



**Stainless Steel**

WIRE ROD • BARS • WIRES

**40<sup>th</sup>**

ANNUAL REPORT  
2012 - 2013



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

**SECRETARY** : Shri Deepak Nagar

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

**BANKERS** : State Bank of India

**REGISTERED OFFICE** : GIDC Industrial Estate,  
Kalol - 389 330  
Dist. Panchmahals, Gujarat.

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

**40<sup>th</sup> Annual General Meeting on Monday, the  
29th July, 2013 at 10.00 a.m. at the  
Registered Office of the Company at  
GIDC Industrial Estate, Kalol-389 330,  
Dist. Panchmahals, (Gujarat)**

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## NOTICE

Notice is hereby given that the 40th Annual General Meeting of the Members of Panchmahal Steel Limited will be held at the Registered Office of the Company situated at GIDC Industrial Estate, Kalol-389 330, Dist. Panchmahals (Gujarat) on Monday, the 29th day of July, 2013 at 10.00 a.m. to transact the following business:-

### ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2013, the Statement of Profit and Loss for the year ended on that date and the Reports of the Directors' and the Auditors' thereon.
2. To declare a Dividend on Equity Shares of the Company.
3. To appoint a Director in place of Mr. Mohanraj M. Singhi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Milan Shah, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration and for the purpose to consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

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

### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF /HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective, should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, the 22nd day of July, 2013 to Monday, the 29th day of July, 2013 (both days inclusive).
3. The dividend on equity shares for the financial year ended 31st March, 2013, as recommended by the Board of Directors, if declared, will be payable to those members, holding shares in physical form, whose names appear on the Register of Members of the Company at the close of business hours on 29th July, 2013 after giving effect to all valid transfers in physical form lodged with the Company or its Registrar & Share Transfer Agent on or before 21st July, 2013 and to those beneficial owners, holding shares in electronic form, whose names appear in the statement of beneficial owners provided by the Depositories to the Company as at the close of business hours on 21st July, 2013.
4. In accordance with the RBI Circular DPSS (CO) EPPD No. 191/ 04.01.01/2009-2010 dated 29 July, 2009, with effect from 1st October, 2009, the remittance of money through ECS is replaced by National Electronic Clearing Service (NECS) which essentially operates on the new and unique bank account number allotted by banks post implementation of Core Banking Solutions (CBS) for centralized processing of inward instructions and efficiency in handling bulk transactions.

Kindly note that if the Members have not provided to the Company or their DP the new bank account number, if any, allotted to them, after implementation of the CBS, credit of dividend through NECS to their old bank account number may be rejected or returned by the banking system. Members are, therefore, requested to ensure that the new Bank Account Number allotted to them by their Bank after implementation of CBS together with the name of the Bank, Branch, 9 digit MICR Bank / Branch code, account type, a

photocopy of cancelled cheque pertaining to their bank account and their Client ID or Folio No. is furnished to their respective DP, in case they hold the shares in dematerialized form, or to the Share Transfer Agents (STAs), if they hold the shares in physical form.

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

5. The Securities and Exchange Board of India (SEBI) has made it mandatory for every participant in the securities/capital market to furnish Income Tax Permanent Account Number (PAN) for transactions involving transfer of shares. Therefore, members holding shares in physical mode are requested to furnish their PAN along with photocopy of PAN Card to the Share Transfer Agent. Members holding shares in demat mode are requested to register the details of their PAN with their DPs.
6. As per Section 205-C of the Companies (Amendment) Act, 1999, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company shall be transferred to the Investors' Education and Protection Fund set up by the Government of India and no payments shall be made in respect of any such claims by the Fund.

Members who have not yet encashed their dividend warrants(s) for the financial year 2009-10, 2010-11 and 2011-12 are requested to lodge their claims to the Company accordingly, without any delay.

7. Members who desire to seek any information pertaining to accounts and operations of the Company are requested to address their question/queries to the Secretary of the Company so as to reach at least seven days before the date of the Annual General Meeting to enable the Company to make the information sought available to the best extent possible.
8. Members holding shares in single name and physical form are advised to make nomination by filing the prescribed Form 2B (in duplicate) in respect of their shareholding with the STAs of the Company. Members holding shares in dematerialised form may contact their DP for recording their nomination.
9. Members who are registered under two or more Ledger Folios are requested to write to the Registrars and Share Transfer Agents of the Company for consolidation, giving particulars of such Folios along with the relevant Share Certificates.
10. Members who have not registered their e-mail addresses so far are requested to register their e-mail address so that they can receive the Annual Report and other communication from the Company electronically.

Regd. Office :  
GIDC Industrial Estate,  
Kalol - 389 330,  
Dist. Panchmahals (Gujarat)  
Date: 28th May, 2013

By order of the Board of Directors

**Deepak Nagar**  
AGM (Legal) & Company Secretary

**Details of Directors seeking Appointment/Re-appointment  
in the forthcoming Annual General Meeting**

(Pursuant to Clause 49 of the Listing Agreement)

Name of Director	Mr. Mohanraj M. Singhi	Mr. Milan Shah
Date of Birth	19.12.1939	14.02.1960
Date of Appointment	24.03.1992	01.09.2006
Qualifications	B.Com.; LL.M.	B.Com., FCA, ACS
Expertise in specific functional areas	Renowned Solicitor having expertise in legal counseling and documentation.	Finance, Accounts, Taxation & Corporate matters.
List of other Companies in which Directorship held	Not Applicable	- Arvind Brands Ltd. - Anagram Knowledge Academy Ltd.
Chairman/Member of the Committees of the Board of other companies on which he is a Director	Not Applicable	Not Applicable
No. of shares held in the Company	Nil	200 Equity Shares

## DIRECTORS' REPORT

To,  
The Members  
The Directors of your Company present to you the 40th Annual Report of your Company together with the Statement of Audited Accounts for the year ended 31st March, 2013.

### FINANCIAL RESULTS

(Rs. in crores)

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
Revenue from Operations	340.88	464.26
Operating Expenses	320.47	435.25
Operating Profit before Interest, Tax, Depreciation & Amortization	20.41	29.01
Depreciation & Amortization Expense	8.17	12.03
Finance Costs	9.34	9.64
Other Income	2.37	1.18
Prior Period Items	0.00	0.14
Profit before Tax	5.26	8.39
Tax Expense (including Deferred Tax)	1.51	2.64
Profit after Tax	3.75	5.75
Balance brought forward from the previous year	38.14	38.08
Balance available for appropriation	41.89	43.84
Appropriations:		
Transfer from Debenture Redemption Reserve	0.03	0.39
Transfer to General Reserve	0.10	0.60
Proposed Dividend	2.36	4.73
Tax on Proposed Dividend	0.40	0.77
Balance carried to Balance Sheet	39.05	38.14

### OPERATIONS

The sales and other income of the Company is Rs.340.88 crores as against Rs.464.26 crores in the previous year. The operating profit is Rs.20.41 crores as compared to Rs. 29.01 crores in the previous year.

The current business environment is difficult and challenging on account of the overall global slowdown and also the weak investment climate and slowing of the Indian economy. The high volatility in the exchange rate further adds to the uncertainties of business. However, your Company endeavours to remain competitive & improve operations and the management is confident of the future growth of the company.

### DIVIDEND

Your Directors have recommended a dividend @ Rs.1.25/- per equity share of face value of Rs.10/- each for the year ended 31st March, 2013.

**FINANCIAL RESTRUCTURING**

The Company has paid all loans to the secured lenders as per the Scheme of Compromise and/or Arrangement approved by the Hon'ble High Court of Gujarat. The matter related to dissenting secured lender is pending before the Hon'ble High Court of Gujarat.

**DEPOSITS**

The Company has not accepted any deposits and as such, no amount of principal or interest was outstanding as on 31st March, 2013.

**STATUTORY DISCLOSURES**

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

**DIRECTORS' RESPONSIBILITY STATEMENT**

Your Directors affirm that the audited accounts containing financial statements for the financial year 2012-13 are in full conformity with the requirements of the Companies Act, 1956. They believe that the financial statements reflect fairly, the form and substances of transactions carried out during the year and reasonably present the Company's financial condition and results of operations. These statements are audited by the statutory auditors M/s JRS Patel & Co., Chartered Accountants, Vadodara.

Your Directors further confirm that :

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgments' and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2013 and of the profit of the Company for that period;
- iii) the Directors have taken proper care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the Directors have prepared the annual accounts on a going concern basis.

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

**DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and Article 134 of the Articles of Association of the Company, Mr. Mohanraj M. Singhi and Mr. Milan Shah, Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment.

**AUDITORS**

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

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

**COST AUDIT**

The Company has appointed M/s. Kiran J. Mehta & Co., Cost Accountants, Ahmadabad, as Cost Auditors to carry out the cost audit in respect of Steel Plant of the Company for the financial year 2013-14 subject to approval of the Central Government. An application for approval of the Central Government for such re-appointment would be made by the Company.

The Cost Audit Report in XBRL format for the financial year 2011-12, which was due to be filed with the Ministry of Corporate Affairs by December 31, 2012, was filed on December 12, 2012.

**APPRECIATION**

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

For and on behalf of the Board of Directors

Place : Vadodara  
Date : 28th May, 2013

**Ashok Malhotra**  
Chairman & Managing Director

## Annexure - A to Directors' Report

### FORM - A

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

	Year 2012-13	Year 2011-12
<b>A. Power and Fuel Consumption :</b>		
1. Electricity		
(a) Purchased		
Units (kwh)- in '000s	31779500	40810750
Total Amount (Rs. in lacs)	272306276	308221462
Rate per Unit- kwh (Rs.)	8.57	7.55
(b) Own Generation		
(i) Through Diesel Generator	It is Emergency stand by utility	
(ii) Through Steam Turbine/Generator	-	-
2. Coal	-	-
3. Furnace Oil		
Qty. (M.T.)	1629.437	2059.097
Value (Rs. in lacs)	68322979.00	78561239.70
Average Rate per Kg.(Rs.)	41.93	38.15
<b>B. Consumption per unit of Production :</b>		
Products		<b>Electricity (kwh per Tonne)</b>
Billets	917	924
Rolled Products	218	217
		<b>Furnace Oil (Kgs. per Tonne)</b>
Billets	15.01	13.83
Rolled Products	51.72	47.69

**FORM - B**

Disclosure of Particulars with Respect to Technology Absorption 2012-13.

**I. Research & Development (R&D)**

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

**II. Technology Absorption, Adaptation and Innovation**

- Efforts, in brief, made towards, Technology Absorption and Innovation :  
Innovation and Technology adaptation is an Integral Part of Company work culture. The Operating Personnel work as a team for effective adaptation and absorption of technology.
- Benefits derived as a result of the above efforts :  
The above efforts have resulted in improved quality and reproducibility of Company's Products. It has also helped improved yields and reduced costs.
- Technology Imported during last 5 years - Nil

**III. Foreign Exchange Earned and outgo :**

- Foreign Exchange earned : Rs.136.10 Crores (Rs.225.97 crores)
- Foreign Exchange used : Rs.132.33 Crores (Rs.194.99 Crores)

For and on behalf of the Board of Directors

Place : Vadodara

Date : 28th May, 2013

**Ashok Malhotra**

Chairman &amp; Managing Director

**Annexure - B to Directors' Report**

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the period ended 31st March, 2013.

Sr.No.	Name of the Employee	Age	Designation	Remuneration Received (Rs. in lacs)	Qualification	Experience (Years)	Date of Employment	Particular of Last employment
01	Mr. Ashok Malhotra	60	Chairman & Managing Director	126.93	B.Com.	41	01.12.1976	N.A.

**Note :**

- The amount of remuneration comprises salary, allowances & monetary value of perquisites paid to the Chairman & Managing Director including Company's contribution to Provident Fund but excludes contribution to Gratuity Fund. No commission is payable to him for the financial year ended 31st March, 2013.
- The Chairman & Managing Director is a relative of Mr. Hanish Malhotra, Director (Marketing) of the Company.
- The appointment is contractual in nature.

## Annexure - C to the Directors' Report for the year ended 31st March, 2013

### I Report on Corporate Governance

#### 1. Corporate Governance Philosophy

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

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

#### 2. Board of Directors

##### (i) Composition of the Board

The Board at present consist of 7 directors, including the Executive Chairman. Out of these 7 Directors, 4 are Non-Executive Independent Directors. The Company has had no pecuniary relations or transactions with the Non-Executive Directors. The composition of the Board is as under:

Name of the Director	Category	Number of other		
		Director-ships	Committee Memberships	Committee Chairmanships
Mr. Ashok Malhotra	Non-Independent Executive Director	2	Nil	Nil
Mr. Nilesh Mehta	Independent Non-Executive Director	10	2	3
Mr. Mohanraj M. Singhi	Independent Non-Executive Director	Nil	Nil	Nil
Mr. Amal Dhru	Independent Non-Executive Director	7	Nil	Nil
Mr. Milan Shah	Independent Non-Executive Director	2	2	Nil
Mr. Satish Kumar Gupta # (Arcil Nominee)	Independent Non-Executive Director	#	#	#
Mr. Hanish Malhotra	Non-Independent-Executive Director	1	Nil	Nil
Mr. Pradeep Sharma	Non-Independent-Executive Director	Nil	Nil	Nil

# ceased to be Director w.e.f. 10th May, 2012

##### (ii) Board Meetings held and attendance of Directors

During the year under review, 4 (Four) Board Meetings were held on 22nd May, 2012, 27th July, 2012, 9th November, 2012 & 14th February, 2013. The Thirty Ninth Annual General Meeting was held on 16th July, 2012. The attendance of each Director at these meetings was as follows:

Sr. No.	Name of the Director	No. of Board Meetings attended	Attendance at the AGM held on 16.07.2012
1	Mr. Ashok Malhotra	4	Yes
2	Mr. Nilesh Mehta	2	No
3	Mr. Mohanraj M. Singhi	3	No
4	Mr. Amal Dhru	4	No
5	Mr. Milan Shah	4	No
6	Mr. Satish Kumar Gupta #	-	-
7	Mr. Hanish Malhotra	4	Yes
8	Mr. Pradeep Sharma	4	Yes

# ceased to be Director w.e.f. 10th May,2012

### 3. Audit Committee

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

Details of Audit Committee meetings held during the year ended 31st March 2013 and the attendance of the Audit Committee Members are as follows:

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

### 4. Remuneration Committee

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

Terms of Reference :

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

Composition of Remuneration Committee as on 31st March, 2013 :

The Remuneration Committee comprises of three Independent Directors, including Chairman of the Committee. During the year, 1 (one) meeting of the Committee was held on 14th February, 2013. The composition of the Remuneration Committee as on 31st March, 2013 is as under:

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

Remuneration of Directors for the year ended 31st March, 2013

Remuneration of Executive Directors is decided by the Board based on recommendations of the Remuneration Committee as per the remuneration policy of the Company, within the ceiling fixed by the shareholders or as approved by the Central Government. The details of the remuneration paid to the Directors for the year ended March 31, 2013 are as under: (Rs. in lacs)

Sr. No.	Name of the Director	Sitting Fees (including Committee Meetings)	Gross * Remuneration	Commission	Contribution to Provident and Superannuation Funds
1	Mr. Ashok Malhotra	Nil	117.57**	Nil	9.36
2	Mr. Nilesh B. Mehta	0.40	Nil	Nil	Nil
3	Mr. M. M. Singhi	0.40	Nil	Nil	Nil
4	Mr. Amal Dhru	0.90	Nil	Nil	Nil
5	Mr. Milan Shah	1.20	Nil	Nil	Nil
6	Mr. Satish Kumar Gupta #	--	--	--	--
7	Mr. Hanish Malhotra	Nil	33.35	Nil	2.88
8	Mr. Pradeep Sharma	Nil	29.42	Nil	5.67

# ceased to be Director w.e.f. 10th May, 2012

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

\*\* The approval for re-appointment and remuneration payable to Mr. Ashok Malhotra is pending with the Central Government.

## 5. Shareholders and Investor Grievance Committee

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

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

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

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

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

## 6. CEO/CFO Certificate

In accordance with the requirement of Clause 49(V) of the Listing Agreement, the CEO i.e., Chairman & Managing Director has furnished the requisite certificate to the Board of Directors of the Company.

## 7. General Body Meetings

The General Body Meetings for the last three years were held at the registered office of the Company at GIDC Industrial Estate, Kalol-389 330, Dist. Panchmahals (Gujarat) as per details given below:

Date	Time	Type of Meeting	No. of Special Resolutions passed
31.07.2010	10.00 a.m.	Annual General Meeting	-
25.07.2011	10.00 a.m.	Annual General Meeting	-
16.07.2012	10.00 a.m.	Annual General Meeting	4*
30.03.2013	10.00 a.m.	Extra-ordinary General Meeting	1**

\* Special Resolution passed were : (i) Re-appointment of Mr. Pradeep Sharma, Director (Operations) for a period of 3 years from 26.10.2011; (ii) Re-appointment of Mr. Hanish Malhotra, Director (Marketing) for a period of 3 years from 01.02.2012; (iii) Re-appointment of Mr. Ashok Malhotra as Managing Director of the Company for a period of 3 years from 01.04.2012, subject to the approval of Central Government & (iv) Appointment of Mr. Vikas Malhotra to hold office or place of profit as Management Executive from 01.12.2011.

\*\* Special Resolution was passed under Section 309(5B) of the Companies Act, 1956 for waiver of excess remuneration paid to the Managing Director of the Company over and above the limits prescribed under Section 309 read with Schedule XIII to the Companies Act, 1956 for the 3 financial years ended on 31.30.2010, on 31.03.2011 & on 31.03.2012.

No special resolution was put through postal ballot last year. None of the resolution to be passed at this AGM is proposed to be passed by postal ballot.

## 8. Disclosures

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

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

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

## 9. Means of Communication

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

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

Website of the Company is [www.panchmahalsteel.co.in](http://www.panchmahalsteel.co.in)

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

## 10. General Shareholder information

### (i) 40th Annual General Meeting

Date & Time : Monday, the 29th day of July, 2013 at 10.00 a.m.

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

### (ii) Financial Calendar (tentative)

Unaudited Results for the quarter ending 30.06.2013	Latest by 14th August, 2013
Unaudited Results for the quarter ending 30.09.2013	Latest by 14th November, 2013
Unaudited Results for the quarter ending 31.12.2013	Latest by 14th February, 2014
Unaudited Results for the quarter ending 31.03.2013; OR	Latest by 15th May, 2014
In case Company takes Audited Results for the whole Financial Year.	Latest by 30th May, 2014

### (iii) Date of Book Closure

The period of Book Closure is from Monday, the 22nd July, 2013 to Monday, the 29th July, 2013 (both days inclusive).

### (iv) Dividend Payment Date

The Dividend, as recommended by the Board of Directors, if declared, will be paid on or after 29th July, 2013.

Dividend, if approved, will be paid:

- to those members, holding shares in physical form, whose names appear on the Register of Members of the Company at the close of business hours on 29th July, 2013 after giving effect to all valid transfers in physical form lodged with the Company or its Registrar & Share Transfer Agent on or before 21st July, 2013; &
- to those beneficial owners, holding shares in electronic form, whose names appear in the statement of beneficial owners provided by the Depositories to the Company as at the close of business hours on 21st July, 2013.

### (v) Listing on Stock Exchanges

The Equity shares of the Company are listed at Bombay Stock Exchange Limited. The Company has paid Listing Fees for the year 2013-14 to the Stock Exchange.

#### Stock Code :

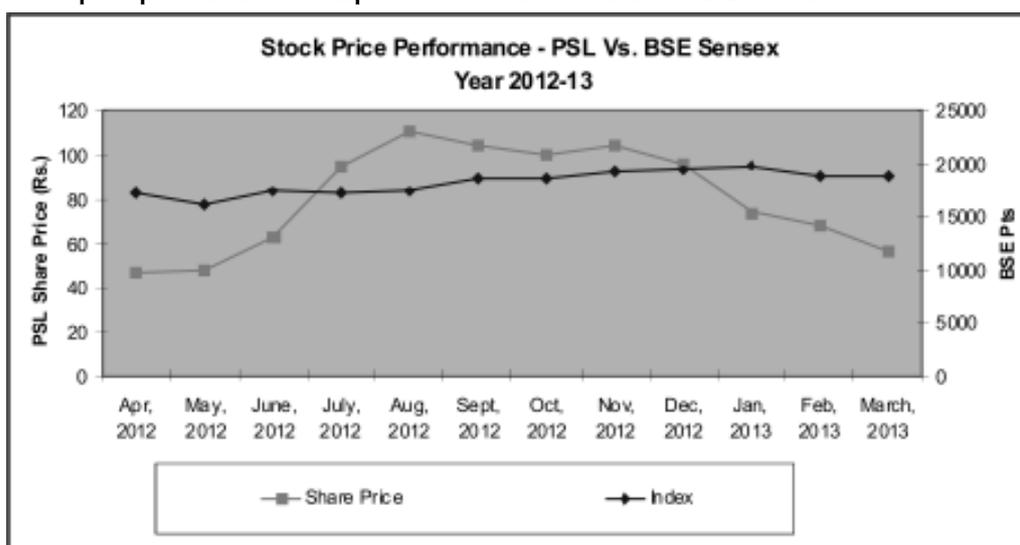
The Bombay Stock Exchange Ltd. - 513511

ISIN for NSDL & CDSL - INE 798F01010

**(vi) Market Price Data**

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

Month	Share Price (Rs.)		Quantity Traded (No. of Shares)
	High	Low	
April, 2012	54.20	43.65	3,363
May, 2012	54.00	45.05	3,722
June, 2012	62.75	43.05	7,670
July, 2012	100.85	60.00	1,14,752
August, 2012	113.00	92.10	91,919
September, 2012	110.00	95.00	1,174
October, 2012	108.95	90.35	1,611
November, 2012	108.00	100.00	349
December, 2012	108.00	85.75	1,809
January, 2013	96.70	72.55	6,007
February, 2013	84.00	65.95	1,253
March, 2013	66.00	53.35	323

**(vii) Share price performance in comparison to broad based indices - BSE Sensex****(viii) Registrar & Share Transfer Agents**

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

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

M/s MCS Limited

Unit - Panchmahal Steel Limited

Neelam Apartment, 88, Sampatrao Colony,

Alkapuri, Vadodara-390 007.

Phone No.: 0265-2339397

Fax No.: 0265-2341639

E-mail : mcsltdbaroda@yahoo.com

**(ix) Share Transfer System**

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

**(x) Distribution of Shareholding & Shareholding Pattern as on 31.03.2013**

Shareholding Pattern			Distribution of Shareholding		
Category	No. of Shares	%	No. of Shares	No. of Shareholders	Shares held in each class
Promoters/Promoters Group	12542863	66.35	01 - 500	3224	363048
FII's	1000	0.01	501 - 1000	62	49483
NRIs/Foreign Companies/OCBs	505	0.00	1001 - 2000	24	32080
Mutual Funds, Banks, Insurance Companies & PFIs	4112205	21.76	2001 - 3000	7	18493
Bodies Corporate	1634079	8.64	3001 - 4000	7	25657
Public	613808	3.24	4001 - 5000	6	26255
			5001 - 10000	3	20983
			10001 & above	22	18368461
<b>Total</b>	<b>18904460</b>	<b>100.00</b>	<b>Total</b>	<b>3355</b>	<b>18904460</b>

**(xi) Dematerialisation of Shares**

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

1,86,86,055 number of Equity Shares of the Company representing 98.85% of the Share Capital are dematerialised upto 31.03.2013.

**(xii) Outstanding GDRs/ADRs/ Warrants or any convertible instruments.**

Not Applicable

**(xiii) Plant Location**

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

**(xiv) Address for Correspondence**

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

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

E-mail : dnagar@panchmahalsteel.co.in

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

## Declaration by the Chairman & Managing Director

To,  
The Members of  
Panchmahal Steel Limited

Sub : Compliance with Code of Conduct - Pursuant to Clause 49 of the Listing Agreement

I hereby declare that all the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct as applicable to them in respect of the financial year 2012-13.

Place : Vadodara  
Date : 28th May, 2013

**Ashok Malhotra**  
Chairman & Managing Director

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## II. Management Discussion and Analysis Report

### Industry Structure, Developments and Outlook

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

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

The current business environment is difficult and challenging on account of the overall global slowdown and also the weak investment climate and slowing of the Indian economy. The high volatility in the exchange rate further adds to the uncertainties of business. However, your Company endeavours to remain competitive & improve operations and the management is confident of the future growth of the company.

### Internal control systems

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

### Human Resources

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

For and on behalf of the Board of Directors

Place : Vadodara  
Date : 28th May, 2013

**Ashok Malhotra**  
Chairman & Managing Director

## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To  
The Members of  
Panchmahal Steel Limited

We have examined the compliance of conditions of Corporate Governance by Panchmahal Steel Limited for the financial year 2012-13, as stipulated in Clause 49 of Listing Agreement entered into by the said Company with the stock exchanges.

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

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

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

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

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

Place : Vadodara  
Date : 28th May, 2013

**Kalpesh Parmar**  
Partner  
Membership No. 103887

## INDEPENDENT AUDITOR'S REPORT

To  
The Members of  
PANCHMAHAL STEEL LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statements of PANCHMAHAL STEEL LIMITED which comprise the Balance Sheet as at 31st March 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

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

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

### Report on other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by Section 227(3) of the Act, we report that:
- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c. The Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - d. In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act.
  - e. On the basis of written representations received from the directors as on 31st March, 2013 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

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

Place : Vadodara  
Date : 28th May, 2013

**Kalpesh Parmar**  
Partner  
Membership No. 103887

**ANNEXURE REFERRED TO IN PARAGRAPH 1 UNDER "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED ON 31st MARCH, 2013 OF PANCHMAHAL STEEL LIMITED, KALOL.**

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1. In respect of its Fixed Assets :
    - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets, on the basis of available information.
    - (b) The Company carries out physical verification of fixed assets under a phased program of verification at reasonable intervals, which in our opinion is reasonable. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
    - (c) In our opinion, the fixed assets disposed off do not constitute substantial part of the fixed assets of the Company and such disposal has, as such not affected the going concern status of the Company.
  2.
    - (a) As explained to us, the inventories have been physically verified by the management during the year at reasonable intervals other than material in transit and lying with branches and consignment agent/stockiest, which have been substantially confirmed by them. In our opinion, having regard to the nature and location of stocks, the frequency of verification is reasonable.
    - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
    - (c) On the basis of our examination of records of inventory, in our opinion, the Company has maintained proper records of its inventories. According to the information and explanations given to us, no material discrepancies were noticed on physical verification of inventory as compared to the book records.
  3. Loans granted/taken by the Company:
    - (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in register maintained under Section 301 of the Companies Act, 1956.
    - (b) Since the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956, therefore, sub-clauses (b), (c) and (d) of (iii) of the said Order are not applicable.
    - (c) The Company has taken an unsecured loan from a company listed in the register maintained under Section 301 of the Companies Act, 1956. Total numbers of parties involved are 2 (Two). Total amount outstanding as at 31.03.2013 is Rs. Nil/- (Rupees Nil). The maximum amount involved was Rs.3,40,50,684/- (Rupees Three Crore Forty Lacs Fifty Thousand Six Hundred Eighty Four only). The Company has not taken any loans, secured or unsecured from firms or other parties listed in register maintained under Section 301 of the Companies Act, 1956.
    - (d) In our opinion, the rate of interest and other terms and conditions in respect of loans taken from the Company listed in the register maintained under Section 301 of the Companies Act, 1956, are not prima-facie prejudicial to the interest of the Company.
    - (e) In respect of the loan taken by the Company from the company listed in the register maintained under Section 301 of the Companies Act, 1956, the interest payments are regular and the principal amount is repayable on demand.
  4. In our opinion and according to explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in such internal control systems.
-

5. In respect of transactions entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956 :
- (a) In respect of transactions entered in the register maintained in pursuance of Section 301 of the Companies Act 1956, to the best of our knowledge and belief and according to the information and explanations given to us, particulars of contracts or arrangements that needed to be entered into the register have been so entered.
- (b) In our opinion and according to the information and explanation given to us, the transactions made in pursuance of contract or arrangements entered in to the register in pursuance of Section 301 of the Act and exceeding the value of rupees five lacs in respect of any party during the year, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time, wherever applicable.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public during the year and hence the question of complying with the provisions of Section 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder and the directives issued by the Reserve Bank of India, wherever applicable, does not arise.
7. On the basis of the internal audit reports broadly reviewed by us, we are of the opinion that, the Company has an adequate internal audit system commensurate with the size and nature of its business.
8. On the basis of the records produced, we are of the opinion that prima facie, the cost records and accounts prescribed by the Central Government of India under Section 209(1)(d) of the Companies Act, 1956, have been made and maintained by the Company. However, we are not required to carry out and have not carried out any detailed examination of such records and accounts.
9. According to the information and explanations given to us in respect of statutory and other dues :
- (a) The Company is generally regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other Statutory dues with the appropriate authorities during the year.
- (b) According to the information and explanations given to us and on the basis of records produced before us by the Company, the details of disputed Income Tax/Custom Duty/Excise Duty/Service Tax which have not been deposited as on 31st March, 2013 are given below:

Name of Statute	Nature of Dues	Amount (In Rs.)	Forum where dispute is pending
The Central Excise Act, 1944	Excise Duty	57,41,982	Gujarat High Court
The Central Excise Act, 1944	Excise Duty	5,05,018	CESTAT, Mumbai
The Central Excise Act, 1944	Excise Duty	21,00,056	CEGAT, Mumbai
The Central Excise Act, 1944	Excise Duty	2,19,069	Commissioner (Appeals), Baroda
The Central Excise Act, 1944	Excise Duty	1,95,484	Commissioner (Appeals), Baroda
The Central Excise Act, 1944	Excise Duty	3,35,090	Commissioner (Appeals), Baroda
Finance Act, 1994 (Service Tax Provision)	Service Tax	2,15,606	CESTAT, Ahmedabad
Finance Act, 1994 (Service Tax Provision)	Service Tax	26,84,743	CESTAT, Ahmedabad
The Custom Act, 1962	Custom Duty	1,20,000	CESTAT, Mumbai
The Custom Act, 1962	Custom Duty	3,46,000	CEGAT, Mumbai
Central Sales Tax Act, 1956	Sales Tax	8,57,242	Joint Commissioner of Commercial Tax, Baroda
The Income Tax Act, 1961	Income Tax	1,00,03,250	Commissioner of Income Tax (Appeals), Baroda

10. The Company has no accumulated losses as at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
11. The Company has not defaulted in repayment of dues to Banks, Debenture holders and Financial Institutions.

12. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.
15. According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions, the requirements of Clause 4(xiv) of the Order, to comment on whether the terms and conditions, whereof are prejudicial to the interest of the Company, is not applicable.
16. The Company has not taken any term loans during the year.
17. On the basis of the information and explanations given to us and on an overall examination of the Cash Flow and Balance Sheet of the Company as at the end of the year, funds raised on short term basis have, prime facie, not being used for long term investment.
18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year to parties or companies covered in the Register maintained under Section 301 of Companies Act, 1956.
19. According to the information and explanations given to us and the records examined by us, the Company has created securities in respect of debentures issued and outstanding as at the end of the year.
20. According to the information and explanations given to us, the Company has not made any public issue during the year and therefore, the question of disclosing the end use of money does not arise.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instances of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

Place : Vadodara  
Date : 28th May, 2013

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

**BALANCE SHEET AS AT 31ST MARCH, 2013**

(Amount in Rupees)

Particulars	Note No.	AS AT 31.03.2013	AS AT 31.03.2012
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share Capital	2	<b>189,092,500</b>	189,092,500
(b) Reserves and Surplus	3	<b>1,188,436,645</b>	1,178,576,205
<b>(2) Non-Current Liabilities</b>			
(a) Long Term Liabilities	4	-	5,168,197
(b) Long-Term Provisions	5	<b>56,071,188</b>	56,454,729
<b>(3) Current Liabilities</b>			
(a) Short-Term Borrowings	6	<b>484,000,794</b>	446,568,694
(b) Trade Payables	7	<b>956,074,265</b>	1,052,957,080
(c) Other Current Liabilities	8	<b>144,327,853</b>	180,732,041
(d) Short-Term Provisions	9	<b>33,092,908</b>	60,633,372
<b>TOTAL</b>		<b>3,051,096,153</b>	<b>3,170,182,818</b>
<b>II. ASSETS</b>			
<b>(1) Non-Current Assets</b>			
(a) Fixed Assets			
(i) Tangible Assets	10	<b>1,163,994,229</b>	1,146,653,585
(ii) Capital work-in-progress		<b>58,781,536</b>	37,546,880
(b) Non-current Investments	11	<b>5,000</b>	5,025
(c) Deferred Tax Assets (net)	12	<b>16,822,212</b>	31,960,382
(d) Long-Term Loans and Advances	13	<b>114,975,607</b>	112,266,691
<b>(2) Current Assets</b>			
(a) Inventories	14	<b>1,272,695,948</b>	1,447,313,783
(b) Trade Receivables	15	<b>274,393,093</b>	257,628,982
(c) Cash and Cash equivalents	16	<b>51,828,270</b>	47,238,293
(d) Short-Term Loans and Advances	17	<b>88,456,786</b>	82,577,081
(e) Other Current Assets	18	<b>9,143,472</b>	6,992,116
<b>TOTAL</b>		<b>3,051,096,153</b>	<b>3,170,182,818</b>
Significant Accounting Policies and accompanying Notes to the Accounts	1		

As per our Report of even date attached

For **J.R.S. Patel & Co.**  
Chartered Accountants**Ashok Malhotra**  
Chairman and Managing Director**Hanish Malhotra**  
Director (Marketing)**Kalpesh Parmar**  
Partner  
Membership No.103887  
Vadodara, 28<sup>th</sup> May, 2013**Pradip H. Gupta**  
Vice President (Finance)**Deepak Nagar**  
AGM (Legal) & Company SecretaryVadodara, 28<sup>th</sup> May, 2013

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2013**

(Amount in Rupees)

Particulars	Note No.	For the year 2012-2013	For the year 2011-2012
<b>I. Revenue from Operations</b>	19	<b>3,408,787,555</b>	4,642,619,379
<b>II. Other Income</b>	20	<b>23,666,126</b>	11,806,571
<b>III. Total Revenue (I + II)</b>		<b>3,432,453,681</b>	4,654,425,950
<b>IV. Expenses:</b>			
Cost of Materials consumed	21	<b>2,126,655,224</b>	3,228,286,909
Manufacturing Expenses	22	<b>630,018,517</b>	791,805,164
Change in Inventory of Finished Goods	23	<b>146,333,394</b>	(104,347,497)
Employee Benefits Expenses	24	<b>152,278,795</b>	183,167,216
Finance Costs	25	<b>93,433,329</b>	96,390,036
Depreciation and Amortization Expenses	10	<b>81,659,103</b>	120,274,041
Other Expenses	26	<b>149,430,118</b>	253,560,962
<b>Total Expenses</b>		<b>3,379,808,480</b>	4,569,136,831
<b>V. Profit before Exceptional and Extraordinary Items and Tax (III - IV)</b>		<b>52,645,201</b>	85,289,119
<b>VI. Prior Period Items</b>		-	1,388,038
<b>VII. Profit before Tax (V- VI)</b>		<b>52,645,201</b>	83,901,081
<b>VIII. Tax Expense:</b>			
(1) Current Tax (MAT)		<b>10,575,307</b>	17,106,850
Less : MAT Credit Entitlement		<b>10,575,307</b>	17,106,850
Net Current Tax		-	-
(2) Deferred Tax		<b>15,138,170</b>	26,383,581
<b>IX. Profit/(Loss) for the period from continuing Operations after Tax (VII - VIII)</b>		<b>37,507,031</b>	57,517,500
<b>X. Earnings per Equity Share:</b>			
Basic & Diluted		<b>1.984</b>	3.043

Significant Accounting Policies and accompanying Notes to the Accounts

1

As per our Report of even date attached

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

**Ashok Malhotra**  
Chairman and Managing Director

**Hanish Malhotra**  
Director (Marketing)

**Kalpesh Parmar**  
Partner  
Membership No.103887  
Vadodara, 28<sup>th</sup> May, 2013

**Pradip H. Gupta**  
Vice President (Finance)

**Deepak Nagar**  
AGM (Legal) & Company Secretary

Vadodara, 28<sup>th</sup> May, 2013

**CASH FLOW STATEMENT FOR THE FINANCIAL YEAR 2012-13**

(Amount in Rupees)

	Year ended 31.03.2013	Year ended 31.03.2012
<b>A. Cash Flow from Operating Activities</b>		
<b>Net Profit before Tax and Extraordinary Items</b>	<b>52,645,201</b>	85,289,118
Adjustments for :		
Depreciation	<b>81,659,103</b>	120,274,042
Provision for Wealth Tax	<b>210,850</b>	210,930
Finance Cost	<b>93,433,329</b>	96,390,036
Prior period adjustments	-	(1,388,038)
Loss on Disposal of Capital Assets	-	336,883
Loss / (Profit) on sale of Capital Assets	<b>(9,611,000)</b>	969,940
Interest Income	<b>(7,010,943)</b>	(3,485,271)
<b>Operating Profit before Working Capital Changes</b>	<b>211,326,540</b>	298,597,640
<b>Adjustments for (Increase) / Decrease in Operating Assets :</b>		
Inventories	<b>174,617,835</b>	(54,045,422)
Trade Receivables	<b>(16,764,111)</b>	50,306,492
Short-Term Loans and Advances	<b>(8,407,217)</b>	57,423,936
Long-Term Loans and Advances	<b>7,866,391</b>	(684,800)
Other Current Assets	<b>(514,407)</b>	1,436,693
<b>Adjustments for Increase / (Decrease) in Operating Liabilities :</b>		
Trade Payables	<b>(96,882,816)</b>	(104,136,994)
Other Current Liabilities	<b>(34,028,322)</b>	10,319,744
Long-Term Liabilities	<b>(5,168,197)</b>	5,168,197
Short-Term Provisions	<b>(258,965)</b>	840,949
Long-Term Provisions	<b>(383,541)</b>	(27,568)
Cash generated from Operations	<b>231,403,190</b>	265,198,867
Direct Taxes Paid	<b>(8,258,645)</b>	(28,710,826)
<b>Net Cash from Operating Activities</b> ...A	<b>223,144,545</b>	236,488,041
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	<b>(127,118,225)</b>	(74,148,879)
Sale / Redemption of Investment	<b>25</b>	0
Sale / Disposal of Fixed Assets	<b>13,190,839</b>	8,418,164
Interest Received	<b>8,677,977</b>	2,271,284
<b>Net Cash (used in) / from Investing Activities</b> ...B	<b>(105,249,384)</b>	(63,459,431)
<b>C. Cash Flow from Financing Activities</b>		
Repayment of Long-Term Borrowings	<b>(1,266,664)</b>	(12,600,000)
Net Increase / (Decrease ) in Working Capital Borrowings	<b>37,432,100</b>	(21,362,889)
Finance Cost	<b>(94,763,906)</b>	(98,090,662)
Dividend Paid	<b>(47,039,774)</b>	(46,991,874)
Tax on Dividend	<b>(7,666,940)</b>	(7,666,940)
<b>Net Cash (used in)/ from Financing Activities</b> ...C	<b>(113,305,184)</b>	(186,712,365)
<b>Net Increase/(Decrease) in Cash &amp; Cash equivalents</b> (A+B+C)	<b>4,589,977</b>	(13,683,755)
Cash and Cash equivalents at the beginning of the year :		
Cash on Hand	<b>258,142</b>	120,631
Balance with Banks in Current, Margin and Deposit Accounts	<b>46,980,151</b>	60,801,416
	<b>47,238,293</b>	60,922,047
Cash and Cash equivalents at the closing of the year :		
Cash on Hand	<b>139,461</b>	258,142
Balance with Banks in Current, Margin and Deposit Accounts	<b>51,688,809</b>	46,980,151
	<b>51,828,270</b>	47,238,293
<b>Net Increase/(Decrease) as disclosed above</b>	<b>4,589,977</b>	(13,683,754)

The Statement referred above and Notes to Accounts form an integral part of Cash Flow Statement.

As per our Report of even date attached

For **J.R.S. Patel & Co.**  
Chartered Accountants**Ashok Malhotra**  
Chairman and Managing Director**Hanish Malhotra**  
Director (Marketing)**Kalpesh Parmar**  
Partner  
Membership No.103887  
Vadodara, 28<sup>th</sup> May, 2013**Pradip H. Gupta**  
Vice President (Finance)**Deepak Nagar**  
AGM (Legal) & Company SecretaryVadodara, 28<sup>th</sup> May, 2013

**NOTES FORMING PART TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2013**

(Amount in Rupees )

Particulars	AS AT 31.03.2013	AS AT 31.03.2012
<b>NOTE NO. 2</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
4,00,00,000 (P.Y. 4,00,00,000) Equity Shares of Rs. 10/- each	<u>400,000,000</u>	<u>400,000,000</u>
<b>ISSUED, SUBSCRIBED AND PAID-UP</b>		
1,89,04,460 (P.Y. 1,89,04,460) Equity Shares of Rs. 10/- each fully paid-up	189,044,600	189,044,600
<b>Add: Forfeited Equity Shares of Rs.10/- each</b>		
5,600 Forfeited Equity Shares of Rs.3/- each Paid	16,800	16,800
4,600 Forfeited Equity Shares of Rs.6/- each Paid	27,600	27,600
500 Forfeited Equity Shares of Rs.7/- each Paid	<u>3,500</u>	<u>3,500</u>
	47,900	47,900
<b>TOTAL</b>	<u><b>189,092,500</b></u>	<u><b>189,092,500</b></u>

**Additional Notes :**

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

Share Capital	31.03.2013		31.03.2012	
	No. of Shares	Nominal Value Rs.	No. of Shares	Nominal Value Rs.
Equity Shares at the beginning of the year	<b>18,904,460</b>	<b>189,044,600</b>	18,904,460	189,044,600
Add : Equity Shares allotted during the year	-	-	-	-
Equity Shares at the end of the year	<b>18,904,460</b>	<b>189,044,600</b>	1,89,04,460	189,044,600

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

Name of Share Holder	31.03.2013		31.03.2012	
	Number of Shares held	% Holding in Shares	Number of Shares held	% Holding in Shares
a) Mr. Ashok Malhotra	<b>1338432</b>	<b>7.08%</b>	1234380	6.53%
b) Honeyvick Enterprises Pvt. Ltd.	<b>6798000</b>	<b>35.96%</b>	6798000	35.96%
c) Amil Enterprises Pvt. Ltd.	<b>3527311</b>	<b>18.66%</b>	3440313	18.20%
d) Asset Reconstruction Company (India) Ltd.	<b>790075</b>	<b>4.18%</b>	3988920	21.10%
e) ICICI Bank Ltd.	<b>3194539</b>	<b>16.90%</b>	-	-

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

**NOTES FORMING PART TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2013**

(Amount in Rupees )

Particulars	AS AT 31.03.2013	AS AT 31.03.2012
<b>NOTE NO. 3</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>		
As per last Balance Sheet	17,523,435	17,523,435
<b>Securities Premium Account</b>		
As per last Balance Sheet (including Rs.4,26,100/- of Forfeited Shares)	750,372,332	750,372,332
<b>Debentures Redemption Reserve</b>		
As per last Balance Sheet	325,000	4,250,000
Less: Transfer to Statement of Profit and Loss	<u>(325,000)</u>	<u>3,925,000</u>
	-	325,000
<b>General Reserve</b>		
As per last Balance Sheet	29,000,000	23,000,000
Add: Transfer from Surplus in Statement of Profit and Loss	<u>1,000,000</u>	<u>6,000,000</u>
	30,000,000	29,000,000
<b>Surplus in Statement of Profit and Loss</b>		
As per last Balance Sheet	381,355,438	380,841,028
Add: Surplus for the year	37,507,031	57,517,500
Transfer from Debenture Redemption Reserve	325,000	3,925,000
	<u>419,187,469</u>	<u>442,283,528</u>
Less: Appropriations		
Proposed Dividend	23,630,575	47,261,150
Corporate Dividend Tax	4,016,016	7,666,940
Transfer to General Reserve	<u>1,000,000</u>	<u>6,000,000</u>
	<u>28,646,591</u>	<u>60,928,090</u>
	390,540,878	381,355,438
<b>TOTAL</b>	<u><u>1,188,436,645</u></u>	<u><u>1,178,576,205</u></u>

**NOTES FORMING PART TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2013**

(Amount in Rupees )

Particulars	AS AT 31.03.2013	AS AT 31.03.2012
<b>NOTE NO. 4</b>		
<b>LONG-TERM LIABILITIES</b>		
Statutory Liabilities	-	5,168,197
<b>TOTAL</b>	<b>-</b>	<b>5,168,197</b>
<b>NOTE NO. 5</b>		
<b>LONG-TERM PROVISIONS</b>		
Provision for Leave Encashment	4,511,315	4,894,856
Interest Provision	51,559,873	51,559,873
<b>TOTAL</b>	<b>56,071,188</b>	<b>56,454,729</b>
<b>NOTE NO. 6</b>		
<b>SHORT-TERM BORROWINGS</b>		
<b>SECURED BORROWINGS</b>		
<b>Working Capital Facilities from Bank</b>		
Cash Credit	401,165,355	251,006,543
Bills Discounting	39,955,113	45,562,151
Export Packing Credit	42,747,845	150,000,000
Packing Credit in Foreign Currency	132,481	-
<b>TOTAL</b>	<b>484,000,794</b>	<b>446,568,694</b>

**Note :**

The Working Capital Advances from State Bank of India are secured by first charge over the inventories, receivables and other chargeable current assets; second charge over the immovable properties situated at Plot No.117, GIDC Industrial Estate, Kalol, Dist. Panchmahal and is further guaranteed by Chairman and Managing Director of the Company.

**NOTE NO. 7****TRADE PAYABLES**

For Supplies/Services

a) Due to Micro, Small and Medium Enterprises	1,434,220	929,377
b) Others	363,075,015	497,842,976
<b>TOTAL</b>	<b>364,509,235</b>	<b>498,772,353</b>
Bills Payable	591,565,030	554,184,727
<b>TOTAL</b>	<b>956,074,265</b>	<b>1,052,957,080</b>

**NOTES FORMING PART TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2013**

(Amount in Rupees )

Particulars	AS AT 31.03.2013	AS AT 31.03.2012
<b>NOTE NO. 8</b>		
<b>OTHER CURRENT LIABILITIES</b>		
Current maturities of Long-Term Debt (Secured)	-	1,266,664
Interest accrued but not due on Borrowings (Secured)	-	366,330
Interest accrued and due on Borrowings (Secured)	<b>532,671</b>	1,496,918
Advances received from Customers	<b>14,952,209</b>	40,222,252
Gratuity Contribution	<b>13,718,905</b>	25,218,905
Sundry Creditors for Projects	<b>10,678,337</b>	1,799,550
Unpaid Dividend	<b>698,768</b>	477,392
Duties and Taxes	<b>103,401,601</b>	109,468,921
Other Payables	<b>345,362</b>	415,108
<b>TOTAL</b>	<b>144,327,853</b>	<b>180,732,041</b>

**NOTE NO. 9****SHORT-TERM PROVISIONS**

Provision for Employee Benefits	<b>5,446,317</b>	5,705,282
Proposed Dividend	<b>23,630,575</b>	47,261,150
Tax on Proposed Dividend	<b>4,016,016</b>	7,666,940
<b>TOTAL</b>	<b>33,092,908</b>	<b>60,633,372</b>

**NOTE NO. 10****TANGIBLE FIXED ASSETS**

Tangible Assets	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.12	Addition during the year	Sales/ Adjust- ment (Cost)	As at 31.03.13	As at 01.04.12	Provided during the year	Sales/ Adjust- ment	As at 31.03.13	As at 31.03.13	As at 31.03.12
<b>Land</b>										
Leasehold Land	7,259,325	1,604,256	-	8,863,581	385,483	79,497	-	464,980	8,398,601	6,873,842
Free-hold Land	1,335,968	-	-	1,335,968	-	-	-	-	1,335,968	1,335,968
Land Development	2,833,434	-	-	2,833,434	-	-	-	-	2,833,434	2,833,434
<b>Buildings</b>										
Factory Building	49,950,648	-	-	49,950,648	19,489,474	1,197,432	-	20,686,906	29,263,742	30,461,174
Other Building	33,301,044	853,200	-	34,154,244	8,951,227	556,715	-	9,507,942	24,646,302	24,349,817
<b>Plant &amp; Machinery</b>	1,985,251,417	98,317,646	54,520,841	2,029,048,222	951,639,931	72,588,999	49,327,384	974,901,546	1,054,146,676	1,033,611,486
<b>Furniture &amp; Fittings</b>	17,705,902	639,479	45,910	18,299,471	14,090,501	1,143,699	41,762	15,192,438	3,107,033	3,615,401
<b>Office Equipments</b>	10,043,444	615,760	21,070	10,638,134	4,063,581	490,843	14,083	4,540,341	6,097,793	5,979,863
<b>EDP Equipments</b>	16,156,981	8,000	-	16,164,981	8,782,053	2,133,251	-	10,915,304	5,249,677	7,374,928
<b>Vehicles</b>	43,826,415	2,165,998	-	45,992,413	13,608,743	3,468,667	-	17,077,410	28,915,003	30,217,672
<b>Total</b>	2,167,664,578	104,204,339	54,587,821	2,217,281,096	1,021,010,993	81,659,103	49,383,229	1,053,286,867	1,163,994,229	1,146,653,585
Previous Year	2,226,504,158	56,961,586	115,801,165	2,167,664,578	1,005,913,573	120,274,040	105,176,620	1,021,010,993	1,146,653,585	1,220,590,585

**NOTES FORMING PART TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2013**

(Amount in Rupees )

Particulars	AS AT 31.03.2013	AS AT 31.03.2012
<b>NOTE NO. 11</b>		
<b>NON-CURRENT INVESTMENTS</b>		
<b>Non Trade Investments (Unquoted)</b>		
<b>(At cost)</b>		
Investment in Equity Instruments (Unquoted - Fully Paid)		
1) Kalol Urban Co-operative Bank Ltd. 0 (1) Equity Share of Rs.25/- each	-	25
2) Landmark Premises Co-operative Services Society Ltd. 40 (40) Shares of Rs.50/- each	<b>2,000</b>	2,000
Investment in Government or Trust Securities 6 Years National Savings Certificate VIIIth Series	<b>3,000</b>	3,000
<b>TOTAL</b>	<b>5,000</b>	5,025
<b>NOTE NO. 12</b>		
<b>DEFERRED TAX ASSETS (NET)</b>		
Deferred Tax - Assets		
On account of unabsorbed Depreciation	<b>105,556,477</b>	86,116,198
On account of Disallowances u/s 43B	<b>8,799,416</b>	13,757,147
	<b>114,355,893</b>	99,873,345
Less : Deferred Tax - Liabilities		
On account of Difference in Tax & Book Depreciation	<b>97,533,681</b>	67,912,963
<b>TOTAL</b>	<b>16,822,212</b>	31,960,382
<b>NOTE NO. 13</b>		
<b>LONG-TERM LOANS AND ADVANCES</b>		
<b>UNSECURED, CONSIDERED GOOD</b>		
Capital Advances	-	7,005,191
Security Deposits	<b>819,880</b>	1,681,080
Other Deposits	<b>25,700,000</b>	25,700,000
MAT Credit Entitlement	<b>88,455,727</b>	77,880,420
<b>TOTAL</b>	<b>114,975,607</b>	112,266,691

**NOTES FORMING PART TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2013**

(Amount in Rupees )

Particulars	AS AT 31.03.2013	AS AT 31.03.2012
<b>NOTE NO. 14</b>		
<b>INVENTORIES</b>		
<b>Raw Materials</b>	<b>389,085,303</b>	399,797,598
[Including Stock-in-Transit of Rs.18,30,98,307/- P.Y. Rs.10,87,31,833/-]		
<b>Production Materials</b>	<b>30,942,304</b>	39,908,168
[Including Stock-in-Transit of Rs.Nil P.Y. Rs.Nil]		
<b>General Stores &amp; Spares</b>	<b>46,920,040</b>	55,526,322
[Including Stock-in-Transit of Rs.Nil P.Y. Rs.Nil]		
<b>Finished goods</b>	<b>805,748,301</b>	952,081,695
[Including Stock-in-Transit of Rs.73,33,630/- P.Y. Rs.6,03,35,962/-]		
<b>TOTAL</b>	<b><u>1,272,695,948</u></b>	<b><u>1,447,313,783</u></b>

Note : Raw Materials, Production Materials and General Stores and Spares are valued at cost.  
Finished Goods are valued at lower of cost or net realizable value.

**NOTE NO. 15****TRADE RECEIVABLES**

(Unsecured)

a) Outstanding for more than six months				
Considered Good	<b>1,043,035</b>		3,350,713	
Considered Doubtful	<b>2,302,546</b>		2,302,546	
	<b><u>3,345,581</u></b>		<u>5,653,259</u>	
Less : Provision for Doubtful Debts	<b><u>2,302,546</u></b>	<b>1,043,035</b>	<u>2,302,546</u>	3,350,713
b) Others *				
Considered Good		<b>273,350,058</b>		254,278,269
<b>TOTAL</b>		<b><u>274,393,093</u></b>		<b><u>257,628,982</u></b>

\* Other Trade Receivables are net of bills discounted with the banks Rs.11,98,45,670/- (Previous year Rs. 13,46,20,691/-)

**NOTE NO. 16****CASH AND CASH EQUIVALENTS****Balances with Banks**

a) In Current Accounts	<b>6,339,212</b>		6,402,759	
b) In Unpaid Dividend Accounts	<b>698,768</b>		477,392	
c) In Margin Money Accounts	<b><u>44,650,829</u></b>		<u>40,100,000</u>	
		<b>51,688,809</b>		46,980,151
<b>Cash on Hand</b>		<b>139,461</b>		258,142
<b>TOTAL</b>		<b><u>51,828,270</u></b>		<b><u>47,238,293</u></b>

**NOTES FORMING PART TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2013**

(Amount in Rupees )

Particulars	AS AT 31.03.2013	AS AT 31.03.2012
<b>NOTE NO. 17</b>		
<b>SHORT - TERM LOANS AND ADVANCES</b>		
<b>UNSECURED, CONSIDERED GOOD</b>		
Advance Income Tax and TDS	92,550,237	84,502,522
Less : Provision for Taxation	<u>88,666,577</u>	<u>78,091,350</u>
	<b>3,883,660</b>	6,411,172
Balance with Excise and Customs Authorities	<b>67,075,290</b>	70,374,577
Advance to Suppliers / Service Providers	<b>13,116,980</b>	3,286,462
Other Loans and Advances	<b>4,380,856</b>	2,504,870
<b>TOTAL</b>	<b><u>88,456,786</u></b>	<b><u>82,577,081</u></b>
<b>NOTE NO. 18</b>		
<b>OTHER CURRENT ASSETS</b>		
<b>UNSECURED, CONSIDERED GOOD</b>		
Assets held for Disposal	<b>4,203,541</b>	899,559
Other Current Assets and Receivables	<b>3,162,403</b>	2,647,995
Interest accrued on Margin Money	<b>1,777,528</b>	3,444,562
<b>TOTAL</b>	<b><u>9,143,472</u></b>	<b><u>6,992,116</u></b>

**NOTES FORMING PART TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2013**

(Amount in Rupees )

Particulars	For the Year 2012-2013	For the Year 2011-2012
<b>NOTE NO. 19</b>		
<b>REVENUE FROM OPERATIONS</b>		
Sales (Net of Returns)		
a) Domestic Sales	2,151,842,374	2,479,452,261
b) Export Sales	1,389,007,574	2,297,217,392
	<u>3,540,849,948</u>	4,776,669,653
Less : Excise Duty	<u>232,915,860</u>	229,428,663
	<b>3,307,934,088</b>	4,547,240,990
Income from Job work	53,008,071	50,093,208
(Tax Ded. at Source Rs.11,69,021/- Prev. year Rs.9,65,513/-)		
Export Incentives	47,845,396	45,285,181
<b>TOTAL</b>	<b><u>3,408,787,555</u></b>	<b><u>4,642,619,379</u></b>
<b>NOTE NO. 20</b>		
<b>OTHER INCOME</b>		
Miscellaneous Sales	7,354,655	8,062,723
Less : Excise Duty	<u>786,950</u>	1,006,817
	<b>6,567,705</b>	7,055,906
Miscellaneous Income	143,888	2,818
Sales Tax Refund	-	17,248
Interest Income		
a) On L/C Margin	3,672,791	3,477,194
(Tax Ded. at Source Rs.6,97,655/- Prev. year Rs.2,53,207/-)		
b) On Income Tax Refund	135,028	-
c) From Customers	3,200,124	-
(Tax Ded. at Source Rs.Nil Prev. year Rs.Nil)		
d) From Others	<u>3,000</u>	8,077
	<b>7,010,943</b>	3,485,271
Profit on sale of Capital Assets	9,611,000	-
Remission of Liabilities	-	1,245,328
Advances Write Back	332,590	-
<b>TOTAL</b>	<b><u>23,666,126</u></b>	<b><u>11,806,571</u></b>
<b>NOTE NO. 21</b>		
<b>COST OF MATERIALS CONSUMED</b>		
Raw Materials Consumed		
Opening Stock of Raw Materials	399,797,598	428,299,490
Add : Purchases	2,115,942,929	3,199,785,017
Less : Closing Stock of Raw Materials	<u>389,085,303</u>	399,797,598
	<b>2,126,655,224</b>	3,228,286,909
<b>TOTAL</b>	<b><u>2,126,655,224</u></b>	<b><u>3,228,286,909</u></b>

**NOTES FORMING PART TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2013**

(Amount in Rupees )

Particulars	For the Year 2012-2013	For the Year 2011-2012
<b>Details of Major Raw Material Consumption</b>		
Scrap	731,023,070	743,262,402
Nickel	862,540,749	1,645,531,741
Ferro Chrome	269,776,300	474,729,093
Others	263,315,105	364,763,673
	<b>2,126,655,224</b>	<b>3,228,286,909</b>
<b>NOTE NO. 22</b>		
<b>MANUFACTURING EXPENSES</b>		
Consumption of Production Materials, General Stores and Spares	210,229,756	280,522,352
Power and Fuel	411,264,753	458,498,415
Repairs and Maintenance :		
Buildings	422,502	937,479
Plant & Machineries	11,793,167	16,396,814
Other Manufacturing Expenses	7,839,620	7,157,568
Excise Duty - Finished Goods Closing Stock	(11,531,281)	28,292,536
<b>TOTAL</b>	<b>630,018,517</b>	<b>791,805,164</b>
<b>NOTE NO. 23</b>		
<b>CHANGE IN INVENTORY OF FINISHED GOODS</b>		
Opening Stock	952,081,695	847,734,198
Less : Closing Stock	805,748,301	952,081,695
<b>TOTAL</b>	<b>146,333,394</b>	<b>(104,347,497)</b>
<b>NOTE NO. 24</b>		
<b>EMPLOYEE BENEFITS EXPENSES</b>		
Directors Remuneration	19,508,064	16,106,806
Salaries, Wages and Bonus	116,495,015	149,894,053
Contribution to Provident and other Funds	13,254,688	14,670,733
Staff Welfare Expenses	3,021,028	2,495,623
<b>TOTAL</b>	<b>152,278,795</b>	<b>183,167,216</b>
<b>NOTE NO. 25</b>		
<b>FINANCE COSTS</b>		
Interest on Debentures and Term Debts	19,791	664,628
Interest on Working Capital	49,825,920	43,740,527
Interest on Other Loans	6,105,830	10,004,304
Bank Charges	37,481,788	41,980,577
<b>TOTAL</b>	<b>93,433,329</b>	<b>96,390,036</b>

**NOTES FORMING PART TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2013**

(Amount in Rupees )

Particulars	For the Year 2012-2013	For the Year 2011-2012
<b>NOTE NO. 26</b>		
<b>OTHER EXPENSES</b>		
<b>Administrative and General Expenses</b>		
Travelling and Conveyance	4,694,588	7,584,146
Printing and Stationery	925,092	1,074,242
Communication Cost	3,192,156	3,645,536
Vehicle Expenses	3,622,430	4,723,629
Statutory Auditor's Remuneration		
a) As Auditor	565,000	565,000
b) For Tax Audit Fees	100,000	100,000
c) For Taxation Matters	65,000	65,000
d) For Other Services	1,500	4,500
e) For Reimbursement of Expenses	21,694	14,190
	753,194	748,690
Cost Auditor's Remuneration		
a) As Auditor	150,000	150,000
b) For Other Services	10,000	50,000
c) For Reimbursement of Expenses	17,430	20,674
	177,430	220,674
Repairs and Maintenance to Other Assets	2,703,574	7,031,886
Legal and Professional Charges	4,197,298	4,971,047
Directors Sitting Fees	290,000	215,000
Insurance Charges	886,590	778,568
Rent, Rates and Taxes	4,188,985	8,099,452
Foreign Exchange Variation	37,806,609	95,355,611
Miscellaneous Expenses	3,322,178	3,158,767
Loss on Sale of Capital Assets	-	969,940
Loss on Disposal of Capital Assets	-	336,883
<b>TOTAL (I)</b>	<b>66,760,124</b>	<b>138,914,071</b>
<b>Selling Expenses</b>		
Carriage Outward	59,111,401	77,902,497
Commission on Sales	11,090,543	5,960,189
Discount and Claims	4,729,024	15,314,165
Marine and ECGC Insurance	2,540,848	4,113,429
Other Selling Expenses	3,059,056	10,786,463
Bad Debts	2,139,122	570,147
<b>TOTAL (II)</b>	<b>82,669,994</b>	<b>114,646,891</b>
<b>TOTAL (I + II)</b>	<b>149,430,118</b>	<b>253,560,962</b>

**NOTE NO. 1****SIGNIFICANT ACCOUNTING POLICIES AND ACCOMPANYING NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2013.****1) Significant Accounting Policies :****a) Basis of Accounting :**

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

**b) Fixed Assets and Depreciation :**

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

ii) Depreciation and Amortization :

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

iii) Expenditure during Implementation of Projects :

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

iv) Capital Work-in-Progress:

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

**c) Investments :**

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

**d) Inventories :**

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

**e) Revenue Recognition :**

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

**f) Employee Benefits :**

Company's contribution to Provident Fund, Superannuation Fund, Employee State Insurance and other funds

are determined under the relevant schemes and/or statute and charged to revenue.

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

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

**g) Borrowing Costs :**

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

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

**h) Foreign Currency Transactions :**

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

All foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing at the date of the Balance Sheet and resultant exchange differences are recognized in the Profit and Loss Account for the year.

**i) Taxation:**

Tax expenses comprise current, deferred and wealth tax.

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

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

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

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

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

**j) Impairment of Assets :**

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

**k) Earnings per share:**

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

**l) Provisions, Contingent Liabilities and Contingent Assets:**

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

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

The Company has amounts due to suppliers under MSMED as at 31st March, 2013. The disclosure pursuant to the said Act is as under:

	<b>Amount - Rupees</b>	
	<b>31.03.2013</b>	31.03.2012
Delayed Payment Due - Principal amount	<b>107,521</b>	192,758
- Interest on above	<b>1,880</b>	1,135
Interest paid	Nil	Nil
Interest due on Principal amount paid beyond due date during the year	<b>65,108</b>	77,752
<b>Total Interest due but not paid</b>	<b>66,988</b>	78,887

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

**3) Managerial Remuneration:**

	<b>Amount - Rupees</b>	
	<b>31.03.2013</b>	31.03.2012
I. Directors Sitting Fee	<b>2,90,000</b>	2,15,000
II. Other Remuneration:		
Salaries and Allowances	<b>151,80,000</b>	126,30,000
Commission	<b>Nil</b>	Nil
Company Contribution to Provident & Superannuation Funds	<b>17,91,000</b>	14,40,000
Other Perquisites (valued as per Income Tax Rules)	<b>28,54,434</b>	22,84,176
Sub total (II)	<b>198,25,434</b>	163,54,176
<b>Total (I+II)</b>	<b>201,15,434</b>	165,69,176

The remuneration paid to Managing Director is in accordance with the terms of his re-appointment and remuneration payable as approved by the members of the Company at the 39th Annual General Meeting held on 16th July, 2012, which is subject to the approval of the Central Government. An application seeking approval for re-appointment and remuneration payable to the Managing Director is pending with the Central Government.

The applications for the waiver of excess remuneration paid to Managing Director for the financial years 2009-10, 2010-11 & 2011-12 are also under consideration with the Central Government.

The Remuneration to the other whole-time Directors has been paid in terms of approval of shareholders to the said appointments.

**4) Contingent Liabilities & Commitments not provided for :**

	<b>Amount - Rupees</b>	
	<b>31.03.2013</b>	31.03.2012
a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of Advances)	<b>174,07,526</b>	186,88,010
b) Letter of Credits Outstanding	<b>1873,33,632</b>	1465,22,599
c) Claims against Company not acknowledged as debts	<b>185,82,336</b>	185,82,336
d) Disputed Excise, Custom, Service Tax and Gujarat VAT Liabilities	<b>135,20,290</b>	126,34,028
e) Disputed Income Tax Liabilities	<b>148,76,029</b>	272,51,851
f) Guarantee given to MGVCL by Company's Banker	<b>425,79,785</b>	346,17,067

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

5) Free-hold Land & Staff Executive Building include shares of Rs.750/- (Previous year Rs.750/-) held in Co-operative Societies, which are in the name of nominees of the Company.

6) Balances of the most of the Debtors, Creditors and Loans of the Company are confirmed periodically.

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

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

**B. Related Party /Key Management Personnel Transactions**

- |  |   |                                |
|--|---|--------------------------------|
| i) Associate                               |   |                                |
| Deposit received                           | : | Rs.320,00,000 (Rs.197,00,000)  |
| Deposit paid                               | : | Rs.320,00,000 (Rs.197,00,000)  |
| Interest                                   | : | Rs. 20,50,684 (Rs. 11,57,852)  |
| ii) Key Management Personnel               |   |                                |
| Gross Remuneration                         | : | Rs. 198,25,434 (Rs.163,54,176) |
| iii) Relative of Key Management Personnel* | : |                                |
| Gross Remuneration                         | : | Rs. 4,88,500 (Rs.3,97,933)     |

\*Employed for part of the year in both the years

Note: Figures in the brackets are for previous year.

**8) Segment Disclosures :**

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

**9) Financial Restructuring**

The Existing Loans with secured lenders under the Scheme of Compromise and/or Arrangement as approved by the Hon`ble High Court of Gujarat have been duly settled and paid to all the secured lenders. The matter related to dissenting secured lender is pending before the Hon`ble High Court of Gujarat.

The security documents, in relation to creation of charge on the assets of the Company, duly executed by the company in favour of its Secured Lenders and Debenture Trustees, as stipulated under the said Scheme are continuing to remain in full force and effect.

**10) Details of Earnings Per Share:**

		Unit	Year ended 31.03.2013	Year ended 31.03.2012
a)	Amount used as Numerator (Profit after Taxes)	Rupees	375,07,031	575,17,500
b)	Weighted average number of Equity Shares used as the denominator (Basic)	Nos.	189,04,460	189,04,460
c)	Weighted average number of Equity Shares used as the denominator (Diluted)	Nos.	189,04,460	189,04,460
d)	Nominal Value Per Share	Rupees	10.00	10.00
e)	Earnings per Share (Basic)	Rupees	1.984	3.043
f)	Earnings per Share (Diluted)	Rupees	1.984	3.043

**11) (a) Registered/Installed Capacity :**

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

**(b) Production, Sales and Stocks:**

Class of Goods	Opening Stock		Production	Sale		Closing Stock	
	Qty.	Rupees	Qty.-M.T.	Qty.-M.T.	Rupees	Qty.-M.T.	Rupees
Steel Billets	1658 (1012)	243634439 (125915144)	22771 (30602)	0 (0)	0 (0)	2832 (1658)	385408000 (243634439)
Bars, Rods, Coils & Wires	4427 (4807)	708447256 (721819054)	23883* (32238)	20830 (26904)	3540849948 (4776669653)	2648 (4427)	420340301 (708447256)

\* Include Job work production 3184 M.T. (Previous Year 3426 M.T)

Note: Figures in the bracket are for previous year.

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

	Year 2012-2013		Year 2011-2012	
	Value (in Rs.)	%	Value (in Rs.)	%
<b>Raw Materials</b>				
Imported	137,91,95,210	64.85	188,67,26,202	58.44
Indigenous	74,74,60,014	35.15	134,15,60,707	41.56
Total	212,66,55,224	100.00	322,82,86,909	100.00
<b>Production Materials and Stores &amp; Spares</b>				
Imported	720,32,981	34.26	717,63,428	25.58
Indigenous	1381,96,776	65.74	2087,58,924	74.42
Total	2102,29,757	100.00	2805,22,352	100.00

**(d) Expenditure in Foreign Currency:**

(Rupees)

	Year 2012-13	Year 2011-12
C.I.F. Value of Imports :		
Raw Materials	124,71,43,216	184,73,48,487
Production Materials and Stores & Spares	5,47,01,807	6,48,40,853
Capital Equipments	26,76,128	48,60,361
Other Expenditure :		
On Foreign Travels	13,72,646	23,12,253
Foreign Bank Charges	14,32,510	18,40,306
On Professional Fees, Subscription, Books etc.	3,02,268	4,52,908
Commission on Export Sales	105,98,558	53,35,606
Discounts & Claims	41,94,322	146,22,989
On Foreign Exhibitions	6,38,630	43,15,887
On Salary & Allowances	-	40,33,673

**(e) Foreign Exchange Earned:**

(Rupees)

FOB Value of Exports	136,09,58,665	225,97,15,722
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12) Previous year's figures have been recast/ regrouped/reclassified wherever necessary to correspond with current year's classification/disclosures.

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

**Ashok Malhotra**  
Chairman and Managing Director

**Hanish Malhotra**  
Director (Marketing)

**Kalpesh Parmar**  
Partner  
Membership No.103887

**Pradip H. Gupta**  
Vice President (Finance)

**Deepak Nagar**  
AGM (Legal) & Company Secretary

Vadodara, 28<sup>th</sup> May, 2013

Vadodara, 28<sup>th</sup> May, 2013



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

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

DP. Id\*

Regd. Folio No.

Client Id\*

NAME AND ADDRESS OF THE SHAREHOLDER

No. of Share(s) held:

I hereby record my presence at the **40th ANNUAL GENERAL MEETING** of the Company held on Monday, the 29th July, 2013 at 10.00 a.m. at the Regd. Office of the Company at GIDC Industrial Estate, Kalol-389 330, Dist. Panchmahals (Gujarat).

Signature of the Shareholder or proxy

\*Applicable for investors holding shares in electronic form



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

DP. Id\*

Regd. Folio No.

Client Id\*

I/We \_\_\_\_\_ of

\_\_\_\_\_ being a member/members of PANCHMAHAL STEEL LIMITED

hereby appoint \_\_\_\_\_ of

\_\_\_\_\_ or failing him

\_\_\_\_\_ of \_\_\_\_\_

as my/our proxy to vote for me/us on my/our behalf at the **40th ANNUAL GENERAL MEETING** to be held on Monday, the 29th July, 2013 at 10.00 a.m. or at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

Affix  
1/- Rupee  
Revenue  
Stamp

\* Applicable for investors holding shares in electronic form.

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



**Stainless Steel**  
WIRE ROD • BARS • WIRES

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