KALYANI STEELS LIMITED

KALYANI

DRIVING INNOVATION

38TH ANNUAL REPORT
2010-2011

BOARD OF DIRECTORS

Mr. B. N. Kalyani
Chairman

Mr. Amit B. Kalyani

Mr. S. M. Kheny

Mr. S.S. Vaidya

Mr. B.B. Hattarki

Mr. M.U. Takale

Mr. C.G. Patankar
Executive Director

Mr. R.K. Goyal
Managing Director

AUDITORS
Dalal & Shah
Chartered Accountants
252, Veer Savarkar Marg,
Shivaji Park, Dadar,
Mumbai - 400 028

BANKERS
Bank of Baroda
Union Bank of India
Canara Bank
HDFC Bank Limited
State Bank of India
Axis Bank Limited

REGISTRAR & TRANSFER AGENTS
Link Intime India Private Limited
Block No.202, Akshay Complex,
2nd Floor, Off Dhole Patil Road,
Near Ganesh Mandir, Pune – 411 001

REGISTERED OFFICE
Mundhwa, Pune - 411 036
Phone : +91-020-26715000 / 66215000
Fax : +91-020-26821124
Website: www.kalyanisteels.com
E-mail : investor@kalyanisteels.com

WORKS
Hospet Road, Ginigera
Tal. & Dist. Koppal
KARNATAKA - 583 228

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38TH ANNUAL GENERAL MEETING

Day	:	Friday
Date	:	12th August, 2011
Time	:	11.00 a.m. (I.S.T.)
Place	:	Registered Office, Kalyani Steels Limited, Mundhwa, Pune - 411 036

MANAGEMENT DISCUSSION AND ANALYSIS

The Board takes pleasure in presenting your Company's Thirty-Eighth Annual Report for the year 2010-11 along with the compliance report on Corporate Governance. This chapter on Management Discussion and Analysis forms a part of the compliance report on Corporate Governance.

Industry Structure and Development :

World crude steel production reached a level of 1,413 Million MTs in 2010, out of which India's share was 66.84 Million MTs. India has retained its position as the fifth largest steel producer in 2010 and recorded a growth of 11.3 percent as compared to 2009.

With global acquisitions by Indian Steel giants, setting up of new state-of-the-art steel mills, continuous modernisation and up-gradation of existing plants, improving cost and energy efficiency and backward integration into global raw material sources, India has acquired a central position on the global steel map. As per steel ministry reports, Indian steel production is expected to increase by 30 Million MTs in the next two years.

The growth was largely driven by sharp recovery in automobile, construction and white goods sectors and was supported by infrastructure spending, including housing. The demand for steel is expected to further increase with major international automobile manufacturers setting up manufacturing facilities in India.

Taking advantage of these opportunities, Indian steel manufacturers are also carrying out huge expansion plans and are hoping to achieve substantial share from the additional growing steel requirements.

Company Performance :

- Gross Turnover - ₹14,187 Million
- Profit before Taxation - ₹686 Million
- Profit after Taxation - ₹523 Million

Turnover includes Trading Turnover of ₹2,511 Million and Manufacturing Turnover of ₹11,676 Million.

Manufacturing turnover includes sale of Rolled Products, As Cast Blooms, Misc. Sales and Conversion Charges received. The Company sold 168,990 tonnes of 'Rolled Products' aggregating ₹8,411 Million, 23,991 tonnes of 'As Cast Blooms' aggregating ₹949 Million. Misc. Sales amounted to ₹336 Million and Conversion Charges received were ₹1,980 Million. The Manufacturing Turnover includes exports of 4,624 tonnes of steel, aggregating ₹187 Million.

Internal Control Systems and their adequacy :

The Company maintains adequate Internal Control Systems, which provides amongst other things reasonable assurance of recording the transactions of its operations in all material respects and of providing protection against misuse or loss of Company's assets. These controls have been framed to provide reasonable assurance with regard to maintaining of proper accounting controls, monitoring of operations, compliances with regulations and for ensuring reliability of financial reporting.

The internal control system is supplemented by extensive independent internal audit by the professional firm. The top management and the Audit Committee of the Board review the findings and recommendations of the internal audit and ensure that the recommendations of the internal audit are implemented effectively.

Human Resources :

Human Resources are an important and integral part of any organisation. People play a central role and human capital forms the critical part of an organisation's portfolio of privileged assets. The Company continued its commitment to acquiring, developing and enhancing human potential. The Company's strategy of empowering people at all levels to take decisions and encouraging free flow of information and ideas has helped strengthening of its human capital.

As on 31st March, 2011 the Company has 72 employees. 976 employees are on the role of Hospet Steels Limited, which is a Joint Venture Company formed with the specific purpose of managing and operating the composite steel making facility at Ginigera, in terms of Strategic Alliance between the Company and Mukand Limited.

Opportunities, Threats and Future Outlook :

India is one of the very few economies in the world which is growing at a commendable speed and promises a huge opportunity for core industries like steel. The economy is expected to grow by more than 9% in the fiscal 2011-12. If this comes true, it will surely give big boost to the steel consumption in the country.

Government's intention to boost economic growth by injecting funds in various industries, like construction, infrastructure, power etc. will drive the demand for steel. The average per capita consumption of steel in India is 46 kgs, compared to the global average of 198 kgs thus; there is huge scope for increasing steel production in India.

In spite of rising demand from various sectors coupled with increased government spending on infrastructure, the Indian Steel Industry is likely to face severe challenges. The main challenge steel producers would face from high raw material prices, putting pressure on operating margins. India, being mostly dependent on imports for coking coal, is more likely to be affected by the volatility in coking coal prices.

Major applications of alloy steel long products are in Automobile, Oil and Gas, Power & Engineering Industry. All the user industries are witnessing strong growth, much higher than GDP growth of Indian economy. This is expected to result into strong demand for alloy steels.

In India, the nature of alloy steel manufacturing industry is undergoing a change from large number of small capacity (between 1 to 2 lacs tonne per annum) mills to few, but large capacity (between 5 to 10 lacs tonne per annum) steel companies operating in the industry. This could lead to structural changes in the industry over next few years paving exit for small / uneconomical operators.

Cautionary Statement

Statements in this management discussion and analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in the industry - global or domestic or both, significant changes in political and economic environment in India, applicable statues, litigations, labour relations and interest costs.

CORPORATE GOVERNANCE

Corporate Governance is about commitment to values and ethical business conduct. Kalyani Steels has always focused on good Corporate Governance, which is a key driver of sustainable corporate growth and long term value creation. The Company recognises that good Corporate Governance is a continuing exercise and is committed to follow the best practices in the overall interest of the stakeholders.

The Company is in full compliance with the requirements under Clause 49 of the Listing Agreement with the Stock Exchanges. This chapter of the report, plus the information given under 'Management Discussion and Analysis' and 'Shareholder Information' constitutes the compliance report of the Company on Corporate Governance during the year 2010-11.

1. BOARD LEVEL ISSUES

COMPOSITION OF THE BOARD :

As on 31st March, 2011, the Board of Directors of Kalyani Steels comprised eight Directors. The Board consists of the Chairman, who is Promoter Non-Executive Director, two Executive Directors and five Non-Executive Directors, of which four are Independent. Details are given in Table 1.

NUMBER OF BOARD MEETINGS :

During the year 2010-11, the Board of the Company met seven times on 5th April, 2010, 27th April, 2010, 24th May, 2010, 27th July, 2010, 25th August, 2010, 25th October, 2010 and 17th January, 2011. All the meetings were held in such manner that the gap between two consecutive meetings was not more than four months.

DIRECTORS' ATTENDANCE RECORD AND DIRECTORSHIPS :

Table 1: The composition of the Board, the category of Directors, their attendance record and the number of directorships :

Table - 1 - Details about Board of Directors of the Company

Name of the Director	Category	Particulars of Attendance			Number of Directorships and Committee Memberships / Chairmanships in Public Limited Companies		
		Number of Board Meetings		Last AGM	Directorships	Committee Memberships	Committee Chairmanships
		Held	Attended				
Mr.B.N. Kalyani Chairman	Promoter Non-Executive	7	7	Yes	15	3	2
Mr.Amit B. Kalyani	Non-Executive	7	6	Yes	13	6	—
Mr.S.M. Kheny	Non-Executive	7	5	Yes	13	2	1
Mr.S.S. Vaidya	Non-Executive	7	7	Yes	10	5	5
Mr.B.B. Hattarki	Non-Executive	7	7	Yes	9	5	4
Mr.M.U. Takale	Non-Executive	7	6	Yes	5	2	—
Mr.C.G. Patankar Executive Director	Executive	7	7	Yes	9	5	—
Mr.R.K. Goyal* Managing Director	Executive	1	1	N.A.	1	—	—

* Appointed as Managing Director w.e.f. 17th January, 2011

As detailed in the table above, none of the Directors is a member of more than ten Board level Committees of public limited companies in which they are Directors or a Chairman of more than five such Committees.

BOARD PROCEDURE :

Information Supplied to the Board

Among others, information supplied to the Board includes :

- Annual operating plans and budgets, capital budgets and any update thereof
- Quarterly results of the Company
- Minutes of meetings of committees
- Details of Joint Venture / Collaboration Agreement
- Non-Compliance of any regulatory, statutory nature or listing requirements etc. if any
- Materially important show cause, demand notices if any

The Board of the Company is presented with all the relevant information on various vital matters affecting the working of the Company as well as those matters, which require deliberation at the highest level. Board Members are given appropriate documents / detailed notes and information in advance of each Board and Committee Meeting.

DIRECTORS WITH MATERIALLY PECUNIARY OR BUSINESS RELATIONSHIP WITH THE COMPANY :

There has been no materially relevant pecuniary transactions or relationship between the Company and its non-executive and / or independent Directors for the year 2010-11.

AUDIT COMMITTEE :

As on 31st March, 2011, the Audit Committee of Kalyani Steels comprised four members, of which three are Independent Directors. All the members have accounting and finance management expertise. The Chairman of the Audit Committee is Mr.S.S. Vaidya. Mr.B.N. Kalyani, Mr.S.M. Kheny and Mr.B.B. Hattarki are the other members of the Committee.

The representatives of the Statutory Auditors, Management Auditors and remaining Board Members are permanent invitees to the Audit Committee Meetings. The Secretary of the Company also acts as the Secretary of the Audit Committee.

During the year 2010-11 Audit Committee met on 24th May, 2010, 27th July, 2010, 25th October, 2010 and 17th January, 2011. Particulars relating to the attendance at the Audit Committee meetings held during the year are given below :

Name of Director	Category	Number of Meetings held	Number of Meetings attended
Mr.S.S. Vaidya, Chairman	Independent	4	4
Mr.B.N. Kalyani	Promoter Non-Executive	4	4
Mr.S.M. Kheny	Independent	4	4
Mr.B.B. Hattarki	Independent	4	4

The functions of the Audit Committee of the Company include of the following :

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual / quarterly financial statements before submission to the board for approval.
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official, heading the department, reporting structure, coverage and frequency of internal audit.
- Discussions with management auditors on any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the management auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- Discussions with statutory auditors before audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults, if any, in the payment to the depositors, debentureholders, shareholders (in case of non payment of declared dividends) and creditors.
- Approval of appointment of CFO after assessing the qualifications, experience & background etc.
- Carrying out any other function as is mentioned in the terms of reference of the audit committee.

The Company has systems and procedures in place to ensure that the Audit Committee mandatorily reviews :

- Management discussion and analysis of financial condition and results of operations.
- Statement of significant related party transactions (as defined by the Audit Committee), submitted by management.
- Management letters / letters of internal control weaknesses issued by the statutory auditors.
- Internal audit reports relating to internal control weaknesses.
- The appointment, removal and terms of remuneration of the chief internal auditors.

REMUNERATION POLICY :

The Remuneration Committee has been in place to recommend / review the remuneration packages of the Executive Director(s). The Remuneration Committee of Directors consists of three independent directors, namely Mr.S.M. Kheny, Mr.S.S. Vaidya and Mr.M.U. Takale. During the year 2010-11 two meetings of the Remuneration Committee were held respectively on 24th May, 2010 and 17th January, 2011.

The Executive Director and Managing Director are paid remuneration as per the terms approved by the Remuneration Committee and the Board and confirmed by the Shareholders of the Company. The remuneration of the Executive Director and Managing Director comprises of Salary, Commission and Perquisites besides contributions to provident fund, superannuation and gratuity and leave encashment facility. On joining of the Company, Sign on Bonus was paid to the Managing Director. The Company does not have any stock option scheme.

The Non-executive Directors are paid sitting fees for attending each meeting of the Board and of the Committees thereof as specified by the Board. Each of the Non-executive Directors is paid sitting fee of ₹2,000/- per meeting attended by him. The Non-Executive Directors also draw remuneration in the form of commission based on net profits of the Company, as determined by the Board.

REMUNERATION OF DIRECTORS :

Table 2 : The details of the remuneration package of Directors during the financial year 2010-11, their shareholding in the Company and relationship with other directors, if any :

Name of Director	Relationship with other directors	Sitting fees* (₹)	Salaries and perquisites	Commission**	Total	No. of Shares held
Mr.B.N. Kalyani	***	38,000	—	—	38,000	1,118
Mr.Amit B. Kalyani	***	12,000	—	—	12,000	31,694
Mr.S.M. Kheny	None	30,000	—	—	30,000	10,914
Mr.S.S. Vaidya	None	26,000	—	—	26,000	—
Mr.B.B. Hattarki	None	90,000	—	—	90,000	—
Mr.M.U. Takale	None	16,000	—	—	16,000	2,500
Mr.C.G. Patankar	None	N.A.	8,069,660	3,750,000	11,819,660	4,770
Mr.R.K. Goyal****	None	N.A.	7,295,241	1,472,585	8,767,826	—

* Sitting fees include payment for board level committee meetings.

** Commission proposed and payable after the adoption of accounts by shareholders, in the ensuing Annual General Meeting.

*** None of the directors are related to any of the Directors except Mr.Amit B. Kalyani, who is a son of Mr.B.N. Kalyani, Chairman.

**** Appointed as Managing Director w.e.f. 17th January, 2011

None of the employees are related to any of the Directors of the Company.

2. MANAGEMENT

MANAGEMENT DISCUSSION AND ANALYSIS :

This Annual Report has a detailed chapter on Management Discussion and Analysis.

DISCLOSURES BY MANAGEMENT TO THE BOARD :

All disclosures relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board and the interested Directors do not participate in the discussions nor do they vote on such matters.

3. SHAREHOLDERS

DISCLOSURES REGARDING APPOINTMENT OR RE-APPOINTMENT OF DIRECTORS :

Mr.B.N Kalyani and Mr.M.U. Takale, Directors of the Company are retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Mr.R.K. Goyal, has been appointed as Managing Director of the Company for the period of five years w.e.f. 17th January, 2011 to 16th January, 2016. Details of directors to be re-appointed / appointed, are given below :

Mr.B.N. Kalyani is Chairman and Managing Director of Bharat Forge Limited and Executive Chairman of Kalyani

Carpenter Special Steels Limited. Mr.Kalyani, born on 7th January, 1949, is a Mechanical Engineer from the Birla Institute of Technology, Pilani. He is also M.S. from the Massachusetts Institute of Technology, U.S.A. Mr.Kalyani also serves on the Board of Automotive Axles, Hikal, Nandi Infrastructure Corridor Enterprises, Kalyani Heys Lemmerz, Kalyani Carpenter Special Steels, Meritor HVS (India), BF Utilities, Nandi Economic Corridor Enterprises, BF-NTPC Energy Systems, BF Investment, Kalyani Alstom Power, Alstom Bharat Forge Power and BF Infrastructure. Mr.Kalyani is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr.M.U. Takale, born on 18th August, 1960, is a Mechanical Engineer having more than 25 years' experience in forging and automotive related industries. Mr.Takale, after having his initial graduation in Pune, completed his MS in Industrial and Systems Engineering from Columbia University, New York, U.S.A. and MBA from Western Carolina University, NC, U.S.A. He was in U.S.A. for six years and besides obtaining degree in Engineering and Management, has had considerable exposure to technological advancements in automotive field. He also has work experience in Automotive Industry in U.S.A. Mr.Takale serves on the Board of Kalyani Infotech Solutions, Kalyani Carpenter Special Steels, BF Investment and Kalyani Net Ventures. Mr.Takale is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr.R.K. Goyal, has been appointed as Managing Director of the Company for the period of five years w.e.f. 17th January, 2011 to 16th January, 2016, on the terms and conditions mentioned in the Notice convening the ensuing Annual General Meeting. Mr.Goyal, born on 18th May, 1958, is an Engineering Graduate and M.B.A., having more than 30 years of rich experience, in Steel Industry, particularly in stainless steel, for more than 25 years. Before joining the Company, Mr.Goyal was working as Director - Strategy and Corporate Affairs in JSL Stainless Limited and was responsible for performance management of companies in JSL Group, Overall Growth Strategy Formulation, Mining Business, Strategic Alliances, Mergers & Acquisitions and Indirect Taxation.

COMMUNICATION TO SHAREHOLDERS :

Kalyani Steels puts all vital information relating to the Company and its performance, including quarterly, half yearly, yearly financial results, official announcements and communication to the investors and analysts on its website www.kalyanisteels.com regularly for the benefit of the public at large.

Quarterly, half yearly, yearly financial results are published in leading newspapers such as Business Standard (All Editions) and Loksatta (Pune) and are also sent to the Stock Exchanges immediately after they are approved by the Board.

Letters and Transfer Deeds received from shareholders are acted upon and replied promptly.

INVESTOR GRIEVANCES :

The Company has in place Shareholders' / Investors' Grievance Committee for redressing "Shareholders' / Investors' complaints. The Committee comprises of Mr.S.M. Kheny (Chairman), Mr.C.G. Patankar, Executive Director and Mr.B.B. Hattarki, Director. During the year 2010-11, the Shareholders' / Investors' Grievance Committee met on 24th May, 2010, 27th July, 2010, 25th October, 2010 and 17th January, 2011. Particulars relating to the attendance at the Shareholders' / Investors' Grievance Committee meetings held during the year are given below :

Name of Director	Category	Number of Meetings held	Number of Meetings attended
Mr.S.M. Kheny, Chairman	Independent	4	4
Mr.C.G. Patankar	Executive	4	4
Mr.B.B. Hattarki	Independent	4	4

During the year four complaints were received, which were redressed. The status of complaints is also reported to the Board of Directors, as an agenda item. Mrs.Deepti R. Puranik, Company Secretary, is the Compliance Officer.

The Company has already provided separate E-mail ID for registering complaints by investors (investor@kalyanisteels.com) and the said E-mail ID is also displayed on the web-site.

SHARE TRANSFER :

The Company has constituted the 'Share Transfer Committee', which meets twice a month to approve share transfers, transmissions, consolidation, sub-division, issue of duplicate certificates and requests for dematerialisation of Company's shares. The Committee comprises of Mr.B.N. Kalyani, Chairman, Mr.B.B. Hattarki, Director and Mr.C.G. Patankar, Executive Director.

DETAILS OF NON-COMPLIANCE :

Kalyani Steels has complied with all the requirements of regulatory authorities. No penalties were imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter relating to the capital market during the period under report.

GENERAL BODY MEETINGS :

Particulars of General Body Meetings held for the last three years are given below :

Date	Time	Type of Meeting	Venue	Special Resolution Passed
27th August, 2008	11.00 a.m.	Annual General Meeting	Registered Office of the Company at Mundhwa, Pune - 411 036	None
26th August, 2009	11.00 a.m.	Annual General Meeting	Registered Office of the Company at Mundhwa, Pune - 411 036	4*
20th January, 2010	10.30 a.m.	Meeting as per the Directions of the Hon'ble High Court of Judicature at Bombay	Registered Office of the Company at Mundhwa, Pune - 411 036	1**
25th August, 2010	11.00 a.m.	Annual General Meeting	Registered Office of the Company at Mundhwa, Pune - 411 036	None

* Special Resolutions passed were : i) Payment of Minimum Remuneration to Mr.C.G. Patankar, Executive Director for the period of one year from 1st April, 2008 to 31st March, 2009; ii) Re-appointment of Mr.C.G. Patankar, Executive Director for the period of three years from 1st April, 2009 to 31st March, 2012; iii) Payment of Minimum Remuneration to Mr.Suresh Pandey, Wholetime Director (Technical) for the period from 1st April, 2008 to 31st January, 2009; and iv) Consent for Payment of Commission to Directors other than Executive / Wholetime Directors.

**Special Resolution was passed, under Section 100 of the Companies Act, 1956 for Reduction of Capital

No Special Resolution was put through postal ballot in the last year.

This year no resolution is proposed to be taken up through postal ballot.

COMPLIANCE WITH MANDATORY AND NON-MANDATORY REQUIREMENTS :

The Company is fully compliant with the applicable mandatory requirements of the Clause 49. It has not adopted any non-mandatory requirements.

SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING :

Day and Date : Friday, 12th August, 2011 at 11.00 a.m.

Venue : Registered Office of the Company at Mundhwa, Pune - 411 036

FINANCIAL CALENDAR :

1st April to 31st March

BOOK CLOSURE :

The books will be closed from Saturday, 6th August, 2011 to Friday, 12th August, 2011 (both days inclusive).

DIVIDEND DATE :

Dividend of ₹2/- per Equity Share of ₹5/- each (i.e. 40%) would be payable on and from 22nd August, 2011

LISTING :

National Stock Exchange of India Limited (NSE)
Bombay Stock Exchange Limited (BSE)
Pune Stock Exchange Limited (PSE)

STOCK CODES :

NSE : KSL
BSE : 500235
PSE : KALST 6091
ISIN in NSDL and CDSL : INE907A01026

STOCK DATA :

Table below gives the monthly high and low prices and volumes of trading of Equity Shares of the Company at National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE) for the year 2010-11. (Face Value ₹5/- per share w.e.f. 19th May, 2010 onwards; ₹10/- per share for the period 1st to 21st April, 2010)

	NSE			BSE		
Month & Year	High (₹)	Low (₹)	Volume (No. of Shares Traded)	High (₹)	Low (₹)	Volume (No. of Shares Traded)
1st to 21st April, 2010	286.80	221.00	2,185,012	286.70	222.45	4,078,781
19th to 31st May, 2010	198.00	77.90	10,369,647	149.80	78.55	14,620,663
June, 2010	94.50	75.00	3,737,756	94.20	63.80	8,285,107
July, 2010	132.95	86.60	10,659,830	132.65	86.90	15,229,699
August, 2010	156.20	124.30	11,152,868	156.30	124.30	13,019,091
September, 2010	151.40	124.30	4,624,919	151.30	127.00	5,662,379
October, 2010	140.40	116.80	2,357,422	140.50	117.00	3,011,410
November, 2010	128.00	90.70	1,102,562	129.90	90.55	1,488,879
December, 2010	113.25	90.10	1,468,069	113.25	88.05	1,523,055
January, 2011	119.40	78.40	2,381,523	119.40	85.00	2,610,514
February, 2011	101.05	81.85	1,882,403	100.70	81.50	2,430,247
March, 2011	88.40	76.00	1,081,356	88.60	78.30	1,151,091

Note : Trading in Equity Shares of the Company was suspended for procedural reasons w.e.f. 22-04-2010 to 18-05-2010, in view of the 'Record Date' given for Reduction of paid up capital of the Company, pursuant to Scheme of Arrangement. New Equity Shares of ₹5/- were listed and admitted for dealings on NSE and BSE w.e.f. 19th May, 2010.

REGISTRAR AND TRANSFER AGENTS AND SHARE TRANSFER SYSTEM :

M/s. Link Intime India Private Limited, Block No.202, Akshay Complex, 2nd Floor, Off Dhole Patil Road, Near Ganesh Mandir, Pune - 411 001 are the Registrar and Transfer Agents of the Company and carry out the share transfer work on behalf of the Company. The Equity Shares of the Company are traded on the Stock Exchanges compulsorily in demat mode.

PATTERN OF SHAREHOLDING BY OWNERSHIP AS ON 31ST MARCH, 2011 :

Category	No. of Equity Shares held	Shareholding %
Promoters	26,126,356	59.849
Mutual Funds / UTI	846,301	1.939
Banks	27,002	0.062
FIIs	130,002	0.298
Bodies Corporate	4,943,038	11.323
NRIs / OCBs	206,733	0.474
Foreign Companies / Foreign Nationals	866	0.002
Indian Public	11,372,762	26.053
TOTAL	43,653,060	100.000

PATTERN OF SHAREHOLDING BY SHARE CLASS AS ON 31ST MARCH, 2011 :

Shareholding Class	No. of Shareholders	No. of Shares held	Shareholding %
Up to 1000	42,204	6,298,617	14.429
1,001 to 2,000	843	1,300,705	2.980
2,001 to 4,000	372	1,065,416	2.441
4,001 to 6,000	138	698,924	1.601
6,001 to 8,000	54	382,557	0.876
8,001 to 10,000	48	451,569	1.034
10,001 to 20,000	77	1,052,993	2.412
20,001 and above	86	32,402,279	74.227
TOTAL	43,822	43,653,060	100.000

DEMATERIALISATION :

The Company's Equity Shares are under compulsory Demat Trading. As on 31st March, 2011, dematerialised shares accounted for 63.30% of the total Equity.

SITE LOCATION :

The integrated steel plant of the Company is located at Village Ginigera, Taluka and District Koppal, in the State of Karnataka.

INVESTORS CORRESPONDENCE ADDRESS :

1) Link Intime India Private Limited
Registrar & Transfer Agent
Block No.202, Akshay Complex, 2nd Floor,
Off Dhole Patil Road, Near Ganesh Mandir,
Pune – 411 001
Phone No. : 020 – 26051629 / 26050084
Telefax : 020 - 26053503
E-Mail : pune@linkintime.co.in

2) Kalyani Steels Limited,
Secretarial Department
Mundhwa, Pune – 411 036
Phone No. : 020-26715000 / 66215000
Fax No. : 020-26821124
E-mail : investor@kalyanisteels.com

Declaration under Clause 49 I (D)(ii) by the Managing Director of affirmation by the Board of Directors and Senior Management of Compliance with the Code of Conduct

The Shareholders,

I, R.K. Goyal, Managing Director of the Company do hereby declare that all the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct adopted by the Board at its meeting held on 23rd January, 2006, applicable to the Board of Directors and Senior Management of the Company.

Sd/-
R.K. Goyal
Managing Director

Place : Pune
Date : 25th May, 2011

AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE TO THE MEMBERS OF KALYANI STEELS LIMITED

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

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement(s).

We 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 Dalal & Shah
Firm Registration No.102021W
Chartered Accountants

Anish Amin
Partner
Membership No.40451

Place : Mumbai
Date : 25th May, 2011

DIRECTORS' REPORT

Dear Shareholders,

The Directors have pleasure in presenting their Thirty-Eighth Annual Report on the business and operations of the Company and the Audited Accounts for the year ended 31st March, 2011.

1. **Financial Highlights :**

(₹ in Million)

		2010-11	2009-10
Sales and Income from Operations	:	**14,192.528**	11,677.765
Excise Duty	:	**2,076.978**	1,321.235
Net Sales and Income from Operations	:	**12,115.550**	10,356.530
Power generated, captively consumed	:	**252.667**	218.940
Other Income	:	**157.597**	88.733
Total Income	:	**12,525.814**	10,664.203
Total Expenditure	:	**11,364.280**	9,587.983
Interest	:	**180.902**	263.798
Depreciation & Write offs	:	**294.762**	311.386
Profit for the year	:	**685.870**	501.036
Provision for Taxation	:	**162.896**	68.278
Net Profit / (Loss)	:	**522.974**	432.758
Dividend on Equity Share Capital	:	**87.306**	54.566

2. **Dividend :**

Your Directors recommend a dividend of ₹2/- per Equity Share of ₹5/- each (40%) for the year ended 31st March, 2011.

3. **The Year in Retrospect :**

During the year under consideration, the Company was able to increase the operational levels and achieved gross sales of ₹14,187 Million against ₹11,535 Million in the previous year, representing growth of 23%. This was achieved by selling more of value added products as compared to previous year.

The Company was able to add new grades of steel into its product profile, to growing passenger car segment. Company has successfully developed free cutting steels (Leaded variants) for Export markets.

The change in the product mix and better realisation were primary drivers of the 37% increase in PBT.

4. **Rolling Mill :**

In order to reduce reliance on outside rolling as well as to achieve cost reduction, the Company has taken initiatives to increase rolling capacity at Hospet by setting up of an additional Rolling Mill. The estimated capex for the same is ₹456 Million and the mill would roll additional 100,000 MTs of steel per annum. The mill is expected to be operational by year end. This would help in reducing the cost, inventory and will cater to customer needs faster.

5. **Cost Reduction Initiatives :**

To reduce manufacturing cost and enhance flexibility to use alternate raw materials like iron ore fines instead of lumpy ore, the Company has decided to undertake installation of sinter plant, coal injection system and stoves on blast furnaces. The total cost for these installations is estimated at approx. ₹3,400 Million, out of which the Company's share will be ₹1,418 Million. These installations are expected to be on stream in next two years. These would enable the Company to get substantial cost savings, thus improving margins.

6. **Coke Oven Batteries Project and Power Plant :**

Metallurgical Coke is one of the basic inputs of steel making process. At present Coke is required to be imported from various countries. To reduce the cost and uncertainty with regard to procurement of Coke, the Company intends to set up Coke Oven Batteries Project having a capacity to produce 240,000 MTs of Coke per annum.

The Company also intends to set up 12MW Power Plant by using flue gases generated by Coke Oven Batteries. The power generated will be captively used / exported to the grid.

The total cost for setting up Coke Oven Batteries Project and Power Plant is estimated at approx. ₹2,000 Million.

7. **Fixed Deposits :**

As on 31st March, 2011, deposits aggregating ₹101,000/- (10 depositors) remained unclaimed. Out of these deposits, one deposit amounting to ₹15,000/- was transferred to Investor Education and Protection Fund during the month of April, 2011. Presently, the Company does not accept / renew the deposits.

8. **Directors :**

The Board of Directors at its meeting held on 17th January, 2011, had co-opted Mr.R.K. Goyal, on the Board of the Company as an Additional Director and in the same meeting itself Mr.R.K. Goyal was appointed as a Managing Director of the Company for the period of five years from 17th January, 2011 to 16th January, 2016.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr.B.N. Kalyani and Mr.M.U. Takale, Directors of the Company are retiring by rotation at the ensuing Annual General Meeting and being eligible, they offer themselves for re-appointment.

These appointments form part of the Notice of the Annual General Meeting and the Resolutions are recommended for your approval. Profiles of these Directors, as required by the Corporate Governance Code (Clause 49 of the Listing Agreement), are given in the report on Corporate Governance.

9. **Directors' Responsibility Statement :**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, your Directors confirm that :

i) in the preparation of the accounts for the financial year ended 31st March, 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

ii) accounting policies selected had been applied consistently and made judgments and estimates that were 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 the year under review;

iii) proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and;

iv) the annual accounts had been prepared, on a going concern basis.

10. **Auditors :**

You are requested to re-appoint the Auditors of the Company for the Current Year to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting.

11. **Particulars of Employees :**

As required under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, in terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts is being sent to all Shareholders of the Company excluding the aforesaid Annexure. Any Shareholder interested in obtaining a copy of said Annexure may write to the Company Secretary at the Registered Office of the Company.

12. Conservation of energy, technology absorption and foreign currency exchange earnings & outgo :

The information required under the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 and forming part of the Report is annexed hereto.

13. Quality and Safety :

Your Company accords high priority to quality, safety, training, development, health and environment. The Company endeavors to ensure continuous compliance and improvements in this regard.

14. Employees :

The Board of Directors wishes to place on record its appreciation for the exemplary dedication and contribution of the employees at all levels, to ensure that the Company continues to grow and excel.

Your Directors would like to place on record their appreciation of the co-operation received from the Central Government, Government of Maharashtra, Government of Karnataka, Karnataka Industrial Area Development Board, Financial Institutions and the Bankers.

The Directors express their special thanks to Mr.B.N. Kalyani, Chairman of the Company, for his untiring efforts for the progress of the Company.

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for and on behalf of the Board of Directors

Place : Pune — B.N. Kalyani
Date : 25th May, 2011 — Chairman

INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2011

I. CONSERVATION OF ENERGY :

a) Energy Conservation measures taken :
- Optimisation of Power Consumption in MBF by running single Turbo Blower to suit the production requirement.
- Optimisation of Hot Blast Temperature to reduce the Coke Consumption.
- Reduction of Furnace Oil consumption by decreasing Rolling process by increasing draft.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :
- Installation of Ore Drying System in progress which will reduce coke Consumption.

c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :
- Power Consumption & Coke Consumption reduced in MBF-III.
- Furnace Oil Consumption has reduced in Rolling Mill

d) Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the Rules in respect of Industries specified in the Schedule thereto :

	2010-11	2009-10
A) Power & Fuel Consumption :		
1. Electricity :		
a) Purchased		
Unit (Kwh in thousands)	**25,237**	18,864
Total amount (₹ in Million)	**140.329**	92.115
Rate / Unit (₹ / Kwh)	**5.56**	4.88
b) Own generation		
I) Through Diesel Generator		
Unit (Kwh in thousands)	**64.050**	62.858
Units per Ltr. of HSD (Kwh / Ltrs)	**3.357**	4.092
Cost / Unit (₹ / Kwh)	**10.74**	7.72
II) Through Steam Turbine / Generator Unit		
Unit (Kwh in thousands)	**57,466**	54,134
Units per NM^3 (Blast Furnace Gas) (Kwh / NM^3)	**0.139**	0.147
Cost / Unit (₹ / Kwh)	**1.50**	1.60
2. Coke :		
Quantity (Tonnes)	**138,824**	125,894
Total Cost (₹ in Million)	**3,066**	2,286
Average Rate (₹ / MT)	**22,088**	18,158
3. Furnace Oil :		
Quantity (K. Ltrs.)	**9,985**	10,046
Total Amount (₹ in Million)	**293.087**	258.796
Average Rate (₹ / Ltrs.)	**29.35**	25.76
HSD :		
Quantity (K. Ltrs.)	**30.400**	48.270
Total Amount (₹ in Million)	**1.096**	1.525
Average Rate (₹ / Ltrs.)	**36.06**	31.59

4. Others :

LDO			
Quantity (K. Ltrs.)		**62.190**	94.560
Total cost (₹ In Million)		**2.763**	3.494
Rate (₹ / K. Ltrs.)		**44.43**	36.95

B) Consumption per unit of production :

	Unit	2010-11	2009-10
Hot Metal			
Electricity	KWH	**138.607**	128.635
HSD	Ltrs.	**0.065**	0.107
Coke	M.T.	**0.704**	0.698
LDO	Ltrs.	**0.132**	0.210
Furnace Oil	Ltrs.	**—**	—
Steel Making			
Electricity	KWH	**69.32**	64.87
Furnace Oil	Ltrs.	**49.75**	53.14

II TECHNOLOGY ABSORPTION :

Efforts made in technology absorption as per Form-B of the Annexure to the Rules

1. Research & Development (R & D) :

a) Specific area in which R & D carried out by the Company :

- Developing production of new shapes for specialty buyers overseas.
- Additional sizes have also been developed in the HV Mill range of products.

b) Benefits derived as a result of the above R & D :

- Able to increase value additions while also ensuring a wider customer base.

c) Future plan of action :

- To develop new sections for the customers located in geographical proximity of our factory, thereby saving on transport costs
- Production of RCS sizes from HV Mill thereby reducing the cost & increasing the productivity
- Changing the operating methods of Reheating Furnace to achieve reduced Furnace Oil Consumption
- Planning to install Oxyfuel Burners in Bloom Reheating Furnace to reduce oil consumption and increase productivity
- Biomass gasifier to increase the Hot Blast Temperature (HBT) to reduce the coke rate.

d) Expenditure on R & D :

		₹ 2010-11	₹ 2009-10
(i)	Capital	**—**	—
(ii)	Recurring	**—**	—
(iii)	Total	**—**	—
(iv)	Total R&D expenditure as a percentage of total turnover	**—**	—

2. Technology absorption, adaption and innovation :

a) Efforts in brief, made towards technology absorption, adaptation and innovation :

- Proposal to Install Sinter Plant & PCI to reduce coke consumption and to use iron ore fines
- Proposal to install Hot Blast Stoves in place of Metallic Blast Pre-heater to achieve higher Hot Blast Temperature, thereby reducing coke consumption.

b) Benefits derived as a result of the above efforts, for product improvement, cost reduction, product development, import substitution etc. :

- Reduction in Energy
- Reduction in Coke Consumption
- Use of cheaper raw materials leading to cost reduction

c) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year)

No technology was imported during the last five years.

III. FOREIGN EXCHANGE EARNINGS & OUT GO :

a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans :

Concerted efforts are underway to develop export market.

b) Total foreign exchange used and earned : (₹ In Million)

Used : ₹3,060.465 Earned : ₹195.117

for and on behalf of the Board of Directors

Place : Pune
Date : 25th May, 2011

B.N. Kalyani
Chairman

REPORT OF THE AUDITORS TO THE MEMBERS OF KALYANI STEELS LIMITED

1. We have audited the attached Balance Sheet of KALYANI STEELS LIMITED, as at 31st March, 2011 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's 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 of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :

   (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;

   (e) On the basis of written representations received from the Directors, as on 31st March, 2011 and taken on record by the Board of Directors, 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 Act;

   (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India :

      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;

      (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

      (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Dalal & Shah
Firm Registration No.102021W
Chartered Accountants

Anish Amin
Partner
Membership No.40451

Mumbai
25th May, 2011

ANNEXURE TO THE AUDITORS' REPORT :

Referred to in paragraph 3 of the Auditors' Report of even date to the members of KALYANI STEELS LIMITED on the financial statements for the year ended 31st March, 2011

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.

   (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.

2. (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. Inventories lying with outside parties have been confirmed by them at the close of the year.

   (b) In our opinion, the procedures of physical verification of inventory 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 the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

3. (a) 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 Act.

   (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.

4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

5. In our opinion and according to the information and explanations given to us, there are no transactions required to be entered into the register in pursuance of Section 301 of the Companies Act, 1956.

6. In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by Reserve Bank of India and the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.

7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess as at 31st March, 2011 which have not been deposited on account of a dispute, are as follows :

Name of the Statute	Nature of dues	Amount (₹)	Period to which the amount relates	Forum where the dispute is pending
Sales Tax	—	—	—	—
Income Tax	—	—	—	—
Wealth Tax	—	—	—	—
Service Tax	Demand received for various cases.	1,182,269	2005-06	Tribunal
Customs Duty	—	—	—	—

10. The Company has no accumulated losses as at 31st March, 2011 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debentureholders during the year.
12. 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 respect of shares, securities, debentures and other investments dealt by the Company, proper records have been maintained in respect of the transactions and contracts and timely entries have been made therein. All the investments are held by the Company in its own name.
14. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
15. In our opinion and according to information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
16. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
17. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
18. The Company has created securities and registered charges in respect of debentures issued, in the current year. The details of security are disclosed in Note No.9 (a) (1) and (2) in Schedule "20" to the Financial Statements.
19. The Company has not raised any money by public issues during the year.
20. During the course of our examination of the books and records of the Company, 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 instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
21. Considering the nature of the business, Clause (xiii) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, is not applicable in the case of the Company for the current year, hence in our opinion there is no matter which arises to be reported in the aforesaid Clause of the Order.

For Dalal & Shah
Firm Registration No.102021W
Chartered Accountants

Anish Amin
Partner
Membership No.40451

Mumbai
25th May, 2011

BALANCE SHEET AS AT 31ST MARCH, 2011

	Schedule	₹	₹	As at 31st March, 2010 ₹
I. SOURCES OF FUNDS :				
1. Shareholders' Funds :				
a) Share Capital	1	**218,644,367**		218,644,367
b) Reserves and Surplus	2	**2,995,635,629**		2,550,066,993
			3,214,279,996	2,768,711,360
2. Loan Funds :				
a) Secured Loans	3	**2,052,968,075**		1,962,008,371
b) Unsecured Loans	4	**201,742,370**		118,321,132
			2,254,710,445	2,080,329,503
3. Deferred Tax Adjustment (Refer Note No.16)				
Deferred Tax Liabilities		**367,302,019**		425,949,035
Deferred Tax Assets		**3,035,387**		4,433,675
			364,266,632	421,515,360
TOTAL			**5,833,257,073**	5,270,556,223
II. APPLICATION OF FUNDS :				
1. Fixed Assets :	5			
a) Gross Block		**4,360,020,504**		4,288,146,115
b) Less : Depreciation etc.		**2,218,623,950**		1,934,163,989
c) Net Block		**2,141,396,554**		2,353,982,126
d) Capital Work-in-Progress, Expenditure to date		**129,513,600**		21,270,052
			2,270,910,154	2,375,252,178
2. Investments	6		**832,499,970**	892,499,970
3. Current Assets, Loans & Advances :				
a) Inventories	7	**1,352,392,926**		1,238,572,743
b) Sundry Debtors	8	**2,465,263,787**		2,276,619,694
c) Cash and Bank balances	9	**176,232,897**		142,833,730
d) Other Current Assets	10	**30,872,897**		32,438,583
e) Loans and Advances	11	**1,203,983,868**		1,247,013,646
		5,228,746,375		4,937,478,396
Less : Current Liabilities and Provisions :				
a) Liabilities	12	**2,066,923,593**		2,527,186,314
b) Provisions	13	**431,975,833**		407,488,007
		2,498,899,426		2,934,674,321
Net Current Assets			**2,729,846,949**	2,002,804,075
TOTAL			**5,833,257,073**	5,270,556,223
Notes forming part of the Financial Statements	20			

As per our attached Report of even date

For DALAL & SHAH
Firm Registration No.102021W
Chartered Accountants

On behalf of the Board of Directors

Anish Amin
Partner
Membership No.40451

Mrs.D.R. Puranik
Company Secretary

R.K. Goyal
Managing Director

B.N. Kalyani
Chairman

Mumbai
Date : 25th May, 2011

Pune
Date : 25th May, 2011

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

	Schedule	₹	₹	Previous Year ₹
INCOME :				
Sales, Gross	**14 (a)**	**14,187,255,332**		11,535,278,771
Less : Excise duty		**2,076,978,406**		1,321,235,098
Net Sales		**12,110,276,926**		10,214,043,673
Income from Power Generation		**252,667,297**		218,939,802
Operating Income	**14 (b)**	**5,272,941**		142,486,211
			12,368,217,164	10,575,469,686
Other Income	**14 (c)**		**157,597,291**	88,733,347
			12,525,814,455	10,664,203,033
EXPENDITURE :				
Materials consumed and manufacturing expenses	**15**	**10,388,103,981**		8,590,863,066
Employees' emoluments	**16**	**298,367,782**		205,952,089
Other expenses	**17**	**677,808,400**		791,167,548
Interest	**18**	**180,902,320**		263,798,546
Depreciation & Write Offs etc.	**19**	**294,761,696**		311,386,202
			11,839,944,179	10,163,167,451
Profit for the year, before Taxation			**685,870,276**	501,035,582
Provision for Taxation :				
Current Tax (Including Wealth Tax ₹145,000/- Previous Year ₹205,000/-)		**220,145,000**		85,120,000
Deferred Tax (Refer Note No.16)		**(57,248,728)**		(16,842,162)
			162,896,272	68,277,838
Profit after Taxation			**522,974,004**	432,757,744
As per last account			**2,210,301,693**	2,133,548,256
Less : Utilised in terms of Scheme of Arrangement			**—**	182,723,413
Adjustments in respect of previous year				
Add : Excess provision for Taxation in earlier years			**24,063,987**	558,978
Amount available for Appropriation :			**2,757,339,684**	2,384,141,565
Transferred to Debenture Redemption Reserve (Refer Note No.13)			**79,500,000**	65,000,000
Transferred to General Reserve			**55,000,000**	45,000,000
Proposed Dividend on Equity Shares		**87,306,120**		54,566,325
Tax on Dividend		**14,163,235**		9,273,547
			101,469,355	63,839,872
Balance carried to Balance Sheet			**2,521,370,329**	2,210,301,693
Earnings per Share :				
(Face Value of ₹5/-)				
Net Profit after Taxation			**522,974,004**	432,757,744
Add / (Less) : Prior Period Adjustments			**24,063,987**	558,978
Net Profit after Prior Period Adjustments			**547,037,991**	433,316,722
Number of Shares Issued and Subscribed			**43,653,060**	43,653,060
Basic and diluted			**12.53**	9.93
Notes forming part of the Financial Statements	**20**			

As per our attached Report of even date

For DALAL & SHAH
Firm Registration No.102021W
Chartered Accountants

On behalf of the Board of Directors

Anish Amin
Partner
Membership No.40451

Mrs.D.R. Puranik
Company Secretary

R.K. Goyal
Managing Director

B.N. Kalyani
Chairman

Mumbai
Date : 25th May, 2011

Pune
Date : 25th May, 2011

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

	Year ended 31st March, 2011 ₹	₹	Year ended 31st March, 2010 ₹	₹
A. Cash Flow From Operating Activities :				
Profit for the year before Taxation		**685,870,276**		501,035,582
Add : Adjustment for Depreciation / Interest /				
Other Non Cash Expenses :				
Depreciation (Including Leasehold Land Amortised)	**294,761,696**		311,386,202	
Bad Debts, Advances & Sundry Debit Balances written off	**33,332,754**		9,007,594	
Interest Charged (Net of Capitalised)	**180,902,320**		263,798,546	
Loss on Sale of Assets (Net)	**1,983,258**		—	
		510,980,028		584,192,342
Less : Adjustments for Dividend / Interest /				
Other Income :				
Dividend	**(44,017,236)**		(5,714,868)	
Profit on Sale of Investments (Net)	**—**		(135,057,705)	
Profit on Sale of Assets	**(2,234)**		—	
Interest other than Finance & Investment Activity	**(42,882,978)**		(64,645,642)	
Provision no longer required	**(50,864,111)**		(7,219,824)	
Sundry Credit balances appropriated	**(3,915,154)**		(4,281,720)	
		(141,681,713)		(216,919,759)
Operating Profit before Working Capital Changes		**1,055,168,591**		868,308,165
Changes in Working Capital :				
Inventories	**(113,820,183)**		369,192,731	
Sundry Debtors	**(221,976,848)**		(936,006,365)	
Other Current Assets, Loans & Advances	**178,987,524**		97,544,602	
Trade Payables	**(303,300,545)**		675,395,507	
		(460,110,052)		206,126,475
Cash Generated from Operations		**595,058,539**		1,074,434,640
Direct Taxes Paid		**(227,664,251)**		(92,762,309)
Net Cash generated from Operating Activities (A)		**367,394,288**		981,672,331

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011 (Continued)

	Year ended 31st March, 2011 ₹	Year ended 31st March, 2011 ₹	Year ended 31st March, 2010 ₹	Year ended 31st March, 2010 ₹
B. Cash Flow from Investment Activities :				
Purchase of Assets		**(86,253,412)**		(112,663,482)
Capital Work in Progress		**(108,243,548)**		125,779,645
Sale of Assets		**2,096,264**		—
Advance for capital goods for projects		**(22,100,620)**		(6,903,267)
Loans to Companies		**(101,547,700)**		(68,752,080)
(Purchase) / Sale of Investments including advance for purchase of shares		**(48,000,000)**		(258,561,891)
Dividend received		**44,017,236**		5,714,868
Interest received		**48,117,476**		65,281,895
Net Cash used in Investment Activities (B)		**(271,914,304)**		(250,104,312)
C. Cash Flow from Financing Activities :				
Proceeds from Borrowings		**175,004,151**		(382,744,526)
Interest paid		**(182,949,087)**		(265,977,821)
Dividend paid		**(54,135,881)**		(23,480)
Net Cash Flow from Financing Activities (C)		**(62,080,817)**		(648,745,827)
Net Changes in Cash & Cash Equivalents (A + B + C)		**33,399,167**		82,822,192
Cash & Cash Equivalents as on 31st March, 2010		**142,833,730**		60,011,538
Cash & Cash Equivalents as on 31st March, 2011		**176,232,897**		142,833,730

As per our attached Report of even date

For DALAL & SHAH
Firm Registration No.102021W
Chartered Accountants

On behalf of the Board of Directors

Anish Amin
Partner
Membership No.40451

Mrs.D.R. Puranik
Company
Secretary

R.K. Goyal
Managing
Director

B.N. Kalyani
Chairman

Mumbai
Date : 25th May, 2011

Pune
Date : 25th May, 2011

SCHEDULE NOS. : '1' to '20' annexed to and forming part of the Financial Statements for the year ended 31st March, 2011

				As at 31st March, 2010
		₹	₹	₹
SCHEDULE '1' : SHARE CAPITAL :				
AUTHORISED :				
95,000,000	Equity Shares of ₹5/- each		**475,000,000**	475,000,000
3,010,000	Cumulative Redeemable Preference Shares of ₹100/- each		**301,000,000**	301,000,000
2,400,000	Unclassified Shares of ₹10/- each		**24,000,000**	24,000,000
			800,000,000	800,000,000
ISSUED :				
43,759,380	Equity Shares of ₹5/- each		**218,796,900**	218,796,900
			218,796,900	218,796,900
SUBSCRIBED & PAID UP :				
43,653,060	Equity Shares of ₹5/- each		**218,265,300**	218,265,300
	Total Subscribed and fully paid up		**218,265,300**	218,265,300
106,320	*Add : Forfeited Equity Shares (Amount Paid up)		**379,067**	379,067
	TOTAL		**218,644,367**	218,644,367

* Amount received on Equity Shares forfeited on 25th February, 1997 on account of non-payment of allotment / call money.

SCHEDULE '2' : RESERVES AND SURPLUS :			
Debenture Redemption Reserve			
As per last account	**76,500,000**		11,500,000
Add : Set aside during the year (Refer Note No.13)	**79,500,000**		65,000,000
		156,000,000	76,500,000
General Reserve			
As per last Account	**263,265,300**		1,963,751,402
Less : Utilised in terms of Scheme of Arrangement	**—**		1,963,751,402
	263,265,300		—
Add : Transferred from Capital Adjustment Account	**—**		218,265,300
Add : Transferred from Profit & Loss Account	**55,000,000**		45,000,000
		318,265,300	263,265,300
Surplus as per annexed Account		**2,521,370,329**	2,210,301,693
TOTAL		**2,995,635,629**	2,550,066,993

	₹	₹	As at 31st March, 2010 ₹
SCHEDULE '3' : SECURED LOANS :			
DEBENTURES :			
550 12.5% Secured Non-Convertible Redeemable Debentures (Seventeenth Series) of ₹1,000,000/- each (For Security Refer Note No.9(a)(1))		**550,000,000**	550,000,000
400 10.75% Secured Non-Convertible Redeemable Debentures (Nineteenth Series) of ₹1,000,000/- each (For Security Refer Note No.9(a)(2))		**400,000,000**	400,000,000
		950,000,000	950,000,000
TERM LOANS :			
RUPEE TERM LOANS :			
From Banks :			
Canara Bank (For Security Refer Note No.9(b)(i))	**160,423,766**		—
Bank of Baroda (For Security Refer Note No.9(b)(ii))	**50,000,000**		73,000,000
HDFC Bank Limited (For Security Refer Note No.9(b)(iii))	**6,250,000**		18,750,000
Axis Bank Limited (For Security Refer Note No.9(b)(iv))	**50,000,000**		150,000,000
FOREIGN CURRENCY TERM LOANS :			
From Canara Bank (For Security Refer Note No.9(c)(i))	**—**		95,330,561
Interest accrued and due on secured loans	**1,573,393**		1,470,514
		268,247,159	338,551,075
OTHERS :			
From ICICI Bank Limited against hypothecation of Vehicles		**—**	138,317
Short Term Foreign Currency Loans from Banks, under a buyer's line of credit for import of goods		**834,720,916**	673,318,979
TOTAL		**2,052,968,075**	1,962,008,371

	₹	₹	As at 31st March, 2010 ₹
SCHEDULE '4' : UNSECURED LOANS :			
Fixed Deposits :			
From Public	**1,331,000**		4,364,000
Add : Interest accrued and due on cumulative fixed deposits	**411,370**		1,137,457
		1,742,370	5,501,457
From Banks :			
Rupee Term Loan		**200,000,000**	—
Loan from a Company		**—**	110,000,000
Sales Tax Deferral Liability, as special incentives and concessions under the Karnataka Sales Tax Act, 1957		**—**	2,819,675
TOTAL		**201,742,370**	118,321,132

SCHEDULE '5': FIXED ASSETS :

	Freehold Land ₹	Leasehold Land ₹	Buildings ₹	Plant & Machinery ₹	Power Line (c) ₹	Electrical Installation ₹	Furniture / Office Equipments ₹	Vehicles & Aircrafts (d) ₹	**As on 31st March, 2011 Total ₹**	As on 31st March, 2010 Total ₹
Gross Block At Cost :										
As at 31st March, 2010	16,042,370	35,646,689 (d)	392,621,421	3,319,913,377	28,100,000	439,692,331	27,323,042	28,806,885	**4,288,146,115**	4,175,482,633
Additions	67,751,131	—	—	13,335,646	—	—	2,416,613	2,750,022	**86,253,412**	112,663,482
Deductions & Adjustments	—	—	919,314	—	—	—	90,860	13,368,849	**14,379,023**	—
As at 31st March, 2011	**83,793,501**	**35,646,689**	**391,702,107**	**3,333,249,023**	**28,100,000**	**439,692,331**	**29,648,795**	**18,188,058**	**4,360,020,504**	4,288,146,115
Depreciation :										
Upto 31st March, 2010	—	20,290,618	83,163,666	1,570,238,196	28,100,000	202,818,473	16,248,602	13,304,434	**1,934,163,989**	1,622,777,787
Deductions & Adjustments	—	—	419,030	—	—	—	56,117	9,826,588	**10,301,735**	—
For the Year	—	(b) 1,568,256	12,471,422	243,432,450	—	25,681,919	6,663,668	4,943,981	**294,761,696**	311,386,202
As at 31st March, 2011	**—**	**21,858,874**	**95,216,058**	**1,813,670,646**	**28,100,000**	**228,500,392**	**22,856,153**	**8,421,827**	**2,218,623,950**	1,934,163,989
Net Block :										
As at 31st March, 2011	**83,793,501**	**13,787,815**	**296,486,049**	**1,519,578,377**	**—**	**211,191,939**	**6,792,642**	**9,766,231**	**2,141,396,554**	2,353,982,126
As at 31st March, 2010	16,042,370	15,356,071	309,457,755	1,749,675,181	—	236,873,858	11,074,440	15,502,451	2,353,982,126	

a) Refer to Note No.21, Statement of Significant Accounting Policies - 2.

b) Represents amortisation of Premium paid on Leasehold Land over the lease period.

c) Cost incurred by the Company. Ownership vests with Karnataka Electricity Board, amortised over 10 years.

d) Leasehold Land includes ₹10.34 Million paid to MIDC to secure lease rights in respect of land situated at Baramati, under re-negotiation.

SCHEDULE '6' : INVESTMENTS, AT COST :

		₹	₹	As at 31st March, 2010 ₹
Long Term :				
	Unquoted :			
	Trade :			
	In Equity Shares			
14,520,000	Fully paid Equity Shares of ₹10/- each of Bharat NRE Coke Limited	**145,200,000**		145,200,000
1,000,000	Fully paid Equity Shares of ₹10/- each of Kalyani Mukand Limited	**10,050,000**		10,050,000
1,000,000	Fully paid Equity Shares of ₹10/- each of Lord Ganesha Minerals Private Limited	**10,000,000**		10,000,000
124,997	Fully paid Equity Shares of ₹10/- each of Hospet Steels Limited	**1,249,970**		1,249,970
			166,499,970	166,499,970
	In Preference Shares			
9,000,000	1% Non-Cumulative Redeemable Preference Shares of ₹10/- each of Lord Ganesha Minerals Private Limited	**90,000,000**		90,000,000
57,600,000	14% Non-Cumulative Redeemable Preference Shares of ₹10/- each of Kalyani Investment Company Limited	**576,000,000**		576,000,000
			666,000,000	666,000,000
Current :				
	In Mutual Funds :			
	Unquoted :			
—	(6,000,000) Units of ₹10/- each of LIC MF Saving Plus Fund - Daily Dividend Plan		**—**	60,000,000
	TOTAL		**832,499,970**	892,499,970

	COST		MARKET VALUE	
	As at 31st March, 2011 ₹	As at 31st March, 2010 ₹	**As at 31st March, 2011 ₹**	As at 31st March, 2010 ₹
Quoted	**—**	—	**—**	—
Unquoted	**832,499,970**	**892,499,970**		
	832,499,970	**892,499,970**		

SCHEDULE '6' : INVESTMENTS, AT COST (continued) :

Following investments are purchased and sold during the year :

Particulars	No. of Units	Purchase Value (₹)
LICMF Liquid Fund - Daily Dividend Plan	43,948,753	482,500,000
LICMF Saving Plus Fund - Daily Dividend Plan	92,919,533	927,061,702
HDFC Cash Management Fund - Saving Plan - Daily Dividend Reinvestment	820,500,000	820,500,000
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Daily Dividend Reinvestment	129,271,351	433,522,658
Prudential ICICI Institutional Liquid Plan - Super Institutional Daily Dividend	1,149,871	115,000,000
ICICI Prudential Flexible Income Plan Premium - Daily Dividend	1,324,715	140,013,057
Baroda Pioneer Treasury Advantage Fund - Institutional Daily Dividend Plan	2,949,064	29,500,000
UTI Treasury Advantage Fund - Institutional Plan Daily Dividend	130,045	130,007,532
UTI Liquid Cash Plan Institutional - Daily Income Option - Re-investment	63,768	65,000,000

	₹	₹	As at 31st March, 2010 ₹
SCHEDULE '7' : INVENTORIES :			
Stores, spares etc., at cost		**124,661,767**	101,006,419
Stock - in - Trade :			
Raw materials, at cost	**499,967,119**		519,362,893
Finished goods, at cost or market value whichever is lower	**575,923,320**		417,730,230
Scrap at estimated realisable value	**107,133,911**		37,643,039
As valued and certified by the Managing Director	**1,183,024,350**		974,736,162
Goods in transit, at cost to date	**44,706,809**		162,830,162
		1,227,731,159	1,137,566,324
TOTAL		**1,352,392,926**	1,238,572,743
SCHEDULE '8' : SUNDRY DEBTORS, UNSECURED, GOOD :			
(Unless otherwise stated)			
i) Over six months			
Good	**15,405,349**		14,825,673
ii) Others, Good	**2,449,858,438**		2,261,794,021
		2,465,263,787	2,276,619,694
TOTAL		**2,465,263,787**	2,276,619,694

			As at 31st March, 2010
	₹	₹	₹
SCHEDULE '9' : CASH AND BANK BALANCES :			
Cash on hand		**63,914**	55,476
Bank balances :			
With Scheduled Banks :			
In Current & Cash Credit Accounts	**175,098,483**		141,812,754
In Fixed Deposits (Receipts of the value of ₹615,500/- pledged in favour of Government Authorities)	**1,070,500**		965,500
		176,168,983	142,778,254
TOTAL		**176,232,897**	142,833,730

SCHEDULE '10' : OTHER CURRENT ASSETS :		
Interest Receivable	**2,593,596**	7,828,094
Export Incentives receivable	**3,074,847**	3,452,160
Income Receivable	**25,204,454**	21,158,329
TOTAL	**30,872,897**	32,438,583

SCHEDULE '11' : LOANS AND ADVANCES, UNSECURED, GOOD (UNLESS OTHERWISE STATED) :

	Loans to other companies (formerly subsidiaries under Section 4(1)(c) of the Companies Act, 1956)	**—**	3,367,300
@	Inter Corporate Loans	**176,250,000**	71,335,000
*	Advances recoverable in cash or in kind or for value to be received	**534,295,314**	583,253,750
	Advances for capital goods for Projects under Implementation	**60,737,855**	38,637,235
	Sundry Deposits	**84,263,331**	82,090,511
	Balance with Excise Department	**8,953,739**	6,325,353
	Tax paid in advance	**339,483,629**	462,004,497
	TOTAL	**1,203,983,868**	1,247,013,646

@ Includes interest free loans aggregating ₹11,250,000/- (Previous Year ₹21,035,000/-) given to Six Private Limited companies formed with the same purpose and obligation as the Six Employees Welfare Trusts under a Scheme in terms of Clause (b) of the proviso to Section 77(2) of the Companies Act, 1956, which in the opinion of an eminent counsel falls within the purview of the said proviso to the above mentioned Section.

* Includes interest free loans amounting to ₹9,180,000/- (Previous Year ₹9,180,000/-) to Seven Trusts connected with the welfare of employees.

* Includes amount due from the Officer of the Company ₹986,395/- (Previous Year ₹110,913/-) Maximum balance outstanding during the year ₹1,000,000/- (Previous Year ₹132,114/-)

			As at 31st March, 2010
	₹	₹	₹
SCHEDULE '12' : LIABILITIES :			
Acceptances		—	3,013,474
Sales Bill Discounting		**306,851,664**	—
Deposits		**13,544,089**	17,087,050
Sundry Creditors			
Due to Micro and Small Enterprises (See Note No.11)	**373,195**		887,380
Due to other than Micro and Small Enterprises	**1,191,923,828**		1,840,866,702
		1,192,297,023	1,841,754,082
Advance against Orders		**24,619,622**	26,732,398
Part amount received under an arrangement against sale of project promoted by the Company		**55,861,236**	55,861,236
Trade Advance		**328,736,106**	328,736,106
Amount payable against purchase of Preference Shares under an arrangement		**122,839,953**	230,839,953
Investor Education & Protection Fund, since paid		**15,000**	10,000
Unclaimed Dividends		**3,689,938**	3,259,494
Interest accrued but not due on loans		**18,468,962**	19,892,521
TOTAL		**2,066,923,593**	2,527,186,314

SCHEDULE '13' : PROVISIONS :		
Provision for Long Term Employee Benefits (See Note No.10)	**9,355,478**	6,892,135
Provision for Taxation	**321,151,000**	336,756,000
Proposed Dividend	**87,306,120**	54,566,325
Tax on Proposed Dividend	**14,163,235**	9,273,547
TOTAL	**431,975,833**	407,488,007

SCHEDULE '14' : SALES, OPERATING & OTHER INCOME :	₹	₹	Previous Year ₹
(a) Sales, Gross :			
Sales	**11,891,821,076**		9,901,577,109
Less : Returns	**20,742,092**		18,054,687
	11,871,078,984		9,883,522,422
Miscellaneous Sales	**336,037,477**		261,051,793
Jobwork Receipts	**1,980,138,871**		1,390,704,556
		14,187,255,332	11,535,278,771
(b) Operating Income :			
i) Related to Manufacturing Activity :			
Export Incentives received	**5,272,941**		7,428,506
	5,272,941		7,428,506
ii) Related to Finance and Investment Activity (Net)			
Income earned during the year from Profit on Sale of Long Term Investments, Net	**—**		135,057,705
	—		135,057,705
		5,272,941	142,486,211
(c) Other Income :			
Dividend :			
From Trade Investments	**40,320,000**		5,708,335
Others	**3,697,236**		6,533
Interest other than from Finance & Investment Activity	**42,882,978**		64,645,642
Miscellaneous receipts	**12,478,387**		6,871,293
Gain on Foreign Exchange, Net	**3,437,191**		—
Profit on Sale of Assets	**2,234**		—
Provision no longer required	**50,864,111**		7,219,824
Sundry Credit balances appropriated	**3,915,154**		4,281,720
		157,597,291	88,733,347
TOTAL		**14,350,125,564**	11,766,498,329

			Previous Year
	₹	₹	₹
SCHEDULE '15' : MATERIALS CONSUMED AND MANUFACTURING EXPENSES :			
(a) Raw materials consumed :			
Stocks at commencement	**519,362,893**		990,953,983
Add : Purchases	**5,854,126,434**		3,824,683,116
Add / (Less) : Foreign Exchange Fluctuation	**(7,095,479)**		(5,910,217)
	6,366,393,848		4,809,726,882
Less : Sale of Raw Material	**28,397,750**		90,818,290
Less : Stocks at close	**499,967,119**		519,362,893
		5,838,028,979	4,199,545,699
(b) Manufacturing expenses :			
Stores and spares consumed	**327,227,076**		301,454,089
Job work and Manufacturing Charges	**1,275,201,248**		1,020,300,821
Power and Fuel	**697,971,870**		573,830,104
Building and Road repairs	**11,384,163**		4,827,217
Machinery repairs	**27,614,028**		13,807,476
		2,339,398,385	1,914,219,707
(c) Goods Purchased for Trade		**2,426,174,820**	2,429,933,244
(d) Excise Duty :			
On Closing Stock	**54,737,802**		42,552,043
Less : On Opening Stock	**42,552,043**		43,922,893
		12,185,759	(1,370,850)
(e) (Increase) / decrease in Stocks :			
Stocks at close :			
Finished goods	**575,923,320**		417,730,230
Scrap	**107,133,911**		37,643,039
	683,057,231		455,373,269
Less : Stocks at commencement :			
Finished goods	**417,730,230**		487,816,268
Scrap	**37,643,039**		16,092,267
	455,373,269		503,908,535
		(227,683,962)	48,535,266
TOTAL		**10,388,103,981**	8,590,863,066

SCHEDULE '16' : EMPLOYEES' EMOLUMENTS : (Including Executive and Managing Director's Remuneration)		
Salaries, Wages, Gratuity, Bonus etc.	**273,666,242**	187,748,180
Contribution to Provident and other Funds etc.	**14,676,816**	10,849,182
Welfare expenses	**10,024,724**	7,354,727
TOTAL	**298,367,782**	205,952,089

	₹	₹	Previous Year ₹
SCHEDULE '17' : OTHER EXPENSES :			
Rent		**1,930,363**	1,852,452
Rates & Taxes		**169,838**	50,055
Insurance (including Key Man Insurance)		**8,621,003**	8,599,164
Legal & Professional charges		**17,788,801**	34,737,406
Miscellaneous expenses		**99,952,414**	176,309,640
Donations			
- Maharashtra Pradesh Congress Committee (Political Party)	**—**		10,000,000
- Others	**21,000,000**		700,000
		21,000,000	10,700,000
Freight Outward		**383,516,239**	319,979,983
Brokerage and Discount		**10,521,915**	3,006,457
Commission on Sales		**14,114,629**	16,650,374
Audit Fees and Expenses		**4,080,701**	6,178,440
Directors' Fees and Travelling Expenses		**917,814**	706,979
Commission to Managing Director and Executive Director		**5,222,585**	5,000,000
Loss on Foreign Exchange Fluctuation		**7,427,291**	1,020,809
Loss on Assets sold or scrapped		**1,983,258**	—
Bad debts, Advances and sundry debit balances written off		**33,332,754**	9,007,594
Settlement of disputed claims, demurrage etc.		**—**	128,708,487
Facility charges under Strategic Alliance		**67,228,795**	68,659,708
TOTAL		**677,808,400**	791,167,548

SCHEDULE '18' : INTEREST :			
Interest & Commitment Charges :			
On Debentures	**111,750,000**		99,930,478
On Fixed Loans	**52,289,857**		109,916,144
Others	**16,862,463**		53,951,924
		180,902,320	263,798,546
TOTAL		**180,902,320**	263,798,546

SCHEDULE '19' : DEPRECIATION AND WRITE OFFS ETC. :			
Depreciation		**293,193,440**	309,817,946
Leasehold land amortised		**1,568,256**	1,568,256
TOTAL		**294,761,696**	311,386,202

SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2011

			As at 31st March, 2011 ₹	As at 31st March, 2010 ₹
1.	A.	Contingent Liabilities not provided for in respect of :		
	a)	Claims against the Company not acknowledged as debts	**12,648,157**	16,672,364
	b)	Service Tax Demands - Matter under Dispute	**1,182,269**	1,182,269
	B.	Mysore Minerals Limited had raised an illegitimate claim aggregating to ₹281,552,035/- for price of calibrated iron ore purchased by the Company over and above the agreed contracted price. The Company has repudiated the said claim as the same is in ultra-vires to the contract. The dispute has been referred to Arbitrator.		
2.		Estimated amount of Contracts remaining to be executed on Capital Account and not provided for (Net of Advances)	**180,144,792**	20,731,147
3.		Payment to Auditors :		
	(i)	As Statutory Auditors	**3,000,000**	3,000,000
	(ii)	In other capacity :		
		- For Tax Audit	**500,000**	400,000
		- Review of Quarterly Results & Half Yearly Financial Statements	**300,000**	1,650,000
		- For Certification	**240,000**	1,068,118
			4,040,000	6,118,118
	(iii)	For expenses	**40,701**	60,322
			4,080,701	6,178,440

4. Details of Raw Materials Consumption :

a) RAW MATERIALS CONSUMED :

	2010-11 MTs	2010-11 ₹	2009-10 MTs	2009-10 ₹
Coke	***85,657**	**2,021,330,317**	*67,820	1,729,878,424
Iron Ore	**383,509**	**1,416,126,030**	350,341	870,738,307
Coal (Converted into Coke)	**92,577**	**1,045,050,326**	67,463	556,128,399
Ferro Alloys		**772,519,141**		636,583,023
Others		**583,003,165**		406,217,546
TOTAL		**5,838,028,979**		4,199,545,699

* Excludes 53,168 MTs (Previous Year 58,073 MTs) Coke from Coal Conversion Activity

b) IMPORTED & INDIGENOUS RAW MATERIALS CONSUMED : (See Note No.8)

	2010-11 ₹	2010-11 Percentage	2009-10 ₹	2009-10 Percentage
Imported (Direct imports only)	**1,747,319,981**	**30%**	1,277,771,969	30%
Indigenous	**4,090,708,998**	**70%**	2,921,773,730	70%
TOTAL	**5,838,028,979**	**100%**	4,199,545,699	100%

SCHEDULE '20': Notes forming part of the Financial Statements as at 31st March, 2011 (continued)

5. Details of Licensed and Installed Capacity, Production, Stocks and Turnover :

Class of Goods	Licensed capacity (Maximum utilisation basis)	(a) Installed capacity	(b) Production for Self	Production for Job work	Bought Out	Purchase for Goods traded in		Stocks at Commencement		Stocks at Close		Turnover (Net of Excise Duty)		Process Loss Excess / Shortage
	MTs	MTs	MTs	MTs	MTs	Qty. MTs	Value ₹	Qty. MTs	Value ₹	Qty. MTs	Value ₹	Qty. MTs	Value ₹	Qty. MTs
1) PIG IRON / LIQUID PIG IRON														
Financial Year ended 31st March, 2011	**670,000**	**670,000**	**194,492**	**268,386**	**—**	**—**	**—**	**866**	**21,094,579**	**—**	**—**	**—**	**—**	**—**
Financial Year ended 31st March, 2010	670,000	670,000	177,223	265,347	—	—	—	—	—	866	21,094,579	(d) 199	3,661,055	—
2) BLOOMS & ROUNDS	(c)	(c)												
Financial Year ended 31st March, 2011	**—**	**—**	**204,328**	**—**	**200**	**—**	**—**	**7,945**	**237,710,665**	**10,261**	**370,494,161**	**(d) 23,991**	**873,060,696**	**—**
Financial Year ended 31st March, 2010	—	—	185,950	—	1,031	—	—	6,253	221,784,874	7,945	237,710,665	(d) 26,090	667,094,404	—
3) ROLLED PRODUCTS														
Financial Year ended 31st March, 2011	**—**	**250,000**	**(f) 178,221**	**103,259**	**242**	**—**	**—**	**4,685**	**158,924,986**	**5,079**	**205,429,159**	**168,547**	**7,627,321,569**	**9,522**
Financial Year ended 31st March, 2010	—	250,000	(f) 159,199	74,299	238	—	—	7,981	266,031,394	4,685	158,924,986	154,524	6,111,489,842	8,209
4) POWER														
Financial Year ended 31st March, 2011	**8 MW**	**8 MW**	**(g) 8 MW**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Units (Kwh) ('000)	**60,000**	**60,000**	**54,325**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Financial Year ended 31st March, 2010	8 MW	8 MW	(g) 8 MW	—	—	—	—	—	—	—	—	—	—	—
Units (Kwh) ('000)	60,000	60,000	52,623	—	—	—	—	—	—	—	—	—	—	—
5) GOODS TRADED IN														
BLOOMS & ROUNDS														
Financial Year ended 31st March, 2011	**—**	**—**	**—**	**—**	**—**	**443**	**10,660,519**	**—**	**—**	**—**	**—**	**443**	**12,491,775**	**—**
Financial Year ended 31st March, 2010	—	—	—	—	—	3,715	139,149,453	—	—	—	—	3,715	162,094,828	—
IRON ORE & IRON ORE FINES														
Financial Year ended 31st March, 2011	**—**	**—**	**—**	**—**	**—**	**260,910**	**815,381,249**	**—**	**—**	**—**	**—**	**260,910**	**816,218,793**	**—**
Financial Year ended 31st March, 2010	—	—	—	—	—	176,497	306,523,065	—	—	—	—	176,497	304,815,114	—
COAL														
Financial Year ended 31st March, 2011	**—**	**—**	**—**	**—**	**—**	**138,596**	**1,599,271,322**	**—**	**—**	**—**	**—**	**138,596**	**1,681,324,972**	**—**
Financial Year ended 31st March, 2010	—	—	—	—	—	245,423	1,981,174,254	—	—	—	—	245,423	2,069,381,344	—
OTHERS														
Financial Year ended 31st March, 2011	**—**	**—**	**—**	**—**	**—**	**—**	**861,730**	**—**	**—**	**—**	**—**	**—**	**911,511**	**—**
Financial Year ended 31st March, 2010	—	—	—	—	—	—	3,086,472	—	—	—	—	—	4,002,384	—
6) SCRAP														
Financial Year ended 31st March, 2011	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**37,643,039**	**—**	**107,133,911**	**—**	**(e) 309,604,872**	**—**
Financial Year ended 31st March, 2010	—	—	—	—	—	—	—	—	16,092,267	—	37,643,039	—	(e) 245,073,160	—
7) JOBWORK ACTIVITY														
Financial Year ended 31st March, 2011	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**371,385**	**789,342,738**	**—**
Financial Year ended 31st March, 2010	—	—	—	—	—	—	—	—	—	—	—	336,940	646,431,542	—
Financial Year ended 31st March, 2011			**TOTAL**				**2,426,174,820**		**455,373,269**		**683,057,231**		**12,110,276,926**	
Financial Year ended 31st March, 2010			TOTAL				2,429,933,244		503,908,535		455,373,269		10,214,043,673	

a) As certified by the Chief of MBF and Rolling Mill Shop, being a technical matter accepted by the Auditors as correct.
b) Production is net of Plant returns.
c) Manufactured by a third party on "Conversion Basis" under Strategic Alliance.
d) Excludes captively consumed :
Pig Iron / Liquid Pig Iron : 195,358 MTs (Previous Year 176,158 MTs)
Blooms & Rounds : 178,221 MTs (Previous Year 159,199 MTs)
e) Includes Sale of Iron Ore fines ₹98,987,846/- (Previous Year ₹76,020,033/-) and Coke Fines ₹54,751,795/- (Previous Year ₹36,205,583/-)
f) Includes material sent for manufacture at third party on "Conversion Basis" 104,923 MTs (Previous Year 77,376 MTs)
g) Net Power generated & captively consumed.

SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2011 (continued)

6. MANAGERIAL REMUNERATION :

a) Computation of Net Profit in accordance with Section 198(1) and 349 of the Companies Act, 1956 :

		2010-11 ₹	2009-10 ₹
Profit as per Profit & Loss Account, after Taxation		**522,974,004**	432,757,744
Add : Remuneration to Executive Director and			
Managing Director including perquisites	**20,587,486**		11,683,302
Provision for Taxation	**162,896,272**		68,277,838
		183,483,758	79,961,140
		706,457,762	512,718,884
Less : Profit on sale of investments in terms of Section 349(3)(c)		**—**	135,057,705
Net Profit / (Loss)		**706,457,762**	377,661,179
Profit on which commission is payable		**706,457,762**	377,661,179
Commission to Executive Director and Managing Director, as determined by the Board of Directors		**5,222,585**	5,000,000

b) Details of payment and provisions on account of remuneration to Executive Director and Managing Director included in financial statements are as under :

	Executive Director 2010-11 (₹)	***Managing Director 2010-11 (₹)**	**TOTAL 2010-11 ₹**	#TOTAL 2009-10 ₹
Salary & Allowances	**4,380,000**	**4,146,574**	**8,526,574**	3,480,000
Sign on Bonus	**—**	**2,000,000**	**2,000,000**	—
House Rent Allowance / Rent	**2,190,000**	**606,065**	**2,796,065**	1,740,000
Commission on Profits	**3,750,000**	**1,472,585**	**5,222,585**	5,000,000
Contribution to :				
Provident Fund	**525,600**	**238,452**	**764,052**	417,600
Superannuation Fund	**657,000**	**298,065**	**955,065**	522,000
Other Perquisites	**27,060**	**6,085**	**33,145**	233,702
L.T.A.	**290,000**	**—**	**290,000**	290,000
Total	**11,819,660**	**8,767,826**	**20,587,486**	11,683,302

* Appointment and Remuneration w.e.f. 17th January, 2011, pursuant to resolution passed by the Board of Directors on 17th January, 2011, is subject to approval of the shareholders at the ensuing Annual General Meeting.

Previous year's figures represents remuneration to Executive Director.

Note : As the employee-wise breakup of Gratuity and Leave entitlements is unascertainable, the amount relatable to the Directors has not been included above.

7. C.I.F. Value of Imports, Expenditure and Earnings in Foreign Currencies :

	2010-11 ₹	2009-10 ₹
a) C.I.F. value of Imports :		
Direct imports only : (including goods in Bonded Warehouse, if any) [See Note No.8]		
Raw Material :		
- Coke	**584,674,194**	778,148,948
- Coal	**887,112,631**	547,704,383
- Ferro Alloys	**3,615,975**	—
Goods Traded in		
- Coal	**1,557,654,227**	1,957,780,419

SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2011 (continued)

	2010-11	2009-10
	₹	₹
(b) Expenditure in Foreign Currency :		
- Interest	**27,214,887**	23,550,678
- Traveling	**193,240**	1,451,839
(c) Earnings in Foreign Currencies :		
- FOB Value of Exports	**195,117,491**	431,883,728
(d) Exchange differences on account of fluctuation in Foreign Currency Rates		
(i) Relating to Exports during the year as a part of "Sales" Loss / (Gain)	**(1,606,512)**	18,223,987
(ii) Relating to Imports during the year as a part of "Raw Material" Loss / (Gain)	**(7,095,479)**	(5,910,217)
(iii) Other Foreign Exchange (Gains) / Losses recognised on settlement of current assets, liabilities and borrowings		
(a) Recognised in Profit and Loss account		
(i) On settlement / revolarisation of borrowings, current assets & current liabilities	**(2,440,345)**	1,366,003
(ii) On open forward contracts at the close of the year	**—**	(661,950)
(iii) On unrealised CER Income	**(996,846)**	316,756

e) Foreign Exchange Derivatives / Forward Contracts hedged and Exposures not hedged at close of the year :

a) Foreign Exchange Derivatives / Forward Contracts hedged :

	Nature of Contracts	Currency	Particulars	**31st March, 2011**	31st March, 2010
i)	Forward Contracts	USD	Purchase	**21,841,014**	33,529,918
		USD	Sale	**—**	984,500
		USD	Interest	**79,012**	—
		USD	Loan	**—**	2,098,983

All derivatives / forward contracts stated above are for the purpose of hedging the underlying foreign currency exposure.

b) Exposure not hedged :

	Nature of Instrument	Currency	**31st March, 2011**	31st March, 2010
i)	Receivable	USD	**1,191,140**	544,022

8. In furnishing information under Note No.4(b) and 7(a), the view has been taken that particulars are required only in respect of items that are incorporated in the Finished Goods produced and not for such material used for maintenance of Plant & Machinery.

9. (a) (1) 550 - 12.50% Secured Non-Convertible Redeemable Debentures (Seventeenth Series) of ₹1,000,000/- each, allotted on 16th January, 2009, privately placed, held by Life Insurance Corporation of India, redeemable in three equal annual installments commencing from the end of three years from the date of allotment.

(2) 400 - 10.75% Secured Non-Convertible Redeemable Debentures (Nineteenth Series) of ₹1,000,000/- each, allotted on 18th September, 2009, privately placed, held by Indian Overseas Bank, Bank of India, Union Bank of India, Bajaj Auto Limited, NPS Trust - A/c LIC Pension Fund Scheme - Central Govt. and NPS Trust - A/c LIC Pension Fund Scheme - State Govt., redeemable in three equal annual installments commencing from the end of fourth year from the date of allotment.

Above Debentures are secured by mortgage of Company's immoveable properties consisting of land together with all buildings and structures thereon and all plant and machinery, attached to the earth or permanently fastened to anything attached to the earth, both present and future and hypothecation of whole of the moveable fixed assets / properties of the Company, including its movable plant and machinery, machinery spares, tools and accessories and other movable fixed assets, both present and future, ranking pari passu with charges created and / or to be created in favour of the Banks / Financial Institutions for their term / foreign currency loans.

(b) Rupee Term Loans :

(i) Canara Bank - Term Loan

(ii) Bank of Baroda - Term Loan

(iii) HDFC Bank Limited - Term Loan

(iv) Axis Bank Limited - Term Loan

SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2011 (continued)

Above loans are secured by mortgage of Company's immoveable properties consisting of land together with all buildings and structures thereon and all plant and machinery, attached to the earth or permanently fastened to anything attached to the earth, both present and future and hypothecation of whole of the moveable fixed assets / properties of the Company, including its movable plant and machinery, machinery spares, tools and accessories and other movable fixed assets, both present and future, ranking pari passu with charges created and / or to be created in favour of the Trustees for Debenture holders and Banks / Financial Institutions for their term / foreign currency loans.

(c) Foreign Currency Term Loans :

(i) Canara Bank - Foreign Currency Term Loan, Outstanding Balance : Nil (Previous Year : US$ 2,098,983) Above Foreign Currency Term Loan is converted into Rupee Term Loan during the year.

10. Details of Long Term Employee benefits determined by an appointed Actuary as regard the Company's employees are as follows :

A. FUNDED SCHEME

		Gratuity	
		31st March, 2011	31st March, 2010
		₹	₹
i)	Amounts to be recognised in Balance Sheet :		
	a. Present Value of Defined Benefit Obligations		
	(i) Funded	**12,434,871**	10,001,416
	(ii) Unfunded	**—**	—
	b. Fair Value of Plan Assets	**11,154,112**	9,350,309
	c. Net Liability / (Asset) recognised in the Balance Sheet	**1,280,759**	651,107
ii)	Amount to be recognised in the Statement of Profit and Loss :		
	a. Current Service Cost	**1,316,297**	2,067,121
	b. Interest on Defined Benefit Obligations	**815,486**	667,626
	c. Expected Return on Plan Assets	**(733,314)**	(641,740)
	d. Net Actuarial Losses / (Gains) Recognised in year	**198,528**	(2,286,341)
	Total included in "Employees' Emoluments"	**1,596,997**	(193,334)
iii)	Change in Defined Benefit obligation and reconciliation thereof :		
	a. Present value of Defined Benefit obligation at the beginning of the year	**10,001,416**	9,403,184
	b. Interest Cost	**815,486**	667,626
	c. Current Service cost	**1,316,297**	2,067,121
	d. Actuarial Losses / (Gains)	**414,608**	(2,136,515)
	e. Benefits Paid	**(112,936)**	—
	f. Present value of Defined Benefit obligation at the close of the year	**12,434,871**	10,001,416
iv)	Change in the fair value of Plan Assets and the reconciliation thereof :		
	a. Fair value of Plan Assets at the beginning of the year	**9,350,309**	8,554,311
	b. Add : Expected return on Plan Assets	**733,314**	641,740
	c. Add / (Less) : Actuarial (Losses) / Gains	**216,080**	149,826
	d. Add : Contributions by employer	**967,345**	4,432
	e. Less : Benefits paid	**(112,936)**	—
	f. Fair value of Plan Assets at the close of the year	**11,154,112**	9,350,309
v)	Broad Categories of Plan Assets as a percentage of total assets :		
	Insurer Managed Funds	**100%**	100%

vi) Amount for the Current Period :

Experience History	**31st March, 2011**	31st March, 2010	31st March, 2009
Present Value of Obligation	**12,434,871**	10,001,416	9,403,184
Plan Assets	**11,154,112**	9,350,309	8,554,311
Surplus / (Deficit)	**(1,280,759)**	(651,107)	(848,873)
Experience adjustments on plan liabilities (loss) / gain	**(376,351)**	1,433,933	(438,219)
Experience adjustments on plan assets (loss) / gain	**216,080**	149,826	151,044

vii) Summary of the Actuarial Assumptions :	**31st March, 2011**	31st March, 2010
Discount Rate	**8.10%**	8.20%
Expected Rate of Return on Assets	**7.50%**	7.50%
Salary Escalation Rate	**7.00%**	7.00%

SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2011 (continued)

B. UNFUNDED SCHEME

	Compensated Absences	
	31st March, 2011	31st March, 2010
	₹	₹
i) Present Value of unfunded obligation	**8,074,719**	6,241,028
ii) Expenses recognised in Profit & Loss Account	**2,037,599**	1,255,119
iii) Discount Rate	**8.10%**	8.20%
iv) Salary Escalation Rate	**7.00%**	7.00%

11. On the basis of information available with the Company regarding the status of suppliers as defined vide "Micro, Small and Medium Development Act, 2006" total dues to suppliers as at 31st March, 2011 amount to ₹373,195/-. Since there were no overdues beyond the credit period extended to the Company which is less than 45 days, no liability for payment of interest and related disclosures under the said act arose.
12. In the absence of balance confirmation, the balances in respect of a Government party are as per Books of Account only. Adjustments having an impact of revenue nature, if any, will be made in the year in which the same are confirmed and reconciled.
13. Debentures Redemption Reserve has been created in accordance with Circular No.9/2002 dated 18th April, 2002 issued by Department of Company Affairs, Ministry of Law Justice and Company Affairs, Government of India and Section 117(c) of Companies Act, 1956 at 25% of the maturity amount equally over the terms of Debentures privately placed. Amount set out for the year represents the entire required amount for the year in respect of the Seventeenth Series and the Nineteenth Series of the Debentures.
14. Segment information has been set out in a separate statement annexed to this schedule.
15. Related party disclosures have been set out in a separate statement annexed to this Schedule. The related parties, as defined by Accounting Standard 18 'Related Party Disclosures' issued as prescribed by Companies (Accounting Standard) Rules, 2006 in respect of which the disclosures have been made, have been identified on the basis of disclosures made by the key management persons and taken on record by the Board.
16. The Company has recognised Deferred Taxes which result from timing differences between the Book Profits and Tax Profits as under :

Particulars	Balance carried as at 31st March, 2010 ₹	Arising during the year ₹	Balance carried as at 31st March, 2011 ₹
Deferred Tax Liabilities :			
On account of Timing Differences :			
Depreciation	425,949,035	(58,647,016)	367,302,019
Total	425,949,035	(58,647,016)	367,302,019
Disallowance u/s 43B of the Income Tax Act	4,433,675	1,398,288	3,035,387
Total	4,433,675	1,398,288	3,035,387
Net Deferred Tax Liability / (Asset)	421,515,360	(57,248,728)	364,266,632

17. The Company has entered into agreements in the nature of lease / leave and license agreement with different lessors / licensors for the purpose of establishment of premises and accommodation of executives. These are generally in the nature of operating lease / leave and license and period of agreements is generally for one year and renewable / cancelable at the option of the lessee or lessor. In view of above there are no disclosures required as per Accounting Standard - 19 "Leases" as prescribed by Companies (Accounting Standard) Rules, 2006.
18. Disclosures required as per Clause 32 of the Listing Agreement have been set out in a separate statement annexed hereto.

SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2011 (continued)

19. Information on Joint Ventures :

i. Jointly Controlled Entities :

Sr. No.	Name of Joint Venture	Country of Incorporation	Percentage of ownership interest 2010-11	Percentage of ownership interest 2009-10
1	Hospet Steels Limited	India	49.99%	49.99%

	2010-11 ₹	2009-10 ₹
ii) Share of the Company in the contingent liabilities incurred by jointly controlled entity	—	—
iii) Share of the Company in capital commitments which have been incurred jointly with the venture	—	—

iv) Interest in Assets, Liabilities, Income and Expenses with respect to Jointly Controlled Entities are as below :

	As at 31st March, 2011 Hospet Steels Limited ₹	As at 31st March, 2010 Hospet Steels Limited ₹
Assets :		
a) Fixed Assets (Net Block)	7,864,727	8,094,426
b) Investments	3,163	2,924
c) Current Assets, Loans and Advances	34,576,782	22,953,369
d) Deferred Tax Asset	1,449,178	1,198,833
e) Debit Balance in Profit & Loss Account	4,529,974	4,242,959
Liabilities :		
a) Loan Funds	852,407	478,197
b) Current Liabilities and Provisions	46,321,667	34,764,565

	2010-11 ₹	2009-10 ₹
Income :		
a) Other Income	32,021	—
b) Reimbursement of Expenses	263,872,669	179,744,169
Expenditure :		
a) Employees' Emoluments	155,312,733	111,409,930
b) Other Expenses	107,531,730	64,616,175
c) Interest	102,789	19,104
d) Depreciation & Write Offs, etc.	1,341,440	1,268,261
e) Provision for Taxation	153,358	399,482
f) Refund of Earlier Years FBT	(25,770)	—
g) Deferred Tax	(250,345)	541,159
h) Reimbursement of FBT of earlier years	25,770	(2,937,237)

20. Previous year's figures have been regrouped wherever considered necessary to make them comparable with those of the current year.

21. Reference is invited to Statement of Significant Accounting Policies annexed hereto.

As per our attached Report of even date

For DALAL & SHAH
Firm Registration No.102021W
Chartered Accountants

On behalf of the Board of Directors

Anish Amin
Partner
Membership No.40451

Mrs.D.R. Puranik
Company Secretary

R.K. Goyal
Managing Director

B.N. Kalyani
Chairman

Mumbai
Date : 25th May, 2011

Pune
Date : 25th May, 2011

ANNEXURE REFERRED TO IN NOTE NO.21 OF NOTES FORMING PART OF FINANCIAL STATEMENTS : STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOLLOWED BY THE COMPANY

1] SYSTEM OF ACCOUNTING :

i) The Company generally follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except those with significant uncertainties.

ii) Financial statements are based on historical cost. These costs are not adjusted to reflect the impact of the changing value in the purchasing power of money.

iii) The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any reservations to accounting estimates are recognised prospectively in current and future periods.

2] FIXED ASSETS AND DEPRECIATION :

A. FIXED ASSETS :

Fixed Assets are carried at cost of acquisition (including cost of specific borrowings up to date of installation) or construction, less accumulated depreciation (except freehold land) and amortisation (of cost of acquisition). In respect of projects implemented by the Company, fixed assets include all duties, non-refundable taxes, levies and costs incurred (which are directly attributable) for bringing assets into working condition for its intended use, including expenses during construction period, trial period etc.

B. DEPRECIATION :

a) LEASEHOLD LAND AND POWER LINE :

Cost of leasehold land is amortised over the period of lease and expenditures on power line is amortised over a period of ten years.

b) OTHER FIXED ASSETS :

Depreciation on assets is provided on "Straight Line Method" in accordance with Schedule XIV to the Companies Act, 1956 as amended from time to time, from the beginning of the month in which addition is made except if the life of any asset is less than that computed with reference to the rates prescribed under Schedule XIV of the Companies Act, 1956, the same is written off over the economic life of the asset.

c) Depreciation on sale / deduction from Fixed Assets is provided for upto the month of sale, deduction, discardment as the case may be.

3] FOREIGN CURRENCY TRANSACTIONS :

Foreign Currency transactions are initially recorded at exchange rates prevailing on transaction dates. All foreign currency loans, current assets and current liabilities outstanding on the date of Balance Sheet are converted at the appropriate rates of exchange prevailing on the date of the Balance Sheet. Exchange difference arising from foreign currency fluctuations are dealt with in the Profit and Loss Account.

Derivative instrument to hedge foreign exchange exposures are simulated for maturity / closure at the close of the year. Losses arising on such simulation on account of fluctuations in exchange rates during the reporting period are recognised in the Profit and Loss Account. Gains, if any, are postponed for a recognisation on final determination.

4] TECHNICAL KNOW-HOW :

Expenditure on technical know-how in connection with production facilities is capitalised to the cost of the plant whereas process know-how is amortised over a period of six years in equal installments.

ANNEXURE REFERRED TO IN NOTE NO. 21 OF NOTES FORMING PART OF FINANCIAL STATEMENTS (continued) :

5] INVESTMENTS :

Long term investments are valued at cost of acquisition less diminution in the value, if diminution is other than temporary in nature in respect of such investments. Current investments are valued at cost of acquisition less diminution in the value at the close of the year, if realisable value is lower than carrying cost.

6] INVENTORY VALUATION :

Costs of inventories have been computed to include all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

A. Finished goods and materials in process :

a) Finished goods and materials in process are stated at their cost or market / realisable value, whichever is lower.

b) Cost of finished goods (including trial run product) includes all allocable overheads and excise duties but excludes interest.

B. Raw Materials :

Raw materials are stated at their historical costs computed at the weighted average price. Slow moving / non moving raw materials are valued at cost or estimated realisable value whichever is lower.

C. Stores & Spares :

Stores and spares are valued at their weighted average prices. Slow moving / non moving stores & spares are valued at cost or estimated realisable value whichever is lower.

D. Scrap is valued at estimated realisable value.

E. Raw Material in transit is stated at actual cost up to the date of Balance Sheet.

7] DEBENTURE / SHARE ISSUE EXPENSES :

a) Debenture Issue Expenses :

Debenture issue expenses incurred in respect of debentures raised by the Company will be written off against the balance in the "Securities Premium Account" in accordance with Section 78 of the Companies Act, 1956 and in the event of inadequacy of balance in "Securities Premium Account" the same will be written off against the profits of the Company in equal annual installments over period of ten years or over the tenure of the Debenture whichever is less, from the date of commencement of commercial production of the concerned project for which they have been raised.

b) Share Issue Expenses :

Share Issue Expenses incurred in respect of shares raised by the Company will be written off from the date of allotment against the balance in the "Securities Premium Account" in accordance with Section 78 of the Companies Act, 1956 and in the event of inadequacy of balance in "Securities Premium Account" the same will be written off in ten equal annual installments against the profits of the respective years.

8] PREMIUM ON REDEMPTION OF DEBENTURES :

Premium payable on redemption of debentures will be provided for against balance lying in the "Securities Premium Account" on the date of redemption in accordance with Section 78 of the Companies Act, 1956. In the event of inadequacy of balance in the "Securities Premium Account", the same will be provided for against the profits equally over the tenure of the debentures.

9] A. SALES :

i) Domestic sales are accounted for when dispatched from the point of sale, consequent to property in goods being transferred.

ii) Export sales for exports are accounted on the basis of date of Bill of Lading.

ANNEXURE REFERRED TO IN NOTE NO. 21 OF NOTES FORMING PART OF FINANCIAL STATEMENTS (continued) :

B. EXPORT INCENTIVES :

Export incentives are accounted for on export of goods if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.

C. Interest is accrued over the period of loan / investment.

D. Dividend is accrued in the year in which it is declared, whereby right to receive is established.

E. Profit / Loss on sale of investment are recognised on contract date.

10] EMPLOYEE BENEFITS :

a) Provident Fund :

Benefits in the form of Provident Fund and Pension Schemes whether in pursuance of law or otherwise which are defined contributions is accounted on accrual basis and charged to Profit and Loss account of the year.

b) Gratuity :

Payment for present liability of future payment of gratuity is being made to approved gratuity funds which fully cover the same under Cash Accumulation Policy of the Life Insurance Corporation of India. The employee's gratuity is a defined benefit plan is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance Sheet and the shortfall in the fair value of the plan assets is recognised as obligation.

c) Superannuation :

Defined contributions to Life Insurance Corporation of India for employees covered under superannuation scheme are accounted at the rate of 15% of such employee's annual Salary.

d) Privilege Leave Benefits :

Privilege leave benefits or compensated absences are considered as long term unfunded benefit and is recognised on the basis of an actuarial valuation using the Projected Unit Credit Method determined by an appointed Actuary.

e) Termination Benefits :

Termination benefits such as compensation under voluntary retirement scheme are recognised as a liability in the year of termination.

11] RESEARCH AND DEVELOPMENT EXPENDITURE :

Research and Development expenditure is charged to revenue under the natural heads of account in the year in which it is incurred. However, expenditure incurred at development phase, where it is reasonably certain that outcome of research will be commercially exploited to yield economic benefits to the company, is considered as an intangible asset.

12] STRATEGIC ALLIANCE AT GINIGERA :

The expenses incurred by the Joint Venture Company viz. Hospet Steels Limited, formed with the specific purpose of managing and operating the composite Steel manufacturing facility at Ginigera, in the course of carrying out its objectives are, as agreed upon, to be shared by the alliance components in the pre-determined mutually agreed 'sharing ratio'. Such expenses billed for reimbursement by Hospet Steels Limited have been booked into their natural heads of accounts and presented as such in the accounts.

13] BORROWING COST :

Borrowing costs are recognised in the Profit and Loss account except interest incurred on borrowings, specifically raised for projects are capitalised to the cost of the asset until such time that the asset is ready to be put to use for its intended purpose.

ANNEXURE REFERRED TO IN NOTE NO. 21 OF NOTES FORMING PART OF FINANCIAL STATEMENTS (continued) :

14] TAXATION :

Provision for Taxation is made on the basis of the taxable profits computed for the current accounting period in accordance with the Income Tax Act, 1961. Deferred tax resulting from timing difference between book profits and tax profits is accounted for at the applicable rate of tax to the extent the timing differences are expected to crystallise, in case of deferred tax liabilities with reasonable certainty and in case of deferred tax assets with virtual certainty that there would be adequate future taxable income against which deferred tax assets can be realised.

15] IMPAIRMENT OF ASSETS :

The Company tests for impairments at the close of the accounting period if and only if there are indicators that suggest a possible reduction in the recoverable value of an asset. If the recoverable value of Asset, i.e. the net realisable value or the economic value in use of a cash generating unit is lower than the carrying amount of the asset, the difference is provided for as impairment. However, if subsequently the position reverses and the recoverable amount becomes higher than the then carrying value, the provision to the extent of the then difference is reversed, but not higher than the amount provided for.

16] PROVISIONS :

Necessary provisions are made for present obligations that arise out of past events prior to the Balance Sheet date entailing future outflow of economic resources. Such provisions reflect best estimates based on available information.

ANNEXURE REFERRED TO IN NOTE NO.14 OF NOTES FORMING PART OF THE FINANCIAL STATEMENTS :

Disclosure of Segment information as required by AS 17 "Segment Reporting"

Segment Reporting as required by Accounting Standard 17 :

Sr. No.	Particulars		**Year ended 31st March, 2011 ₹**	Year ended 31st March, 2010 ₹
1	Segment Revenue :			
	a) Iron & Steel		**12,255,225,217**	10,445,183,108
	b) Power		**253,664,143**	218,939,802
	Net Sales / Income from operations		**12,508,889,360**	10,664,122,910
2	Segment Results :			
	Profit / (Loss) (before interest & tax from each segment)			
	a) Iron & Steel		**703,661,909**	721,141,725
	b) Power		**171,965,920**	136,644,595
	Total Profit before Interest & Tax		**875,627,829**	857,786,320
	Less :			
	a) Interest		**180,902,320**	263,798,546
	b) Other un-allocable expenditure net of un-allocable income		**8,855,233**	92,952,192
	Profit before Tax		**685,870,276**	501,035,582
3	Total carrying amount of Segment Assets :			
	a) Iron & Steel		**7,724,360,874**	7,434,879,416
	b) Power		**234,587,612**	248,920,220
	c) Un-allocable		**373,208,013**	521,430,908
		Total	**8,332,156,499**	8,205,230,544
4	Total amount of Segment Liabilities :			
	a) Iron & Steel		**2,069,473,563**	2,481,078,167
	b) Power		**6,805,508**	6,570,767
	c) Un-allocable		**422,620,355**	447,025,387
		Total	**2,498,899,426**	2,934,674,321
5	Capital Employed (Segment Assets - Segment Liabilities)			
	a) Iron & Steel		**5,654,887,311**	4,953,801,249
	b) Power		**227,782,104**	242,349,453
	c) Un-allocable		**(49,412,342)**	74,405,521
		Total	**5,833,257,073**	5,270,556,223
6	Total Cost incurred during the year to acquire Segment Assets that are expected to be used during more than one period :			
	a) Iron & Steel		**86,253,412**	112,663,482
	b) Power		**—**	—
		Total	**86,253,412**	112,663,482
7	Depreciation :			
	a) Iron & Steel		**281,286,767**	298,499,244
	b) Power		**13,474,929**	12,886,958
		Total	**294,761,696**	311,386,202

ANNEXURE REFERRED TO IN NOTE NO.15 OF NOTES FORMING PART OF THE FINANCIAL STATEMENTS :

Disclosure of Transactions with Related Parties as required by Accounting Standard 18 :

Nature of Transaction	Subsidiaries ₹	Associates & Joint Ventures ₹	Key Management Personnel ₹	Relatives of Key Management Personnel ₹
Conversion Charges Paid				
For the Year 2010-11	—	—	—	—
For the Year 2009-10	—	6,447,872	—	—
Interest Received				
For the Year 2010-11	—	—	—	—
For the Year 2009-10	29,170,810	—	—	—
Receiving of Services				
For the Year 2010-11	—	293,881,501	20,587,386	—
For the Year 2009-10	—	212,757,429	11,683,302	—
Finance Provided (Loans & Investment / Share Application Money)				
For the Year 2010-11	—	110,681,010	—	—
For the Year 2009-10	137,819,600	113,064,029	—	—
Interest Paid				
For the Year 2010-11	—	—	—	6,868
For the Year 2009-10	—	—	—	11,878
Receivables as at				
31st March, 2011	—	601,501,445	—	—
31st March, 2010	—	400,847,792	—	—
Payables as at				
31st March, 2011	—	28,131,149	5,222,585	—
31st March, 2010	—	21,306,457	7,877,067	124,646

Note : Names of related parties and description of relationship

Description of Relationship	Names of Related Parties
Associates & Joint Ventures	Kalyani Mukand Limited
	Hospet Steels Limited
	Bharat NRE Coke Limited
	Lord Ganesha Minerals Private Limited
Key Management Personnel	Mr.C.G. Patankar
	Mr.R.K. Goyal
Relatives of Key Management Personnel	Mrs.M.C. Patankar

ANNEXURE REFERRED TO IN NOTE NO.18 OF NOTES FORMING PART OF THE FINANCIAL STATEMENTS :
Disclosures required as per Clause 32 of the Listing Agreement

Name of the Company	Loans and Advances				Investments	
	Amount outstanding as on		Maximum balance outstanding during the year		Amount outstanding as at	
	31st March, 2011 ₹	31st March, 2010 ₹	2010-11 ₹	2009-10 ₹	31st March, 2011 ₹	31st March, 2010 ₹
Associates :						
Kalyani Mukand Limited	—	—	—	—	10,050,000	10,050,000
Hospet Steels Limited	—	—	—	—	1,249,970	1,249,970
Bharat NRE Coke Limited	—	—	—	—	145,200,000	145,200,000
Lord Ganesha Minerals Private Limited	345,051,475	234,200,717	345,051,475	304,008,545	100,000,000	100,000,000
Formerly subsidiaries *						
Campanula Investment & Finance Limited	—	533,500	533,500	533,500	—	—
Cornflower Investment & Finance Limited	—	583,500	583,500	583,500	—	—
Dandkaranya Investment & Trading Limited	—	833,500	833,500	833,500	—	—
Dronacharya Investment & Trading Limited	—	583,300	583,300	583,300	—	—
Hastinapur Investment & Trading Limited	—	833,500	833,500	833,500	—	—
Other Companies * $						
Sprekelia Investment & Finance Limited	2,500,000	4,125,000	4,125,000	4,125,000	—	—
Oleander Investment & Finance Limited	2,150,000	3,985,000	3,985,000	3,985,000	—	—
Alocasia Investment & Finance Limited	2,150,000	3,985,000	3,985,000	3,985,000	—	—
Acorus Investment & Finance Limited	2,000,000	4,100,000	4,100,000	4,100,000	—	—
Khiphofia Investment & Finance Limited	2,150,000	3,985,000	3,985,000	3,985,000	—	—
Poinsettia Investment & Finance Limited	—	855,000	855,000	855,000	—	—
India International Limited	300,000	300,000	300,000	300,000	—	—
Advances in the nature of loans * $						
KSL Executive Welfare Share Option Trust I	1,450,000	1,450,000	1,450,000	1,450,000	—	—
KSL Executive Welfare Share Option Trust II	1,450,000	1,450,000	1,450,000	1,450,000	—	—
KSL Executive Welfare Share Option Trust III	1,450,000	1,450,000	1,450,000	1,450,000	—	—
KSL Executive Welfare Share Option Trust IV	1,450,000	1,450,000	1,450,000	1,450,000	—	—
KSL Executive Welfare Share Option Trust V	1,450,000	1,450,000	1,450,000	1,450,000	—	—
KSL Executive Welfare Share Option Trust VI	930,000	930,000	930,000	930,000	—	—
KSL Group Welfare Share Option Trust	1,000,000	1,000,000	1,000,000	1,000,000	—	—

Notes :

1. There are no loans and advances in the nature of loans, to firms / companies in which directors are interested.

* 2. No repayment schedule.

$ 3. No interest.

Investment by Loanee in the Shares of the Company :

Name of the Loanee	No. of Shares held	
	As on 31st March, 2011	As on 31st March, 2010
Sprekelia Investment & Finance Limited	83,960	83,960
Oleander Investment & Finance Limited	83,960	83,960
Alocasia Investment & Finance Limited	83,960	83,960
Acorus Investment & Finance Limited	83,960	83,960
Khiphofia Investment & Finance Limited	84,152	84,152
Poinsettia Investment & Finance Limited	50,998	50,998
KSL Executive Welfare Share Option Trust I	40,000	40,000
KSL Executive Welfare Share Option Trust II	40,000	40,000
KSL Executive Welfare Share Option Trust III	40,000	40,000
KSL Executive Welfare Share Option Trust IV	40,000	40,000
KSL Executive Welfare Share Option Trust V	40,000	40,000
KSL Executive Welfare Share Option Trust VI	25,000	25,000

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration Number : 16350 State Code : 11

Balance Sheet Date: 31 Month: 03 Year: 2011

II. Capital raised during the year (Amount in ₹Thousands)

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	Private Placement
NIL	NIL

III. Position of Mobilisation and Deployment of Funds (Amount in ₹Thousands)

Total Liabilities	Total Assets
5833257	5833257

Sources of Funds

Paid-up Capital	Reserves & Surplus
218644	2995636
Paid-up Preference Share Capital	Deferred Tax Adjustment
NIL	364267
Secured Loans	Unsecured Loans
2052968	201742

Application of Funds

Net Fixed Assets	Investments
2270910	832500
Net Current Assets	Misc. Expenditure
2729847	NIL
Accumulated Loss	
NIL	

IV. Performance of Company (Amount in ₹Thousands)

Turnover	Total Expenditure
12525814	11839944

+ —	Profit / Loss before Tax
+	685870

Earnings per Share in ₹	Dividend Rate %
12.53	40

V. Generic Names of Three Principal Products / Services of the Company (as per monetary terms)

Item Code No. (ITC Code) : 7228.30

Product Description: ALLOY BARS & RODS

Item Code No. (ITC Code) : 7215.90

Product Description: NON ALLOY BARS & RODS

Item Code No. (ITC Code) : 7206.90

Product Description: NON ALLOY INGOTS

On behalf of the Board of Directors

Mrs.D.R. Puranik	R.K. Goyal	B.N. Kalyani
Company Secretary	Managing Director	Chairman

Pune

Date : 25th May, 2011

KALYANI

DRIVING INNOVATION

KALYANI STEELS LIMITED

MUNDHWA, PUNE - 411 036
MAHARASHTRA, INDIA.

PRABODH 24477503