



**GALANTT**

**METAL LIMITED**

Annual Report 2010 - 2011



**BUILDING TOMORROW...**



## Message from Chairman & Managing Director

Dear Shareowners,

Fiscal 2010-11 reflected recovery and revival across most of the economies after witnessing the pain and panic of the 2008 financial crisis. While the US, the UK and Western Europe experienced modest recoveries, China, India and other Asian countries, as also certain countries in Latin America, continued to register high levels of growth and continued to be centres of significant economic activity. Inflation has, however, now emerged as the new global economic challenge, driven by a substantial rise in the prices of almost all commodities, mineral resources and energy, impacting almost all industrial sectors. Unemployment, Debt and Deficit continued to remain as challenges. Global Steel Production grew by 15% at 1414 MnT, while China's steel production was up by 9.3% to 627 MnT. The global steel industry continued to face an unprecedented increase in the price of iron ore and coking coal, accentuated by short-term supply disruptions. These have created pressures on the viability of the steel industry and consequently the competitiveness of the user industries. China continued to be the largest national steel producer and largest domestic consumer of steel. The steel demand in Western Europe and the UK has remained more or less stagnant, with intense competition from steel producers in Eastern Europe utilizing lower cost inputs. Asian countries, including India, on the other hand, continued to enjoy robust demand from several sectors resulting in increased volumes and a richer product mix.

### Projects and Expansion Initiatives

The Company has decided to set-up a new Pellet plant with beneficiation unit at Village - Halavarthi, Taluka and District - Koppal, Karnataka. Company has acquired a land of 106 acres (approx.) for the expansion plan as above and has also obtained clearances for the new project from the Karnataka Government and Ministry of Environment and Forests. However, the size and shape of the project is yet to be decided.

### Your Company's Performance

The fiscal year 2010-11 would be marked as an important year

for the Company. During the year Company has reported a turnover of Rs. 55,658.56 Lacs. Company has posted a Profit Before Tax (PBT) Rs. 3,025.94 Lacs and Profit After Tax (PAT) Rs. 2,292.25 Lacs. The Company is taking several measures to ensure the cost reduction, such as, increased coal injection in blast furnace, higher captive power generation, etc. along with lower input costs led to reduction in cost of production.

### Future Outlook

As reported by the 'World Economic Outlook' (WEO) issued by the International Monetary Fund in April 2011, the world economy is expected to grow at 4.5% in the years 2011 as well as 2012. The advanced economies are projected to grow at 2.5% while the emerging and developing economies will be growing at a higher level of 6.5%. China and India, as a part of the developing Asia are set to grow at 9.6% and 8.2% respectively during 2011 and 9.5% and 7.8% in 2012 with private demand growing in China while infrastructure remains a key contributor to growth in India.

During the year under review, the Indian economy has performed well with very attractive growth rates reflecting strong consumer demand for almost all goods and services. The years ahead could, however, be challenging as the government endeavors to curb inflationary growth. The most significant impact will however be from the slowdown in major infrastructure projects in the areas of road construction, mass transit systems, power generation and investments in primary industries, where financial closure, right-of-way permissions and land acquisition could present major delays. Gallantt Metal will continue to be committed to be amongst the most cost efficient steel companies in the western region of the country, while meeting its social responsibility to its stakeholders and the communities which it serves.

Thanking you,

Yours truly,

**C. P. Agarwal**  
Chairman  
July 15, 2011

## Corporate Information

### **Board of Directors**

Mr. Chandra Prakash Agarwal  
*Chairman & Managing Director*

Mr. Dinesh R. Agarwal  
*Whole-time Director*

Mr. Nitin M. Kandoi  
*Director*

Mr. Rajesh Kumar Jain  
*Non-Executive Independent Director*

Mr. Jyotirindra Nath Dey  
*Non-Executive Independent Director*

Mr. Virendra Kumar Keshari  
*Non-Executive Independent Director*

### **Company Secretary**

Mr. Rajesh Upadhyaya

### **Auditors**

A. K. Meharia & Associates  
*Chartered Accountants*

### **Registered Office**

11, Crooked Lane, Second Floor  
Kolkata - 700 069  
Telefax : (033) 2231 2429  
Website : www.gallantt.com

### **Works**

Survey No. 175/1  
Village : Samakhyali  
Taluka : Bachau  
District : Kutch, Gujarat

### **Bankers**

State Bank of India  
Bank of Baroda  
State Bank of Indore  
State Bank of Hyderabad  
State Bank of Mysore  
UCO Bank  
State Bank of Travancore  
State Bank of Patiala  
ICICI Bank  
HDFC Bank

### **Equity Shares Listed on**

Bombay Stock Exchange Limited  
National Stock Exchange of India Limited

### **Registrar & Share Transfer Agent**

Niche Technologies Pvt. Ltd.  
D-511, Bagree Market  
71, B. R. B. Basu Road, Kolkata - 700 001  
Phone : (033) 22357270/7271/3070/2234  
Fax : (033) 2215 6823

### **Audit Committee**

Mr. Virendra Kumar Keshari - *Chairman*  
Mr. Rajesh Kumar Jain  
Mr. Jyotirindra Nath Dey

### **Share Transfer and Shareholders'/Investors' Grievance Committee**

Mr. Rajesh Kumar Jain - *Chairman*  
Mr. Virendra Kumar Keshari  
Mr. Jyotirindra Nath Dey

### **Remuneration Committee**

Mr. Jyotirindra Nath Dey - *Chairman*  
Mr. Virendra Kumar Keshari  
Mr. Rajesh Kumar Jain

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## Notice

Notice is hereby given that the Seventh Annual General Meeting of GALLANTT METAL LIMITED will be held on **Wednesday, 28th September, 2011 at 11.30 A.M.** at - Bharatiya Bhasha Parishad, 36A, Shakespeare Sarani, 4th Floor, Kolkata - 700 017 to transact the following business :

### ORDINARY BUSINESS :

1. To consider and adopt the audited Balance Sheet as on 31st March, 2011, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To reappoint Mr. Dinesh R. Agarwal, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT M/s. A. K. Meharia & Associates, Chartered Accountants, be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors of the Company."

Registered Office :  
11, Crooked Lane,  
Second Floor,  
Kolkata -700 069  
Date : July 15, 2011

### NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. The proxies to be effective should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Books of the Company will be closed from **22nd September, 2011 to 28th September, 2011** (both days inclusive) in connection with the Annual General Meeting.
3. Members are requested to bring their copies of the Annual Report, as copies of the Report will not be distributed again at the Meeting.
4. Corporate Members intending to send their authorised representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
5. Members holding shares in dematerialized form are requested to write their Client ID and DP ID numbers in the Attendance Slip for attending the Meeting.
6. Members are requested to produce the enclosed attendance slip duly signed as per the specimen signature recorded with the Company for admission to the meeting hall.

By Order of the Board

**Rajesh Upadhyaya**  
Company Secretary

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### IMPORTANT COMMUNICATION TO MEMBERS

As you all may be aware, Ministry of Corporate Affairs has taken a 'Green Initiative in Corporate Governance' by issuing Circulars 17/2011 and 18/2011 dated 21st April, 2011 and 29th April, 2011, whereby Companies are permitted to send Notices/documents including Annual Report comprising Balance Sheet, Profit & Loss Account, Directors Report, Auditors Report etc. in electronic mode to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register the same with the Company's Share Transfer Agent, Niche Technologies Private Limited by sending e-mail to [gallantmetal@nichetechpl.com](mailto:gallantmetal@nichetechpl.com)

# Directors' Report

## *To the members*

Your Directors have pleasure in presenting the 7th Annual Report of the Company and the Annual Accounts for the year ended 31st March, 2011.

### 1. WORKING RESULTS

(Rs. in Lacs)

| Financial Results                            | 2011            | 2010           |
|----------------------------------------------|-----------------|----------------|
| Income from operation                        | 55,658.56       | 43,311.59      |
| Other Income                                 | 1,187.25        | 116.12         |
| Profit before Interest, Depreciation and Tax | 5826.24         | 6521.38        |
| Less : Interest                              | 1,232.80        | 1400.61        |
| Profit before Depreciation & Tax             | 4593.44         | 5120.77        |
| Less : Depreciation (including amortization) | 1,567.50        | 1528.13        |
| Profit Before Tax                            | 3025.94         | 3592.64        |
| Provision for Tax :                          |                 |                |
| - Current                                    | 603.78          | 611.29         |
| - Deferred                                   | 129.91          | 626.46         |
| <b>Profit After Tax</b>                      | <b>2,292.25</b> | <b>2354.89</b> |

### 2. PERFORMANCE REVIEW

During the year your Company has reported a turnover of Rs. 55,658.56 Lacs. The operating profit stood at Rs. 5826.24 Lacs. The Profit before Tax and Profit after Tax remains Rs. 3025.94 Lacs and Rs. 2292.25 Lacs respectively. Increase in turnover during the year is result of various strategic initiatives taken by the Company to improve its volumes and profitability. However, profitability of the Company remains lesser than that of previous year mainly due increase in input cost.

Your Company was availing area based excise exemption as the unit is set up in Kutch, Gujarat for five years. The period of said exemption has been completed in December, 2010. And also your Company was getting sales tax incentive which has also been exhausted in September ' 2010.

Yours Directors are pleased to report that irrespective of completion of incentive period, your Company has shown an excellent performance in terms of both financial and operational performance.

### 3. PROJECTS AND EXPANSION INITIATIVES

The Company has decided to set-up a new Pellet plant with beneficiation unit at village-Halavarthi, Taluka and District - Koppal, Karnataka. Company has acquired a land of 106 acres (approx.) for the expansion plan as above and has also obtained clearances for the new project from the

Karnataka Government and Ministry of Environment and Forests. However, the size and shape of the project is yet to be decided.

### 4. DIVIDEND

In view of conserving resources of the Company for future plan and to strengthen its fund and liquid position, Directors are unable to recommend any dividend.

### 5. DIRECTORS' RESPONSIBILITY STATEMENT

In compliance with Section 217(2AA) of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2000 your Directors state that :

- The Applicable Accounting Standards have been followed in the preparation of Annual Accounts.
- That the accounting policies have been selected and applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2011.
- That proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

## Directorts' Report

D. That the Annual Accounts have been prepared on a going concern basis.

### 6. CORPORATE GOVERNANCE

As required under Clause 49 of the Listing Agreement with the Stock Exchanges, a Report on Corporate Governance together with Auditors' Certificate on Corporate Governance is appended to the Annual Report. Your Company is committed to achieving the highest standards of Corporate Governance and has complied with the requirements of Clause 49 of the Listing Agreement. Further, as required under Clause 49 of the Listing Agreement a Management Discussion and Analysis Report is appended to the Annual Report.

### 7. INITIAL PUBLIC OFFER OF EQUITY SHARES BY GALLANTT ISPAT LIMITED

M/s. Gallantt Ispat Limited (GIL), a Company under the same Group has come out with Initial Public Offer (IPO) of 81,00,208 Equity Shares of Rs. 10/- each at a Premium of Rs. 40/- per Equity Share. Your Company has promoted GIL as a Promoter of the Company. GIL has successfully concluded IPO and received overwhelming response from the public. Equity Shares of GIL is listed with the Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

### 8. LISTING INFORMATION

The Equity Shares in the Company are in dematerialized form and is listed with Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The Listing Fee has been paid to the Stock Exchanges for the year 2011-12. The ISIN No. of the Company is I N E 2 9 7 H 0 1 0 1 9.

### 9. FIXED DEPOSITS

Your Company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956 and rules made thereunder.

### 10. PARTICULARS OF EMPLOYEES

No employee of the Company is covered under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended.

### 11. AUDITORS & AUDITORS' REPORT

M/s. A. K. MEHARIA & ASSOCIATES, Chartered Accountants, statutory auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The

Company has received a certificate from them that their reappointment, if made, would be within the limits laid down under Section 224 (1B) of the Companies Act, 1956.

The notes on accounts referred to the Auditors' Report are self-explanatory and therefore, do not call for any further explanation.

### 12. PARTICULARS RELATING TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION FOREIGN EXCHANGE EARNING AND OUTGO

The particulars as prescribed under sub-section 1(e) of Section 217 of the Act, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is annexed hereto and form part of the report.

### 13. PERSONNEL, INDUSTRIAL RELATIONS AND MARKETING

Accelerating sales force performance is a key priority for Companies. Company is in continuous process of discussing the methods for developing a go-to-market strategy and designing sales forces. Your Company relies on its sales teams to deliver revenue growth, and entrust to them their most valuable assets - customers. In turn, your Company's sales teams brought a remarkable growth in the sales volume and profit margin irrespective of cut throat competition. The industrial relations continued to be cordial.

### 14. DIRECTORS

Mr. Dinesh R. Agarwal, Director of your Company, retires from the Board by rotation and eligible for re-election.

### 15. ACKNOWLEDGEMENT

Your Directors would like to acknowledge and place on record their sincere appreciation to all Stakeholders, Customers, Banks, Central and State Governments, the Company's valued investors and all other business partners for their continued co-operation and excellent support received during the year.

On behalf of the Board

Place : Kolkata  
Date : July 15, 2011

**C. P. Agarwal**  
Chairman

# Annexure to Directors' Report

Information pursuant to Section 217(1)(e) of the Companies Act, 1956

## A. CONSERVATION OF ENERGY

### (a) Energy Conservation Measures Taken

Energy conservation continued to be an area of priority. Your Company accords highest priority for conservation of energy and necessary measures for optimizing energy consumption have been taken i.e., close and vigorously monitoring of various plants and equipments, adopting new and latest technology etc.

### (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy - Nil

(c) In respect of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods - This has resulted in cost savings for the Company.

(d) Total energy consumption and energy consumption per unit of production as per Form "A" of the Annexure in respect of industries specified in the Schedule thereto :

### FORM-A

#### Disclosure of Particulars with respect to conservation of energy

|                                              | 2010-11 | 2009-10 |
|----------------------------------------------|---------|---------|
| <b>A. Power &amp; Fuel Consumption</b>       |         |         |
| <b>1. Electricity</b>                        |         |         |
| <b>(a) Purchased</b>                         |         |         |
| Total Unit (in Lacs)                         | 110.66  | 95.28   |
| Amount (Rs. in Lacs)                         | 740.87  | 836.51  |
| Rate Per Unit (Rs.)                          | 6.70    | 8.78    |
| <b>(b) Own Generation</b>                    |         |         |
| Total Units (in Lacs)                        | 1605.59 | 1688.11 |
| Amount (Rs. in Lacs)                         | 5939.56 | 5027.42 |
| Rate per Unit (Rs.)                          | 3.70    | 2.98    |
| <b>2. Coal</b>                               |         |         |
| Quantity (M.T.)                              | 223717  | 199450  |
| Total Cost (Rs. in Lacs)                     | 9114.07 | 7253.99 |
| Average Rate (Rs. per M.T.)                  | 4074    | 3637    |
| <b>3. Furnace Oil</b>                        |         |         |
| Quantity (K. Ltrs.)                          | 170.214 | 106.884 |
| Total Cost (Rs. in Lacs)                     | 42.40   | 34.04   |
| Average Rate (Rs. / K. Ltrs.)                | 24910   | 21158   |
| <b>B. Consumption per unit of production</b> |         |         |
| <b>1. Electricity (Unit/M.T.)</b>            |         |         |
| - Sponge Iron                                | 68      | 73      |
| - Rolling                                    | 95      | 95      |
| - SMS (Furnace)                              | 744     | 800     |
| <b>2. Coal</b>                               |         |         |
| - Sponge Iron (Kg/M.T.)                      | 1097    | 1136    |
| - Rolling (M.S. Bar) (Kg./M.T.)              | 101     | 88      |
| - Power Plant (Per 1000 KWH)                 | 700     | 557     |

# Annexure to Directors' Report

## FORM - B

### Disclosure of Particulars with respect to technology absorption

#### RESEARCH & DEVELOPMENT (R&D)

##### Specific areas in which R & D carried out by the Company

No Research & Development work has been carried out by the Company.

#### TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

##### 1. Efforts, in brief, made towards technology absorption, adaptation etc.

- Absorbing and adapting latest technology in maintenance system.
- Technical Interaction with expert.
- Continuous efforts are being made towards improvements in existing production process.

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

- Improvement in quality of products.
- Cost reduction
- Improvement in the existing process and productivity.
- Knowledge of updated technology.

#### FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to export, initiative taken to increase exports, development of new export markets for products and export plans. - Nil
2. The information on foreign exchange earnings and outgo has been discusses in schedule 'T' point No. 7 (Notes on accounts)

## Report on Corporate Governance

(Pursuant to Clause 49 of the Listing Agreement)

#### CORPORATE GOVERNANCE PHILOSOPHY

Your Company believes in good Corporate Governance which in turn provides transparency of corporate policies, strategies and the decision making process. As a part of its growth strategy, the Company believes in adopting the 'best practices' that are followed in the area of Corporate Governance.

Corporate Governance at Gallantt Metal is an ongoing process and the Company continuously strives to improve upon its practices in line with the changing demands of the business environment. This chapter reports and confirms that your Company complies with the requirements on Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, the details of which are given hereunder :

#### I. BOARD OF DIRECTORS

##### Size and Composition of the Board

The composition of the Board is in conformity with Clause 49 of the Listing Agreement. The Board is balanced comprising Executive and Non-Executive Directors. The Non-Executive Directors include independent professionals. The Board has strength of Six Directors as on 31st March, 2011. Our Board of Directors has Three Independent Directors.

During the financial year ended 31st March, 2011 Ten meetings of the Board were held on 20th April, 2010, 29th May, 2010, 24th June, 2010, 2nd August, 2010, 12th August, 2010, 06th September, 2010, 25th October, 2010, 12th November, 2010, 20th December, 2010, and 11th February, 2011. The maximum time gap between any two consecutive meetings did not exceed four months. The details regarding the attendance of Directors at the Board Meetings, Number of other Directorships and Committee positions held by them in other Companies as on 31st March, 2011 are given below :



## Report on Corporate Governance

| Name & Designation of the Directors                         | Category/ Position                            | Last Annual General Meeting Attended | No. of Board Meetings Attended out of 10 meetings held during the year | No. of other Directorships | Committee Positions held |        |
|-------------------------------------------------------------|-----------------------------------------------|--------------------------------------|------------------------------------------------------------------------|----------------------------|--------------------------|--------|
|                                                             |                                               |                                      |                                                                        |                            | Chairman                 | Member |
| Mr. Chandra Prakash Agarwal<br>Chairman & Managing Director | Executive/<br>Promoter                        | Yes                                  | 9                                                                      | 1                          | Nil                      | Nil    |
| Mr. Nitin M Kandoi<br>Director                              | Non-Executive<br>Non-Independent/<br>Promoter | No                                   | 6                                                                      | 1                          | Nil                      | Nil    |
| Mr. Dinesh R. Agarwal<br>Whole-time Director                | Executive/<br>Promoter                        | No                                   | 6                                                                      | Nil                        | Nil                      | Nil    |
| Mr. Jyotirindra Nath Dey                                    | Non-Executive<br>Independent                  | Yes                                  | 10                                                                     | 2                          | 1                        | 2      |
| Mr. Rajesh Kumar Jain                                       | Non-Executive/<br>Independent                 | No                                   | 8                                                                      | 1                          | 1                        | 2      |
| Mr. Virendra Kumar Keshari                                  | Non-Executive/<br>Independent                 | Yes                                  | 10                                                                     | 1                          | 1                        | 2      |

### Notes :

- Mr. Virendra Kumar Keshari, Mr. Rajesh Kumar Jain and Mr. Jyotirindra Nath Dey have been considered as Independent Directors as they do not have any material pecuniary relationship or transactions with the Company, its promoters, its management, etc. which in judgment of the Board, may affect independence of their judgment.
- Other Directorships of only Indian Public Limited Companies have been considered.
- Committee positions of only 3 committees namely Audit Committee, Share Transfer and Investors'/Shareholders' Grievance Committee and Remuneration Committee have been considered.
- The Company placed before the Board of Directors the annual operating plans, capital budgets, the information on recruitment and remuneration of senior officers just below the board level, performance and various other information, including those specified under Annexure I of the Listing Agreement from time to time.

### Changes in composition of the Board of Directors since last Report

There is no change in the composition of the Board of Directors of the Company since last Report.

### Reappointment of Director

The brief particulars of the Directors of the Company proposed to be re-appointed at the ensuing Annual General Meeting are as under :

|                          |                                                                                                                                                                                                                                            |
|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) Name of the Director | Mr. Dinesh R. Agarwal                                                                                                                                                                                                                      |
| Date of Birth            | 13.12.1967                                                                                                                                                                                                                                 |
| Date of Appointment      | 07.02.2005 (Since Incorporation)                                                                                                                                                                                                           |
| Qualifications           | B. Com(H)                                                                                                                                                                                                                                  |
| Experience               | Mr. Dinesh R. Agarwal, a promoter Director of the Company having experience of 22 years in textiles sector and more than a decade in iron and steel sector. In his capacity as Whole-time, he is managing all entire marketing and general |

## Report on Corporate Governance

|                                                                                                |                                                                                                                                                                                                                                                                                                                               |
|------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                | administrative division of the Company. During this period and under his Directorship, the Company has completed and achieved various targets and plans and the Company achieved higher levels of growth. His expertise in the steel and power businesses has been instrumental in contributing to the growth of the Company. |
| Directorship in other Companies                                                                | 1. Ganesh Laxmi Processor Pvt. Ltd.                                                                                                                                                                                                                                                                                           |
|                                                                                                | 2. G. L. Sarees Pvt. Ltd.                                                                                                                                                                                                                                                                                                     |
|                                                                                                | 3. Kadodara Power Pvt. Ltd.                                                                                                                                                                                                                                                                                                   |
|                                                                                                | 4. G. L. Steel & Power Ltd.                                                                                                                                                                                                                                                                                                   |
| Membership/Chairmanship of Committees of the other public companies on which he is a Director. | Nil                                                                                                                                                                                                                                                                                                                           |
| No. of Shares held in the Company                                                              | 210000                                                                                                                                                                                                                                                                                                                        |

### Code of Conduct

The code of conduct in line with the provisions of clause 49 of the Listing Agreement has been framed / adopted by the Board and is applicable to all the members of the Board and Senior Management Executives. This Code forms an integral part of the Company's Governance Policy. The Code has been posted on the web site of the Company [www.gallantt.com](http://www.gallantt.com). Declaration of compliance of the Code of Conduct in terms of sub clause (ii) of clause 49(I)(D) of listing agreement is given hereunder :

"The Board of Directors of Gallantt Metal Limited has pursuant to sub clause (i) of Clause 49 (I) D of the Listing Agreement laid down Code of Conduct for all Board members and senior managerial personnel of the Company which has also been posted on the website of the Company, viz. [www.gallantt.com](http://www.gallantt.com).

In terms of sub-clause (ii) of the said clause and as per 'affirmation of compliance' letters received from the Directors and the members of senior managerial personnel of the Company, I hereby declare that Directors and the members of senior management of the Company have complied with the Code of Conduct during the financial year 2010-11".

Place : Kolkata

Date : July 15, 2011

**Chandra Prakash Agarwal**

*Chairman and Managing Director*

## II. COMMITTEES OF THE BOARD

### Audit Committee

Audit Committee has been constituted in accordance with the requirements of Section 292A of the Companies Act, 1956 and the terms of reference are in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

During the year ended 31st March, 2011, the Audit Committee comprised of Mr. Virendra Kumar Keshari, an Independent Director, as the Chairman, Mr. Jyotirindra Nath Dey and Mr. Rajesh Kumar Jain all independent Directors as Members. Mr. Rajesh Upadhyaya, Company Secretary acts as the Secretary to the Committee.

The Committee, in addition to other business reviews the quarterly (unaudited) financial results, annual accounts, before submitting to the Board of Directors. During the year 2010-11, six meetings were held on 1st April, 2010, 29th May, 2010, 2nd August, 2010, 12th August, 2010, 12th November, 2010 and 11th February, 2011.

The constitution of the committee and the attendance of each member of the committee are given below :

| Names             | Designation | Category    | Committee Meeting Attended |
|-------------------|-------------|-------------|----------------------------|
| Mr. V. K. Keshari | Chairman    | Independent | 6                          |
| Mr. J. N. Dey     | Member      | Independent | 6                          |
| Mr. R. K. Jain    | Member      | Independent | 6                          |

# Report on Corporate Governance

## REMUNERATION COMMITTEE

During the year ended 31st March, 2011, the Remuneration Committee comprised of Mr. Jyotindra Nath Dey, an Independent Director, as the Chairman and Mr. Virendra Kumar Keshari and Mr. Rajesh Kumar Jain all independent Directors as Members. Mr. Rajesh Upadhyaya, Company Secretary acts as the Secretary to the Committee.

The Remuneration Committee was constituted to discharge the Board's responsibilities relating to compensation of the Company's executive directors and senior management. During the year 2010-11, one meeting of the Remuneration Committee was held on 29th May, 2010.

The constitution of the committee and the attendance of each member of the committee are given below :

| Names             | Designation | Category    | Committee Meeting Attended |
|-------------------|-------------|-------------|----------------------------|
| Mr. J. N. Dey     | Chairman    | Independent | 1                          |
| Mr. V. K. Keshari | Member      | Independent | 1                          |
| Mr. R. K. Jain    | Member      | Independent | 1                          |

## Remuneration of Directors

### (a) Executive Directors (Managing / Whole-time Directors)

The aggregate value of salary and perquisites paid for the year ended 31st March, 2011 to Managing/Whole-time Directors are as follows :

| Name                        | Designation         | Aggregate Value of Salary & Perquisites (Rs.) |
|-----------------------------|---------------------|-----------------------------------------------|
| Mr. Chandra Prakash Agrawal | Managing Director   | 12,00,000/-                                   |
| Mr. Dinesh R. Agarwal       | Whole-time Director | 12,00,000/-                                   |

The Remuneration to the Executive Directors is determined by the Remuneration Committee within the statutory limit subject to the approval of shareholders of the Company. As per the agreement entered into with the Executive Directors there is no provision for severance fees to the Directors on termination of the employment. Further, the Company has not yet introduced any stock option to its Directors/Employees. The Executive Directors are under a contract period of 5 years.

### (b) Non-Executive Directors

The Company has not paid any remuneration to Non-executive Directors other than sitting fees for attending the meetings of the Board and Committees of the Board of Directors of the Company. The Company pays sitting fees of Rs. 500/- to its Non-executive Directors for attending the meeting of the Board of Directors or Committees of the Board.

## Share Transfer & Shareholders/Investors Grievance Committee

During the year ended 31st March, 2011, the Share Transfer & Shareholders/Investors Grievance Committee comprised of Mr. Rajesh Kumar Jain, an Independent Director, as the Chairman and Mr. Virendra Kumar Keshari and Mr. Jyotindra Nath Dey all independent Directors as Members. Mr. Rajesh Upadhyaya, Company Secretary acts as the Secretary to the Committee and also as the Compliance Officer.

The Committee, inter alia, approves issue of duplicate certificates and oversees and reviews all matters connected with transfer of securities of the Company. The Committee also looks into redressal of shareholders'/investors' complaints related to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.

A status report of shareholder complaints and redressal thereof is prepared and placed before the Share Transfer & Shareholders/Investors Grievance Committee. The shareholders'/investors' can register shares related complaints, if any, in the e-mail id rajesh@gallantt.com designated exclusively for the purpose.

During the year 2010-11, no meeting of the Share Transfer & Shareholders/Investors Grievance Committee was held.

## III. SUBSIDIARY COMPANY

Company has no Subsidiary Company(s).

# Report on Corporate Governance

## IV. DISCLOSURES

- a. There were no materially significant related party transactions i. e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large. The related party transactions are duly disclosed in the "Notes on Accounts" to the Balance Sheet.
- b. There were no cases of non-compliance by the Company and no penalties / strictures imposed on the Company by any statutory authority on any matter.

### General Body Meetings

Location and time of last 3 Annual General Meetings are as under :

| Year | Venue                                                                            | Date       | Time       |
|------|----------------------------------------------------------------------------------|------------|------------|
| 2010 | EZCC, 'Aikatan', IA - 290, Sector - III, Salt Lake City, Kolkata - 700 097.      | 24.09.2010 | 11.30 A.M. |
| 2009 | EZCC, 'Aikatan', IA - 290, Sector - III, Salt Lake City, Kolkata - 700 097.      | 23.09.2009 | 12.00 Noon |
| 2008 | Bharatiya Bhasha Parishad, 36A, Shakespeare Sarani, 4th Floor, Kolkata - 700 017 | 18.09.2008 | 11.00      |

### Details of Resolutions passed through Postal Ballot

No resolution has been passed by the Company through postal ballot during the year under report.

### Compliance Certificate

Compliance Certificate for Corporate Governance from the Auditors of the Company is annexed herewith.

### Means of Communication

In accordance with Clause 54 of the Listing Agreement, the Company has maintained a functional website at [www.gallantt.com](http://www.gallantt.com) containing basic information about the Company viz., details of its business, financial information, shareholding pattern, compliance with corporate governance, contact information of the designated officials of the Company who are responsible for assisting and handling investor grievances, etc. The contents of the said website are updated from time to time.

The Quarterly, half yearly and yearly financial results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board. These are also published in the prescribed format within 48 hours of the conclusion of the meetings of the Board in which they are considered and approved, in one English newspaper circulating in the whole or substantially the whole of India and in one vernacular newspaper of West Bengal. These results are simultaneously posted on the website of the Company at [www.gallantt.com](http://www.gallantt.com)

### Management Discussion & Analysis Report

The Management Discussion and Analysis Report forms part of the Annual Report.

### Compliance Officer

The Board has designated Mr. Rajesh Upadhyaya, Company Secretary as the Compliance Officer.

Address : 11, Crooked Lane, Second Floor, Kolkata - 700 069.

Tel : +91-33-22312429.

### GENERAL SHAREHOLDER INFORMATION

|                                    |                                                                                                                                          |
|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Date, Time and Venue of 7th AGM | <b>Wednesday, 28th September, 2011 at 11.30 A.M.</b> at Bharatiya Bhasha Parishad, 36A, Shakespeare Sarani, 4th Floor, Kolkata - 700 017 |
| 2. Financial Calender              | 1st April to 31st March                                                                                                                  |
| 3. Dates of book closure           | <b>22nd September, 2011 to 28th September, 2011</b>                                                                                      |
| 4. Listing on stock exchanges      | Bombay Stock Exchange Ltd. (BSE)<br>National Stock Exchange of India Ltd. (NSE)                                                          |
| 5. Listing fees for 2011-12        | Paid for both the Stock Exchanges                                                                                                        |
| 6. Electronic Connectivity         | National Securities Depository Ltd. (NSDL) &<br>Central Depository Services (India) Ltd.                                                 |

## Report on Corporate Governance

|                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 7. Registered Office                  | 11, Crooked Lane, Second Floor<br>Kolkata - 700 069.<br>Tel : +91-33-22312429;<br>Fax : +91-33-22312429<br>Website : gallantt.com<br>E-mail : gml@gallantt .com                                                                                                                                                                                                                                                                  |
| 8. Works Office                       | Near Toll Gate, Village- Kamakhyali, Taluka-Bachau, District- Kutch, Gujarat.<br>Telefax : +91-2837-283555/557                                                                                                                                                                                                                                                                                                                   |
| 9. Registrar and Share transfer agent | Share transfers in physical form and other communication regarding share Transfer, certificates, dividends, change of address, etc. may be addressed to :<br><br>NICHE TECHNOLOGIES PVT. LTD.<br>D-511, Bagree Market, 71, B.R.B. Basu Road, Kolkata - 700 001<br>Phone Nos. :- +91-33-22156823<br>Fax No. :- +91-33-22156823<br>Contact Person: Mr. S. Abbas<br>E-mail : gml@nichetechpl.com<br>Web-site : www. nichetechpl.com |

### 10. Stock Market Data

Monthly high and low quotations of shares traded on Bombay Stock Exchange Ltd. and National Stock Exchange of India Limited for the Year 2010-11.

(Amount in Rs.)

| Year 2010-11 | BSE   |       | NSE   |       |
|--------------|-------|-------|-------|-------|
|              | High  | Low   | High  | Low   |
| April        | 32.00 | 26.10 | 32.25 | 25.00 |
| May          | 31.30 | 25.10 | 31.40 | 24.30 |
| June         | 33.20 | 27.20 | 35.00 | 27.10 |
| July         | 32.50 | 30.25 | 34.00 | 28.50 |
| August       | 34.80 | 31.00 | 35.30 | 26.10 |
| September    | 45.40 | 30.70 | 45.00 | 30.80 |
| October      | 35.90 | 24.50 | 35.00 | 24.25 |
| November     | 31.00 | 21.95 | 30.80 | 22.05 |
| December     | 25.65 | 20.15 | 26.40 | 20.00 |
| January      | 24.90 | 17.55 | 25.15 | 20.50 |
| February     | 22.15 | 17.10 | 21.60 | 16.60 |
| March        | 20.75 | 17.10 | 21.00 | 16.15 |

### 11. Share Transfer System

Shares sent for transfer in physical form are normally registered by our Registrar and Share Transfer Agents within 15 days of receipt of the documents, if documents are found in order. Share under objection are returned within two weeks.

### 12. Dematerialisation of Shares and Liquidity

The Shares of the Company are in compulsory demat segment and are available for trading in the depository systems of both NSDL and CDSL 99.23% of Equity Shares have been dematerialized as on 31st March, 2011.

### 13. Stock Code

Bombay Stock Exchange Limited                      532726  
National Stock Exchange of India Limited      GALLANTT

## Report on Corporate Governance

### 14. Distribution of Shareholding

The distribution of shareholding as on 31st March, 2011 was as follows

| No. of Shares held | Shareholders |            | Shares          |            |
|--------------------|--------------|------------|-----------------|------------|
|                    | Number       | % to total | Number          | % to total |
| Upto 500           | 6533         | 72.22      | 1363914         | 1.68       |
| 501-1,000          | 1167         | 12.90      | 1012312         | 1.24       |
| 1,001-5,000        | 1021         | 11.28      | 2379100         | 2.93       |
| 5,001-10,000       | 133          | 1.47       | 1001499         | 1.23       |
| 10,001-50,000      | 120          | 1.33       | 2728167         | 3.35       |
| 50,001-1,00,000    | 29           | 0.32       | 2129035         | 2.62       |
| 1,00,001 and Above | 43           | 0.48       | 70708297        | 86.95      |
| <b>TOTAL</b>       | <b>9046</b>  | <b>100</b> | <b>81322324</b> | <b>100</b> |

### Categories of shareholding as on 31st March, 2011

| Category (as Gallantt Metal reports to stock exchanges) | Shares Holdings | % of total    |
|---------------------------------------------------------|-----------------|---------------|
| <b>PROMOTERS' HOLDING :</b>                             |                 |               |
| Promoters                                               | 41186092        | 50.64         |
| <b>Total Promoters' Holding</b>                         | <b>41186092</b> | <b>50.64</b>  |
| <b>PUBLIC SHAREHOLDING :</b>                            |                 |               |
| <b>Institutional Investors</b>                          |                 |               |
| Financial Institution Investor                          | 5000000         | 6.15          |
| <b>Others</b>                                           |                 |               |
| Bodies Corporate                                        | 24762660        | 30.45         |
| Individuals                                             | 9359625         | 11.51         |
| NRI/OCBs                                                | 519015          | 0.64          |
| Trust                                                   | 5000            | 0.01          |
| Clearing Member/Clearing Cor. (Demat shares in transit) | 489932          | 0.60          |
| <b>Total Public Shareholding</b>                        | <b>40136232</b> | <b>49.36</b>  |
| <b>Grand Total</b>                                      | <b>81322324</b> | <b>100.00</b> |

### 15. Investor's Correspondence

For investor matters :

Rajesh Upadhyaya  
 Company Secretary and Compliance Officer  
 Secretarial Department  
 Gallantt Metal Limited  
 11, Crooked Lane  
 Second Floor  
 Kolkata - 700 069 (W.B.)  
 Telefax :- +99-33-22312429

### ADOPTION OF NON-MANDATORY REQUIREMENTS

Except constitution of Remuneration Committee, the Company has so far not implemented other Non-Mandatory requirements of the Code of Corporate Governance.

# Report on Corporate Governance

## AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Members

**Gallantt Metal Limited**

We have examined the compliance of the conditions of Corporate Governance by Gallantt Metal Limited for the year ended 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company had complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that there are no investor grievances pending against the Company for the period exceeding one month as at 31st March, 2011 as per the records maintained by the Registrar and Transfer Agent of the Company and presented to the Investors Grievance Committee.

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

For **A. K. Meharia & Associates**  
Chartered Accountants  
**A. K. MEHARIA**  
Partner

Place : Kolkata

Date : July 15, 2011

## CEO/CFO CERTIFICATION

The Board of Director

**Gallantt Metal Limited**

11, Crooked Lane, Second Floor,  
Kolkata - 700 069.

### Re : Financial Statements for the Financial year 2010-11 - Certificate by MD and Manager Accounts & Finance

We, Chandra Prakash Agarwal, Managing Director and Mr. Rajesh Upadhyaya, Manager Accounts & Finance and Company Secretary, of Gallantt Metal Limited on the review of financial statements and cash flow statement for the year ended 31st March, 2011 and to the best of my knowledge and belief, hereby certify that:

1. These statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading.
2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
3. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2011 which are fraudulent illegal or violative of Company's Code of Conduct.
4. We accept responsibility for establishing and maintaining internal controls, for financial reporting, we have evaluated the effectiveness of the internal control systems of the company pertaining the financial reporting and we have disclosed to the auditors and the Audit Committee those deficiencies in the design or operation of such internal controls of which we are aware and the steps we have taken or purpose to take rectify these deficiencies.
5. We have indicated to the Auditors & the Audit Committee:
  - (i) there have been no significant changes in internal control over financial reporting during the period.
  - (ii) there have been no significant changes in accounting policies during the period.
  - (iii) there have been no instances of significant fraud of which we have become aware and the involvement therein, of management or an employee having significant role in the Company's internal control systems over financial reporting.

Kolkata

July 15, 2011

**Rajesh Upadhyaya**  
Manager Accounts & Finance  
and Company Secretary

**Chandra Prakash Agarwal**  
Managing Director

# Management Discussion and Analysis Report

(forming part of the Report of the Directors for the year ended 31st March, 2011)

## Business Environment

The global economy is recovering steadily from the lows of 2008. After shrinking by 0.6% in 2009, world economic output was back on positive track registering 5% growth in 2010. Much of the new growth impetus came from developing and emerging economies that witnessed 7.1% growth in 2010 compared to 2.6% in 2009. Even the advanced economies recovered from a 3.6% contraction in output in 2009 to a growth of 3% in 2010. These positive trends have led to lower risk perceptions, greater global financial stability and improved business sentiments.

Clearly, 2010-11 brought in good news on the macro-economic front in terms of growth. And economic growth and infrastructure development share a reciprocal relationship. While positive growth sentiments drive higher infrastructure investments, such investments and provision of adequate infrastructure support is essential to sustain over 8% growth over a period of time. In fact, the Planning Commission's XIth Five-Year Plan (2007-12) estimates a 15% compounded annual growth rate in infrastructure investment during the period. As a result, its share in GDP is expected to rise from 5.71% in 2006-07 to 8.37% in 2011-12. The infrastructure and steel industry in India is thus poised for significant growth.

## Industry Outlook

Global Steel Industry reached a new high in 2010 after a disastrous 2008. The global demand growth was at 13% after a steep fall in 2008. Asia was the leading steel producer with a 64% share in global crude steel production. China was the largest producer with a 44% share, India ranked fifth in world crude steel production. In 2010, global steel production grew 15%, to 1414 MnT. Global finished steel consumption grew 13.1% to 1283 MnT in 2010. Steel consumption in emerging and advanced economies grew 9.1% and 25% respectively in 2010.

The Indian Steel Industry ranks fifth in the world with an estimated crude steel production of 63 MnT in F.Y. 2010-11. Integrated Steel Producers contributed 55% of the total crude steel production in 2010-11 and 45% by secondary producers.

In 2010-11, steel consumption grew at a healthy 10% from 59 MnT in 2009-10, to 66 MnT, owing to strong demand from infrastructure, construction, automobile, and industrial sectors.

According to estimates by the Ministry of Steel, India is slated to add around 200 MnT of capacity during the next decade, increasing overall crude steel capacity from 78 MnT in 2010-11 to around 280-290 MnT by 2020. Certain estimates suggest that India would emerge as the world's second largest steel producer by 2015-16.

## Opportunity and Threats

Given the strong underlying growth momentum of the Indian economy, the outlook remains positive with a sustained increase in service sector growth, normalizing agricultural output due to expected favourable monsoon and robust private consumption. Further, the substantial governmental outlays on building physical and social infrastructure with thrust on public private partnership model of development is expected to lead to sustained growth in industrial sector.

The Eleventh Five Year Plan emphasized the importance of investment in infrastructure for achieving a sustainable growth of 9 to 10% in GDP over the next decade. The expected increase in infrastructure spend is positive for the steel industry. To grab these opportunities, your Company is in the process to start some new facilities.

Major challenges for your Company in near term shall be sustainability of demand under rising inflationary pressure while cost pressure squeezing the margins. The perceived threats for the Company are acute competition from existing steel Companies and also by new entrants in this field, increasing material cost, unremunerative prices and unavailability of good quality raw materials due to export of the same in raw form.

## Risk & Concern

The steel industry is subject to cyclical swings arising from factors such as excess capacity, regional demand & supply imbalances and volatile swings in market demand and prices, more recently exacerbated by quarterly pricing for iron ore and metallurgical coal.

The years ahead could, however, be challenging as the government endeavors to curb inflationary growth. Fiscal policies to control inflation will affect access to credit and could slow down investment levels as also consumer demand. The most significant impact will however be from the slowdown in major infrastructure projects in the areas of road construction, mass transit systems, power generation and investments in primary industries.

Lignite and Limestone are raw material in the manufacture of products of the Company. As such the export of these materials may affect the profitability of the Company. The Company has been taking continuous modernization programme to maintain efficient operations.

## Internal Control System

The Company has a proper and adequate system of internal control and commensurate with the size and nature of its business. The Company maintains periodical internal checks and conduct adequate internal audit, which provide safeguards and proper monitoring and vetting of transactions. The Company has always believed that transparency, system and controls are important factors in the success and growth of any organization. Internal Control System is integral part of Corporate Governance. The Audit Committee of the Board of Directors of the Company inter alia conducts pre-audit and post-audit checks to ensure follow-up on the observations made by the team. During the year the Audit Committee met regularly to review the financial results of the Company, and to ascertain adequacy of internal control systems in the Company. Your Directors are satisfied with the adequacy of the same.

## Human Resources

Your Company recognises people as the primary source of its competitiveness, and continues to focus on people development by leveraging technology and developing a continuously learning human resource base to unleash their potential and fulfill their aspirations. The Company promoted an open and transparent working environment to enhance teamwork and build business focus. The year gone by has been quite significant for the Human Resource function of the Company.

## Statutory Compliance

The Company Secretary, as Compliance Officer, ensures compliance of the SEBI regulations, provisions of the Listing Agreement, Companies Act and other applicable laws and regulations.

## Future Outlook

India's rapid economic growth and soaring demand by sectors like infrastructure, real estate and automobiles, at home and abroad, has put Indian Steel Industry on the global map. The outlook for Indian Steel industry is very bright. India's lower wages and favourable energy prices will continue to promise substantial cost advantage compared to production facilities in Europe or the US. The outlook for demand for steel is encouraging.

Your Company's in-house consumption of entire Sponge Iron for manufacturing Billets, which are further rolled into TMT Bars along with installed 25MW Captive Power Plant utilizing the waste heat from the Sponge Iron Plant would improve the overall profitability of the project making it financially more viable. Various initiatives were taken up during the previous year to improve plant efficiency and enhance production.

## Cautionary Statement

Statements made in this report describing the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied.



# Auditors' Report

## TO THE SHAREHOLDERS

1. We have audited the attached Balance Sheet of **GALLANTT METAL LIMITED** as at 31st March, 2011, the Profit & Loss Account and also the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comment in the annexure referred to in Paragraph 3 above, we report that:-
  - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for my audit.
  - b. In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books.
  - c. The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of Accounts.
  - d. In our opinion, the Balance Sheet, Profit and Loss account and the Cash Flow Statement dealt by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - e. On the basis of written representations received from directors and taken on record by the Board of Directors, we report that none of the director is disqualified from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 as on 31st March, 2011.
  - f. In our opinion and to the best of our knowledge and according to the explanation given to us, the said accounts give the information required by the Companies Act, 1956 in the manner as required, and give a true and fair view in conformity with the accounting principles generally accepted in India :
    - i) In case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011.
    - ii) In the case of Profit & Loss Account, of the profit of the Company for the year ended on that date.
    - iii) In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For **A. K. MEHARIA & ASSOCIATES**

*Chartered Accountants*

**A. K. Meharia**

*Partner*

Membership No.53918

Firm Reg. No.324666E

Dated : 27th May, 2011

## Annexure to Auditors' Report

(Referred to in paragraph 3 of our report of even date)

- i)
  - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b) Fixed assets have been physically verified by the Management. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - c) The fixed assets disposed off during the year, in our opinion, do not constitute substantial part of the fixed assets of the company and such disposal has, in our opinion, not affected the going concern status of the company.
- ii)
  - a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
  - b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
  - c) The Company has maintained proper records of its inventories. No material discrepancies were noticed on physical verification.
- iii)
  - a) The company has granted loans, secured or unsecured to Companies, firms or other parties, covered in the register maintained under section 301 of the Act. The number of such party is one and the maximum amount outstanding during the year was Rs. 5016.01 Lacs and the year end balance was Rs. 1149.24 Lacs
  - b) In our opinion, the rate of interest and other terms and conditions on which such loans has been granted to the company listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie prejudicial to the interest of the company.
  - c) As per information made available to us, the aforesaid loans including interest wherever stipulated, given by the company were repayable on demand.
  - d) In respect of the aforesaid loan including interest, there is no overdue amount at the year end.
  - e) The Company has taken loan from the company covered in the register maintained under section 301 of the Companies Act, 1956. The number of such party is one and the maximum amount involved during the year was Rs.36.62 Lacs and year end balance taken from such party was Rs.Nil.
  - f) In our opinion, the rate of interest and other terms and conditions on which loan has been taken from company listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie prejudicial to the interest of the company.
  - g) In respect of loans taken, the principal amount and interest is repayable on demand and the company is regular in repaying the principal amount and interest as stipulated and no amount is overdue.
- iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and nature of its business, for the purchase of inventories, fixed asset and for the sale of goods and services. During the course of our audit, we have not observed any major weakness in internal control system.
- v) According to the information and explanation provided by the management, the transactions that need to be entered into the register maintained U/S 301 of the Companies Act, 1956 have been so entered. The transaction exceeding the value of rupees five lakhs in respect of each party have been entered during the year, whose market price at the relevant time of the transaction is not available before us to enable us to comment on the reasonability of the market price at the relevant time or having regard to the explanations that some transactions are special in nature where suitable alternative do not exist.
- vi) The Company has not accepted any deposit from the public as stipulated under the Provisions of section 58A and 58AA of the Companies Act, 1956.
- vii) The Company has an internal audit system which, in our opinion, is commensurate with the size and nature of its business.

## Annexure to Auditors' Report

- viii) We have broadly reviewed the books of account maintained by the Company, pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate and complete.
- ix) a) In our opinion and according to the information and explanations given to us, Company is generally been regular in depositing with appropriate authorities undisputed statutory dues, as required under this clause and applicable to the Company during the year.
- b) According to the information and explanations given to us, there is no undisputed amount payable in respect of statutory dues, outstanding for more than six months from the date they become payable as on 31st March, 2011.
- c) According to the information and explanations given to us, there are no statutory dues that have not been deposited with the appropriate authorities on account of any dispute except for the amount mentioned below :

| Name of the Statute | Nature of the Dues | Amount (Rs.in lacs) | Period  | Forum where dispute is pending |
|---------------------|--------------------|---------------------|---------|--------------------------------|
| Sales Tax Act       | Sales Tax          | 38.04               | 2006-07 | Joint Commissioner (Appeal)    |

- x) The Company does not have any accumulated losses at the end of the financial year and has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi) Based on our audit procedure and on the basis of information and explanations given by the management, the Company has not defaulted in repayment of dues to financial institutions or banks.
- xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The Company is not a chit fund or nidhi/mutual benefit fund/society, therefore clause 4(xiii) of the order is not applicable to the Company.
- xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures, other investments and contracts.
- xv) According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi) To the best of our knowledge and belief and according to the information and explanations given to us, term loans were applied for the purpose for which these were obtained.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, no funds raised on short term basis have been used for long term investment.
- xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956 during the year.
- xix) The Company has not issued any debentures during the year.
- xx) During the year the Company has not raised any money by way of public issue. Hence clause (xx) of Para 4 of the order is not applicable.
- xxi) In our opinion and according to information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **A. K. MEHARIA & ASSOCIATES**  
*Chartered Accountants*  
**A. K. Meharia**  
*Partner*  
 Membership No.53918  
 Firm Reg. No.324666E

Dated : 27th May, 2011

**Balance Sheet** as at 31st March, 2011

(₹ in lacs)

|                                                                       | Schedules | As at<br>31.03.2011 | As at<br>31.03.2010 |
|-----------------------------------------------------------------------|-----------|---------------------|---------------------|
| <b>A. SOURCE OF FUNDS</b>                                             |           |                     |                     |
| <b>SHAREHOLDERS' FUNDS</b>                                            |           |                     |                     |
| Share Capital                                                         | A         | 8,132.23            | 8,132.23            |
| Reserve & Surplus                                                     | B         | 10,488.38           | 8,196.13            |
|                                                                       |           | <b>18,620.61</b>    | <b>16,328.36</b>    |
| <b>LOAN FUNDS</b>                                                     |           |                     |                     |
| Secured Loans                                                         | C         | 12,010.08           | 14,152.17           |
| Unsecured Loan                                                        | D         | –                   | 1,917.09            |
|                                                                       |           | <b>12,010.08</b>    | <b>16,069.26</b>    |
| Deferred Tax Liability (Net)                                          |           | 1,797.04            | 1,667.13            |
|                                                                       |           | <b>32,427.73</b>    | <b>34,064.75</b>    |
| <b>B. APPLICATION OF FUNDS</b>                                        |           |                     |                     |
| <b>FIXED ASSETS</b>                                                   |           |                     |                     |
| Gross Block                                                           | E         | 27,571.83           | 27,193.86           |
| Less : Depreciation                                                   |           | 6,054.31            | 4,545.51            |
| Net Block                                                             |           | <b>21,517.53</b>    | <b>22,648.35</b>    |
| Capital work-in-progress                                              |           | 58.96               | 77.44               |
|                                                                       |           | <b>21,576.48</b>    | <b>22,725.79</b>    |
| <b>INVESTMENT</b>                                                     | F         | 2,910.20            | 865.20              |
| <b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>                           |           |                     |                     |
| Inventories                                                           | G         | 4,800.19            | 4,356.35            |
| Sundry Debtors                                                        | H         | 2,155.40            | 1,815.32            |
| Cash & Bank Balance                                                   | I         | 675.73              | 785.83              |
| Loan, Advances and other receivable                                   | J         | 5,570.82            | 7,889.09            |
|                                                                       |           | <b>13,202.14</b>    | <b>14,846.58</b>    |
| Less: Current Liabilities & Provison                                  | K         | 5,261.69            | 4,421.98            |
| <b>NET CURRENT ASSETS</b>                                             |           | <b>7,940.45</b>     | <b>10,424.60</b>    |
| Miscellaneous Expenditure (To the extent not written off or adjusted) | L         | 0.60                | 49.16               |
|                                                                       |           | <b>32,427.73</b>    | <b>34,064.75</b>    |
| Significant Accounting Policies and Notes on Accounts                 | T         |                     |                     |
| Balance sheet abstract & company profile                              | U         |                     |                     |

As per our Report of even date

For **A. K. MEHARIA & ASSOCIATES**

Chartered Accountants

**A. K. Meharia**

Partner

Membership No. : 053918

Kolkata, May 27th, 2011

**Chandra Prakash Agarwal****Dinesh R. Agarwal****Nitin M. Kandoi****Rajesh Upadhyaya**

Chairman &amp; Managing Director

Wholetime Director

Director

Company Secretary

# Profit & Loss Account

for the year ended 31st March, 2011

(₹ in lacs)

|                                                       | Schedules | For the year ended<br>31.03.2011 | For the year ended<br>31.03.2010 |
|-------------------------------------------------------|-----------|----------------------------------|----------------------------------|
| <b>A. INCOME</b>                                      |           |                                  |                                  |
| Gross Sales                                           |           | 59,275.53                        | 45,023.44                        |
| Less : Excise Duty                                    |           | 3,616.98                         | 1,711.84                         |
| <b>Net Sales</b>                                      |           | <b>55,658.56</b>                 | <b>43,311.59</b>                 |
| Other Income                                          | M         | 1,187.25                         | 116.12                           |
| Increase/(Decrease) in Stock                          | N         | (35.37)                          | 397.88                           |
|                                                       |           | <b>56,810.44</b>                 | <b>43,825.58</b>                 |
| <b>B. EXPENDITURE</b>                                 |           |                                  |                                  |
| Material Consumed                                     | O         | 46,174.65                        | 33,024.26                        |
| Manufacturing Expenses                                | P         | 2,653.98                         | 2,198.51                         |
| Excise duty & cess on stock                           |           | (4.53)                           | 51.19                            |
| Employees Cost                                        | Q         | 566.69                           | 504.98                           |
| Administrative, Selling & Other Expenses              | R         | 1,593.43                         | 1,525.26                         |
| Interest                                              | S         | 1,232.80                         | 1,400.61                         |
| Depreciation                                          | E         | 1,518.93                         | 1,479.56                         |
| Preliminary Expenses                                  |           | 48.56                            | 48.56                            |
|                                                       |           | <b>53,784.51</b>                 | <b>40,232.94</b>                 |
| <b>PROFIT / (LOSS) BEFORE TAX</b>                     |           | <b>3,025.94</b>                  | <b>3,592.64</b>                  |
| <b>Less : Provision for Taxation</b>                  |           |                                  |                                  |
| Current Tax                                           |           | 157.79                           | 111.24                           |
| MAT Credit Availed/(Entitlement)                      |           | 445.99                           | 603.78                           |
| Deferred Tax                                          |           | 129.91                           | 252.10                           |
| Deferred Tax (Earlier year)                           |           | –                                | 129.91                           |
| Income Tax (Earlier year)                             |           | –                                | –                                |
|                                                       |           |                                  | 0.22                             |
| <b>PROFIT AFTER TAX</b>                               |           | <b>2,292.25</b>                  | <b>2,354.88</b>                  |
| Profit/(Loss) from previous year                      |           | 7,146.13                         | 4,791.25                         |
| Balance carried to Balance Sheet                      |           | <b>9,438.38</b>                  | <b>7,146.13</b>                  |
| <b>Earning Per Share (EPS)</b>                        |           |                                  |                                  |
| Basic & Diluted EPS (in Rs.)                          |           | 2.82                             | 2.90                             |
| Significant Accounting Policies and Notes on Accounts | T         |                                  |                                  |
| Balance sheet abstract & company profile              | U         |                                  |                                  |

As per our Report of even date

For **A. K. MEHARIA & ASSOCIATES**

Chartered Accountants

**A. K. Meharia**

Partner

Membership No. : 053918

Kolkata, May 27th, 2011

**Chandra Prakash Agarwal****Dinesh R. Agarwal****Nitin M. Kandoi****Rajesh Upadhyaya***Chairman & Managing Director**Wholetime Director**Director**Company Secretary*

# Cash Flow Statement

for the year ended 31st March, 2011

(₹ in lacs)

|                                                            | For the year ended<br>31.03.2011 | For the year ended<br>31.03.2010 |
|------------------------------------------------------------|----------------------------------|----------------------------------|
| <b>OPERATING ACTIVITIES</b>                                |                                  |                                  |
| Net Profit before Tax                                      | 3,025.94                         | 3,592.64                         |
| <b>Adjustment for :</b>                                    |                                  |                                  |
| Depreciation                                               | 1,518.93                         | 1,479.56                         |
| Preliminary Expenses W/O                                   | 48.56                            | 48.56                            |
| Loss on sale of Fixed Assets (net)                         | 5.31                             | 6.75                             |
| Profit on sale of Investment                               | (777.25)                         | –                                |
| Interest paid                                              | 1,227.84                         | 1,396.75                         |
| Interest received                                          | (396.82)                         | 1,626.58                         |
|                                                            |                                  | (79.36)                          |
| <b>Operating profit before working capital changes</b>     | <b>4,652.51</b>                  | <b>6,444.91</b>                  |
| <b>Adjustment for :</b>                                    |                                  |                                  |
| Trade & other receivable                                   | (340.08)                         | (771.02)                         |
| Inventory                                                  | (443.84)                         | (762.02)                         |
| Trade Payable                                              | 141.67                           | (1,046.96)                       |
| Other Current Assets                                       | 1,538.16                         | 895.90                           |
|                                                            |                                  | (479.07)                         |
| <b>Cash generated from Operating Activities</b>            | <b>5,548.42</b>                  | <b>3,385.84</b>                  |
| Direct Tax Refund / Paid (Net)                             | (620.23)                         | (580.23)                         |
| <b>Net Cash From Operating Activities</b>                  | <b>4,928.19</b>                  | <b>2,805.61</b>                  |
| <b>INVESTING ACTIVITIES</b>                                |                                  |                                  |
| Interest received                                          | 396.82                           | 79.36                            |
| Investment in Shares                                       | (2,500.00)                       | –                                |
| Payment for purchase of fixed assets                       | (387.06)                         | (255.92)                         |
| Proceed from sale of fixed assets                          | 12.12                            | 34.81                            |
| Proceed from sale of Investment                            | 1,232.25                         | –                                |
| Inter Corporate Loan                                       | 1,874.19                         | (3,466.01)                       |
| <b>Net Cash used in Investing Activities</b>               | <b>628.32</b>                    | <b>(3,607.75)</b>                |
| <b>FINANCING ACTIVITIES</b>                                |                                  |                                  |
| Repayment of Long Term Loan                                | (4,438.76)                       | 1,880.92                         |
| Interest paid                                              | (1,227.84)                       | (1,396.75)                       |
| <b>Net Cash used in Financing Activities</b>               | <b>(5,666.60)</b>                | <b>484.17</b>                    |
| <b>Net increase/(decrease) in Cash and Cash Equivalent</b> | <b>(110.09)</b>                  | <b>(317.98)</b>                  |
| Opening balance of Cash and Cash Equivalent                | 785.83                           | 1,103.81                         |
| <b>Closing balance of Cash and Cash Equivalent</b>         | <b>675.73</b>                    | <b>785.83</b>                    |

As per our Report of even date

For **A. K. MEHARIA & ASSOCIATES**

Chartered Accountants

**A. K. Meharia**

Partner

Membership No. : 053918

Kolkata, May 27th, 2011

**Chandra Prakash Agarwal****Dinesh R. Agarwal****Nitin M. Kandoi****Rajesh Upadhyaya***Chairman & Managing Director**Wholetime Director**Director**Company Secretary*

## Schedules to Accounts

(Rs. in lacs)

|                                                       |                      | As at<br>31st March, 2011    | As at<br>31st March, 2010 |                    |                        |                         |                           |                    |                       |                  |                  |
|-------------------------------------------------------|----------------------|------------------------------|---------------------------|--------------------|------------------------|-------------------------|---------------------------|--------------------|-----------------------|------------------|------------------|
| <b>"A" SHARE CAPITAL</b>                              |                      |                              |                           |                    |                        |                         |                           |                    |                       |                  |                  |
| AUTHORISED                                            |                      |                              |                           |                    |                        |                         |                           |                    |                       |                  |                  |
| 8,30,00,000 (Previous year - 8,30,00,000)             |                      | 8,300.00                     | 8,300.00                  |                    |                        |                         |                           |                    |                       |                  |                  |
| Equity Shares of Rs.10 each                           |                      |                              |                           |                    |                        |                         |                           |                    |                       |                  |                  |
| ISSUED, SUBSCRIBED AND PAID UP                        |                      |                              |                           |                    |                        |                         |                           |                    |                       |                  |                  |
| 8,13,22,324 (Previous year - 8,13,22,324)             |                      | 8,132.23                     | 8,132.23                  |                    |                        |                         |                           |                    |                       |                  |                  |
| Equity shares of Rs. 10 each fully paid up in cash    |                      |                              |                           |                    |                        |                         |                           |                    |                       |                  |                  |
|                                                       |                      | 8,132.23                     | 8,132.23                  |                    |                        |                         |                           |                    |                       |                  |                  |
| <b>"B" RESERVE &amp; SURPLUS</b>                      |                      |                              |                           |                    |                        |                         |                           |                    |                       |                  |                  |
| Securities Premium                                    |                      | 1,050.00                     | 1,050.00                  |                    |                        |                         |                           |                    |                       |                  |                  |
| Opening Balance                                       |                      | 9,438.38                     | 7,146.13                  |                    |                        |                         |                           |                    |                       |                  |                  |
| Balance in Profit & Loss Account                      |                      | 10,488.38                    | 8,196.13                  |                    |                        |                         |                           |                    |                       |                  |                  |
| <b>"C" SECURED LOANS</b>                              |                      |                              |                           |                    |                        |                         |                           |                    |                       |                  |                  |
| Term Loans from banks                                 |                      | 8,849.11                     | 11,349.17                 |                    |                        |                         |                           |                    |                       |                  |                  |
| Vehicle Loan                                          |                      | 17.98                        | 39.59                     |                    |                        |                         |                           |                    |                       |                  |                  |
| Working Capital from banks                            |                      | 3,142.98                     | 2,763.40                  |                    |                        |                         |                           |                    |                       |                  |                  |
| (Refer point No. 2 of Schedule 'T' Notes on Accounts) |                      |                              |                           |                    |                        |                         |                           |                    |                       |                  |                  |
|                                                       |                      | 12,010.08                    | 14,152.17                 |                    |                        |                         |                           |                    |                       |                  |                  |
| <b>"D" UNSECURED LOANS</b>                            |                      |                              |                           |                    |                        |                         |                           |                    |                       |                  |                  |
| From Corporate Bodies                                 |                      | –                            | 1,917.09                  |                    |                        |                         |                           |                    |                       |                  |                  |
|                                                       |                      | –                            | 1,917.09                  |                    |                        |                         |                           |                    |                       |                  |                  |
| <b>"E" FIXED ASSETS</b>                               |                      |                              |                           |                    |                        |                         |                           |                    |                       |                  |                  |
| Sl. No.                                               | Description          | G R O S S B L O C K          |                           |                    |                        | D E P R E C I A T I O N |                           |                    |                       | N E T B L O C K  |                  |
|                                                       |                      | Original Cost as on 1.4.2010 | Additions during the year | Sales/ Adjust-ment | Total as on 31.03.2011 | Upto 1.4.2010           | Depreciation for the year | Sales/ Adjust-ment | Total upto 31.03.2011 | As at 31.03.2011 | As at 31.03.2010 |
| 1.                                                    | Land                 | 460.64                       | 129.73                    | 0.00               | 590.37                 | 0.00                    | 0.00                      | 0.00               | 0.00                  | 590.37           | 460.64           |
| 2.                                                    | Building             | 3,866.62                     | 91.72                     | 0.00               | 3,958.35               | 401.01                  | 120.48                    | 0.00               | 521.49                | 3,436.85         | 3,465.61         |
| 3.                                                    | Plant & Machinery    | 20,580.39                    | 57.85                     | 0.00               | 20,638.24              | 3,645.30                | 1,233.66                  | 0.00               | 4,878.96              | 15,759.27        | 16,935.08        |
| 4.                                                    | Misc. Fixed Assets   | 1,632.84                     | 31.60                     | 0.00               | 1,664.44               | 262.71                  | 77.80                     | 0.00               | 340.51                | 1,323.93         | 1,370.14         |
| 5.                                                    | Computer             | 37.39                        | 2.79                      | 0.00               | 40.17                  | 15.69                   | 6.31                      | 0.00               | 22.00                 | 18.17            | 21.70            |
| 6.                                                    | Furniture & Fixture  | 61.08                        | 1.81                      | 0.00               | 62.89                  | 11.39                   | 3.93                      | 0.00               | 15.31                 | 47.58            | 49.70            |
| 7.                                                    | Office Equipment     | 39.69                        | 4.72                      | 0.43               | 43.98                  | 5.76                    | 2.03                      | 0.07               | 7.73                  | 36.24            | 33.92            |
| 8.                                                    | Vehicles             | 281.72                       | 42.38                     | 28.21              | 295.89                 | 73.14                   | 31.63                     | 11.15              | 93.63                 | 202.26           | 208.57           |
| 9.                                                    | C.I.Mould            | 122.27                       | 11.02                     | 0.00               | 133.30                 | 34.30                   | 14.99                     | 0.00               | 49.29                 | 84.01            | 87.97            |
| 10.                                                   | Rolls                | 111.22                       | 32.99                     | 0.00               | 144.21                 | 96.22                   | 29.17                     | 0.00               | 125.38                | 18.83            | 15.01            |
|                                                       | <b>Total</b>         | <b>27,193.86</b>             | <b>406.61</b>             | <b>28.64</b>       | <b>27,571.83</b>       | <b>4,545.51</b>         | <b>1,520.01</b>           | <b>11.21</b>       | <b>6,054.31</b>       | <b>21,517.53</b> | <b>22,648.35</b> |
|                                                       | <b>Previous Year</b> | <b>26,020.09</b>             | <b>1,235.47</b>           | <b>61.70</b>       | <b>27,193.86</b>       | <b>3,086.09</b>         | <b>1,479.56</b>           | <b>20.14</b>       | <b>4,545.51</b>       | <b>22,648.35</b> | <b>22,934.00</b> |

## Schedules to Accounts

(Rs. in lacs)

|                                                                    | As at<br>31st March, 2011 | As at<br>31st March, 2010 |
|--------------------------------------------------------------------|---------------------------|---------------------------|
| <b>"F" INVESTMENTS - AT COST</b>                                   |                           |                           |
| <b>Long Term investments (Fully Paid) - TRADE</b>                  |                           |                           |
| <b>Quoted</b>                                                      |                           |                           |
| Gallantt Ispat Limited                                             | 1,110.20                  | 865.20                    |
| [55,01,992 (P.Y. 86,51,992) Equity Shares Face Value of Rs. 10]    |                           |                           |
| <b>Unquoted</b>                                                    |                           |                           |
| Gallantt Udyog Limited                                             | 1,800.00                  | –                         |
| [12,00,000 (P.Y. Nil) equity shares Face Value of Rs. 10]          |                           |                           |
|                                                                    | 2,910.20                  | 865.20                    |
| <b>Market value of quoted investments</b>                          | 3,994.45                  | –                         |
| <b>"G" INVENTORIES</b>                                             |                           |                           |
| (As taken valued & certified by the management)                    |                           |                           |
| Finished Stock                                                     | 1,210.18                  | 1,258.67                  |
| Semi-Finished                                                      | 23.82                     | 10.70                     |
| Raw Material                                                       | 2,890.63                  | 2,525.95                  |
| Stores & Spares                                                    | 675.55                    | 561.03                    |
|                                                                    | 4,800.19                  | 4,356.35                  |
| <b>"H" SUNDRY DEBTORS</b>                                          |                           |                           |
| (Unsecured considered Good)                                        |                           |                           |
| Debts due within 6 months                                          | 2,155.40                  | 1,815.32                  |
|                                                                    | 2,155.40                  | 1,815.32                  |
| <b>"I" CASH &amp; BANK BALANCES</b>                                |                           |                           |
| Cash in hand (As certified)                                        | 13.96                     | 35.39                     |
| Balances with Scheduled Banks :                                    |                           |                           |
| (i) in Fixed Deposits                                              | 651.07                    | 750.05                    |
| (ii) in Current A/c                                                | 10.70                     | 0.38                      |
|                                                                    | 675.73                    | 785.83                    |
| <b>"J" LOANS &amp; ADVANCES</b>                                    |                           |                           |
| (Unsecured & Considered Good)                                      |                           |                           |
| Advances (Recoverable in Cash or Kind or for value to be received) | 242.72                    | 321.08                    |
| Inter Corporate Loan                                               | 1,591.82                  | 3,466.01                  |
| Other Receivable                                                   | 1,548.08                  | 1,742.15                  |
| Share Application                                                  | –                         | 700.00                    |
| MAT Credit Entitlement                                             | 1,320.25                  | 874.25                    |
| Advance with Income Tax, Excise, Custom etc.                       | 828.43                    | 559.23                    |
| Security Deposits                                                  | 39.52                     | 226.37                    |
|                                                                    | 5,570.82                  | 7,889.09                  |



## Schedules to Accounts

(Rs. in lacs)

|                                                                                             | As at<br>31st March, 2011              | As at<br>31st March, 2010              |
|---------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| <b>"K" CURRENT LIABILITIES &amp; PROVISIONS</b>                                             |                                        |                                        |
| <b>CURRENT LIABILITIES</b>                                                                  |                                        |                                        |
| Sundry Creditors                                                                            | 2,630.04                               | 2,488.37                               |
| Other outstanding Liabilities                                                               | 508.55                                 | 412.10                                 |
| <b>Sub Total</b>                                                                            | <b>3,138.58</b>                        | <b>2,900.46</b>                        |
| <b>PROVISIONS</b>                                                                           |                                        |                                        |
| For Taxation                                                                                | 1,968.55                               | 1,364.77                               |
| Other Provision                                                                             | 154.56                                 | 156.75                                 |
| <b>Sub Total</b>                                                                            | <b>2,123.11</b>                        | <b>1,521.52</b>                        |
| <b>Total</b>                                                                                | <b>5,261.69</b>                        | <b>4,421.98</b>                        |
| <b>"L" MISCELLANEOUS EXPENDITURE</b>                                                        |                                        |                                        |
| Share Issue Expenses                                                                        | –                                      | 39.99                                  |
| Preliminary Expenses                                                                        | 0.60                                   | 9.17                                   |
|                                                                                             | <b>0.60</b>                            | <b>49.16</b>                           |
| <b>"M" MISCELLANEOUS INCOME</b>                                                             |                                        |                                        |
| Interest on Bank Deposit<br>(Tax deducted at source Rs. 3.21 lacs (P.Y. Rs. 5.82 lacs))     | 32.10                                  | 49.96                                  |
| Interest on Security Deposit<br>(Tax deducted at source Rs. 0.87 lacs (P.Y. Rs. 1.16 lacs)) | 8.68                                   | 11.56                                  |
| Interest from Others<br>(Tax deducted at source Rs. 36.37 lacs (P.Y. Rs. 1.78 lacs))        | 356.04                                 | 17.83                                  |
| Profit on sale of Investment                                                                | 777.25                                 | –                                      |
| Other Income                                                                                | 13.18                                  | 36.76                                  |
|                                                                                             | <b>1,187.25</b>                        | <b>116.12</b>                          |
|                                                                                             | <b>Year ended<br/>31st March, 2011</b> | <b>Year ended<br/>31st March, 2010</b> |
| <b>"N" INCREASE IN STOCK</b>                                                                |                                        |                                        |
| <b>Closing Stock :</b>                                                                      |                                        |                                        |
| Finished Stock                                                                              | 1,210.18                               | 1,258.67                               |
| Semi-Finished                                                                               | 23.82                                  | 10.70                                  |
| <b>Sub Total (A)</b>                                                                        | <b>1,234.00</b>                        | <b>1,269.37</b>                        |
| Less : Opening Stock                                                                        |                                        |                                        |
| Finished Stock                                                                              | 1,258.67                               | 871.49                                 |
| Semi-Finished                                                                               | 10.70                                  | –                                      |
| <b>Sub Total (B)</b>                                                                        | <b>1,269.37</b>                        | <b>871.49</b>                          |
| <b>INCREASE/(DECREASE) IN STOCK (A-B)</b>                                                   | <b>(35.37)</b>                         | <b>397.88</b>                          |

## Schedules to Accounts

(Rs. in lacs)

|                                                         | Year ended<br>31st March, 2011 | Year ended<br>31st March, 2010 |
|---------------------------------------------------------|--------------------------------|--------------------------------|
| <b>"O" MATERIAL CONSUMED</b>                            |                                |                                |
| Raw Material Consumed                                   | 44,025.58                      | 31,114.74                      |
| Other Material Consumed                                 | 2,149.07                       | 1,909.53                       |
|                                                         | 46,174.65                      | 33,024.26                      |
| <b>"P" MANUFACTURING EXPENSES</b>                       |                                |                                |
| Power & Fuel                                            | 896.04                         | 836.51                         |
| Manufacturing Expenses                                  | 909.43                         | 539.83                         |
| Repairs & Maintenance :                                 |                                |                                |
| Plant & Machinery                                       | 822.11                         | 778.77                         |
| Building                                                | 6.87                           | 29.00                          |
| Others                                                  | 19.53                          | 14.40                          |
|                                                         | 2,653.98                       | 2,198.51                       |
| <b>"Q" EMPLOYEE'S COST</b>                              |                                |                                |
| Salary, Wages and Bonus                                 | 546.26                         | 485.76                         |
| Contribution to Provident and other Fund                | 6.06                           | 8.31                           |
| Staff Welfare Expenses                                  | 14.37                          | 10.92                          |
|                                                         | 566.69                         | 504.98                         |
| <b>"R" ADMINISTRATIVE, SELLING &amp; OTHER EXPENSES</b> |                                |                                |
| Rent                                                    | 3.18                           | 3.51                           |
| Insurance                                               | 92.87                          | 55.90                          |
| Rates & Taxes                                           | 10.54                          | 13.91                          |
| Miscellaneous Expenses                                  | 300.17                         | 393.24                         |
| Loss on Sale of Fixed Assets                            | 5.31                           | 6.75                           |
| Commission & Brokerage                                  | 40.10                          | 55.35                          |
| Exchange Loss                                           | 83.08                          | -                              |
| Carriage & Freight                                      | 1,001.21                       | 952.57                         |
| Selling Expenses                                        | 56.98                          | 44.03                          |
|                                                         | 1,593.43                       | 1,525.26                       |
| <b>"S" INTEREST &amp; FINANCIAL CHARGES</b>             |                                |                                |
| Interest to Bank                                        | 1,135.33                       | 1,275.61                       |
| Interest to Others                                      | 97.47                          | 125.00                         |
|                                                         | 1,232.80                       | 1,400.61                       |

# Schedules to Accounts

## SCHEDULE FORMING PART OF THE ACCOUNTS AS ON 31ST MARCH 2011

### "T" SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

#### Significant Accounting Policies

##### A. Basis of Preparation of Financial Statement :

- a) The financial statements have been prepared in compliance with all material aspects of the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and relevant provision of the Companies Act, 1956 and in accordance with the generally accepted accounting principles in India.
- b) The financial statements are based on historical cost and are prepared on accrual basis.

##### B. Revenue Recognition :

- a) Sale of goods is recognized when they are invoiced to customers and are inclusive of excise duty, Sales Tax but exclusive of Sales Returns and turnover discount.
- b) Revenue from Sale of electrical energy is accounted for at the rates in accordance with the provision of Power Sale Agreement executed between the Company and M/s Gujrat Urza Vikash Nigam Limited (undertaking of Government of Gujarat).
- c) Insurance, duty drawback and other claims are accounted for on receipt basis or as acknowledged by the appropriate authorities.

##### C. Fixed Assets :

- a) Fixed Assets are stated at their original cost of acquisition/installation less accumulated depreciation. The cost of assets comprises of purchase price and directly attributable cost of bringing the assets to working condition for its intended use.
- b) Capital work in progress:  
All expenses incurred for acquiring, erecting and commissioning of the fixed assets including interest on loan utilized for meeting capital expenditure and incidental expenditures incurred during the implementation of the project are shown under capital work in progress. The advance given for acquiring fixed assets is also shown along with capital work in progress.

##### D. Depreciation :

Depreciation on fixed assets has been provided on straight line method (SLM) at the rates and manner prescribed under Schedule XIV to the Companies Act, 1956 of India.

##### E. Preliminary Expenses :

Preliminary expenses are amortized over a period of 5 years from the date of transaction.

##### F. Investments :

- a) Long Term Investments are carried at cost after deducting provision, if any, for diminution in value considered to be other than temporary in nature.
- b) Current Investments are stated at lower of cost and fair market value.

##### G. Impairment :

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value being higher of value in use and net selling price. An impairment loss is recognized as an expense in the Profit and Loss Account in the year in which an asset is impaired. The impairment loss recognized in prior accounting period is reversed if there has been an improvement in recoverable amount.

##### H. Earning per share :

Basic and Diluted Earnings per shares are calculated by dividing the net profit attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

##### I. Borrowing Cost :

Borrowing Costs that are directly attributable to the acquisition or construction of Qualifying Assets are capitalized as part of cost of such assets. Other Borrowing Costs are charged as expense in the year in which these are incurred.

##### J. Valuation of Inventories :

- a) Raw materials, Stores & Spares and material in transit are valued at lower of cost and net realizable value. Costs of Inventories are ascertained on FIFO basis.

## Schedules to Accounts

- b) Work-in-progress is valued at cost which includes cost of inputs and other overheads upto the stage of completion.
- c) Finished Goods are valued at lower of cost and net realizable value.

### K. Inter-Division Transfers :

Inter-division transfer of Power generated by Power Plant Unit is transferred to other unit at approximate prevailing market price. The value of such inter-divisional transfer is netted off from sales and operational income and expenses under materials, manufacturing & others. This accounting treatment has no impact on the profits of the company.

Inter- divisional transfer of materials to fixed assets or vice versa is at prevailing market price.

### L. Excise Duty, Sales Tax & Custom Duty :

- i) The CENVAT credit available on purchase of raw materials and other eligible inputs is adjusted against excise duty payable on clearance of goods produced. The unadjusted CENVAT credit is shown under the head "Loans and Advances".
- ii) The Company has the remission scheme on Sales Tax charged on sales for a period of ten years or total accumulated sales tax collected and refund of VAT claimed on material purchased upto Rs. 91.09 crore, whichever is earlier starting from the financial year 2005-06.
- iii) Excise duty on closing stock of Finished Goods is considered for valuation of stocks of finished goods lying in the factories as on the Balance Sheet date.
- iv) In terms of scheme provided by the Department of Central Excise, the Company has got the remission of excise duty by way of refund of the excise duty paid and the same is credited to the Profit & Loss Account as income of the Company.
- v) Provision is made in the books of account for Custom Duty on Imported Items on arrival and lying in bonded warehouse and awaiting clearance.

### M. Taxation :

- a) Provision for current income tax is determined on the basis of the amount of tax payable on taxable Income for the year.
- b) In accordance with Accounting Standard 22 on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, deferred tax liabilities and assets are recognized at substantively enacted tax rate, subject to the consideration of prudence, on timing difference, being the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. At each balance sheet date the Company re-assesses unrecognized deferred tax assets.

### N. Foreign Currency Transaction :

- a) Transactions in foreign currency are recorded at the rate of exchange prevailing on the date of transaction. Year end balance of foreign currency transaction is translated at the year end rates. Exchange differences arising on settlement/conversion of monetary items are recognized as income or expense in the year in which they arise except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.
- b) The company uses foreign currency option/forward contract to hedge for managing its risk associated with foreign currency fluctuations relating to certain firm commitments. Transactions covered by option/forward contracts are settled on future dates are being adjusted on the date of settlement. Premium paid for hedging the Foreign Exchange Option contract is recognized as expense over the life of the contract.

### O. Employee Benefits :

The company contributes to the employee's provident fund maintained under the Employees Provident Fund Scheme of the Central Government and the same is charged to the Profit & Loss Account. Provision for gratuity is made on the basis of actuarial valuation at the year end in conformity with the Accounting Standard - 15.

### P. Prior Period Items :

Prior period items are included in respective heads of accounts and material items are disclosed by way of notes on accounts.

### Q. Contingent Liabilities :

Contingent Liabilities are determined on the basis of available information and which are not provided for is disclosed by way of notes to the Accounts.

# Schedules to Accounts

(Rs. in lacs)

## Notes on Accounts

### 1. Contingent Liabilities

Contingent Liabilities not provided for in respect of

| Description                                                                                                                                                                                                                                                                                                                                                                          | 2010-2011 | 2009-2010 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Guarantees given by the bank on behalf of the Company (margin money kept by way of fixed deposit of Rs. 244.67 lacs (Previous year - Rs. 245.12 lacs)                                                                                                                                                                                                                                | 381.92    | 236.33    |
| Curtailing the assured benefit of exemption granted to New Industrial unit in Kutch, Gujarat. The Company is entitled to exemption for 100% of the duty paid in Cash after utilisation of CENVAT Credit for 5 years from the date of Commercial Production. Hon'able High Court of Gujarat has granted the verdict in favor of Company, Department preferred appeal in Supreme Court | 1,040.44  | 1,026.34  |
| Custom / Excise duty on Capital Goods imported / purchased under EPCG Scheme, against which export obligation is to be fulfilled                                                                                                                                                                                                                                                     | 470.97    | 470.97    |
| Dispute liability in respect of sales tax (out of which Rs. 42.00 lacs has already been paid)                                                                                                                                                                                                                                                                                        | 80.04     | -         |
| Input VAT Credit on coal purchases taken by the company and not agreed to by the Department                                                                                                                                                                                                                                                                                          | 40.33     | -         |

### 2. Secured Loan of the Company consists the following :

| Description                | 2010-2011        | 2009-2010        |
|----------------------------|------------------|------------------|
| Cash Credit                | 3,142.98         | 2,529.25         |
| Rupee Term Loan            | 8,849.11         | 5,206.20         |
| Foreign Currency Term Loan | -                | 6,142.98         |
| Overdraft Facility         | -                | 234.15           |
| Vehicle Loan               | 17.98            | 39.59            |
| <b>Total Secured Loan</b>  | <b>12,010.08</b> | <b>14,152.17</b> |

#### 2.1. (a) Primary Securities :

##### i) Term Loans :

(a) First Pari pasu charge over all the borrower's fixed assets (Present & Future).

(b) Second Pari pasu charge over all the borrowers' current assets including cash & Bank balances, Stock etc.

##### ii) Working Capital Facilities :

First charge on all the current assets of the company (Present & Future) and the second charge on the fixed assets of the company.

(iii) Vehicle loan received from bank is secured against hypothecation of respective vehicles.

#### (b) Collateral Securities :

(i) Equitable mortgage of house property of Sri S.K Agrawal, relative of director.

(ii) Collateral Security by pledge of equity shares of the company held by promoters.

#### (c) Corporate & Personal Guarantee :

(i) M/s Gallantt Udyog Ltd. to the extent of shares pledged aggregating 1,46,50,000 equity shares having face value of Rs. 10/- each.

(ii) M/s Hipoline Commerce Pvt. Ltd. (on account of merger of erstwhile M/s Ganesh Laxmi Steel Pvt. Ltd.).

(iii) Personal Guarantee of Sri C. P. Agarwal, Sri Dinesh R. Agarwal, Sri Nitin M. Kandoi and Sri S. K. Agarwal to the extent of mortgaged created.

## Schedules to Accounts

(Rs. in lacs)

### 3. Managerial Remuneration paid/payable to Directors

| Description                | 2010-2011    | 2009-2010   |
|----------------------------|--------------|-------------|
| <b>Managing Director</b>   |              |             |
| Remuneration               | 12.00        | 3.12        |
| <b>Whole-time Director</b> |              |             |
| Remuneration               | 12.00        | 6.34        |
| Perquisites                | –            | 0.12        |
| <b>Total</b>               | <b>24.00</b> | <b>9.58</b> |

### 4. Payment to Auditors (Including Service Tax, wherever applicable)

| Particulars                 | 2010 - 2011 | 2009 - 2010 |
|-----------------------------|-------------|-------------|
| Statutory Auditors          |             |             |
| i) Audit Fees               | 2.54        | 2.33        |
| ii) For Certification works | 0.17        | 0.17        |
| iii) For Tax Audit          | 0.33        | 0.33        |
| iv) Out of pocket expenses  | 0.52        | 0.18        |
| <b>Total</b>                | <b>3.56</b> | <b>3.01</b> |

### 5. Segment Reporting

#### a) Primary Segment (By Business Segment)

The Company is engaged in the business of production of Iron, Steel & Power. The Company has two reportable business segments i.e. Steel and Power which have been identified in line with the Accounting Standard-17 on "Segment Reporting". Information about Primary Segment is as follows :

| Particulars                        | 2010-2011        | 2009-2010        |
|------------------------------------|------------------|------------------|
| <b>1. Segment Revenue</b>          |                  |                  |
| a) Steel                           | 55,658.56        | 42,867.38        |
| b) Power                           | 7,803.14         | 7,866.42         |
| c) Un-allocable Income             | 1,187.25         | 116.12           |
| Sub Total                          | 64,648.95        | 50,849.91        |
| Less : Inter Segment Revenue       | 7,803.14         | 7,422.21         |
| <b>Net Segment Revenue</b>         | <b>56,845.81</b> | <b>43,427.71</b> |
| <b>2. Segment Results</b>          |                  |                  |
| a) Steel                           | 666.33           | 1,516.36         |
| b) Power                           | 2,453.71         | 3,409.34         |
| Sub Total                          | 3,120.04         | 4,925.70         |
| Less : Interest                    | 1,232.80         | 1,400.61         |
| Less : Other Un-allocable Expenses | (1,138.69)       | (67.55)          |
| <b>Profit before Tax</b>           | <b>3,025.94</b>  | <b>3,592.64</b>  |

## Schedules to Accounts

(Rs. in lacs)

| Particulars                                                          | 2010-2011        | 2009-2010 |
|----------------------------------------------------------------------|------------------|-----------|
| <b>3. Capital Employed (Segment Assets less Segment Liabilities)</b> |                  |           |
| a) Steel                                                             | 18,166.02        | 21,459.08 |
| b) Power                                                             | 11,068.79        | 11,691.53 |
| c) Un-allocable                                                      | 3,192.92         | 914.14    |
| <b>Total Capital Employed</b>                                        | <b>32,427.73</b> | 34,064.75 |
| <b>4. Capital Expenditure during the period</b>                      |                  |           |
| a) Steel                                                             | 364.39           | 106.37    |
| b) Power                                                             | 42.22            | 1,129.11  |

### b) Secondary Segment (By Geographical Segment)

The secondary segment is based on geographical demarcation i.e. India & Rest of the World. Information about Secondary Segment is as follows :

| Particulars                                     | 2010-2011 | 2009-2010 |
|-------------------------------------------------|-----------|-----------|
| <b>1. Segment Revenue</b>                       |           |           |
| a) Within India                                 | 56,845.81 | 43,427.71 |
| b) Outside India                                | –         | –         |
| Sub Total                                       | 56,845.81 | 43,427.71 |
| <b>2. Segment Assets</b>                        |           |           |
| a) Within India                                 | 32,427.73 | 34,064.75 |
| b) Outside India                                | –         | –         |
| Sub Total                                       | 32,427.73 | 34,064.75 |
| <b>3. Capital Expenditure during the period</b> |           |           |
| a) Within India                                 | 406.61    | 1,235.48  |
| b) Outside India                                | –         | –         |
| Sub Total                                       | 406.61    | 1,235.48  |

### 6. Impairment of Assets

Pursuant to Accounting Standard (AS 28) Impairment of Assets issued by Institute of Chartered Accountant of India, the Company assessed its fixed assets for impairment as at March 31, 2011 and concluded that there has been no significant impaired fixed asset that needs to be recognised in the books of accounts.

### 7. Earning/Expenditure in Foreign exchange

| Particulars                                         | 2010-2011 | 2009-2010 |
|-----------------------------------------------------|-----------|-----------|
| <b>(a) Expenditure Value of Import on CIF basis</b> |           |           |
| Raw Material                                        | 3,332.06  | 2,914.57  |
| Capital Goods                                       | 12.24     | 11.01     |
| Interest on FCNRB Loans/LC                          | 268.38    | 340.57    |
| Expenses                                            | 5.94      | –         |
| <b>(b) Earning</b>                                  |           |           |
| Export Sale                                         | –         | –         |

### 8. Excise duty and cess on stock represents differential excise duty and cess on opening and closing stock of finished goods.

## Schedules to Accounts

### 9. Earnings per Shares

The following reflects the income and share data used in the computation of Basic & Diluted Earnings per Shares.

(Amount in Rupees)

| Particulars                                                                                         | 2010-2011    | 2009-2010    |
|-----------------------------------------------------------------------------------------------------|--------------|--------------|
| <b>Amount used as the numerator</b>                                                                 |              |              |
| Net profit attributable to the ordinary Shareholders for Basic Earnings per shares (Rs.)            | 22,92,24,787 | 23,54,88,077 |
| <b>No. of Ordinary Shares used as denominator</b>                                                   | 8,13,22,324  | 8,13,22,324  |
| Weighted average number of ordinary Shares in issue applicable to Basic Diluted Earnings per shares |              |              |
| <b>Earnings per Shares Basic &amp; Diluted (Rs.)</b>                                                | 2.82         | 2.90         |

### 10. Deferred Tax

Deferred Tax assets and liabilities arising on account of temporary timing differences are as under

(Rs. in lacs)

| Particulars                                     | 2010-2011 | 2009-2010 |
|-------------------------------------------------|-----------|-----------|
| <b>Deferred Tax Liabilities</b>                 |           |           |
| On account of Timing difference in Depreciation | 1,812.19  | 1,681.72  |
| <b>Deferred Tax Assets</b>                      |           |           |
| Disallowance under Income Tax                   | (15.15)   | (14.59)   |
| <b>Deferred Tax Assets/Liability (Net)</b>      | 1,797.04  | 1,667.13  |

### 11. Disclosure as per Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 :

The Company has not received any intimation from "suppliers" regarding status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amount unpaid as at the year end together with the interest paid/payable as required under the said act have not been furnished.

12. Sundry Creditors include Rs. Nil (Previous Year Rs. Nil) due to Small Scale industrial undertaking to the extent such parties have been identified from the available documents / information.
13. Balance of some of the Sundry Debtors, Creditors, Loans and Advances are subject to confirmation from respective parties.
14. Other Receivable under the head Loans & Advances includes Excise Duty Rs. 1040.44 lacs and Sales Tax Rs. 419.64 lacs (Previous Year Rs. 1260.42 lacs and Rs.444.92 lacs respectively)
15. Current liabilities include Rs. 29.34 lacs (Previous Year Rs. 29.34 lacs) payable to Gujarat Sales Tax after 10 year from the year 2005-06 under Sales Tax incentive scheme enjoying by the company.
16. The remission scheme on Sales Tax charged on sales for a period of ten year subject to sales tax collected and refund of VAT on material purchased upto Rs. 91.09 crore has been exhausted during the year.
17. The scheme of remission of excise duty provided by the Department of Central Excise for five year from the date of production by way of refund of the excise duty paid has been completed during the year.
18. **Related Party Disclosures** (As identified by the Management)

#### (a) Name of Related Parties and Description of Relationship

|                      |                                   |
|----------------------|-----------------------------------|
| I. Associate Company | Gallantt Udyog Ltd.               |
|                      | Gallantt Ispat Ltd.               |
|                      | Ganesh Laxmi Processors Pvt. Ltd. |
|                      | Hipoline Commerce Pvt. Ltd.       |



## Schedules to Accounts

(Rs. in lacs)

|                              |                             |
|------------------------------|-----------------------------|
| II. Key Managerial Personnel | Mr. Chandra Prakash Agarwal |
|                              | Mr. Dinesh R. Agarwal       |
|                              | Mr. Nitin M. Kandoi         |

### (b) Related Party Transaction & Balance

| Nature of Transaction                        | Associates             | Key Management Personnel | Total                  |
|----------------------------------------------|------------------------|--------------------------|------------------------|
| Purchase of Goods                            | 13.15<br>(-)           | -<br>(-)                 | 13.15<br>(-)           |
| Sale of Goods                                | 35.78<br>(100.65)      | -<br>(-)                 | 35.78<br>(100.65)      |
| Share Sold                                   | 2,275.00<br>(-)        | -<br>(-)                 | 2275.00<br>(-)         |
| Shares Purchased/allotted                    | 2,500.00<br>(-)        | -<br>(-)                 | 2,500.00<br>(-)        |
| Loan Taken                                   | 2.50<br>(320.00)       | -<br>(-)                 | 2.50<br>(320.00)       |
| Rent                                         | 0.38<br>(-)            | -<br>(-)                 | 0.38<br>(-)            |
| Loan Given                                   | 8,570.00<br>(3,500.00) | -<br>(-)                 | 8,570.00<br>(3,500.00) |
| Loan Repayment                               | 35.00<br>(1,497.50)    | -<br>(-)                 | 35.00<br>(1,497.50)    |
| Interest Paid                                | 1.62<br>(7.24)         | -<br>(-)                 | 1.62<br>(7.24)         |
| Interest Received                            | 338.32<br>(17.83)      | -<br>(-)                 | 338.32<br>(17.83)      |
| Remuneration Paid                            | -<br>(-)               | 24.00<br>(9.58)          | 24.00<br>(9.58)        |
| Balance of Sundry Creditors as on 31.03.2011 | 0.38<br>(-)            | -<br>(-)                 | 0.38<br>(-)            |
| Balance of Loan taken as on 31.03.11         | -<br>(35.56)           | -<br>(-)                 | -<br>(35.56)           |
| Balance of Loan Given as on 31.03.11         | 1,591.82<br>(3,466.00) | -<br>(-)                 | 1,591.82<br>(3,466.00) |

### 19. Employee Benefits :

Gratuity - Defined Benefit Plant - Provision made as per actuarial valuation. The Company has covered its gratuity liability by a group gratuity policy with SBI Life Insurance Company Ltd.

## Schedules to Accounts

(In Rupees)

|                                                                              | 2010-11                                  | 2009-10    |
|------------------------------------------------------------------------------|------------------------------------------|------------|
| a) Expenses recognized on the statement of Profit & Loss Account             |                                          |            |
| (i) Current Service Cost                                                     | 13,12,126                                | 15,01,224  |
| (ii) Interest Cost                                                           | 3,17,139                                 | 1,81,887   |
| (iii) Expected return on Assets                                              | (2,98,055)                               | (1,41,525) |
| (iv) Settlement Cost                                                         | –                                        | –          |
| (v) Past Service Cost                                                        | –                                        | –          |
| (vi) Actuarial (gain) / Losses                                               | (19,29,489)                              | (38,810)   |
| (vii) Total Expenses                                                         | (5,98,249)                               | 15,03,076  |
| b) Net Assets (Liability) recognized in the Balance Sheet                    |                                          |            |
| (i) Present value of defined benefit obligation                              | 37,01,298                                | 39,64,235  |
| (ii) Fair value of Plant Assets                                              | 40,60,996                                | 37,25,684  |
| (iii) Funded status (surplus / (Deficit)                                     | 3,59,698                                 | (2,38,551) |
| (iv) Un recognised past services costs                                       | –                                        | –          |
| (v) Net Assets / (Liability)                                                 | 3,59,698                                 | (2,38,551) |
| c) Change in obligation during the year                                      |                                          |            |
| (i) Present value of defined benefit obligation at the beginning of the year | 39,64,235                                | 22,73,590  |
| (ii) Current Service Cost                                                    | 13,12,156                                | 15,01,524  |
| (iii) Interest Cost                                                          | 3,17,139                                 | 1,81,887   |
| (iv) Settlement Cost                                                         | –                                        | –          |
| (v) Actuarial (Gain) / Losses                                                | (18,92,232)                              | 7,234      |
| (vi) Benefit Payment                                                         | –                                        | –          |
| (vii) Present value of defined Benefit obligation at the end of the year     | 37,01,298                                | 39,64,235  |
| d) Change in Assets                                                          |                                          |            |
| (i) Plan Assets at the beginning of the year                                 | 37,25,684                                | –          |
| (ii) Expected return on plant Assets                                         | 2,98,055                                 | 1,41,525   |
| (iii) Actuarial Gain / (Loss)                                                | 37,257                                   | 46,044     |
| (iv) Contribution by employer                                                | –                                        | 35,38,115  |
| (v) Benefits Payment                                                         | –                                        | –          |
| (vi) Plan Assets at the end of the year                                      | 40,60,996                                | 37,25,684  |
| e) Actuarial Assumption                                                      |                                          |            |
| (i) Discount Rate                                                            | 8.00%                                    |            |
| (ii) Expected return on Assets                                               | 8.00%                                    |            |
| (iii) Salary increase                                                        | 6.00%                                    |            |
| (iv) Mortality                                                               | Indian Assured Lives Mortality (1994-96) |            |

## Schedules to Accounts

### 20. Licensed & Installed Capacity, Production, Stocks and Turnover

#### (a) Capacity and Production

| Items           | Unit | As at 31.03.2011  |                    |                   | As at 31.03.2010  |                    |                   |
|-----------------|------|-------------------|--------------------|-------------------|-------------------|--------------------|-------------------|
|                 |      | Licensed Capacity | Installed Capacity | Actual Production | Licensed Capacity | Installed Capacity | Actual Production |
| Sponge Iron     | MT   | NA                | 99,000             | 93,694.000        | NA                | 99,000             | 86,317.000        |
| M.S.Billet      | MT   | NA                | 1,76,420           | 1,84,326.814      | NA                | 1,76,420           | 1,57,908.734      |
| M.S.Bar         | MT   | NA                | 1,68,300           | 81,878.070        | NA                | 1,68,300           | 81,164.670        |
| Misroll Bar     |      |                   |                    | 1,654.190         | –                 | –                  | 1,610.335         |
| Power(* in KWH) | MW   | NA                | 25                 | 16,05,58,700*     | NA                | 25                 | 16,88,11,100*     |

#### (b) Stock & Turnover

(Rs. in lacs)

| Items           | As at 31.03.2011 |        |           |          |               |        | As at 31.03.2010 |        |            |           |               |        |
|-----------------|------------------|--------|-----------|----------|---------------|--------|------------------|--------|------------|-----------|---------------|--------|
|                 | Opening Stock    |        | Sales     |          | Closing Stock |        | Opening Stock    |        | Sales      |           | Closing Stock |        |
|                 | Qty. (MT)        | Amount | Qty. (MT) | Amount   | Qty. (MT)     | Amount | Qty. (MT)        | Amount | Qty. (MT)  | Amount    | Qty. (MT)     | Amount |
| Sponge Iron     | 362.960          | 61.12  | –         | –        | 1837.205      | 389.83 | 1057.540         | 162.55 | –          | –         | 362.960       | 61.12  |
| M.S.Billet      | 2114.595         | 556.44 | 99262.680 | 27995.57 | 553.409       | 167.75 | 800.141          | 188.80 | 71,815.120 | 18,521.09 | 2114.595      | 556.44 |
| M.S.Bar         | 1762.409         | 520.76 | 81831.650 | 26300.20 | 1808.829      | 618.07 | 1673.349         | 461.61 | 81075.610  | 24447.15  | 1762.409      | 520.76 |
| Misroll Bar     | 421.292          | 120.35 | 1498.770  | 347.91   | 127.232       | 34.52  | 283.867          | 58.53  | 1472.910   | 313.53    | 421.292       | 120.35 |
| Power(* in KWH) |                  |        | –         | –        |               |        |                  |        | 13890167   | 444.21    |               |        |
| Coal            |                  |        | 18198.550 | 903.57   |               |        |                  |        | 22077.890  | 1,086.00  |               |        |
| Iron Ore Fines  |                  |        |           | 111.31   |               |        |                  |        |            | 211.45    |               |        |

#### (c) Raw Material consumption

(Rs. in Lacs)

| Items                | As at 31.03.2011 |          | As at 31.03.2010 |           |
|----------------------|------------------|----------|------------------|-----------|
|                      | Quantity (MT)    | Amount   | Quantity (MT)    | Amount    |
| Iron Ore             | 156795.745       | 11693.27 | 161869.670       | 8109.77   |
| Coal**               | 241916.090       | 10013.15 | 221527.460       | 8189.88   |
| Iron Scrap           | 82671.623        | 16487.28 | 48262.817        | 7786.21   |
| Billet               | –                | –        | 470.720          | 99.60     |
| Pet Coke             | –                | –        | 1,357.950        | 62.48     |
| Sponge Iron*         | 92219.755        | –        | 87011.580        | –         |
| Billet*              | 86625.320        | –        | 84779.160        | –         |
| Misrol Bar*          | 449.480          | –        | –                | –         |
| Internal generation* | 1274.067         | –        | 1473.513         | –         |
| Other Material       | NA               | 2149.07  | NA               | 1909.53   |
|                      |                  | 46174.65 |                  | 33,024.26 |

## Schedules to Accounts

\* Represents own produced materials consumed.

\*\* Coal consumed includes coal sold during the year 18198.550 MT amounting to Rs. 899.08 lacs (P.Y. 22077.890 MT Rs.944.89 lacs)

### 21. Value of Consumption of Imported & Indigenous Raw Materials

| Particulars | Year ended 31.03.2011 |            | Year ended 31.03.2010 |            |
|-------------|-----------------------|------------|-----------------------|------------|
|             | Rs. in lacs           | % of Total | Rs. in lacs           | % of Total |
| Imported*   | 9086.11               | 19.68      | 8986.00               | 27.21      |
| Indigenous  | 37088.54              | 80.32      | 24038.26              | 72.79      |

\* Consumption of imported raw materials includes purchases on High seas.

22. Previous year figures have been regrouped and reclassified wherever necessary to facilitate comparison with Current year figures.

As per our Report of even date

For **A. K. MEHARIA & ASSOCIATES**

*Chartered Accountants*

**A. K. Meharia**

*Partner*

Membership No. : 053918

Kolkata, May 27th, 2011

**Chandra Prakash Agarwal**

**Dinesh R. Agarwal**

**Nitin M. Kandoi**

**Rajesh Upadhyaya**

*Chairman & Managing Director*

*Wholetime Director*

*Director*

*Company Secretary*

# Balance Sheet Abstract & Company's Business Profile

(Additional Information pursuant to Part VI of the Companies Act, 1956)

## Balance Sheet Abstract and Company's General Business Profile :

### i) Registration Details

Registration No.      1 0 1 5 5 3 State Code        2 1  
 Balance Sheet Date  3  1  0 3  2 0 1 1

### ii) Capital raised during the year (Amount in Rs. Thousand)

### iii) Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousand)

Total Assets  3  2  4  2  7  7  3  .  0  9 Total Liabilities  3  2  4  2  7  7  3  .  0  9

#### Sources of Funds

Share Capital   8  1  3  2  2  3  .  2  4 Profit & Loss Account  1  0  4  8  8  3  7  .  5  8  
 Secured Loans  1  2  0  1  0  0  8  .  2  2 Unsecured Loans         N I L  
 Deferred Tax Liability   1  7  9  7  0  4  .  0  5

#### Application of Funds

Fixed Assets  2  1  5  1  7  5  2  .  5  3 Capital W.I.P.     5  8  9  5  .  9  0  
 Investment   2  9  1  0  1  9  .  9  2 Net Current Assets   7  9  4  0  4  4  .  7  4  
 Miscellaneous Expenditure      6  0  .  0  0

### iv) Performance of the Company (Amount in Rs. Thousand)

Turnover  5  5  6  5  8  5  5  .  7  5 Othe Income   1  1  8  7  2  5  .  2  3  
 Increase/Decrease in Stock  (  3  5  3  6  .  5  4  ) Total Expenditure  5  3  7  8  4  5  0  .  7  6  
 Profit before Tax   3  0  2  5  9  3  .  6  8 Provision for Taxation    7  3  3  6  8  .  9  0  
 Profit after Tax   2  2  9  2  2  4  .  7  9 Earning Per Share       2  .  8  2  
 Dividend        N I L

### v) Generic Name of Three Principal Products/Services of the Company (as per monetary terms)

| Item Code No. | Product Description |
|---------------|---------------------|
| 72031000      | Sponge Iron         |
| 72071920      | Billets             |
| 72141090      | M. S. Bar<br>Power  |

As per our Report of even date

For **A. K. MEHARIA & ASSOCIATES**

Chartered Accountants

**A. K. Meharia**

Partner

Membership No. : 053918

Kolkata, May 27th, 2011

**Chandra Prakash Agarwal**

**Dinesh R. Agarwal**

**Nitin M. Kandoi**

**Rajesh Upadhyaya**

*Chairman & Managing Director*

*Wholetime Director*

*Director*

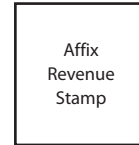
*Company Secretary*

**Gallantt Metal Limited**  
Registered Office :  
11, Crooked Lane, 2nd Floor, Kolkata - 700 069

**Form of Proxy**

I/We.....  
of .....  
..... being Member/Member(s) in the above named Company,  
hereby appoint .....  
of .....  
or failing him ..... of .....  
..... as my/our proxy to attend and vote for me/us on my/our behalf at  
the 7th Annual General Meeting of the Company to be held on **Wednesday, 28th September, 2011 at 11.30 A.M.** at Bharatiya Bhasha Parishad,  
36A, Shakespeare Sarani, 4th Floor, Kolkata - 700 017 and any adjournment thereof.  
Signed this ..... day of.....2011

Folio No.....  
DP ID No.....  
Client ID No.....  
No. of Shares.....



Note : The proxy to be effective should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.

**Gallantt Metal Limited**

Registered Office :  
11, Crooked Lane, 2nd Floor, Kolkata - 700 069

**Attendance slip**

(Please complete this Attendance Slip and hand it over at the entrance of the Meeting Hall)

Shares Held .....  
Folio No.....  
DP ID No. ....  
Client ID No. ....

..... (Please write your name in BLOCK letters)

I hereby record my presence at the 7th Annual General Meeting of the Company held at Bharatiya Bhasha Parishad, 36A, Shakespeare Sarani, 4th Floor, Kolkata - 700 017 on Wednesday, 28th September, 2011 at 11.30 A.M.

\_\_\_\_\_  
Member's/Proxy's Signature

(To be signed at the time of handing over the slip)

- Notes :
1. Members/Proxy holders are requested to bring their copies of the Annual Report with them at the meeting.
  2. Please carry with you this Attendance Slip and hand over the same duly signed at the space provided, at the entrance of the Meeting Hall.

BOOK POST



*If undelivered, please return to :*

**Gallantt Metal Limited**

11, Crooked Lane, 2nd Floor

Kolkata - 700 069

West Bengal, India

1786



CM/L-7690389

