgage of all the Company's immovable properties, situated at villages Warthi, Eklari & Sirsi, District Bhandara, both present and future ranking *pari passu interse* and a first charge by way of hypothecation of all the Company's movables subject to prior charges created in favour of Company's bankers on inventories, book debts and other movables for securing the borrowings for working capital requirement.
- ii) Term loan of ₹ 40 Crores (outstanding ₹ 16 Crores) borrowed from State Bank of India and State Bank of Bikaner & Jaipur are further secured by Personal Guarantee of Shri Ravi Bhushan Bhardwaj, Vice Chairman of the Company.
- iii) The Company has not defaulted in either repayment of principle or interest during the year.

(₹ in Lacs)

Maturity Profile	1-2 year	2-3 years	3-4 years	Beyond 4 years
Term loan from banks	1,007	--	--	--
Unsecured Interest Free Sales Tax Loan	721	820	860	2,172

**6. DEFERRED TAXATION**

(₹ in Lacs)

Particulars	Balance as on 01.04.2015	Arising during the year	Balance as on 31.03.2016
<b>a) Deferred Tax Liabilities</b>			
On account of timing difference in Depreciation	7,933	72	8,005
Others	--	--	--
<b>Total (a)</b>	<u>7,933</u>	<u>72</u>	<u>8,005</u>
<b>b) Deferred Tax Assets</b>			
Disallowances	478	72	550
Accumulated Losses	940	(940)	--
<b>Total (b)</b>	<u>1,418</u>	<u>(868)</u>	<u>550</u>
<b>Deferred Tax Liability / (Asset) (a - b)</b>	<u>6,515</u>	<u>940</u>	<u>7,455</u>

	As at 31.03.2016	As at 31.03.2015		As at 31.03.2016	As at 31.03.2015
	(₹ in Lacs)			(₹ in Lacs)	
<b>7. OTHER LONG TERM LIABILITIES</b>			<b>10. TRADE PAYABLES</b>		
a) Trade Payables	--	76	a) Acceptances	5,523	9,534
b) Others - Security Deposit			b) Other than Acceptances	8,910	10,196
i. Refundable	--	3	<b>Total</b>	<u>14,433</u>	<u>19,730</u>
ii. Contractors #	180	202	<b>11. OTHER CURRENT LIABILITIES</b>		
iii. Employees LPG	--	--	a) Current maturities of long-term debt (Payable within a year)		
<b>Total (a+b)</b>	<u>180</u>	<u>281</u>	i. Term Loan from Banks	7,113	7,555
# Deposit recovered from contractors continue to remain over one year			ii. Unsecured Interest free Sales Tax Loan	580	556
<b>8. LONG TERM PROVISIONS</b>			b) Interest accrued but not due on borrowings	88	112
a) <b>Provision for employee benefits</b>			c) Unclaimed dividends	63	82
Employees Benefit including Leave Encashment	569	488	d) TDS Payable	44	28
b) <b>Provision for Contingencies</b>	901	901	e) Advance received from Customers	--	4
<b>Total (a+b)</b>	<u>1,470</u>	<u>1,389</u>	f) Other Payables	549	66
<b>9. SHORT TERM BORROWINGS</b>			<b>Total</b>	<u>8,437</u>	<u>8,403</u>
<b>Secured :</b>			<b>12. SHORT TERM PROVISIONS</b>		
<b>Loans repayable on demand</b>			a) <b>Provision for employee benefits</b>		
Borrowings for Working Capital from banks	11,172	19,777	Salary & Reimbursements	291	183
<b>Total</b>	<u>11,172</u>	<u>19,777</u>	b) <b>Others</b>		
i. Working Capital Borrowings are secured by way of hypothecation of inventories and book debts and further secured by way of second charge ranking <i>pari passu</i> over the fixed assets, situated at villages Warthi, Eklari and Sirsi District Bhandara, both present and future, subject to prior charges created by the Company in favour of banks for securing term loans. Working capital borrowings are further secured by the personal guarantee of Shri Ravi Bhushan Bhardwaj, Vice Chairman of the Company.			Power	12	--
ii. The Company has not defaulted either in repayment of principle or interest during the year.			Excise Duty Payable on Finished Goods Stock	3,224	2,899
			Selling Expenses	625	615
			Managerial Commission	341	53
			Other Expenses	2,879	1,137
			<b>Total</b>	<u>7,372</u>	<u>4,887</u>

**13. FIXED ASSETS**

(₹ in Lacs)

PARTICULARS	Gross Block			Accumulated Depreciation			Net Block	
	Balance as at 01.04.2015	Additions/ (Disposals)	Balance as at 31.03.2016	Balance as at 01.04.2015	Depreciation Charge for the year	Depreciation Adjustments	Balance as at 31.03.2016	Balance as at 31.03.2015
<b>A Tangible Assets</b>								
a) Freehold Land	372	(184)	188	--	--	--	--	188
b) Leasehold Land	89	--	89	26	1	--	27	62
c) Buildings								
Factory Buildings	20,828	--	20,828	8,264	485	--	8,749	12,079
Non Factory Building	192	--	192	79	3	--	82	110
Office Building	482	--	482	96	7	--	103	379
Township	630	--	630	232	11	--	243	387
Welfare Buildings	86	--	86	28	2	--	30	56
Boundary Wall & Fencing	87	--	87	82	--	--	82	5
Approach Roads	268	92	360	241	9	--	250	110
d) Railway Siding	375	--	375	356	--	--	356	19
e) Plant and Equipment	104,911	1,307	106,218	63,042	4,552	--	67,594	38,624
f) Furniture and Fixtures	224	--	224	207	2	--	209	15
g) Vehicles	285	20	305	268	6	(15)	259	46
h) Office equipment	410	--	410	389	--	--	389	21
i) Development of Mines	1,579	372	1,951	484	98	--	582	1,369
<b>Total (A)</b>	130,818	1,607	132,425	73,794	5,176	(15)	78,955	53,470
<b>B Intangible Assets</b>	--	--	--	--	--	--	--	--
<b>C Capital Work in Progress</b>	282	118	400	--	--	--	--	400
<b>Total (B + C)</b>	282	118	400	--	--	--	--	400
<b>Total (A+B+C)</b>	131,100	1,725	132,825	73,794	5,176	(15)	78,955	53,870

**14. NON-CURRENT INVESTMENTS**

(₹ in Lacs)

Particulars	As at 31.03.2016	As at 31.03.2015
Non Trade Investment in Equity instruments	1,125	767
Less : Provision for diminution in the value of Investments	--	--
<b>Total</b>	<u>1,125</u>	<u>767</u>
Aggregate amount of unquoted investments	1,125	767

**Details of Non Trade Investments in Equity**

Name of Body Corporate	No. of Shares		Extent of Holding (%)		Amount (₹ in Lacs)	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015
<b>Investment in Equity Instruments (At Cost, Unquoted &amp; Fully Paid)</b>						
<b>Subsidiary</b>						
Sunflag Special Steels Limited	49,940	49,940	99.88	99.88	5	5
Sunflag Power Limited	49,940	49,940	99.88	99.88	5	5
Khappa Coal Company Private Limited	3,163,500	3,163,500	63.27	63.27	316	316
<b>Joint Ventures</b>						
Madanpur (North) Coal Company Private Limited	1,210,188	1,210,188	11.73	11.73	121	121
C T Mining Private Limited	3,180,000	3,180,000	31.80	31.80	318	318
Gujarat State Mining and Resources Corporation Limited	--	24,500	--	49.00	--	2
Daido DMS India Pvt. Ltd.	3,600,000	--	20.00	--	360	--
<b>Others</b>						
India Bulls CSEB Bhaiyathan Power Limited	74	74	--	--	--	--
<b>Total</b>					1,125	767

- a) Pursuant to the Supreme Court Order dated 24<sup>th</sup> September 2014, the Coal Block allocated to the Company with other JV partners in the names of Khappa Coal Company Private Limited, Madanpur (North) Coal Company Private Limited and CT Mining Private Limited, stands cancelled. Subsequent to the cancellation of previous allocation, the Government of India, Ministry of Law and Justice (Legislative Department) has promulgated "**The Coal Mines (Special Provisions) Act, 2015**" for implementing the order of Supreme Court and fixation of compensation etc to the prior allottees. But the process of re-allotment and crystallisation of compensation amount in respect of the Company's above mines, is pending as the re-auctioning process of these mines are not yet completed. In view of aforesaid, the Company has not recognised any amount towards diminution in the value of the investments made in the JV companies.
- b) During the year the Company has written off an amount of ₹ 2.45 Lacs investment in Gujarat State Mining Resources Corporation Limited pursuant to that Company applied for striking off its name from Registrar of Companies, Gujarat at Ahmedabad (RoC). The Company has received a letter dated 03.05.2016 from RoC, Ahmedabad confirming receipt of application.

	As at 31.03.2016	As at 31.03.2015		As at 31.03.2016	As at 31.03.2015
(₹ in Lacs)			(₹ in Lacs)		
<b>15. LONG TERM LOANS &amp; ADVANCES</b>			<b>17. TRADE RECEIVABLES</b>		
<b>a) Capital Advances</b>			a) Trade receivables outstanding for a period less than 6 months from the date they are due for payment		
Considered good - Secured	--	--	Unsecured - Considered good	20,307	18,026
Considered good - Unsecured	64	823	Less : Provision for doubtful debts	--	--
<b>Total (a)</b>	64	823	<b>Total (a)</b>	20,307	18,026
<b>b) Security Deposits</b>			b) Trade receivables outstanding for a period exceeding 6 months from the date they are due for payment		
Considered good - Secured	--	--	Unsecured - Considered good	778	824
Considered good - Unsecured	1,165	1,028	Less : Provision for doubtful debts	48	--
<b>Total (b)</b>	1,165	1,028	<b>Total (b)</b>	730	824
<b>c) Loans and advances to related parties [refer Note 27.12]</b>			<b>Total (a+b)</b>	21,037	18,850
Considered good - Secured	--	--			
Considered good - Unsecured	1,745	1,741	<b>18. CASH AND BANK BALANCES</b>		
<b>Total (c)</b>	1,745	1,741	a) Cash and Cash Equivalents		
<b>Total (a+b+c)</b>	2,974	3,592	i. Cash on hand	15	4
			ii. Balances in Current Accounts	581	445
			<b>Total (a)</b>	596	449
			b) Other Bank Balances		
			i. Margin Money Deposit against LC & BG	5,693	4,795
			ii. On Dividend A/c - Unclaimed (*)	63	82
			<b>Total (b)</b>	5,756	4,877
			<b>Total (a+b)</b>	6,352	5,326
During the year the Company has written off an amount of ₹ 2.46 Lacs being unsecured loan given to Gujarat State Mining Resources Corporation Limited pursuant to that Company applied for striking off its name from RoC, Gujarat at Ahmedabad. The same is under process. Hence, advance given to the Company has been written off during the year.			* During the year ₹ 19 Lacs has been transferred to investor Education & Protection Fund out of Unclaimed Dividend account.		
<b>16. INVENTORIES</b>			<b>19. SHORT-TERM LOANS AND ADVANCES</b>		
a) Raw Materials & components (Valued at weighted average cost)	5,084	10,359	Trade Advances - Vendors	2,146	4,802
Goods-in transit	163	961	Loans & Advances to Employees	22	22
<b>Total (a)</b>	5,247	11,320	Prepaid Expenses	135	184
b) Work-in-progress (Valued at cost)	8,163	7,794	Balances with Statutory/Govt. Authorities		
c) Finished goods (Valued at lower of cost or Net realisable value)	16,953	18,440	- Excise Duty	758	601
d) Consumables, Stores and Spares (Valued at cost)	1,125	1,860	- Advance Royalty	42	--
e) Others	--	--	- Sales Tax (VAT)	--	3
<b>Total (a+b+c+d+e)</b>	31,488	39,414	- Income Tax	1,198	1,163
			- Claims Receivable	265	865
			<b>Total</b>	4,566	7,640
			<b>20. OTHER CURRENT ASSETS</b>		
			a) Accruals-Interest accrued on Deposits	140	225
			b) Others		
			i. Export incentives Receivable	4	36
			ii. Railway/Insurance Claims	6	5
			<b>Total (a+b)</b>	150	266

**Notes forming part of Statement of Profit and Loss for the year ended 31<sup>st</sup> March 2016**

	For the year ended	
	31.03.2016	31.03.2015
	(₹ in Lacs)	
<b>21. REVENUE FROM OPERATIONS</b>		
Sale of Manufactured Goods	186,227	195,651
Sale of Others	--	--
Duty Drawback and Export Incentives	105	186
<b>Total</b>	<b>186,332</b>	<b>195,837</b>
Less : Excise duty	20,204	20,178
<b>Total</b>	<b>166,128</b>	<b>175,659</b>
<b>22. OTHER INCOME</b>		
Interest Income (in case of a company other than a finance company)	440	483
Net gain / loss on sale of investments	--	--
Other non-operating income (net of expenses directly attributable to such income)	148	117
<b>Total</b>	<b>588</b>	<b>600</b>
<b>23.a) Cost of Raw Material and Components Consumed</b>		
Inventory at the beginning of the year	13,180	7,549
Add : Purchases	81,026	108,878
Less : Inventory at the end of the year	6,372	13,180
<b>Total Raw Material Consumption (a)</b>	<b>87,834</b>	<b>103,247</b>
<b>23.b) Other Manufacturing Expenses</b>		
Consumption of Fuel	3,258	5,272
Consumption of Power (Net of Captive consumption)	9,038	11,007
Sales Tax (Net of Incentive under Mega Project)	7,094	6,937
Coal mine freight and other expenses #	4,835	2,440
Freight & Forwarding	7,033	7,449
Other Works Overhead	7,880	7,583
<b>Total Other Manufacturing Expenses (b)</b>	<b>39,138</b>	<b>40,688</b>
<b>Total Expenses (a + b)</b>	<b>126,972</b>	<b>143,935</b>
# Coal mine freight and other expenses includes Final Price Offer of ₹ 1,785/- per ton on production at Belgoan Coal Mine amounting to ₹ 2,946 Lacs for year 2015 - 2016.		
<b>Details of Consumption - Raw Material &amp; Components</b>		
Iron Ore & Iron Ore Fines	21,973	34,642
Coal & Coal Fines (Net of consumption of Coal from Captive Mines)	3,592	3,903
Coke	22,132	21,848
Sponge Iron	202	1,917
Scrap & HBI	2,110	1,015
Ferro Alloys	16,228	18,708
Fluxes, Minerals & Additives	5,392	8,438
Electrodes	1,533	1,849
Others	14,672	10,927
<b>Total</b>	<b>87,834</b>	<b>103,247</b>
<b>Details of Inventory - Raw Material &amp; Components</b>		
Iron Ore & Iron Ore Fines	1,166	3,880
Coal & Coal Fines (Net of consumption of Coal from Captive Mines)	438	2,371
Coke	1,259	1,565
Scrap & HBI	18	131
Ferro Alloys	1,169	1,235
Fluxes, Minerals & Additives	628	490
Electrodes	110	108
Goods in Transit	163	961
Others	1,421	2,439
<b>Total</b>	<b>6,372</b>	<b>13,180</b>



	For the year ended	
	31.03.2016	31.03.2015
<b>24. (Increase) / Decrease in Inventories</b>		
<b>Inventories at the end of the year</b>		
Finished goods	16,953	18,440
Work-in-progress	8,163	7,794
<b>Total</b>	<b>25,116</b>	<b>26,234</b>
<b>Inventories at the beginning of the year</b>		
Finished goods	18,440	20,678
Work-in-progress	7,794	4,839
<b>Total</b>	<b>26,234</b>	<b>25,517</b>
<b>Net (increase) / decrease</b>	<b>1,118</b>	<b>(717)</b>
<b>25. Employee Benefit Expenses</b>		
Salaries, Wages and Bonus	8,182	6,942
Contribution to Provident and other Funds	1,089	722
Staff Welfare Expenses	555	542
<b>Total</b>	<b>9,826</b>	<b>8,206</b>
<b>26. Finance Cost</b>		
Interest Expense	4,317	5,668
Other borrowing costs	1,823	1,545
Applicable net (gain) / loss on foreign currency transactions & translation	(85)	(69)
<b>Total</b>	<b>6,055</b>	<b>7,144</b>
<b>27. Other Expenses</b>		
<b>27.1 Administration &amp; Selling Expenses</b>		
Travelling Expenses	327	366
Insurance Charges	196	188
Rent, Rates and Taxes	248	299
Repairs and Maintenance	117	146
Printing and Stationary	31	26
Postage and Telephones	66	104
Admin Expenses	533	493
Legal and Professional Expenses	501	497
Payment to Statutory Auditors (Refer Details below)	19	16
Payment to other Auditors (including internal Audit Fees)	11	8
Commission	158	171
Discounts	6,628	4,714
Other Selling Overheads	212	279
<b>Total</b>	<b>9,047</b>	<b>7,307</b>
<b>27.2 Payments to Auditors</b>		
Statutory Audit Fees	14	11
Tax Audit Fees	2	2
Other Services	--	--
Statutory Auditors out of Pocket Expenses	3	3
<b>Total</b>	<b>19</b>	<b>16</b>
<b>27.3 Contingent liabilities and commitments (to the extent not provided for)</b>		
<b>i) Contingent liabilities</b>		
a) Unexpired Letter of Credit	3,277	4,549
b) Guarantees issued by Company's Bankers on behalf of the Company	7,692	8,204
c) Bonds / Undertakings given by the Company under Duty Exemption Scheme to the Custom Authorities	1,546	2,598
d) Bills Discounted	4,681	6,935
e) Excise Duty & Custom Duty against which Company has preferred an Appeal	65	65
f) Income Tax Liability - Disputed but paid	902	1,325
g) Income Tax Liability - Disputed but not paid	821	--
h) Corporate Guarantee issued to Banks on behalf of Subsidiaries	400	400
i) Receivable under dispute against which company has initiated legal suit	375	--
<b>ii) Commitments :</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for :		
– Tangible Assets	1,681	497

**27.4 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006**

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 31<sup>st</sup> March, 2016 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.

**27.5 Disclosure under Regulation 34 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015**

Loans and advances in the nature of loans given to subsidiaries, associates and others and investment in shares of the Company by such Companies.

(₹ in Lacs)

Name of Company	Relationship	Amount Outstanding as at		Maximum balance Outstanding during	
		31.03.2016	31.03.2015	31.03.2016	31.03.2015
Khappa Coal Company Private Limited	Subsidiary	737	737	737	737
Sunflag Power Limited	Subsidiary	970	958	970	958
Gujarat State Mining & Resources Corporation Limited	Joint Venture	--	2	--	2

For the year ended  
31.03.2016                      31.03.2015  
(₹ in Lacs)

**27.6 Value of imports calculated on CIF basis :**

Raw Materials	6,751	9,653
Spare Parts & Components	436	268

**27.7 Expenditure in foreign currency :**

Technical Services	181	34
Subscription & Membership Fees	2	3
Foreign Travelling	22	19
Other matters	47	35

**27.8 Earnings in foreign exchange :**

Export of goods calculated on FOB basis	5,187	7,967
---	-------	-------

**27.9 Details of consumption of imported and indigenous items :**

Particulars	for the year ended		for the year ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
<b>Imported</b>	%	%	(₹ in Lacs)	
Raw Materials	12.24	9.35	10,749	9,653
Components & Spare Parts	0.50	0.26	436	268
<b>Total</b>	<b>12.73</b>	9.61	<b>11,185</b>	9,921
<b>Indigenous</b>				
Raw Materials	71.06	87.44	62,414	90,276
Components & Spare Parts	16.21	2.95	14,236	3,049
<b>Total</b>	<b>87.27</b>	90.39	<b>76,650</b>	93,325

**27.10 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	For the year ended	
	31.03.2016	31.03.2015
Units consumed (kWh'000)	138,475	138,753
Value (₹ in Lacs)	9,891	9,832

**27.11 Employee benefit plans**

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

- Employees Provident Fund, the Company has made good the shortfall of interest on fund ₹ 39.00 Lacs (previous year 'Nil' )

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	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015
<b>Statement showing changes in Present Value of obligation :</b>						
Present value of obligations at the beginning of the year	1,232	1,133	4,899	4,395	2,079	1,975
Interest Cost	6	105	434	395	164	159
Current Service Cost	390	106	839	815	209	243
Benefits paid	(172)	(112)	(639)	(706)	(166)	(299)
Actuarial Loss on Obligations	--	--	--	--	--	--
Present value of obligations as at the end of the year	1,456	1,232	5,533	4,899	2,285	2,078
<b>Table showing changes in the fair value of Plan Assets :</b>						
Fair value of Plan Assets at the beginning of year	1,234	1,143	4,899	4,395	2,079	1,975
Expected return on Plan Assets	6	105	395	395	164	159
Contributions	389	98	839	815	209	243
Benefits paid	(172)	(112)	(639)	(706)	(166)	(299)
Actuarial Gain / (Loss) on Plan Assets	(1)	--	--	--	--	--
Fair value of Plan Assets at the end of the year	1,456	1,234	5,494	4,899	2,285	2,078
Funded Status	--	(2)	39	--	--	--
Excess of Actual over estimated return on Plan Assets	--	--	--	--	--	--
<b>Actuarial Gain / (Loss) recognised :</b>						
Actuarial Gain / (Loss) for the year - Obligation	--	--	--	--	--	--
Actuarial Gain / (Loss) for the year - Plan Assets	--	8	--	--	--	--
Total Loss for the year	--	--	--	--	--	--
Actuarial Gain / (Loss) recognised in the year	--	8	--	--	--	--
<b>Amounts to be recognised in the Balance Sheet :</b>						
Present value of obligations as at the end of the year	1,456	1,232	5,533	4,899	2,285	2,078
Fair value of Plan Assets as at the end of the year	1,456	1,234	5,494	4,899	2,285	2,078
Funded Status	--	(2)	39	--	--	--
Net Asset / (Liability) Recognised in the Balance Sheet	--	2	(39)	--	--	--
<b>Expenses Recognised in the statement of Profit and Loss Account :</b>						
Current Service Cost	390	106	434	395	--	--
Interest Cost	--	--	--	--	--	--
Expected Return on Plan Assets	--	--	395	395	--	--
Net Actuarial (Gain) / Loss Recognised in the Statement of Profit & Loss	1	8	--	--	--	--
Expenses Recognised in Statement of Profit & Loss	389	98	39	--	--	--
<b>Actuarial Assumptions :</b>						
Discount Rate	8.50%	9.00%	8.80%	8.75%	--	--
Salary Escalation	5.00%	5.00%	5.00%	5.00%	--	--
<b>Investment Details (%) :</b>						
GOI Securities	--	--	43%	41%	--	--
State Government Securities	--	--	25%	25%	--	--
Approved Marketable Securities	--	--	--	--	--	--
Bonds / Debentures etc	--	--	32%	34%	--	--
Loans	--	--	--	--	--	--
Equity	--	--	--	--	--	--
Liquid fund / Money Market Instrument	--	--	--	--	--	--
<b>Total</b>	--	--	<b>100%</b>	<b>100%</b>	--	--

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. Eventhough 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.

**27.12 Related Party Disclosure (as identified by the Management)**

(₹ in Lacs)

Related party	Account	Transactions Year ended		Outstanding As on	
		31.03.2016	31.03.2015	31.03.2016	31.03.2015
<b>Subsidiaries</b>					
Sunflag Power Limited	Unsecured Loan	11	13	970	959
Khappa Coal Company Private Limited	Advance Paid	--	--	737	737
<b>Associate Enterprises</b>					
Haryana Televisions Limited	Rent	48	46	28	28
<b>Key Managerial Personnel</b>					
Mr. P.B. Bhardwaj	Commission	86	26	--	--
Mr. Ravi Bhushan Bhardwaj	Remuneration &	147	125	--	--
Mr. Pranav Bhardwaj	Commission	308	110	--	--
Mr. Surendra Kumar Gupta	Remuneration	83	75	--	--
<b>Relative to Key Managerial Personnel</b>					
Mr. Suhrit Bhardwaj	Rent Paid	21	20	--	--
	Refundable Security Deposit	--	--	10	10
<b>Joint Ventures</b>					
Madanpur (North) Coal Company Private Limited	Share Application Money	--	--	--	5
Gujarat State Mining and Resources Corporation Limited	Interest Free Unsecured Loan	--	--	--	2
Daido D.M.S. India Pvt. Ltd.	Share Capital	360	--	--	--
<b>Total</b>				<b>1,745</b>	<b>1,741</b>

**28. EARNINGS PER SHARE**

Basic Earnings per Share	Year Ended 31.03.2016	Year Ended 31/03/2015
<b>Continuing Operations</b>		
Profit / (Loss) after Tax (₹ in Lacs) from continuing operations	5,734	2,441
Weighted Average shares outstanding at the end of Year	180,219,448	172,171,292
Number of Equity Shares outstanding at the end of the year	180,219,448	180,219,448
Basic / Diluted Earnings ₹ per Share	3.18	1.42

Since there is no fresh issue or Bonus issue and also the absence of any other type of Share Capital Outstanding at the end of the year, the Diluted EPS and Basic EPS are same.

**29. INTEREST IN JOINT VENTURES**

The Company has interests in the following jointly controlled entities:

(₹ in Lacs)

Name of Company	% of Shareholding	Amount of Interest based on accounts for the year ended 31.03.2016					
		Assets	Liabilities	Income	Expenditure	Contingent Liabilities	Capital Commitments
Daido D.M.S. India Pvt. Ltd.	20.00	375	375	22	87	--	--
	--	--	--	--	--	--	--
Madanpur (North) Coal Company Private Limited	11.73 (11.73)	110 (126)	110 (126)	3	14	389 (389)	--
C T Mining Private Limited	31.80 (31.80)	299 (328)	299 (328)	9	37	489 (489)	--
Gujarat State Mining and Resources Corporation Limited	-- (49.00)	-- --	-- --	-- --	-- --	-- --	-- --

Note : Figures in brackets relate to the previous year.

30. Previous year figures have been rearranged or regrouped wherever necessary to conform to current year's classification. The line items which are either not applicable or were NIL for both the years are omitted in presentation.

**Form No. AOC - 1**

[Pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of the Companies (Accounts) Rules 2014]

**Part - A : Subsidiaries****Statement containing salient features of the financial statement of subsidiaries / associates companies / joint ventures**

(₹ in Lacs)

Particulars	Sunflag Power Limited	Sunflag Special Steels Limited	Khappa Coal Company Private Limited
<b>% of Shareholding of Sunflag Iron and Steel Company Limited</b>	<b>99.88%</b>	<b>99.88%</b>	<b>63.27%</b>
Paid-up Share Capital	5.00	5.00	500.00
Interest Free Unsecured Loan	970.00	--	1,165.00
Share Application Money --	--	--	
Reserves & Surplus	--	(1.00)	(105.00)
Other Liabilities	--	--	4.00
Total Assets	975.00	4.00	1,564.00
Total Liabilities	975.00	4.00	1,564.00
Investments	--	--	--
Turnover	--	--	--
Profit / (Loss) before Taxation	--	(0.01)	--
Profit / (Loss) after Taxation	--	(0.01)	--
Proposed Dividend	--	--	--

Note : All the three subsidiaries mentioned above have yet to commence the business / operations.

**Part - B : Associates & Joint Ventures****Statement Pursuant to sub-section (3) of Section 129 of the Companies Act, 2013 related to Associate Companies & Joint Ventures**

(₹ in Lacs)

Particulars	Daido D.M.S. India Private Limited	Madanpur (North) Coal Company Private Limited	C T Mining Private Limited	Gujarat State Mining and Resources Corporation Limited
1. Latest audited Balance Sheet date	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2016
2. Shares of Associate / Joint Ventures held by the Company on the year end	20.00%	11.73%	31.80%	--
Number of Shares	36,00,000	12,10,188	31,80,000	--
Amount of investment in Associate / Joint Ventures	360.00	121.00	318.00	--
Extent of holding %	20.00%	11.73%	31.80%	--
3. Description of how there is significant influence	Part of decision making	Part of decision making	Shareholding exceeding 20%	Not applicable
4. Reason why the Associate / Joint Ventures not consolidated	Not applicable	Not applicable	Not applicable	Not applicable
5. Networth attributable to Shareholding as per latest audited Balance Sheet	324.00	110.00	290.00	Not applicable
6. Profit / Loss for the year	(177.50)	(97.19)	(86.67)	Not applicable
Considered in consolidation	(35.50)	(11.40)	(27.56)	Not applicable
Not Considered in consolidation	(142.00)	(85.79)	(59.11)	Not applicable

Note : All the Joint - Ventures mentioned above, except Daido D.M.S. India Pvt. Ltd., have yet to commence the business / operations

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**INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS**

To

The Board of Directors,  
Sunflag Iron and Steel Company Limited  
C I N - L 27100 MH 1984 PLC 034003  
33, Mount Road, Sadar, Nagpur - 440001

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of **SUNFLAG IRON AND STEEL COMPANY LIMITED** (hereinafter referred to as "the Holding Company") and its subsidiaries and jointly Controlled Entities (collectively referred to as "the Group") comprising of the Consolidated Balance Sheet as at 31<sup>st</sup> March 2016, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

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

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

The respective Board of Directors of the Companies included in the Group and of its jointly controlled entities are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143 (10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and jointly controlled entities, as at 31<sup>st</sup> March, 2016 and their consolidated profit and their consolidated cash flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. As required by sub-section 3 Section 143 of the Act, we report, to the extent applicable, that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
  - b) In our opinion, proper books of account as required by law have been kept so far as it appears from our examination of those books.
  - c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account maintained.
  - d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - e) On the basis of the written representations received from the directors of the Holding Company as on 31<sup>st</sup> March, 2016 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies and jointly controlled companies incorporated in India, none of the directors of the Group companies and jointly controlled companies incorporated in India is disqualified as on 31<sup>st</sup> March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in "**Annexure A**", and
  - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 in our opinion and to the best of our information and according to the explanations given to us:
    - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and jointly controlled entities.

- ii. Necessary Provisions have been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies and jointly controlled companies incorporated in India.

**For Patel, Shah & Joshi**  
**Chartered Accountants**  
**Firm Regn. No. 107768W**

**CA Jayant I. Mehta**  
**Partner**  
**Membership Number - 42630**

**Nagpur**  
**28<sup>th</sup> May 2016**

#### **ANNEXURE - A TO INDEPENDENT AUDITOR'S REPORT**

##### **"Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013**

In conjunction with our audit of the consolidated financial statement of the Group as of and for the year ended 31<sup>st</sup> March 2016, we have audited the internal financial controls over financial reporting of Sunflag Iron and Steel Company Limited ("the Holding Company") and its subsidiary companies, as of that date.

##### **Management's Responsibility for Internal Financial Controls**

The respective Board of Directors of the Holding Company and its Subsidiary companies, are responsible for establishing and maintaining Internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

##### **Auditors's Responsibility**

Our responsibility is to express an opinion on the Holding Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal Financial Controls and issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Holding Company's internal financial controls system over financial reporting.

##### **Meaning of Internal Financial Controls over Financial Reporting**

A Holding Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Holding Company's internal financial control over financial reporting includes those policies and procedures that;

- 1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- 2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Holding Company; and
- 3) Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Holding Company's assets that could have a material effect on the financial statements.

##### **Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

##### **Opinion**

In our opinion, the Holding Company and its Subsidiary Companies, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal controls over financial reporting were operating effectively as at 31<sup>st</sup> March, 2016 based on "the internal control over financial reporting" criteria established by these Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For Patel, Shah & Joshi**  
**Chartered Accountants**  
**Firm Regn. No. 107768W**

**CA Jayant I. Mehta**  
**Partner**  
**Membership Number - 42630**

**Nagpur**  
**28<sup>th</sup> May 2016**

**SUNFLAG IRON AND STEEL COMPANY LIMITED, ITS SUBSIDIARIES AND JOINT VENTURES  
CONSOLIDATED BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2016**

(₹ in Lacs)

Particulars	Note No.	As at 31.03.2016	As at 31.03.2015
<b>A. EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
a) Share Capital	3	18,821	18,463
b) Reserves and Surplus	4	45,885	40,327
c) Money received against share warrants		--	--
d) Proportionate Consolidation Elimination		(799)	(441)
<b>2. Share application money pending allotment</b>		--	5
<b>3. Minority Interest</b>		184	184
<b>4. Non-current Liabilities</b>			
a) Long-term Borrowings	5	7,384	14,254
b) Deferred Tax Liabilities (Net)	6	7,439	6,515
c) Other Long Term Liabilities	7	186	287
d) Long-term Provisions	8	1,470	1,389
<b>5. Current Liabilities</b>			
a) Short-term Borrowings	9	11,172	19,779
b) Trade Payables	10	14,481	19,730
c) Other Current Liabilities	11	8,438	8,403
d) Short-term Provisions	12	7,374	4,887
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>122,035</b>	<b>133,782</b>
<b>B. ASSETS</b>			
<b>1. Non-current Assets</b>			
a) Fixed Assets			
i. Tangible Assets	13	53,711	57,249
ii. Intangible Assets		--	--
iii. Capital work-in-progress		2,858	2,883
iv. Intangible Assets under development		--	--
b) Non-current Investments	14	799	441
Proportionate Consolidation Elimination		(799)	(441)
c) Deferred Tax Assets (net)		--	--
d) Long-term Loans and Advances	15	1,301	1,923
e) Other Non-current Assets		--	--
<b>2. Current Assets</b>			
a) Current Investments		--	--
b) Inventories	16	31,592	39,414
c) Trade Receivables	17	21,043	18,850
d) Cash and Bank Balances	18	6,789	5,549
e) Short-term Loans and Advances	19	4,588	7,638
f) Other Current Assets	20	153	276
<b>TOTAL ASSETS</b>		<b>122,035</b>	<b>133,782</b>

Significant accounting policies and Notes forming part of Financial Statements

1 &amp; 2

*As per our attached report of even date***For PATEL, SHAH & JOSHI**  
*Chartered Accountants***CA JAYANT I. MEHTA**  
**PARTNER**  
Membership Number - 42630Nagpur  
28<sup>th</sup> May 2016**RAVI BHUSHAN BHARDWAJ**  
*VICE CHAIRMAN***PRANAV BHARDWAJ**  
*MANAGING DIRECTOR***SURENDRA KUMAR GUPTA**  
*Dy. MAGAGING DIRECTOR***CA R. MURALIDHAR**  
*EXECUTIVE DIRECTOR (FINANCE) & CFO***CS PRANAB PANIGRAHI**  
*COMPANY SECRETARY***DR. E.R.C. SHEKAR****S. GAJENDRAN****CA JAYESH M. PARMAR****K. J. SINGH****MRS. NEELAM KOTHARI****V. K. KAPUR***DIRECTORS*



**SUNFLAG IRON AND STEEL COMPANY LIMITED, ITS SUBSIDIARIES AND JOINT VENTURES  
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016**

Particulars	Note No.	Year Ended 31.03.2016 (₹ in Lacs)	Year Ended 31.03.2015 (₹ in Lacs)
1. Revenue from Operations	21	186,349	195,837
Less : Excise Duty		(20,206)	(20,178)
Net Revenue from operations		<u>166,143</u>	<u>175,659</u>
2. Other Income	22	660	600
3. Total Revenue (1 + 2)		<u>166,803</u>	<u>176,259</u>
4. Expenses :			
Cost of Materials Consumed	23 (a)	87,851	103,247
Other Manufacturing Expenses	23 (b)	39,141	40,688
Purchases of Stock-in-Trade		--	--
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	24	1,118	(717)
Employee benefits expense	25	9,884	8,206
Finance Costs	26	6,114	7,144
Depreciation and amortisation expense	13	5,179	5,113
Other expenses	27	9,185	7,307
Total expenses		<u>158,472</u>	<u>170,988</u>
5. Profit / (Loss) before exceptional and extraordinary items and tax		8,331	5,271
6 Less : Exceptional items (refer note 23 b)		(1)	(2,545)
Add : Exceptional items (refer note 13)		--	2,457
7 Profit before tax (5-6)		<u>8,330</u>	<u>5,183</u>
8. Tax Expense :			
a) Current tax expense for current year		1,848	1,087
b) Current tax expense relating to prior years		--	--
c) Deferred tax	6	924	1,655
9. Profit / (Loss) for the period from continuing operations		<u>5,558</u>	<u>2,441</u>
10. Earnings per equity share (Amount in ₹) :	28		
1) Basic		3.08	1.42
2) Diluted		3.08	1.42
Significant accounting policies and Notes forming part of Financial Statements	1 & 2		

*As per our attached report of even date*

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

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

**Nagpur**  
**28<sup>th</sup> May 2016**

**RAVI BHUSHAN BHARDWAJ**  
*VICE CHAIRMAN*

**PRANAV BHARDWAJ**  
*MANAGING DIRECTOR*  
**SURENDRA KUMAR GUPTA**  
*Dy. MANAGING DIRECTOR*

**CA R. MURALIDHAR**  
*EXECUTIVE DIRECTOR (FINANCE) & CFO*

**CS PRANAB PANIGRAHI**  
*COMPANY SECRETARY*

**DR. E.R.C. SHEKAR**

**S. GAJENDRAN**

**CA JAYESH M. PARMAR**

**K. J. SINGH**

**MRS. NEELAM KOTHARI**

**V. K. KAPUR**

*DIRECTORS*

**SUNFLAG IRON AND STEEL COMPANY LIMITED, ITS SUBSIDIARIES AND JOINT VENTURES  
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016**

(₹ in Lacs)

Particulars	For the year ended 31.03.2016		For the year ended 31.03.2015	
<b>A. Cash flow from operating activities</b>				
Net Profit / (Loss) before extraordinary items and tax		8,331		5,183
<i>Adjustments for:</i>				
Depreciation and amortisation	5,179		5,113	
(Profit) / loss on sale / write off of assets	--		--	
Finance costs	6,114		7,144	
Interest income	--		--	
Exceptional adjustment to carrying amounts of Fixed Assets (Refer Note 13)	--		(2,457)	
Provision for doubtful trade and other receivables, loans and advances				
	11,293	--	9,800	
Operating profit / (loss) before working capital changes		19,624		14,983
<i>Changes in working capital:</i>				
<i>Adjustments for (increase) / decrease in operating assets:</i>				
Inventories	7,823		(6,348)	
Trade receivables	(2,193)		1,923	
Short-term loans and advances	3,082		511	
Long-term loans and advances	614		(804)	
Other current assets	122		(79)	
Other Non-Current assets	--		27	
<i>Adjustments for increase / (decrease) in operating liabilities:</i>				
Trade payables	(5,249)		(1,046)	
Other current liabilities	36		(148)	
Short-term provisions	2,486		504	
Other long-term liabilities	(101)		(635)	
Long-term provisions	81	6,701	--	(6,095)
Cash flow from extraordinary items		--		--
Cash generated from operations		26,325		8,888
Net income tax (paid) / refunds		(1,882)		(1,087)
<b>Net cash flow from / (used in) operating activities (A)</b>		24,443		7,801
<b>B. Cash flow from investing activities</b>				
Capital expenditure on fixed assets, including capital advances	(1,616)		(417)	
Proceeds from sale of fixed assets	--		--	
<b>Net cash flow from / (used in) investing activities (B)</b>		(1,616)		(417)
<b>C. Cash flow from financing activities</b>				
Proceeds from issue of equity shares	--		5,587	
Proceeds from long-term borrowings	--		--	
Repayment of long-term borrowings	(6,868)		(7,887)	
Net increase / (decrease) in working capital borrowings	(8,605)		2,875	
Repayment of unsecured Deferred Sales Tax Loan	--		(553)	
Finance cost	(6,114)		(7,144)	
<b>Net cash flow from / (used in) financing activities (C)</b>		(21,587)		(7,122)
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>		1,240		262
Cash and cash equivalents at the beginning of the year		5,549		5,287
Effect of exchange differences on restatement of foreign currency cash and cash equivalents		--		--
<b>Cash and cash equivalents at the end of the year (Refer Note 18)</b>		6,789		5,549

Refer Significant accounting policies and Notes

As per our attached report of even date

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

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

Nagpur  
28<sup>th</sup> May 2016

**RAVI BHUSHAN BHARDWAJ**  
VICE CHAIRMAN

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COMPANY SECRETARY
**DR. E.R.C. SHEKAR****S. GAJENDRAN****CA JAYESH M. PARMAR****K. J. SINGH****MRS. NEELAM KOTHARI****V. K. KAPUR**

DIRECTORS

**Sunflag Iron and Steel Company Limited, its Subsidiaries and Joint Ventures**
**Significant Accounting Policies**
**PRINCIPLES OF CONSOLIDATION :**

- a) 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 31<sup>st</sup> March, 2016. The consolidated financial statements have been prepared on the following basis :
- b) 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.
- c) 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. 31<sup>st</sup> March, 2016.
- d) Minority interest in the net assets of consolidated subsidiaries consist of :-
  - i. the amount of equity attributable to minorities at the date on which the investment in a subsidiary is made,
  - ii. the minorities' share of movements in equity since the date the parent subsidiary relationship came into existence.
- e) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate Financial Statements.
- f) The list of subsidiary Companies and jointly controlled entities, which are included in the consolidation and the Company's holdings therein are as under :

Name of Company	Ownership in % either directly or through Subsidiaries	
	2015 - 2016	2014 - 2015
<b>i. Subsidiary Companies</b>		
- 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>ii. Jointly Controlled Entities</b>		
- Daido DMS India Pvt. Ltd.	20.00	--
- Madanpur (North) Coal Company Private Limited	11.7318	11.7318
- C T Mining Private Limited	31.80	31.80
- Gujarat State Mining & Resources Corporation Limited	--	49.00

2. Other Significant Accounting Policies are set out under "Significant Accounting Policies Notes forming Part of Financial Statements" as given in the Company's separate financial statements.

**Notes forming part of the Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2016**
**3. SHARE CAPITAL**

Particulars	As at 31.03.2016		As at 31.03.2015	
	Number	Amount (₹ in Lacs)	Number	Amount (₹ in Lacs)
<b>Authorised</b> Equity Shares of ₹ 10/- each	210,000,000	21,000	210,000,000	21,000
<b>Issued</b> Equity Shares of ₹ 10/- each	193,309,636	19,331	189,734,136	18,973
<b>Subscribed &amp; Fully Paid up Equity Shares</b> Equity Shares of ₹ 10/- each fully paid	193,309,636	19,331	189,734,136	18,973
<b>Consolidation Elimination</b>		(510)		(510)
<b>Total</b>	<b>193,309,636</b>	<b>18,821</b>	<b>189,734,136</b>	<b>18,463</b>

**a) Terms / Voting Rights attached to the Equity Shares**

The paid up capital of the Company consists of only equity shares of ₹ 10/- each. Every equity share holder is entitled to one vote per share.

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

**b) Reconciliation of number of shares outstanding at the beginning and end of the year :**

Movement of Shares	As at 31.03.2016	As at 31.03.2015
Opening number of shares issued	180,219,448	162,197,503
Shares issued during the year	--	18,021,945
Share bought back during the year	--	--
Closing number of shares issued	180,219,448	180,219,448

**c) Details of Shareholders holding more than 5% shares in the Company**

Name of Shareholder	As at 31.03.2016		As at 31.03.2015	
	Number of Shares held	% of Holding	Number of Shares held	% of Holding
Sunflag Limited, Channel Islands, UK	65,253,582	36.21%	65,253,582	36.21%
Daido Steel Co. Ltd. Japan	18,021,945	10.00%	18,021,945	10.00 %
Mr. Suhrit Ravi Bhardwaj	13,217,398	7.33%	13,217,398	7.33 %
Mrs. Usha B. Sanghavi	9,757,668	5.41%	7,540,160	4.18 %

4. RESERVES & SURPLUS	As at 31.03.2016	As at 31.03.2015
	(₹ in Lacs)	
<b>a) Capital Reserves</b>		
Opening Balance	25	25
(+) Current Year Transfer	--	--
(-) Written Back in Current Year	--	--
Closing Balance (a)	25	25
<b>b) Other Reserves - General Reserves</b>		
Opening Balance	231	231
(+) Current Year Transfer	--	--
(-) Written Back in Current Year	--	--
Closing Balance (b)	231	231
<b>c) Securities Premium</b>		
Opening Balance	3,785	--
(+) Current Year Transfer	--	3,785
(-) Written Back in Current Year	--	--
Closing Balance (c)	3,785	3,785
<b>d) Surplus / (Deficit) in Statement of Profit and Loss</b>		
Opening Balance	36,286	33,845
(+) Net Profit / (Net Loss) for the current year	5,558	2,441
Closing Balance (d)	41,844	36,286
<b>Total (a+b+c+d)</b>	<b>45,885</b>	<b>40,327</b>
<b>5. LONG TERM BORROWINGS</b>		
<b>a) Long Term Borrowings - Secured</b>		
Term Loans - From Banks	1,007	7,297
<b>Total Long Term Borrowings - Secured</b>	<b>1,007</b>	<b>7,297</b>
<b>b) Long Term Borrowings - Unsecured</b>		
From Promoters (Interest Free) @	1,803	1,803
Other Loans and Advances #		
– Interest Free Sales Tax Loan	4,574	5,154
<b>Other Long Term Borrowings - Unsecured</b>	<b>6,377</b>	<b>6,957</b>
<b>Total Long Term Borrowings (a + b)</b>	<b>7,384</b>	<b>14,254</b>

@ The Unsecured loans comprising interest free loans given by Promoters. There is no stipulation as to the repayment hence there is no default in repayment during the period.

# The Unsecured loans comprising interest free Sales Tax Loan. The repayment of the Sales Tax Loan is made as per the schedule and there is no default in repayment during the period.

- i) Term Loans from Banks are secured by a first mortgage of all the Company's immovable properties, situated at villages Warthi, Eklari & Sirsi, District Bhandara, both present and future ranking *pari passu interse* and a first charge by way of hypothecation of all the Company's movables subject to prior charges created in favour of Company's bankers on inventories, book debts and other movables for securing the borrowings for working capital requirement.
- ii) Term loan of ₹ 40 Crores (outstanding ₹ 16 Crores) borrowed from State Bank of India and State Bank of Bikaner & Jaipur are further secured by Personal Guarantee of Shri Ravi Bhushan Bhardwaj, Vice Chairman of the Company.
- iii) The Company has not defaulted in either repayment of principle or interest during the year.

(₹ in Lacs)

Maturity Profile	1-2 year	2-3 years	3-4 years	Beyond 4 years
Term loan from banks	1,007	--	--	--
Unsecured Interest Free Sales Tax Loan	721	820	860	2,172

**6. DEFERRED TAXATION**

(₹ in Lacs)

Particulars	Balance as on 01.04.2015	Arising during the year	Balance as on 31.03.2016
<b>a) Deferred Tax Liabilities</b>			
On account of timing difference in Depreciation	7,933	71	8,004
Others	--	--	--
<b>Total (a)</b>	<u>7,933</u>	<u>71</u>	<u>8,004</u>
<b>b) Deferred Tax Assets</b>			
Disallowances	478	87	565
Accumulated Losses	940	(940)	--
<b>Total (b)</b>	<u>1,418</u>	<u>(853)</u>	<u>565</u>
<b>Deferred Tax Liability / (Asset) (a - b)</b>	<u>6,515</u>	<u>924</u>	<u>7,439</u>

**7. OTHER LONG TERM LIABILITIES**

	As at 31.03.2016 (₹ in Lacs)	As at 31.03.2015 (₹ in Lacs)
a) Trade Payables	6	82
b) Others - Security Deposit		
i. Refundable	--	3
ii. Contractors #	180	202
iii. Employees LPG	--	--
<b>Total (a+b)</b>	<u>186</u>	<u>287</u>
# Deposit recovered from contractors continue to remain over one year		

**8. LONG TERM PROVISIONS**

a) <b>Provision for employee benefits</b>		
Employees Benefit including Leave Encashment	569	488
b) <b>Provision for Contingencies</b>	901	901
<b>Total (a+b)</b>	<u>1,470</u>	<u>1,389</u>

**9. SHORT TERM BORROWINGS**

<b>Secured :</b>		
<b>Loans repayable on demand</b>		
Borrowings for Working Capital from banks	11,172	19,779
<b>Total</b>	<u>11,172</u>	<u>19,779</u>

- i. Working Capital Borrowings 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, situated at villages Warthi, Eklari and Sirsi, District Bhandara, both present and future, subject to prior charges created by the Company in favour of banks for securing term loans. Working capital borrowings are further secured by the personal guarantee of Shri Ravi Bhushan Bhardwaj, Vice Chairman of the Company.
- ii. The Company has not defaulted either in repayment of principle or interest during the year.

**10. TRADE PAYABLES**

	As at 31.03.2016 (₹ in Lacs)	As at 31.03.2015 (₹ in Lacs)
a) Acceptances	5,522	9,534
b) Other than Acceptances	8,959	10,196
<b>Total</b>	<u>14,481</u>	<u>19,730</u>

**11. OTHER CURRENT LIABILITIES**

a) Current maturities of long-term debt (Payable within a year)		
i. Term Loan from Banks	7,113	7,555
ii. Unsecured Interest free Sales Tax Loan	580	556
b) Interest accrued but not due on borrowings	88	112
c) Unclaimed dividends	63	82
d) TDS Payable	45	28
e) Advance received from Customers	--	4
f) Other Payables	549	66
<b>Total</b>	<u>8,438</u>	<u>8,403</u>

**12. SHORT TERM PROVISIONS**

a) <b>Provision for employee benefits</b>		
Salary & Reimbursements	291	183
b) <b>Others</b>		
Power	12	--
Excise Duty Payable on Finished Goods Stock	3,224	2,900
Selling Expenses	625	615
Managerial Commission	341	53
Other Expenses	2,881	1,136
<b>Total</b>	<u>7,374</u>	<u>4,887</u>

**13. FIXED ASSETS**

(₹ in Lacs)

PARTICULARS	Gross Block			Accumulated Depreciation			Net Block	
	Balance as at 01.04.2015	Additions/ (Disposals)	Balance as at 31.03.2016	Balance as at 01.04.2015	Depreciation Charge for the year	Balance as at 31.03.2016	Balance as at 31.03.2016	Balance as at 31.03.2015
<b>A Tangible Assets</b>								
a) Freehold Land	588	(184)	404	--	--	--	404	588
b) Leasehold Land	89	--	89	25	1	26	63	64
c) Buildings								
Factory Buildings	20,828	--	20,828	8,265	483	8,748	12,080	12,563
Non Factory Building	192	--	192	79	3	82	110	113
Office Building	482	--	482	96	7	103	379	386
Township	630	--	630	233	10	243	387	397
Welfare Buildings	86	--	86	30	1	31	55	56
Boundary Wall & Fencing	87	--	87	83	--	83	4	4
Approach Roads	268	93	361	240	10	250	111	28
d) Railway Siding	375	--	375	356	--	356	19	19
e) Plant and Equipment	104,914	1,323	106,237	63,042	4,555	67,597	38,640	41,872
f) Furniture and Fixtures	227	1	228	209	2	211	17	18
g) Vehicles	309	20	329	284	(5)	279	50	25
h) Office equipment	410	3	413	389	1	390	23	21
i) Development of Mines	1,579	372	1,951	484	98	582	1,369	1,095
<b>Total (A)</b>	131,064	1,628	132,692	73,815	5,166	78,981	53,711	57,249
<b>B Intangible Assets</b>	--	--	--	--	--	--	--	--
<b>C Capital Work in Progress</b>	2,883	(25)	2,858	--	--	--	2,858	2,883
<b>Total (B + C)</b>	2,883	(25)	2,858	--	--	--	2,858	2,883
<b>Total (A+B+C)</b>	133,947	1,603	135,550	73,815	5,166	78,981	56,569	60,132

**14. NON-CURRENT INVESTMENTS**

(₹ in Lacs)

Particulars	As at 31.03.2016	As at 31.03.2015
Non Trade Investment in Equity instruments	799	441
Less : Provision for diminution in the value of Investments	--	--
<b>Total</b>	<b>799</b>	<b>441</b>
Aggregate amount of unquoted investments	799	441

**Details of Non Trade Investments in Equity**

Name of Body Corporate	No. of Shares		Extent of Holding (%)		Amount (₹ in Lacs)	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015
<b>Investment in Equity Instruments (At Cost, Unquoted &amp; Fully Paid)</b>						
<b>Joint Ventures</b>						
Madanpur (North) Coal Company Private Limited	1,210,188	1,210,188	11.73	11.73	121	121
C T Mining Private Limited	3,180,000	3,180,000	31.80	31.80	318	318
Gujarat State Mining and Resources Corporation Limited	--	24,500	--	49.00	--	2
Daido DMS India Pvt. Ltd.	3,600,000	--	20.00	--	360	--
<b>Others</b>						
India Bulls CSEB Bhaiyathan Power Limited	74	74	--	--	--	--
<b>Total</b>					<b>799</b>	<b>441</b>

- a) Pursuant to the Supreme Court Order dated 24<sup>th</sup> September 2014, the Coal Block allocated to the Company with other JV partners in the names of Khappa Coal Company Private Limited, Madanpur (North) Coal Company Private Limited and CT Mining Private Limited, stands cancelled. Subsequent to the cancellation of previous allocation, the Government of India, Ministry of Law and Justice (Legislative Department) has promulgated "The Coal Mines (Special Provisions) Act, 2015" for implementing the order of Supreme Court and fixation of compensation etc to the prior allottees. But the process of re-allotment and crystallization of compensation amount in respect of the Company's above mines, is pending as the re-auctioning process of these mines are not yet completed. In view of aforesaid, the Company has not recognised any amount towards diminution in the value of the investments made in the JV companies.
- b) During the year, the Company has written off an amount of ₹ 2.45 Lacs investment in Gujarat State Mining Resources Corporation Limited pursuant to that Company applied for striking off its name from Registrar of Companies, Gujarat at Ahmedabad (RoC). The Company has received a letter dated 03.05.2016 from RoC, Ahmedabad confirming receipt of application.

	As at 31.03.2016	As at 31.03.2015		As at 31.03.2016	As at 31.03.2015
	(₹ in Lacs)			(₹ in Lacs)	
<b>15. LONG TERM LOANS &amp; ADVANCES</b>			<b>17. TRADE RECEIVABLES</b>		
<b>a) Capital Advances</b>			a) Trade receivables outstanding for a period less than 6 months from the date they are due for payment		
Considered good - Secured	--	--	Unsecured - Considered good	20,314	18,026
Considered good - Unsecured	89	850	Less : Provision for doubtful debts	--	--
<b>Total (a)</b>	<b>89</b>	<b>850</b>	<b>Total (a)</b>	<b>20,314</b>	<b>18,026</b>
<b>b) Security Deposits</b>			b) Trade receivables outstanding for a period exceeding 6 months from the date they are due for payment		
Considered good - Secured	--	--	Unsecured - Considered good	777	824
Considered good - Unsecured	1,174	1,028	Less : Provision for doubtful debts	48	--
<b>Total (b)</b>	<b>1,174</b>	<b>1,028</b>	<b>Total (b)</b>	<b>729</b>	<b>824</b>
<b>c) Loans and advances to related parties [refer Note 27.12]</b>			<b>Total (a+b)</b>	<b>21,043</b>	<b>18,850</b>
Considered good - Secured	--	--	<b>18. CASH AND BANK BALANCES</b>		
Considered good - Unsecured	38	45	a) Cash and Cash Equivalents		
<b>Total (c)</b>	<b>38</b>	<b>45</b>	i. Cash on hand	18	6
<b>Total (a+b+c)</b>	<b>1,301</b>	<b>1,923</b>	ii. Balances in Current Accounts	741	468
			<b>Total (a)</b>	<b>759</b>	<b>474</b>
			b) Other Bank Balances		
			i. Margin Money Deposit against LC & BG	5,967	4,993
			ii. On Dividend A/c - Unclaimed (*)	63	82
			<b>Total (b)</b>	<b>6,030</b>	<b>5,075</b>
			<b>Total (a+b)</b>	<b>6,789</b>	<b>5,549</b>
During the year, the Company has written off an amount of ₹ 2.46 Lacs being unsecured loan given to Gujarat State Mining Resources Corporation Limited pursuant to that, Company applied for striking off its name from RoC, Gujarat at Ahmedabad. The same is under process. Hence, advance given to the Company has been written off during the year.					
<b>16. INVENTORIES</b>			* During the year ₹ 19 Lacs has been transferred to investor Education & Protection Fund out of Unclaimed Dividend account.		
<b>a) Raw Materials &amp; components (Valued at weighted average cost)</b>	<b>5,187</b>	10,359	<b>19. SHORT-TERM LOANS AND ADVANCES</b>		
Goods-in transit	163	961	Trade Advances - Vendors	2,146	4,802
<b>Total (a)</b>	<b>5,350</b>	<b>11,320</b>	Loans & Advances to Employees	22	22
<b>b) Work-in-progress (Valued at cost)</b>	<b>8,164</b>	7,794	Prepaid Expenses	134	184
<b>c) Finished goods (Valued at lower of cost or net realisable value)</b>	<b>16,953</b>	18,440	Balances with Statutory/Govt. Authorities		
<b>d) Consumables, Stores and Spares (Valued at cost)</b>	<b>1,125</b>	1,860	- Excise Duty	780	601
<b>e) Others</b>	--	--	- Advance Royalty	42	--
<b>Total (a+b+c+d+e)</b>	<b>31,592</b>	<b>39,414</b>	- Sales Tax (VAT)	--	3
			- Income Tax	1,199	1,161
			- Claims Receivable	265	865
			<b>Total</b>	<b>4,588</b>	<b>7,638</b>
			<b>20. OTHER CURRENT ASSETS</b>		
			a) Accruals-Interest accrued on Deposits	144	235
			b) Others		
			i. Export incentives Receivable	3	36
			ii. Railway / Insurance Claims	6	5
			<b>Total (a+b)</b>	<b>153</b>	<b>276</b>

**Notes forming part of Consolidated Statement of Profit and Loss for the year ended 31<sup>st</sup> March, 2016**

	For the year ended	
	31.03.2016	31.03.2015
	(₹ in Lacs)	
<b>21. REVENUE FROM OPERATIONS</b>		
Sale of Manufactured Goods	186,243	195,651
Sale of Others	--	--
Duty Drawback and Export Incentives	106	186
<b>Total</b>	<b>186,349</b>	<b>195,837</b>
Less : Excise duty	20,206	20,178
<b>Total</b>	<b>166,143</b>	<b>175,659</b>
<b>22. OTHER INCOME</b>		
Interest Income (in case of a company other than a finance company)	511	483
Net gain/(loss) on sale of investments	--	--
Other non-operating income (net of expenses directly attributable to such income)	149	117
<b>Total</b>	<b>660</b>	<b>600</b>
<b>23.a) Cost of Raw Material and Components Consumed</b>		
Inventory at the beginning of the year	13,180	7,549
Add : Purchases	81,043	108,878
Less : Inventory at the end of the year	6,372	13,180
<b>Total Raw Material Consumption (a)</b>	<b>87,851</b>	<b>103,247</b>
<b>23.b) Other Manufacturing Expenses</b>		
Consumption of Fuel	3,258	5,272
Consumption of Power (Net of Captive consumption)	9,039	11,007
Sales Tax (Net of Incentive under Mega Project)	7,095	6,937
Coal mine freight and other expenses #	4,834	2,441
Freight & Forwarding	7,034	7,448
Other Works Overhead	7,881	7,583
<b>Total Other Manufacturing Expenses (b)</b>	<b>39,141</b>	<b>40,688</b>
<b>Total Expenses (a + b)</b>	<b>126,992</b>	<b>143,935</b>
# Coal mine freight and other expenses includes Final Price Offer of ₹ 1,785/- per ton on production at Belgoan Coal Mine amounting to ₹ 2,946 Lacs for the year 2015 - 2016.		
<b>Details of Raw Material &amp; Components Consumption</b>		
Iron Ore & Iron Ore Fines	21,973	34,642
Coal & Coal Fines (Net of consumption of Coal from Captive Mines)	3,592	3,903
Coke	22,132	21,848
Sponge Iron	202	1,917
Scrap & HBI	2,110	1,015
Ferro Alloys	16,228	18,708
Fluxes, Minerals & Additives	5,392	8,438
Electrodes	1,533	1,849
Others	14,689	10,927
<b>Total</b>	<b>87,851</b>	<b>103,247</b>
<b>Details of Inventory - Raw Material &amp; Components</b>		
Iron Ore & Iron Ore Fines	1,166	3,880
Coal & Coal Fines (Net of consumption of Coal from Captive Mines)	438	2,371
Coke	1,259	1,565
Scrap & HBI	18	131
Ferro Alloys	1,169	1,235
Fluxes, Minerals & Additives	628	490
Electrodes	110	108
Goods in Transit	163	961
Others	1,421	2,439
<b>Total</b>	<b>6,372</b>	<b>13,180</b>



	For the year ended	
	31.03.2016	31.03.2015
	(₹ in Lacs)	
<b>24. (Increase) / Decrease in Inventories</b>		
<b>Inventories at the end of the year :</b>		
Finished goods	16,953	18,440
Work-in-progress	8,164	7,794
<b>Total</b>	<b>25,117</b>	<b>26,234</b>
<b>Inventories at the beginning of the year</b>		
Finished goods	18,440	20,678
Work-in-progress	7,795	4,839
<b>Total</b>	<b>26,235</b>	<b>25,517</b>
<b>Net (increase) / decrease</b>	<b>1,118</b>	<b>(717)</b>
<b>25. Employee Benefit Expenses</b>		
Salaries, Wages and Bonus	8,240	6,942
Contribution to Provident and other Funds	1,089	722
Staff Welfare Expenses	555	542
<b>Total</b>	<b>9,884</b>	<b>8,206</b>
<b>26. Finance Cost</b>		
Interest Expense	4,370	5,668
Other borrowing costs	1,823	1,545
Applicable net (gain) / loss on foreign currency transactions and translation	(79)	(69)
<b>Total</b>	<b>6,114</b>	<b>7,144</b>
<b>27. Other Expenses</b>		
<b>27.1 Administration &amp; Selling Expenses</b>		
Travelling Expenses	334	366
Insurance Charges	196	188
Rent, Rates and Taxes	266	299
Repairs and Maintenance	119	146
Printing and Stationary	31	26
Postage and Telephones	67	104
Admin Expenses	641	493
Legal and Professional Expenses	502	497
Payment to Statutory Auditors (Refer Details below)	19	16
Payment to other Auditors (including internal Audit fee)	11	8
Commission	158	171
Discounts	6,629	4,714
Other Selling Overheads	212	279
<b>Total</b>	<b>9,185</b>	<b>7,307</b>
<b>27.2 Payments to Auditors</b>		
Statutory Audit Fees	14	11
Tax Audit Fees	2	2
Other Services	--	--
Statutory Auditors out of Pocket expenses	3	3
<b>Total</b>	<b>19</b>	<b>16</b>
<b>27.3 Contingent liabilities and commitments (to the extent not provided for)</b>		
<b>i) Contingent liabilities</b>		
a) Unexpired Letter of Credit	3,277	4,549
b) Guarantees issued by Company's Bankers on behalf of the Company	8,570	9,082
c) Bonds / Undertakings given by the Company under Duty Exemption Scheme to the Custom Authorities	1,546	2,598
d) Bills Discounted	4,681	6,935
e) Excise & Custom Duty against which Company has preferred an Appeal	65	65
f) Income Tax Liability - Disputed but paid	902	1,325
g) Income Tax Liability - Disputed but not paid	821	--
h) Receivable under dispute against which Company has initiated legal suit	375	--
<b>ii) Commitments</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for :		
- Tangible Assets	1,681	497

**27.4 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006**

Based on the data available with the Company, there were no dues to Micro, Small and Medium Enterprises as on 31<sup>st</sup> March, 2016 due for a period of more than 45 days, accordingly, no interest was paid/is payable in terms of the said Act during the year under review.

**27.5 Disclosure under Regulation 34 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015**

Loans and advances in the nature of loans given to subsidiaries, associates and others and investment in shares of the Company by such Companies. (₹ in Lacs)

Name of Company	Relationship	Amount Outstanding as at		Maximum balance Outstanding during	
		31.03.2016	31.03.2015	31.03.2016	31.03.2015
Khappa Coal Company Private Limited	Subsidiary	737	737	737	737
Sunflag Power Limited	Subsidiary	970	958	970	958
Gujarat State Mining & Resources Corporation Limited	Joint Venture	--	2	--	2

For the year ended  
31.03.2016                      31.03.2015  
(₹ in Lacs)

**27.6 Value of imports calculated on CIF basis :**

Raw Materials	6,751	9,653
Spare Parts & Components	436	268

**27.7 Expenditure in foreign currency :**

Technical Services	181	34
Subscription & Membership Fees	2	3
Foreign Travelling	22	19
Other matters	47	35

**27.8 Earnings in foreign exchange :**

Export of goods calculated on FOB basis	5,187	7,967
---	-------	-------

**27.9 Details of consumption of imported and indigenous items :**

Particulars	for the year ended		for the year ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
<b>Imported</b>	%	%	(₹ in Lacs)	
Raw Materials	12.24	9.35	10,749	9,653
Components & Spare Parts	0.50	0.26	436	268
<b>Total</b>	<b>12.73</b>	<b>9.61</b>	<b>11,185</b>	<b>9,921</b>
<b>Indigenous</b>				
Raw Materials	71.06	87.44	62,430	90,276
Components & Spare Parts	16.20	2.95	14,236	3,049
<b>Total</b>	<b>87.27</b>	<b>90.39</b>	<b>76,666</b>	<b>93,325</b>

**27.10 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	For the year ended	
	31.03.2016	31.03.2015
Units consumed (kWh'000)	138,475	138,753
Value (₹ in Lacs)	9,891	9,832

**27.11 Employee benefit plans**

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

- Employees Provident Fund, the company has made good the shortfall of interest on fund ₹ 39.00 Lacs (previous year 'Nil' )

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	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015
<b>Statement showing changes in Present Value of obligation :</b>						
Present value of obligations at the beginning of the year	1,232	1,133	4,899	4,395	2,079	1,975
Interest Cost	6	105	434	395	164	159
Current Service Cost	390	106	839	815	209	243
Benefits paid	(172)	(112)	(639)	(706)	(166)	(299)
Actuarial Loss on Obligations	--	--	--	--	--	--
Present value of obligations as at the end of the year	1,456	1,232	5,533	4,899	2,285	2,078
<b>Table showing changes in the fair value of Plan Assets :</b>						
Fair value of Plan Assets at the beginning of year	1,234	1,143	4,899	4,395	2,079	1,975
Expected return on Plan Assets	6	105	395	395	164	159
Contributions	389	98	839	815	209	243
Benefits paid	(172)	(112)	(639)	(706)	(166)	(299)
Actuarial Gain / (Loss) on Plan Assets	(1)	--	--	--	--	--
Fair value of Plan Assets at the end of the year	1,456	1,234	5,494	4,899	2,285	2,078
Funded Status	--	(2)	39	--	--	--
Excess of Actual over estimated return on Plan Assets	--	--	--	--	--	--
<b>Actuarial Gain / (Loss) recognised :</b>						
Actuarial Gain / (Loss) for the year - Obligation	--	--	--	--	--	--
Actuarial Gain / (Loss) for the year - Plan Assets	--	8	--	--	--	--
Total Loss for the year	--	--	--	--	--	--
Actuarial Gain / (Loss) recognised in the year	--	8	--	--	--	--
<b>Amounts to be recognised in the Balance Sheet :</b>						
Present value of obligations as at the end of the year	1,456	1,232	5,533	4,899	2,285	2,078
Fair value of Plan Assets as at the end of the year	1,456	1,234	5,494	4,899	2,285	2,078
Funded Status	--	(2)	39	--	--	--
Net Asset / (Liability) Recognised in the Balance Sheet	--	2	(39)	--	--	--
<b>Expenses Recognised in the statement of Profit and Loss Account :</b>						
Current Service Cost	390	106	434	395	--	--
Interest Cost	--	--	--	--	--	--
Expected Return on Plan Assets	--	--	395	395	--	--
Net Actuarial (Gain) / Loss Recognised in the Statement of Profit & Loss	1	8	--	--	--	--
Expenses Recognised in Statement of Profit & Loss	389	98	39	--	--	--
<b>Actuarial Assumptions :</b>						
Discount Rate	8.50%	9.00%	8.80%	8.75%	--	--
Salary Escalation	5.00%	5.00%	5.00%	5.00%	--	--
<b>Investment Details (%) :</b>						
GOI Securities	--	--	43%	41%	--	--
State Government Securities	--	--	25%	25%	--	--
Approved Marketable Securities	--	--	--	--	--	--
Bonds / Debentures etc	--	--	32%	34%	--	--
Loans	--	--	--	--	--	--
Equity	--	--	--	--	--	--
Liquid fund / Money Market Instrument	--	--	--	--	--	--
<b>Total</b>	--	--	<b>100%</b>	<b>100%</b>	--	--

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. Eventhough these plans are still continuing, Company has stopped making contribution towards One plan i.e. Superannuation Scheme of Workers w.e.f. 1<sup>st</sup> April,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.

**27.12 Related Party Disclosure (as identified by the Management)**

(₹ in Lacs)

Related party	Account	Transactions Year ended		Outstanding As on	
		31.03.2016	31.03.2015	31.03.2016	31.03.2015
<b>Associate Enterprises</b>					
Haryana Televisions Limited	Rent	48	46	28	28
<b>Key Managerial Personnel</b>					
Mr. P.B. Bhardwaj	Commission	86	26	--	--
Mr. Ravi Bhushan Bhardwaj	Remuneration & Commission	147	125	--	--
Mr. Pranav Bhardwaj		308	110	--	--
Mr. Surendra Kumar Gupta	Remuneration	83	75	--	--
<b>Relative to Key Managerial Personnel</b>					
Mr. Suhrit Bhardwaj	Rent Paid	21	20	--	--
	Refundable Security Deposit	--	--	10	10
<b>Total</b>				<b>38</b>	<b>38</b>

**28. EARNINGS PER SHARE**

Basic Earnings per Share	Year Ended 31.03.2016	Year Ended 31.03.2015
<b>Continuing Operations</b>		
Profit/(Loss) after Tax (₹ in Lacs) from continuing operations	5,558	2,441
Weighted Average shares outstanding at the end of year	180,219,448	172,171,292
Number of Equity Shares (Outstanding at the end of the year)	180,219,448	180,219,448
Basic/Diluted Earnings ₹ per Share	3.08	1.42

Since there is no fresh issue or Bonus issue and also the absence of any other type of Share Capital Outstanding at the end of the year, the Diluted EPS and Basic EPS are same.

**29. INTEREST IN JOINT VENTURES**

The Company has interests in the following jointly controlled entities:

(₹ in Lacs)

Name of Company	% of Shareholding	Amount of Interest based on accounts for the year ended 31.03.2016					
		Assets	Liabilities	Income	Expenditure	Contingent Liabilities	Capital Commitments
Daido D.M.S. India Pvt. Ltd.	20.00 --	375 --	375 --	22 --	87 --	-- --	-- --
Madanpur (North) Coal Company Private Limited	11.73 (11.73)	110 (126)	110 (126)	3 --	14 --	389 (389)	-- --
C T Mining Private Limited	31.80 (31.80)	299 (328)	299 (328)	9 --	37 --	489 (489)	-- --
Gujarat State Mining and Resources Corporation Limited	-- (49.00)	-- --	-- --	-- --	-- --	-- --	-- --

Note : Figures in brackets relate to the previous year.

30. Previous year figures have been rearranged or regrouped wherever necessary to conform to current year's classification. The line items which are either not applicable or were NIL for both the years are omitted in presentation.

**PROXY FORM**

[Pursuant to Section 105 (6) of the Companies Act, 2013 and rule 19 (3) of the Companies (Management and Administration) Rules, 2014]

**SUNFLAG IRON AND STEEL COMPANY LIMITED**

**REGISTERED OFFICE : 33, MOUNT ROAD, SADAR, NAGPUR - 440001**

Corporate Identification Number (CIN) – L 27100 MH 1984 PLC 034003

Tel No. + 91 712 2524661 / 2520356-7-8, Fax No. + 91 712 2520360, E-Mail ID : investor@sunflagsteel.com, Website : www.sunflagsteel.com

**Thirtieth (30<sup>th</sup>) Annual General Meeting - Friday, the 23<sup>rd</sup> September 2016 at 3.00 p.m.**

Name of the Member(s) :

Registered Address :

Email ID :

DPID	<input type="text"/>
CLID	<input type="text"/>

Reg. Folio No.	<input type="text"/>
No. of Shares	<input type="text"/>

Please tear off here

1. Name : ..... Email : .....

Address : .....

..... Signature : .....

or failing him / her

2. Name : ..... Email : .....

Address : .....

..... Signature : .....

or failing him / her

3. Name : ..... Email : .....

Address : .....

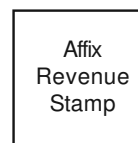
..... Signature : .....

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the Thirtieth (30<sup>th</sup>) Annual General Meeting of the Company, to be held on Friday, the 23<sup>rd</sup> September, 2016 at 3.00 p.m. at the Indian Medical Association's J R Shaw Auditorium, North Ambazari Road, Nagpur – 440010 and at any adjournment thereof in respect of such resolutions as are indicated below :

Sr. No.	Resolution	Vote (Optional) (Refer Note 2)		
		For	Against	Abstain
<b>Ordinary Business</b>				
1	Adoption of Financial Statements (Standalone & Consolidated) viz. Balance Sheet, Statement of Profit and Loss, Cash Flow Statements, Report of the Board of Directors and Auditors for the Year ended 31 <sup>st</sup> March, 2016			
2	Appointment of a Director in place of Mr. Surendra Kumar Gupta (DIN - 00054836) who retires by rotation and being eligible, offers himself for re-appointment			
3	Appointment of Messers S S Kothari Mehta & Co., Chartered Accountants, New Delhi (ICAI Firm Registration No. 000756N) as the Statutory Auditors of the Company			
4	Re-appointment of Messers Patel, Shah & Joshi, Chartered Accountants, Mumbai (ICAI-Firm Registration No.107768W) as the Joint Statutory Auditors of the Company			
<b>Special Business</b>				
5	Payment of remuneration by way of commission @1% of Net Profits to the Non-executive Director/s of the Company			
6	Ratification of Remuneration of Cost Auditors of the Company			

Signed this .....day of .....2016

Signature of shareholder .....

.....  
Signature of first proxy holder.....  
Signature of second proxy holder.....  
Signature of third proxy holder

Notes :

1. This form of proxy, in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of meeting.
2. It is optional to indicate your preference. If you leave the for, against or abstain column blank against any or all resolutions, your proxy will be entitled to vote in the manner as he / she may deem appropriate.

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

Corporate Identification Number (CIN) – L 27100 MH 1984 PLC 034003

Tel No. + 91 712 2524661 / 2520356-7-8, Fax No. + 91 712 2520360, E-Mail ID : investor@sunflagsteel.com, Website : www.sunflagsteel.com

**Thirtieth (30<sup>th</sup>) Annual General Meeting on Friday, the 23<sup>rd</sup> September 2016 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 &amp; ADDRESS OF THE SHAREHOLDER(S)

DPID	
------	--

Reg. Folio No.	
----------------	--

CLID	
------	--

No. of Shares	
---------------	--

I hereby record my presence at the 30<sup>th</sup> Annual General Meeting of the Company held at Indian Medical Association's J.R. Shaw Auditorium, North Ambazari Road, Nagpur - 440010 on Friday, the 23<sup>rd</sup> September 2016 at 3.00 p.m.

**SIGNATURE OF THE SHAREHOLDER OR THE PROXY ATTENDING THE MEETING**

If Shareholder, Please Sign here

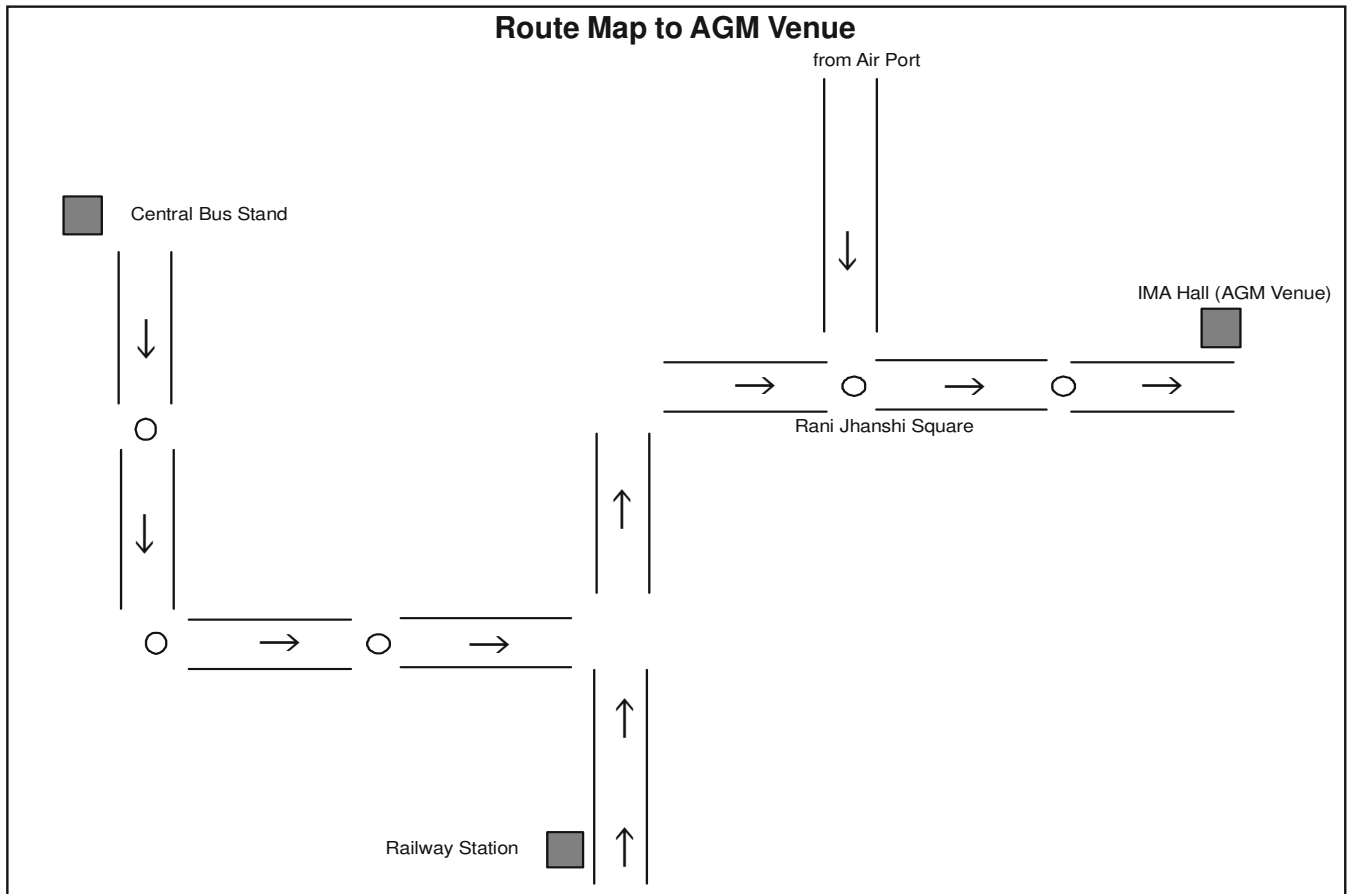
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If Proxy, Please Sign here

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

### Route Map to AGM Venue



**POST / COURIER**

If undelivered please return to :

**SUNFLAG IRON AND STEEL COMPANY LIMITED**

Registered Office : 33, Mount Road, Sadar, Nagpur - 440001 (Maharashtra) India

visit us at : [www.sunflagsteel.com](http://www.sunflagsteel.com)