



Steel Making

Cold Finishing

Hot Rolling

<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 Satish Kumar Gupta	- Nominee of Arcil
	Shri Hanish Malhotra	- Director (Marketing)
	Shri Pradeep Sharma	- Director (Operations)
<b>SECRETARY</b>	: Shri Deepak Nagar	
<b>AUDITORS</b>	: M/s J.R.S. Patel & Co. Chartered Accountants Vadodara.	
<b>BANKERS</b>	: State Bank of India	
<b>REGISTERED OFFICE</b>	: G.I.D.C. Industrial Estate, Kalol - 389 330 Dist. Panchmahals, Gujarat.	
<b>CORPORATE OFFICE</b>	: "Landmark", 7th Floor, Race Course Circle, Vadodara - 390 007.	

**38<sup>th</sup> Annual General Meeting on Monday, the  
25th July, 2011 at 10.00 a.m. at the  
Registered Office of the Company at  
G.I.D.C. Industrial Estate, Kalol-389 330,  
Dist. Panchmahals, (Gujarat)**

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## **NOTICE**

Notice is hereby given that the 38th Annual General Meeting of the Members of Panchmahal Steel Limited will be held at the Registered Office of the Company at G.I.D.C. Industrial Estate, Kalol-389 330 Dist. Panchmahals (Gujarat) on Monday, the 25th day of July, 2011 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, 2011, the Profit and Loss Account for the year ended on that date and the Reports of the Directors' and the Auditors' thereon.
2. To declare a Dividend on Equity Shares of the Company.
3. To appoint a Director in place of Mr. 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 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 18th day of July, 2011 to Monday, the 25th day of July, 2011 (both days inclusive).
3. The dividend on equity shares for the financial year ended 31st March, 2011, as recommended by the Board of Directors, if declared at the meeting, 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 25th July, 2011 after giving effect to all valid transfers in physical form lodged with the Company or its Registrar & Share Transfer Agent on or before 17th July, 2011 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 17th July, 2011.
4. Members holding shares in physical form are advised to update their address and bank account/ECS details with the Company's Registrar and Share Transfer Agent, MCS Limited at their office situated at Neelam Apartment, 88, Sampatrao Colony, Alkapuri, Vadodara-390 007. Members holding shares in electronic form are requested to update these details with their respective Depository Participants (DPs).

5. SEBI vide its circular dated April 27, 2007 and May 20, 2009 has made it mandatory for every participant in the securities/capital market to furnish Income Tax Permanent Account Number (PAN) for transactions involving transfer of shares. Therefore, members holding shares in physical mode are requested to furnish their PAN along with photocopy of PAN Card to the Share Transfer Agent. Members holding shares in demat mode are requested to register the details of their PAN with their DPs.
6. 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.
7. Members desirous of making nomination in terms of Section 109A of the Companies Act, 1956, in respect of their shareholding may approach the Company's Registrar & Transfer Agent for obtaining prescribed form and return the same duly filled in and signed for registration with the Company.

Regd. Office :

G.I.D.C. Industrial Estate,  
Kalol - 389 330,  
Dist. Panchmahals (Gujarat)  
Date: 30th May, 2011

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)

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

## **DIRECTORS' REPORT**

To,  
The Members  
The Directors of your Company present to you the 38th Annual Report of your Company together with the Statement of Audited Accounts for the year ended 31st March, 2011.

### **FINANCIAL RESULTS**

(Rs. in crores)

<b>Particulars</b>	<b>Year ended 31.03.2011</b>	Year ended 31.03.2010
Sales & Other Income	<b>405.48</b>	294.05
Total Expenditure	<b>365.63</b>	260.78
Operating Profit	<b>39.85</b>	33.27
Interest, Finance Charges & Exchange Variation	<b>8.65</b>	4.12
Gross Profit for the year	<b>31.20</b>	29.15
Depreciation	<b>13.97</b>	13.72
Profit before Taxation	<b>17.23</b>	15.43
Less : Provisions for Taxation (including Provision for Deferred Tax)	<b>5.75</b>	0.86
Profit/(Loss) before Exceptional Items	<b>11.48</b>	14.57
Add : Prior Period Adjustments	<b>0.10</b>	–
Profit for the year	<b>11.58</b>	14.57
Balance brought forward from the previous year	<b>29.83</b>	24.42
Balance available for appropriation	<b>41.41</b>	38.99
<b>Appropriations:</b>		
Transfer (from) / to Debenture Redemption Reserve	<b>(3.44)</b>	3.86
Transfer to General Reserve	<b>1.20</b>	1.10
Proposed Dividend	<b>4.73</b>	3.60
Tax on Proposed Dividend	<b>0.77</b>	0.60
Dividend (F.Y.2009-10)	<b>0.06</b>	–
Tax on Dividend (F.Y. 2009-10)	<b>0.01</b>	–
Balance carried to Balance Sheet	<b>38.08</b>	29.83

### **OPERATIONS**

The sales and other income of the Company is Rs.405.48 crores as against Rs.294.05 crores in the previous year. The operating profit is Rs.39.85 crores as compared to Rs. 33.27 crores in the previous year.

Your Company has established itself as a qualitative and reliable manufacturer in the global market and is exporting its products in various segments in over 40 countries.

The business environment continues to be challenging on account of high volatilities in the prices of nickle, a major raw material for the Company. However, the Company is well geared to meet the dynamics of the business environment and the management is optimistic of the bright future for the Company.

**DIVIDEND**

Your Directors have recommended a dividend @ Rs.2.50/- per equity share of face value of Rs.10/- each for the year ended 31st March, 2011.

**FINANCIAL RESTRUCTURING**

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

The Board of Directors at their meeting held on 15th November, 2010 have converted 7,75,000 Secured Fully Convertible Debentures held by M/s Gujarat Industrial Investment Corporation Limited and on such conversion, issued and allotted to them:

- a) 5,76,460 Equity Shares of Rs. 10/- each as fully paid-up at a share premium of Rs. 152.75 per share aggregating to Rs. 9,38,18,865/-; &
- b) 24 Nos. of 5% Secured Non-Convertible Debentures - Series 2 (NCDs-Series 2) of the face value of Rs. 1,00,000/- each of the aggregate nominal value of Rs. 24,00,000/-.

**DEPOSITS**

The Company has not accepted any deposits and as such, no amount of principal or interest was outstanding as on 31st March, 2011.

**STATUTORY DISCLOSURES**

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

**DIRECTORS' RESPONSIBILITY STATEMENT**

Your Directors affirm that the audited accounts containing financial statements for the financial year 2010-11 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 judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that 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**

Mr. R.R. Rajyaguru ceased to be a nominee Director of GIIC Limited with effect from 30th May, 2011.

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.

**APPRECIATION**

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

For and on behalf of the Board of Directors

Place : Vadodara  
Date : 30<sup>th</sup> May, 2011

**Ashok Malhotra**  
Chairman & Managing Director

## Annexure - A to Directors' Report

### FORM - A

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

	<u>Year</u> <u>2010-11</u>	<u>Year</u> <u>2009-10</u>
<b>A. Power and Fuel Consumption :</b>		
1. Electricity		
(a) Purchased		
Units (kwh)- in '000s	41192	37119
Total Amount (Rs. in lacs)	2917.23	2722.21
Rate per Unit- kwh (Rs.)	7.08	7.33
(b) Own Generation		
(i) Through Diesel Generator		<b>It is Emergency stand by utility</b>
(ii) Through Steam Turbine/Generator	-	-
2. Coal	-	-
3. Furnace Oil		
Qty. (M.T.)	2149	1962
Value (Rs. in lacs)	584.70	469.47
Average Rate per Kg.(Rs.)	27.21	23.92
<b>B. Consumption per unit of Production :</b>		
Products		<b>Electricity (kwh per Tonne)</b>
Billets	848	789
Rolled Products	220	228
		<b>Furnace Oil (Kgs. per Tonne)</b>
Billets	13.64	12.63
Rolled Products	43.28	40.11



**FORM - B**

Disclosure of Particulars with Respect to Technology Absorption 2010-11.

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

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

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

1. Efforts, in brief, made towards, Technology Absorption and Innovation :  
Innovation and Technology adaptation is an integral part of Company work culture. The operating personnel work as a team for effective adaptation and absorption of technology.
2. Benefits derived as a result of the above efforts :  
The above efforts have resulted in improved quality and reproductibility of Company's products. It has also helped improved yields and reduced costs.
3. Technology Imported during last 5 years - Nil

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

- |                            |   |                                     |
|----------------------------|---|-------------------------------------|
| i) Foreign Exchange earned | - | Rs.145.53 Crores (Rs.57.62 crores)  |
| ii) Foreign Exchange used  | - | Rs.166.37 Crores (Rs.116.46 Crores) |

For and on behalf of the Board of Directors

Place : Vadodara

Date : 30<sup>th</sup> May, 2011**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, 2011.

Sr.No.	Name of the Employee	Age	Designation	Remuneration Received (Rs. in lacs)	Qualification	Experience (Years)	Date of Employment	Particular of Last employment
01	Mr. Ashok Malhotra	59	Chairman & Managing Director	103.80	B.Com.	37	01.12.1976	N.A.

**Note :**

1. The amount of remuneration comprises salary, allowances & monetary value of perquisites to the Chairman & Managing Director of the Company's contribution to Provident Fund.
2. The appointments is contractual in nature.

## Annexure - C to the Directors' Report for the year ended 31st March, 2011

### I Report on Corporate Governance

#### 1. Corporate Governance Philosophy

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

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

#### 2. Board of Directors

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

Name of the Director	Category	Number of other		
		Director-ships	Committee Memberships	Committee Chairmanships
Mr. Ashok Malhotra	Non-Independent Executive Director	2	Nil	Nil
Mr. Nilesh Mehta	Independent Non -Executive Director	7	2	1
Mr. Mohanraj M. Singhi	Independent Non -Executive Director	Nil	Nil	Nil
Mr. Amal Dhru	Independent Non -Executive Director	5	Nil	Nil
Mr. Milan Shah	Independent Non -Executive Director	2	Nil	Nil
Mr. Satish Kumar Gupta (Arcil Nominee)	Independent Non -Executive Director	2	Nil	Nil
Mr. Rajendra R. Rajyaguru* (GIIC Nominee)	Independent Non -Executive Director	3	2	Nil
Mr. Hanish Malhotra	Non- Independent -Executive Director	1	Nil	Nil
Mr. Pradeep Sharma	Non-Independent Executive Director	Nil	Nil	Nil

\* ceased as Director w.e.f. 30.05.2011

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

During the year under review, 4 (Four) Board Meetings were held on 31st May, 2010, 10th August, 2010, 15th November, 2010 & 3rd February, 2011. The Thirty Seventh Annual General Meeting was held on 31st July, 2010. The attendance of each Director at these meetings was as follows:

Sr. No.	Name of the Director	No. of Board Meetings attended	Attendance at the AGM held on 31.07.2010
1	Mr. Ashok Malhotra	4	Yes
2	Mr. Nilesh Mehta	3	Yes
3	Mr. Mohanraj M. Singhi	2	No
4	Mr. Amal Dhru	4	No
6	Mr. Milan Shah	4	No
5	Mr. Rajendra R. Rajyaguru	0	No
9	Mr. Satish Kumar Gupta	1	No
7	Mr. Hanish Malhotra	4	Yes
8	Mr. Pradeep Sharma	4	Yes

### 3. Audit Committee

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

Details of Audit Committee meetings held during the year April 2010 to March 2011 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	3
2	Mr. Amal Dhru	Member	Independent & Non-Executive Director	4	4
3	Mr. Milan Shah	Member	Independent & Non-Executive Director	4	4

### 4. Remuneration Committee

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

Terms of Reference :

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

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

The Remuneration Committee comprises of three Independent Directors, including Chairman of the Committee. No meeting of the committee was held during the financial year 2010-11. The composition of the Remuneration Committee as on 31st March, 2011 is as under:

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

Details of Remuneration paid to the Directors for the year ended 31st March, 2011

Remuneration of Executive Directors is decided by the Board based on recommendations of the Remuneration Committee as per the remuneration policy of the Company, within the ceiling fixed by the shareholders. The details of the remuneration paid to the Directors for the year ended March 31, 2011 are as under:

(Rs. in lacs)

Sr. No.	Name of the Director	Sitting Fees (including Committee Meetings)	Gross * Remuneration	Commission	Contribution to Provident and Superannuation Funds
1	Mr. Ashok Malhotra	Nil	96.60	Nil	7.20
2	Mr. Nilesh B. Mehta	0.30	Nil	Nil	Nil
3	Mr. Mohanraj M. Singhi	0.10	Nil	Nil	Nil
4	Mr. Amal Dhru	0.40	Nil	Nil	Nil
5	Mr. Milan Shah	0.60	Nil	Nil	Nil
6	Mr. Rajendra R. Rajyaguru	0.00	Nil	Nil	Nil
7	Mr. Satish Kumar Gupta	0.05	Nil	Nil	Nil
8	Mr. Hanish Malhotra	Nil	24.79	Nil	2.16
9	Mr. Pradeep Sharma	Nil	25.92	Nil	4.86

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

## 5. Shareholders and Investor Grievance Committee

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

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

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

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

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

## 6. CEO/CFO Certificate

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

## 7. General Body Meetings

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

Year	Date	Time	Venue
2007-08	30.09.2008	10.00 a.m.	Regd. Office at GIDC Industrial Estate, Kalol-389 330 Dist. Panchmahals (Gujarat)
2008-09	30.09.2009	10.00 a.m.	Regd. Office at GIDC Industrial Estate, Kalol-389 330 Dist. Panchmahals (Gujarat)
2009-10	31.07.2010	10.00 a.m.	Regd. Office at GIDC Industrial Estate, Kalol-389 330 Dist. Panchmahals (Gujarat)

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

## 8. Disclosures

- There are no materially significant transactions with related party i.e. transactions of the Company of material nature with its Promoters, the Directors or the management, their subsidiaries or relatives etc. which may have potential conflict with the interests of the Company at large.  
Related Party Transactions are disclosed as per Note No. 7 of Schedule - R, which in the opinion of Management may not have potential conflict with the interests of the Company at large.
- No penalties and strictures have been imposed on the Company by the Stock Exchange, SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

## 9. Means of Communication

- Financial Results are published in leading financial news papers as well as copies of the same are also being sent to all the Stock Exchanges where the Shares of the Company are listed. These results are simultaneously displayed on the Company's website.  
Financial Results are published normally in Indian Express, Economic Times, Business Standard and in Financial Express (Gujarati).  
Website of the Company is [www.panchmahalsteel.co.in](http://www.panchmahalsteel.co.in)
- The Management Discussion and Analysis Report prepared by the management and forming part of the Annual Report is separately attached.

## 10. General Shareholder information

### (i) 38<sup>th</sup> Annual General Meeting

Date & Time : Monday, the 25th day of July, 2011 at 10.00 a.m.

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

### (ii) Financial Calendar (tentative)

Financial reporting for the quarter ending June 30, 2011	July, 2011
Financial reporting for the quarter ending September 30, 2011	October, 2011
Financial reporting for the quarter ending December 31, 2011	January, 2012
Financial reporting for the quarter ending March, 2012	May, 2012

### (iii) Date of Book Closure

The period of book closure is from Monday, the 18th July, 2011 to Monday, the 25th July, 2011 (both days inclusive).

### (iv) Dividend Payment Date

The Dividend, as recommended by the Board of Directors, if declared, will be paid on or after 25th July, 2011.

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 25th July, 2011 after giving effect to all valid transfers in physical form lodged with the Company or its Registrar & Share Transfer Agent on or before 17th July, 2011; &
- 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 17th July, 2011.

### (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 2011-12 to the above Stock Exchange.

#### Stock Code :

The Bombay Stock Exchange Ltd. - 513511

ISIN for NSDL & CDSL - INE 798F01010

### (vi) Market Price Data

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

Month	Share Price (Rs.)		Quantity Traded (No. of Shares)	BSE Index	
	High	Low		High	Low
April, 2010	175.70	145.00	2,111	18048	17277
May, 2010	160.00	132.40	8,707	17537	15960
June, 2010	156.00	125.60	5,626	17920	16318
July, 2010	147.00	114.25	5,673	18238	17396
August, 2010	145.00	115.10	8,325	18475	17820
September, 2010	161.10	114.15	15,627	20268	18027
October, 2010	180.00	132.00	90,064	20855	19769
November, 2010	162.50	109.00	12,934	21109	18955
December, 2010	129.95	85.20	1,37,101	20552	19075
January, 2011	110.00	82.55	14,791	20665	18038
February, 2011	99.00	75.00	2,982	18691	17296
March, 2011	81.00	65.65	3,610	19575	17792

**(vii) Registrar & Share Transfer Agents**

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

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

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

**(viii) Share Transfer System**

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

**(ix) Distribution of Shareholding & Shareholding Pattern as on 31.03.2011**

Shareholding Pattern			Distribution of Shareholding		
Category	No. of Shares	%	No. of Shares	No. of Shareholders	Shares held in each class
Promoters/Promoters Group	12000000	63.48	01 - 500	3366	380858
FII's	1000	0.01	501 - 1000	60	47126
NRI's	834	0.00	1001 - 2000	25	35075
Mutual Funds, Banks & Insurance Companies	913360	4.83	2001 - 3000	8	20008
Bodies Corporate	5213611	27.58	3001 - 4000	7	25557
Public	775655	4.10	4001 - 5000	6	26949
			5001 - 10000	2	15583
			10001 & above	21	18353304
<b>Total</b>	<b>18904460</b>	<b>100.00</b>	<b>Total</b>	<b>3495</b>	<b>18904460</b>

**(x) Dematerialisation of Shares**

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

1,86,66,055 number of Equity Shares of the Company representing 98.74% of the Share Capital are dematerialised upto 31.03.2011.

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

Not Applicable

**(xii) Plant Location**

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

**(xiii) Address for Correspondence**

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

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

E-mail : [dnagar@panchmahalsteel.co.in](mailto:dnagar@panchmahalsteel.co.in)

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

## Declaration by the Chairman & Managing Director

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

To,  
The Members of  
Panchmahal Steel Limited

I, Ashok Malhotra, Chairman & Managing Director of the Panchmahal Steel Limited hereby declare that all Directors and Senior Management Personnel have affirmed compliance with code of conduct as applicable to them in respect of the financial year 2010-11.

Place : Vadodara  
Date : 30<sup>th</sup> May, 2011.

**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 has established itself as a qualitative and reliable manufacturer in the global market and is exporting its products in various segments in over 40 countries.

The business environment will continue to be challenging on account of high volatilities in the prices of nickel, a major raw material for the Company. However, the Company is well geared to meet the dynamics of the business environment and the management is optimistic of the bright future for 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 : 30<sup>th</sup> May, 2011.

**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 2010-11, as stipulated in Clause 49 of Listing Agreement entered into by the said Company with the stock exchanges.

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

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

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

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

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

Place : Vadodara  
Date : 30<sup>th</sup> May 2011.

**Kalpesh Parmar**  
Partner  
Membership No. 103887



## AUDITORS' REPORT

To  
The Members of  
PANCHMAHAL STEEL LIMITED

1. We have audited the attached Balance Sheet of **PANCHMAHAL STEEL LIMITED** as at 31st March 2011, Profit and Loss Account and also Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Statement on Companies (Auditors' Report) Order, 2003 as amended by Companies (Auditors' Report) (Amendment) Order, 2004, (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a Statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - ii) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of those books;
  - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report generally comply with the applicable mandatory accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - v) On the basis of written representations received from the Directors, as on 31st March 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2011 from being appointed as a Director, in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

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

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2011 ;
- (b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date ; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

Place : Vadodara  
Date : 30<sup>th</sup> May, 2011

**Kalpesh Parmar**  
Partner  
Membership No. 103887

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED ON 31st MARCH, 2011 OF PANCHMAHAL STEEL LIMITED, KALOL.**

1. In respect of its Fixed Assets :
  - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets, on the basis of available information.
  - (b) The Company carries out physical verification of fixed assets under a phased programme 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/stockist, which have been substantially confirmed by them. In our opinion, having regard to the nature and location of stocks, the frequency of verification is reasonable.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) On the basis of our examination of records of inventory, in our opinion, the Company has maintained proper records of its inventories. According to the information and explanations given to us, no material discrepancies were noticed on physical verification of inventory as compared to the book records.
3. Loans granted/taken by the Company:
  - (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in register maintained under Section 301 of the Companies Act, 1956.
  - (b) Since the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956, therefore, sub-clauses (b), (c) and (d) of (iii) of the said Order are not applicable.
  - (c) The Company has taken an unsecured loan from a company listed in the register maintained under section 301 of the Companies Act, 1956. Total amount outstanding as at 31.03.2011 is Rs. Nil/- (Rupees ZERO). The maximum amount involved was Rs. 1,04,47,945/- (Rupees One Crores Four Lacs Forty Seven Thousand Nine Hundred Forty Five 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 lacks in respect of any party during the year, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time, wherever applicable.
6. In our opinion and according to the information and explanations given to us the Company has not accepted any deposits from the public during the year and hence the question of complying with the provisions of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under and the directives issued by the Reserve Bank of India, wherever applicable, does not arise.
7. On the basis of the internal audit reports broadly reviewed by us, we are of the opinion that, the Company has an adequate internal audit system commensurate with the size and nature of its business.

8. On the basis of the records produced, we are of the opinion that prima facie, the cost records and accounts prescribed by the Central Government of India under Section 209(1)(d) of the Companies Act, 1956, have been made and maintained by the Company. However, we are not required to carry out and have not carried out any detailed examination of such records and accounts.
9. According to the information and explanations given to us in respect of statutory and other dues :
- 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.
  - 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, 2011 are given below:

Name of Statute	Nature of Dues	Amount (Rs. in Lacs)	Forum where dispute is pending
The Central Excise Act, 1944	Excise Duty	57.42	Gujarat High Court
The Central Excise Act, 1944	Excise Duty	5.05	CESTAT, Mumbai
The Central Excise Act, 1944	Excise Duty	21.00	CEGAT, Mumbai
The Central Excise Act, 1944	Excise Duty	2.20	Commissioner (Appeals)
Finance Act, 1994 (Service Tax Provision)	Service Tax	7.53	Commissioner (Appeals)
Finance Act, 1994 (Service Tax Provision)	Service Tax	26.85	CESTAT, Ahmedabad.
The Custom Act, 1962	Custom Duty	70.54	CESTAT, Mumbai.

10. The Company has no accumulated losses as at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
11. The Company has not defaulted in repayment of dues to banks, debenture holders and Financial Institutions.
12. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of Clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in shares, securities debentures and other investments. Accordingly, the provisions of clauses 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
15. According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions, the requirements of Clause 4(xiv) of the Order, to comment on whether the terms and conditions, whereof are prejudicial to the interest of the Company, is not applicable.
16. The Company has not taken any term loans during the year.
17. On the basis of the information and explanations given to us and on an overall examination of the Cash Flow and Balance Sheet of the Company as at the end of the year, funds raised on short term basis have, 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 issues during the year and therefore the question of disclosing the end use of money does not arise.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instances of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For **JRS Patel & Co.**  
Chartered Accountants,  
Firm Regn. No.107709W

Place : Vadodara  
Date : 30<sup>th</sup> May, 2011

**Kalpesh Parmar**  
Partner  
Membership No.103887

**BALANCE SHEET AS AT 31ST MARCH, 2011**

	Schedule	Rupees	31.03.2011 Rupees	Rupees	31.03.2010 Rupees
<b><u>SOURCES OF FUNDS</u></b>					
<b>Shareholders' Funds</b>					
Share Capital	A	189,092,500		180,017,900	
Reserves & Surplus	B	1,175,986,795		1,006,790,498	
			<b>1,365,079,295</b>		1,186,808,398
<b>Loan Funds</b>					
Secured Loans	C		485,362,122		713,783,269
Total			<b>1,850,441,417</b>		<b>1,900,591,667</b>
<b><u>APPLICATION OF FUNDS</u></b>					
<b>Fixed Assets</b>					
Gross Block (At Cost)	D	2,226,504,158		2,200,487,979	
Less: Depreciation		1,005,913,573		867,884,243	
Net Block		1,220,590,585		1,332,603,736	
Capital Work in Progress		20,359,588		3,203,188	
			<b>1,240,950,173</b>		1,335,806,924
<b>Deferred Tax Assets (Net)</b>			<b>58,343,963</b>		110,277,515
<b>Investments</b>	E		5,025		5,025
<b>Current Assets, Loans and Advances</b>					
Inventories	F	1,393,268,361		1,080,716,645	
Sundry Debtors	G	307,935,473		260,802,693	
Cash and Bank Balances	H	60,922,047		47,394,336	
Loans and Advances	I	234,380,150		193,049,303	
		<b>1,996,506,031</b>		<b>1,581,962,977</b>	
Less:					
<b>Current Liabilities and Provisions</b>					
Current Liabilities	J	1,324,207,182		1,024,704,492	
Provisions		121,156,593		102,756,282	
		<b>1,445,363,775</b>		<b>1,127,460,774</b>	
<b>Net Current Assets</b>			<b>551,142,256</b>		454,502,203
<b>Total</b>			<b>1,850,441,417</b>		<b>1,900,591,667</b>
<b>Notes to Accounts</b>					
	R				

The Schedules referred to above and Notes to Accounts form an integral part of the Balance Sheet.

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, 30<sup>th</sup> May, 2011

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

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

Vadodara, 30<sup>th</sup> May, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

	Schedule	Rupees	31.03.2011 Rupees	Rupees	31.03.2010 Rupees
<b>INCOME</b>					
Gross Sales/ Income from Operations	K	4,296,758,565		3,113,009,993	
Less : Excise Duty		<u>250,717,271</u>		<u>188,655,434</u>	
			<b>4,046,041,294</b>		2,924,354,559
Other Income	L		<b>8,780,892</b>		16,156,932
Increase/(Decrease) in Finished Goods Stock	M		<b>214,678,965</b>		<u>209,606,632</u>
<b>TOTAL</b>			<b><u>4,269,501,151</u></b>		<b><u>3,150,118,123</u></b>
<b>EXPENDITURE</b>					
Raw Materials Consumed		2,913,548,773		1,989,320,310	
Manufacturing and Operating Cost	N	662,333,909		579,052,926	
Excise Duty on Finished Goods		<u>19,030,441</u>		<u>25,506,080</u>	
Employment Cost	O	165,346,234		151,221,672	
Administrative, General and Selling Expenses	P	110,679,383		72,353,153	
Interest, Finance Charges & Exchange Variation	Q	86,544,489		41,197,269	
Depreciation		<u>139,705,332</u>		<u>137,168,563</u>	
<b>TOTAL</b>			<b>4,097,188,561</b>		2,995,819,973
Profit for the Year before Tax			<b>172,312,590</b>		154,298,150
<b>Less: Provision for Taxation</b>					
Income Tax		34,550,599		26,222,971	
MAT Credit Entitlement		<u>(34,550,599)</u>		<u>(26,222,971)</u>	
Deferred Tax		51,933,552		8,373,588	
Wealth Tax		175,310		189,705	
Taxes for earlier years'		<u>5,431,248</u>		<u>-</u>	
			<b>57,540,110</b>		8,563,293
Profit before Exceptional Item			<b>114,772,480</b>		145,734,857
Add: Prior Period adjustments (net)			<b>1,047,165</b>		-
<b>Net Profit for the year</b>			<b>115,819,645</b>		145,734,857
Balance brought forward from previous year			<b>298,321,423</b>		244,208,720
<b>Net Profit available for Appropriation</b>			<b>414,141,068</b>		389,943,577
<b>APROPRIATIONS</b>					
Transfer (from)/ to Debenture Redemption Reserve		(34,400,000)		38,650,000	
Transfer to General Reserve		12,000,000		11,000,000	
Proposed Dividend		47,261,150		35,994,000	
Tax on Proposed Dividend		7,666,940		5,978,154	
Dividend (F.Y.2009-'10)		662,000		-	
Tax on Dividend (F.Y.2009-'10)		<u>109,950</u>		<u>-</u>	
			<b>33,300,040</b>		91,622,154
<b>Balance carried to Balance Sheet</b>			<b>380,841,028</b>		298,321,423
Basic Earnings per Share - (Face Value Rs.10/- per share)			<b>6.264</b>		10.377
Diluted Earnings per Share- (Face Value Rs.10/- per share)			<b>6.264</b>		10.375

**Notes to Accounts**

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The Schedules referred to above and Notes to Accounts form an integral part of the Profit and Loss Account.

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, 30<sup>th</sup> May, 2011

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

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

Vadodara, 30<sup>th</sup> May, 2011

**CASH FLOW STATEMENT FOR THE FINANCIAL YEAR 2010-11**

	Year ended 31.03.2011	(Amt. in Rs.) Year ended 31.03.2010
<b>A. Cash flow from Operating Activities</b>		
Net Profit before tax and extraordinary items	172,312,590	154,298,150
Adjustments for :		
Depreciation	139,705,332	137,168,563
Provision for Doubtful Debts	794,915	142,986
Interest, Finance Charges	88,289,171	94,935,041
Prior period adjustments	1,047,165	0
Loss on Disposal of Fixed Assets	2,357	91,700
(Profit) / Loss on sale of Fixed Assets	(379,271)	(1,267,266)
Interest Received	(5,162,940)	(7,849,395)
<b>Operating Profit before Working Capital Changes :</b>	<b>396,609,319</b>	<b>377,519,779</b>
Changes in :		
Inventories	(312,551,716)	(257,204,760)
Trade Receivables	(47,927,695)	(32,704,215)
Other Receivables	(21,315,601)	48,409,941
Trade Payables and Other Liabilities	300,056,050	112,572,796
Cash Generated from Operation	314,870,357	248,593,541
Direct Taxes Paid	(22,845,022)	(34,567,895)
<b>Net Cash From Operating Activities</b>	<b>292,025,335</b>	<b>214,025,646</b>
<b>B. Cash Flow from Investing Activities</b>	<b>...A</b>	
Purchase of Fixed Assets	(46,975,547)	(25,086,570)
Sale of Fixed Assets	2,503,880	2,746,596
Interest Received	7,069,057	4,712,646
<b>Net Cash (Used in) / from Investing Activities</b>	<b>...B</b>	<b>(17,627,328)</b>
<b>C. Cash Flow from Financing Activities</b>		
Proceeds / (Repayment) of Term Debts	-	(936,600,000)
Proceeds / (Repayment) of Debentures (Net)	(262,733,336)	276,600,000
Changes in Working Capital Advances	34,988,088	2,698,909
Interest and Finance Charges Paid	(88,965,070)	(91,092,778)
Dividend Paid	(36,447,884)	-
Additional Income Tax on Dividend Paid	(6,088,104)	-
Proceeds from Issue of Shares (including premium)	147,689,115	652,253,175
Premium paid on Redemption of Debentures	(29,537,823)	(130,450,635)
<b>Net Cash (Used in)/ from Financing Activities</b>	<b>...C</b>	<b>(226,591,329)</b>
<b>Net Increase/(Decrease) in cash &amp; cash equivalents ( A+B+C )</b>	<b>13,527,711</b>	<b>(30,193,011)</b>
<b>Cash and Cash equivalents at the beginning of the year</b>		
Cash on Hand	189,648	329,846
Balance with banks in Current, Margin and Deposits Accounts	47,204,688	77,257,501
	<b>47,394,336</b>	<b>77,587,347</b>
<b>Cash and Cash equivalents at the closing of the year</b>		
Cash on Hand	120,631	189,648
Balance with banks in Current, Margin and Deposits Accounts	60,801,416	47,204,688
	<b>60,922,047</b>	<b>47,394,336</b>
Net Increase/(Decrease) as disclosed above	<b>13,527,711</b>	<b>(30,193,011)</b>

The Schedules 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, 30<sup>th</sup> May, 2011

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

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

Vadodara, 30<sup>th</sup> May, 2011

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011**

	Rupees	31.03.2011 Rupees	Rupees	31.03.2010 Rupees
<b>SCHEDULE - A</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
400,00,000 Equity Shares of Rs.10/- each (400,00,000)		<u>400,000,000</u>		<u>400,000,000</u>
<b>Issued, Subscribed &amp; Paid up</b>				
1,89,04,460 Equity Shares of Rs.10/- each fully paid up (1,79,97,000)		<b>189,044,600</b>		179,970,000
Of the above :				
49,15,160 (40,07,700) Equity Shares of Rs.10/- each allotted on conversion of FCDs pursuant to a Scheme of Compromise and/ or Arrangement.				
Add : Forfeited Equity Shares				
5,600 Forfeited Equity Shares (Paid up Rs.3/-)		<b>16,800</b>		16,800
4,600 Forfeited Equity Shares (Paid up Rs.6/-)		<b>27,600</b>		27,600
500 Forfeited Equity Shares (Paid up Rs.7/-)		<b>3,500</b>		3,500
		<u><b>189,092,500</b></u>		<u>180,017,900</u>
<b>SCHEDULE - B</b>				
<b>RESERVES AND SURPLUS</b>				
<b>Capital Reserve</b>				
As per Previous Balance Sheet		<b>17,523,435</b>		17,523,435
<b>Share Premium Account</b>				
As per Previous Balance Sheet (including Rs.4,26,100/- on Forfeited Shares)	<b>641,295,640</b>		159,570,100	
Less: Premium on Redemption of Debentures	<b>(29,537,823)</b>		(130,450,635)	
	<u><b>611,757,817</b></u>		<u>29,119,465</u>	
Add: Premium on Conversion of Fully Convertible Debentures (FCD)	<u><b>138,614,515</b></u>		<u>612,176,175</u>	
		<b>750,372,332</b>		641,295,640
<b>Debenture Redemption Reserve</b>				
As per Previous Balance Sheet	<b>38,650,000</b>		-	
Set aside during the Year	-		38,650,000	
Less: Transfer to Profit & Loss Account	<b>(34,400,000)</b>		-	
		<b>4,250,000</b>		38,650,000
<b>General Reserve</b>				
As per Previous Balance Sheet	<b>11,000,000</b>		-	
Transfer from Profit & Loss Account	<b>12,000,000</b>		11,000,000	
		<b>23,000,000</b>		11,000,000
<b>Balance in Profit and Loss Account</b>				
		<u><b>380,841,028</b></u>		<u>298,321,423</u>
		<u><b>1,175,986,795</b></u>		<u>1,006,790,498</u>



**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011**

	Rupees	31.03.2011 Rupees	Rupees	31.03.2010 Rupees
<b>SCHEDULE - C</b>				
<b><u>SECURED LOANS</u></b>				
<b>A. Debentures</b>				
i. Non-Convertible Debentures (NCD - Series 1)	–		137,600,000	
ii. 5% Non-Convertible Debentures (NCD-Series 2)	<b>13,866,664</b>		17,000,000	
iii. Fully-Convertible Debentures (FCD)	–		122,000,000	
iv. Interest Accrued but not due	<b>3,563,875</b>		3,821,888	
		<b>17,430,539</b>		280,421,888
<b>B. Working Capital Advances</b>				
State Bank of India (SBI) :				
Cash Credit	<b>308,900,715</b>		343,560,067	
Bills Discounting	<b>79,058,948</b>		29,383,428	
Export Packing Credit	<b>79,971,920</b>		60,000,000	
Interest Outstanding	–		417,886	
		<b>467,931,583</b>		433,361,381
		<b>485,362,122</b>		713,783,269

## Notes :

- The Debentures are secured by first pari passu charge over all the immovable and movable properties of the Company situated at the Registered Office of the Company at Kalol, District Panchmahals (Gujarat) and all movable properties, subject to the prior charge of working capital lenders over current assets, in favour of M/s Axis Trustee Services Limited, the Debenture Trustees appointed for the benefit of the Debenture Holders. The 5% Non-Convertible Debentures - Series 2 (NCDs-series2) along with coupon rate are redeemable in 12 equal quarterly installments over a period of 3 years commencing June 30, 2010.
- The Working Capital Advances from State Bank of India are secured by first charge over the current assets; second charge over the immovable properties and is further guaranteed by Director of the Company.



**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011**
**SCHEDULE - D**  
**FIXED ASSETS**

Particulars of Assets	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	Asat 01.04.10	Addition during the year	Sales/ Adjust- ment (Cost)	Asat 31.03.11	Upto 01.04.10	Provided during the year	Sales/ Adjust- ment	Upto 31.03.11	Asat 31.03.11	Asat 31.03.10
Leasehold Land	2794105	-	-	2794105	323399	28223	-	351622	2442483	2470706
Free-hold Land and Land Development	4169402	-	-	4169402	-	-	-	-	4169402	4169402
Building	94643655	60420	-	94704075	35681477	2220063	-	37901540	56802535	58962178
Plant & Machinery	2021951372	26543072	2,741,595	2045752850	796161944	131346656	1,113,790	926394810	1119358040	1225789428
Furniture & Fittings	39298366	632809	25,180	39905995	22716933	3121883	4,397	25834419	14071576	16581433
Motor Vehicles	37631078	2582846	1,036,193	39177731	13000490	2988507	557,815	15431182	23746549	24630588
<b>Total</b>	<b>2200487979</b>	<b>29819147</b>	<b>(3802968)</b>	<b>2226504158</b>	<b>867884243</b>	<b>139705332</b>	<b>(1676002)</b>	<b>1005913573</b>	<b>1220590585</b>	<b>1332603736</b>
Capital WIP									20359588	3203188
Previous Year	2172875475	34848845	(7236340)	2200487979	736380990	137168563	(5665310)	867884243	1332603736	1436494485

Rupees                      **31.03.2011**                      Rupees                      31.03.2010  
    Rupees                      Rupees                      Rupees                      Rupees

**SCHEDULE - E**
**INVESTMENTS (LONG TERM) - AT COST**

IN EQUITY SHARES (Unquoted - Fully paid up)

(1) Kalol Urban Co-Operative Bank Ltd. Equity Share of Rs.25/- each.	25	25
(2) Landmark Premises Co-Op. Service Soc. Ltd. 40 Shares of Rs.50/- each	2,000	2000
	<b>2,025</b>	2,025

IN GOVT. SECURITIES (Unquoted)

6 Years National Savings Certificate - VIII th series (lodged with Govt. Dept. as Security Deposit)	3,000	3000
	<b>5,025</b>	5,025

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011**

	31.03.2011	31.03.2010
	Rupees	Rupees
<b>SCHEDULE - F</b>		
<b>INVENTORIES</b>		
(As Verified, Valued and Certified by the Management)		
Raw Materials	428,299,490	323,754,313
Production Stores	52,560,581	55,560,504
General Stores and Spares	64,674,092	68,346,595
Finished Goods	847,734,198	633,055,233
	<u>1,393,268,361</u>	<u>1,080,716,645</u>

**SCHEDULE - G**
**SUNDRY DEBTORS**

Unsecured

Debts exceeding six months

(i) Considered Good

1,848,645

3,226,130

(ii) Considered Doubtful

2,302,546

1,507,631

4,151,191

4,733,761

Less : Provision for Doubtful Debts

(2,302,546)

(1,507,631)

1,848,645

3,226,130

Others Debts \*

(i) Considered Good

306,086,828

256,781,648

(ii) Considered Doubtful

-

794,915

306,086,828

257,576,563

307,935,473

260,802,693

\* Including Bills Discounted with Banks amounting to Rs.790.59 lacs (Previous year Rs.293.83 lacs).

**SCHEDULE - H**
**CASH AND BANK BALANCES**

(i) Cash on hand

120,631

189,648

(ii) Bank Balances with Scheduled Banks

in Current Accounts

28,301,416

5,894,688

in Fixed Deposits (Margin Money)

32,500,000

41,310,000

60,801,416

47,204,688

60,922,047

47,394,336

**SCHEDULE - I**
**LOANS AND ADVANCES**

Advances recoverable in cash or in kind or for value to be received including Rs.59,79,891/- for Capital Expenditure (Previous Year Rs.37,08,049/-)

Unsecured, considered Good

133,763,998

82,896,501

Balance with Custom and Excise Department

98,594,572

61,054,919

Deposits

2,021,580

36,468,647

Advance Tax and Tax deducted at Source (Net of Provision)

-

12,629,236

234,380,150

193,049,303

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011**

	31.03.2011	31.03.2010
	Rupees	Rupees
<b>SCHEDULE - J</b>		
<b><u>CURRENT LIABILITIES AND PROVISIONS</u></b>		
<b>Current Liabilities</b>		
Bills Payable	427,548,812	432,206,561
Sundry Creditors :		
- Due to Micro, Small & Medium Enterprises	1,943,635	4,054,946
- Others	<u>763,916,892</u>	<u>483,487,882</u>
	765,860,527	487,542,828
Other Liabilities	<u>130,797,843</u>	<u>104,955,103</u>
	1,324,207,182	1,024,704,492
<b>Provisions</b>		
Proposed Dividend	47,261,150	35,994,000
Tax on Proposed Dividend	7,666,940	5,978,154
Leave Encashment	8,911,805	8,236,773
Provident Fund	874,951	788,507
Interest	51,459,873	51,459,873
Income Tax (Net of Advance payment)	4,806,564	-
Wealth Tax	<u>175,310</u>	<u>298,975</u>
	121,156,593	102,756,282
	<u>1,445,363,775</u>	<u>1,127,460,774</u>

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

	31.03.2011	31.03.2010
	Rupees	Rupees
<b>SCHEDULE - K</b>		
<b><u>GROSS SALES/ INCOME FROM OPERATIONS</u></b>		
Sales (Net of Returns)		
(a) Domestic Sales	2,723,052,543	2,422,366,380
(b) Export Sales	1,483,945,746	586,862,001
	<b>4,206,998,289</b>	3,009,228,381
Income from Job Work	62,976,575	80,184,013
(Tax Ded. at Source Rs.13,10,229/- Prev. year Rs.14,63,509/-)		
Export Incentives	26,783,701	23,597,599
	<b>4,296,758,565</b>	3,113,009,993
<b>SCHEDULE - L</b>		
<b><u>OTHER INCOME</u></b>		
Miscellaneous Sales	1,971,494	1,450,825
Miscellaneous Income	57,004	118,372
Interest Income	5,162,940	7,849,395
(Tax Ded. at Source Rs.10,16,349/- Prev. year Rs.20,94,364/-)		
Profit on Sale of Assets	379,271	1,267,266
E.C.G.C. Insurance claim	1,210,183	5,471,074
	<b>8,780,892</b>	16,156,932
<b>SCHEDULE - M</b>		
<b><u>VARIATION IN FINISHED GOODS STOCK</u></b>		
Closing Stock	847,734,198	633,055,233
Less : Opening Stock	633,055,233	423,448,601
Increase/(decrease) in Finished Goods Stock	<b>214,678,965</b>	209,606,632
<b>SCHEDULE - N</b>		
<b><u>MANUFACTURING AND OPERATING COST</u></b>		
Stores, Spares and Production Materials Consumed	229,124,553	208,167,140
Power and Fuel	414,810,121	359,553,662
Repairs and Maintenance :		
Buildings	442,847	166,427
Plant & Machineries	12,227,205	6,482,254
	<b>12,670,052</b>	6,648,681
Other Manufacturing Expenses	5,729,183	4,683,443
	<b>662,333,909</b>	579,052,926
<b>SCHEDULE - O</b>		
<b><u>EMPLOYMENT COST</u></b>		
Salaries and Wages	151,008,043	138,332,047
Contribution to Provident Fund and E.S.I.C.	13,068,725	10,837,233
Staff Welfare Expenses	1,269,466	2,052,392
	<b>165,346,234</b>	151,221,672

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

	31.03.2011	30.03.2010
	Rupees	Rupees
<b>SCHEDULE - P</b>		
<b><u>ADMINISTRATIVE, GENERAL AND SELLING EXPENSES</u></b>		
<b>Administrative and General Expenses :</b>		
Rent, Rates and Taxes	3,063,569	2,498,420
Insurance Charges	783,862	714,488
Legal and Professional Fees	5,201,795	3,190,129
Auditors' Remuneration	852,660	691,006
Travelling and Conveyance	7,169,775	4,913,131
Vehicle Expenses	3,666,880	3,461,677
Communication Expenses	3,042,039	2,337,654
Printing and Stationery Expenses	1,082,427	1,063,882
Advertisement, Subscription & Membership	1,046,343	979,807
Repairs & Maintenance - Others	2,580,528	1,998,835
Electrical Expenses	701,325	837,198
Other Administrative Expenses	1,845,979	1,581,974
Advances written-off	0	225,000
Loss on disposal of Assets	2,357	91,700
Charities and Donations	0	100,501
	<b>31,039,539</b>	<b>24,685,402</b>
<b>Selling Expenses :</b>		
Carriage Outward	60,024,120	32,518,978
Commission on Sales	6,131,914	3,373,844
Discounts and Claims	2,145,693	1,929,553
Marine & E.C.G.C. Insurance	3,611,809	1,848,180
Bad Debts	1,775,298	212,932
Provision for Doubtful Debts	794,915	142,986
Other Selling Expenses	5,156,095	7,641,278
	<b>79,639,844</b>	<b>47,667,751</b>
	<b>110,679,383</b>	<b>72,353,153</b>
<b>SCHEDULE - Q</b>		
<b><u>INTEREST, FINANCE CHARGES AND EXCHANGE VARIATION</u></b>		
Interest on Term Debts	3,857,620	10,118,680
Interest on Working Capital Advances	45,454,309	46,295,267
Other Interest	5,360,970	190,256
Bank Commission & Charges	33,616,272	38,330,838
Exchange Variation	(1,744,682)	(53,737,772)
	<b>86,544,489</b>	<b>41,197,269</b>

**SCHEDULE - R****SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011.****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 as specified in Schedule XIV to the Companies Act, 1956.
  2. In respect of additions to/deletions from the Fixed Assets, on pro rata basis with reference to the date of addition/ deletion of the Assets.

iii) Expenditure during Implementation of Projects :

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

iv) Capital Work-in-Progress :

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

**c) Investments :**

Long Term 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 its realization.

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

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

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

**j) Impairment of Assets :**

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

**k) Earnings per share:**

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

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

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

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

The Company has amounts due to suppliers under MSMED as at 31st March, 2011. The disclosure pursuant to the said Act is as under:

	<b>Amount - Rs.in lacs</b>	
	<b>31.03.2011</b>	31.03.2010
Principal amount due to suppliers under MSMED	<b>19.44</b>	40.55
Interest accrued and due to suppliers under MSMED on the above amount, unpaid	<b>0.02</b>	0.17
Payment made to suppliers (other than interest) beyond the appointed day during the year	<b>104.39</b>	192.46
Interest paid to suppliers under MSMED	<b>Nil</b>	Nil
Interest due and payable towards suppliers under MSMED Act towards payment already made	<b>1.35</b>	7.66

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) (A) Managerial Remuneration :**

	<b>Amount - Rs.in lacs</b>	
	<b>31.03.2011</b>	31.03.2010
I. Directors Sitting Fee	<b>1.40</b>	1.35
II. Other Remuneration:		
Salary and House Rent Allowance	<b>124.80</b>	124.80
Commission	<b>Nil</b>	Nil
Company Contribution to Provident & Superannuation Funds	<b>14.22</b>	14.22
Other Perquisites (Valued as per Income Tax Rules)	<b>22.51</b>	22.02
Sub total (II)	<b>161.53</b>	161.04
Total (I+II)	<b>162.93</b>	162.39

Remuneration to the Managing Director and Whole time Directors has been paid in terms of approval of shareholders/ Central Government to the said appointments.

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

	<b>Amount - Rs. in Lacs</b>	
	<b>31.03.2011</b>	31.03.2010
a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of Advances)	<b>83.84</b>	121.94
b) Letter of Credits Outstanding	<b>1012.36</b>	278.00
c) Claims against Company not acknowledged as debts	<b>185.82</b>	185.82
d) Disputed Excise, Custom & Service Tax Liabilities	<b>190.59</b>	187.02
e) Disputed Income Tax Liabilities	<b>246.06</b>	269.68
f) Guarantee given to MGVCL by Company`s Banker	<b>346.17</b>	Nil

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 some of the Debtors, Creditors and Loans of the Company are subject to confirmation and Company is in the process of obtaining the same.



**7) Related Party Disclosures** (As identified by the Management)

**A. List of Related Parties**

- |   |   |   |
|---|---|---|
| i) Associate Companies                    | : | AMIL Enterprises Private Limited                              |
|   | : | Honeyvick Enterprises Private Limited                         |
| ii) Key Management Personnel              | : | Mr. Ashok Malhotra - Chairman & Managing Director             |
|   | : | Mr. Hanish Malhotra - Director (Marketing)                    |
|   | : | Mr. Pradeep Sharma - Director (Operations)                    |
| iii) Relative of Key Management Personnel | : | Mr. Vikas Malhotra (Relative of Director) ( up to 30.04.2010) |

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

- |   |   |                         |
|---|---|-------------------------|
| i) Associate                                |   |                         |
| Deposit received                            | : | Rs.100.00 (Nil ) lacs   |
| Deposit paid                                | : | Rs.100.00 (Nil ) lacs   |
| Interest                                    | : | Rs. 4.48 (Nil ) lacs    |
| ii) Key Management Personnel                |   |                         |
| Gross Remuneration                          | : | Rs.161.53 (161.04) lacs |
| iii) Relative of Key Management Personnel : |   |                         |
| Gross Remuneration                          | : | Rs. 0.45 *(4.54) lacs   |

\* up to 30.04.2010

Note : Figures in the brackets are for previous year.

**8) Segment Disclosures :**

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

**9) Deferred Tax :**

Deferred Tax components are as under:

(Rs. in lacs)

		31.03.2011	31.03.2010
a) Deferred Tax Liability			
(i) Difference in Tax & Book Depreciation		540.90	397.23
b) Deferred Tax Assets :			
(i) on account of Unabsorbed Depreciation		999.43	1390.43
(ii) on account of disallowances u/s 43-B		124.91	109.57
	Net Deferred Tax Assets	583.44	1102.77

**10) Financial Restructuring**

The Company has fully implemented the Scheme of Compromise and/or Arrangement as approved by Hon`ble High Court of Gujarat.

The matter related to dissenting creditor is pending before the Hon`ble High Court of Gujarat.

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

		Unit	Year ended 31.03.2011	Year ended 31.03.2010
a) Amount Used as Numerator (Profit after Taxes)		Rs.in'000 s	115820	145735
b) Weighted average number of Equity Shares used as the denominator (Basic)		Nos. in '000 s	18904	14044
c) Weighted average number of Equity Shares used as the denominator (Diluted)		Nos. in '000 s	18904	14047
d) Nominal Value Per Share		Rs.	10.00	10.00
e) Earnings per Share (Basic)		Rs.	6.264	10.377
f) Earnings per Share (Diluted)		Rs.	6.264	10.375

## 12) (a) Registered/Installed Capacity, Production :

Class of Goods	Units	Registered Capacity	Installed Capacity (As certified by the Managing Director)	Production
Steel Billets	M.T.	150,000 150,000	(150,000) (150,000)	31000 (28946)
Bars, Rods, Coils & Wires	M.T.	150,000 (150,000)	72,000 (72,000)	37261* (37762)*

\* Include Job work production 6,470 M.T. (Previous Year 10,649 M.T.)

## (b) Production, Sales and Stocks:

Class of Goods	Opening Stock		Production Qty.	Pur./Job From Market Qty.		Sales Qty.		Job/Own Consumption Qty.		Closing Stock Value Rs. in lacs
	Qty.	Value Rs. in lacs		Qty.	Qty.	Value Rs. in lacs	Qty.	Qty.		
<b>Steel Billets</b>										
Qty.	2235	2071.51	31000	0	0	0.00	32223	1012	1259.15	
M.T.	(1481)	(1429.35)	(28946)	(53)	(0)	(0.00)	(28245)	(2235)	(2071.51)	
<b>Bars, Rods, Coils &amp; Wires</b>										
Qty.	3630	4259.04	37261*	0	27394	42069.98	2220	4807	7218.19	
M.T.	(2502)	(2798.78)	(37762)	(0)	(24355)	(30082.86)	(1630)	(3630)	(4259.04)	

\* Include Job work production 6,470 M.T. (Previous Year 10,649 M.T.)

Note: Figures in the bracket are for previous year.

## (c) Raw Materials Consumed:

Description (Principal Items)	Year 2010-2011		Year 2009-2010	
	Qty. (M.T.)	Value (Rs. in lacs)	Qty. (M.T.)	Value (Rs. in lacs)
Scrap *	23205	6982.63	21430	5419.91
Nickel/Ferro Nickel	1347	14681.83	1250	8681.73
Ferro Chrome	6621	4387.01	6260	3274.98
Others	-	3084.02	-	2516.58
Total		29135.49		19893.20

\*excluding internal arising

## (d) Total Value of Imported and Indigenous Raw Materials and Parts Consumed and percentage to total consumption:

Raw Materials	Value (Rs. in lacs)	%	Value (Rs. in lacs)	%
Imported	16162.81	55.47	11459.45	57.60
Indigenous	12972.67	44.53	8433.75	42.40
Total	29135.49	100.00	19893.20	100.00

Production Materials and Stores & Spares	Value (Rs. in lacs)	%	Value (Rs. in lacs)	%
Imported	<b>456.50</b>	<b>19.92</b>	581.49	27.93
Indigenous	<b>1834.75</b>	<b>80.08</b>	1500.18	72.07
Total	<b>2291.25</b>	<b>100.00</b>	2081.67	100.00

(e) **Expenditure in Foreign Currency:** (Rs. in lacs)

	Year 2010-11	Year 2009-10
<u>C.I.F. Value of Imports :</u>		
Raw Materials	<b>16088.88</b>	11054.82
Production Materials and Stores & Spares	<b>289.77</b>	504.89
Capital Equipments	<b>132.81</b>	Nil
<u>Other Expenditure :</u>		
On Foreign Travelling	<b>17.49</b>	9.86
Foreign Bank Charges	<b>10.88</b>	6.66
On Professional Fees, Subscription, Books etc.	<b>3.99</b>	7.06
Commission on Export Sales	<b>55.23</b>	27.74
Discounts & Claims	<b>19.59</b>	14.36
On Foreign Exhibitions	<b>18.37</b>	20.58

(f) **Foreign Exchange Earned:**

FOB Value of Exports	<b>14552.64</b>	5761.57
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(g) **Auditors' Remuneration:**

<u>Statutory Auditors</u>		
1. Audit Fees	<b>5.65</b>	4.25
2. Tax Audit Fees	<b>1.00</b>	0.75
3. Taxation Matters	<b>0.65</b>	0.50
4. Out of Pocket Expenses	<b>0.08</b>	0.21
<u>Cost Auditors</u>		
1. Cost Audit Fees	<b>1.00</b>	1.00
2. Out of Pocket expenses	<b>0.14</b>	0.20

13) Previous year's figures have been recast and regrouped wherever necessary to conform to current year's classification.

**14) Balance Sheet Abstract and Company's General Business Profile:****I. Registration Details**

CIN	:	L27104GJ1972PLC002153
Registration No.	:	2153
State Code	:	04
Balance Sheet Date	:	31.03.2011

**II. Capital Raised during the year (Amount in Rs. '000)**

Public Issue	:	Nil
Rights Issue	:	Nil
Bonus Issue	:	Nil
Private Placement (FCD - Conversion)	:	9075

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. '000)**

Total Liabilities	:	1850441
Total Assets	:	1850441
<u>Sources of Funds</u>		
Paid-up Capital	:	189092
Reserves & Surplus	:	1175987
Secured Loans	:	485362
Unsecured Loans	:	Nil
<u>Application of Funds</u>		
Net Fixed Assets	:	1240950
Investments	:	5
Net Current Assets	:	551142
Deferred Tax Assets (Net)	:	58344
Accumulated Losses	:	Nil

**IV. Performance of Company (Amount in Rs. '000)**

Turnover (Total Income)	:	4269501
Total Expenditure	:	4097189
Profit before Tax & Exceptional Items	:	172313
Profit after Tax & before Exceptional Items	:	114772
Profit after Exceptional Items	:	115820
Earning Per Share (Basic) in Rs.	:	6.264
Earning Per Share (Diluted) in Rs.	:	6.264
Dividend Rate	:	25%

**V. Generic Names of Three Principal Products/Services of Company**

(as per monetary terms)		
Item Code No. (ITC Code)	:	72221100
Product Description	:	Rolled Products
Item Code No. (ITC Code)	:	72222000
Product Description	:	Bright Bars
Item Code No. (ITC Code)	:	72189910
Product Description	:	Steel Billets

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, 30<sup>th</sup> May, 2011**Pradip H. Gupta**  
Vice President (Finance)**Deepak Nagar**  
AGM (Legal) & Company SecretaryVadodara, 30<sup>th</sup> May, 2011



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 **38th ANNUAL GENERAL MEETING** of the Company held on Monday, the 25th July, 2011 at 10.00 a.m. at the Regd. Office of the Company at G.I.D.C. Industrial Estate, Kalol-389 330, Dist. Panchmahals (Gujarat).

Signature of the Shareholder or proxy

\*Applicable for investors holding shares in electronic form



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

DP. Id\*

Regd. Folio No.

Client Id\*

I/We \_\_\_\_\_ of \_\_\_\_\_ being a member/members of PANCHMAHAL STEEL LIMITED hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to vote for me/us on my/our behalf at the **38th ANNUAL GENERAL MEETING** to be held on Monday, the 25th July, 2011 at 10.00 a.m. or at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

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.

Book-Post

To,



**Stainless Steel**

WIRE ROD • BARS • WIRES

**Corporate Office:**

Landmark, 7th Floor, Race Course Circle

Vadodara - 390 007, Gujarat, INDIA

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E-mail: [sales@panchmahalsteel.co.in](mailto:sales@panchmahalsteel.co.in)

Website: [www.panchmahalsteel.co.in](http://www.panchmahalsteel.co.in)

**Regd. Office:**

GIDC Estate, Kalol - 389 330

Dist. Panchmahal, Gujarat, INDIA

Phone: +91 2676 304 777

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