

75th Annual Report 2012-13



His Excellency Shri Viren J. Shah

12 May 1926 – 09 March 2013

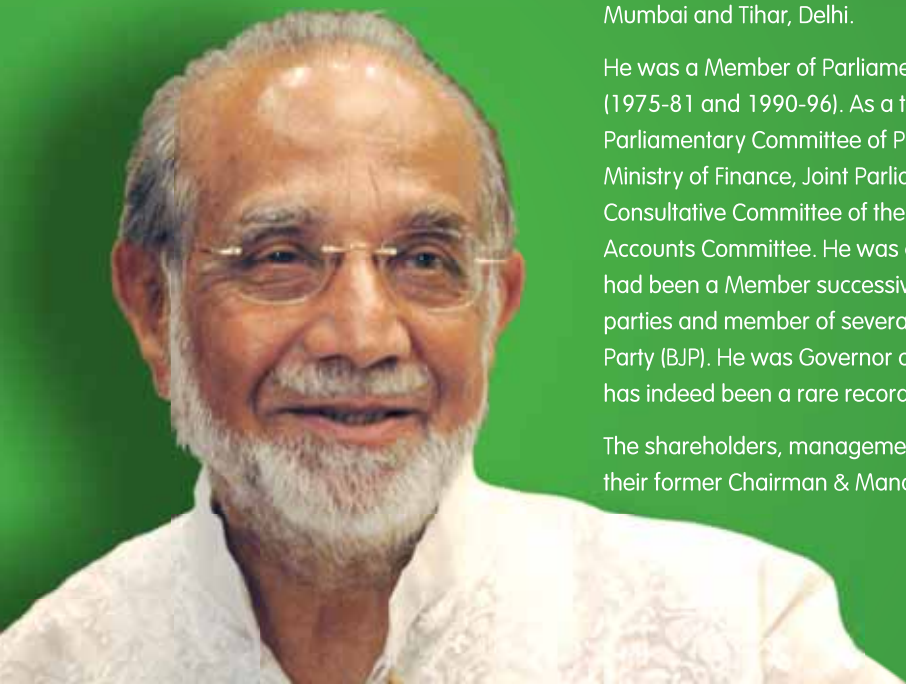
Mr. Viren J. Shah was a leader of vision and dynamism for the Indian Industry in an environment that was less friendly to industry than it is today. He was Chairman of the Board of Directors of Mukand Ltd. from 1972 to 1999. His association with Mukand Ltd., goes back more than five decades commencing from 1945 when he joined Jeewan Limited, the managing agents of the company.

He was President of the Associated Chambers of Commerce & Industry of India (ASSOCHAM), President of the Indian Merchants' Chamber (IMC), Member for many years of the Managing Committee of the Federation of Indian Chambers of Commerce & Industry (FICCI) and President also of the Indian National Committee of the International Chamber of Commerce (ICC). He was Founder-Chairman of Steel Manufacturers Association of India and Chairman of the Steel Rolling Mills Association of India as well. A former Trustee of Bombay Port Trust, he was Chairman of the Board of Visitors of St. George's Hospital, Mumbai – one of the largest public hospitals in the city. He was a Member of the Board of Governors of National Institute for Training in Industrial Engineering (NITIE), Mumbai and a Member of the Council of the Indian Institute of Science (IISC), Bangalore.

He played his role as a citizen with deep commitment and seriousness in varied ways. An active participant in India's struggle for freedom, he was Joint Secretary, Junagadh Rajyaprajamandal, which spearheaded the movement for the merger of the State of Junagadh into the Indian Union. He fought for freedom from tyranny during the years of Emergency from 1975-77. At a time when most others crawled when they were asked only to bend, he showed rare courage in standing up, risking his own liberty in defence of the liberty of others and was incarcerated in 1976 in two of the country's notorious prisons - Arthur Road, Mumbai and Tihar, Delhi.

He was a Member of Parliament, the Lok Sabha (1967-70) and Rajya Sabha (1975-81 and 1990-96). As a three-term M.P., he was a Member of the Parliamentary Committee of Public Undertakings, Consultative Committee of the Ministry of Finance, Joint Parliamentary Committee on Fertilizer Pricing, Consultative Committee of the Ministry of Defence and Member also of the Public Accounts Committee. He was a Member of National Integration Council (NIC). He had been a Member successively of the National Executive of two major political parties and member of several policy-making bodies of the Bharatiya Janata Party (BJP). He was Governor of West Bengal during the years 1999 to 2004. It has indeed been a rare record of public service by an industrialist.

The shareholders, management and employees of Mukand Ltd., pay homage to their former Chairman & Managing Director, Late Shri Viren J. Shah.



BOARD OF DIRECTORS AND THE MANAGEMENT TEAM

BOARD OF DIRECTORS

| | |
|---------------------------|---------------------------------|
| Niraj Bajaj | Chairman & Managing Director |
| Rajesh V Shah | Co-Chairman & Managing Director |
| Dhirajlal S Mehta | |
| Suketu V Shah | Joint Managing Director |
| Vinod S Shah | |
| Dr. N P Jain, IFS (Retd.) | |
| Narendra J Shah | |
| N C Sharma | |
| Prakash V Mehta | |
| Pradip P Shah | |
| Amit Yadav | |

Company Secretary

K J Mallya

Auditors

Haribhakti & Co. Chartered Accountants

THE MANAGEMENT TEAM

Corporate

| | |
|---------------|---------------------------------|
| Niraj Bajaj | Chairman & Managing Director |
| Rajesh V Shah | Co-Chairman & Managing Director |
| Suketu V Shah | Joint Managing Director |
| S B Jhaveri | Chief Financial Officer |

Steel Division

| | |
|------------------|---|
| A M Kulkarni | Chief Executive (Steel Plant, Thane) |
| R Sampath Kumar | Chief Executive (Steel Plant, Ginigera) |
| C H Sharma | Technical Advisor, Steel |
| Sidharth Shah | Chief of Materials Management |
| V M Mashruwala | Chief of Marketing (Alloy & Stainless Steel) |
| Virendra K Mital | Business Development Director |

Industrial Machinery Division

| | |
|---------------|-----------------|
| R Jagannathan | Chief Executive |
|---------------|-----------------|

ANNUAL GENERAL MEETING

Tuesday, August 13, 2013 at 4.00 p.m. at

Kamalnayan Bajaj Hall, Jamnalal Bajaj Marg,
226, Nariman Point,
Mumbai 400 021

Registered Office

Bajaj Bhawan, Jamnalal Bajaj Marg,
226, Nariman Point, Mumbai 400 021

Works

Thane, Maharashtra 400 605
Ginigera, Karnataka 583 228

Branch Offices

Bangaluru, Chennai, Delhi, Kolkata, Visakhapatnam
E-mail : investors@mukand.com
Website: www.mukand.com

A Request

As a measure of economy copies of Annual Report will not be distributed at the Annual General Meeting. Members are therefore requested to bring their copy to the meeting.

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NOTICE

To

The Members,

NOTICE is hereby given that the 75th ANNUAL GENERAL MEETING of the Members of MUKAND LTD. will be held on Tuesday, the 13th August, 2013 at 4.00 p.m. at Kamalnayan Bajaj Hall, Bajaj Bhawan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai 400021 to transact the following business:

1. To consider and adopt the Statement of Profit & Loss for the year ended 31st March, 2013, the Balance Sheet as at that date and the Report of the Board of Directors and the Auditors thereon.
2. To declare dividend on 0.01% Cumulative Redeemable Preference Shares.
3. To appoint a Director in place of Shri Dhirajlal S. Mehta, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Dr. N. P. Jain, IFS(Retd.), who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Shri Prakash V. Mehta, who retires by rotation and is eligible for re-appointment.
6. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED that M/s. Haribhakti & Co., Chartered Accountants (Registration No. 103523W), be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be agreed upon by the Board of Directors and the Statutory Auditors, plus applicable service tax and out-of-pocket expenses incurred by them for the purpose of audit of the accounts of the Company for the financial year ending 31st March, 2014."

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. The instrument appointing a proxy, to be effective, should however, be deposited at the Registered Office of the Company not less than 48 (forty-eight) hours before the commencement of the Meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, the 3rd August, 2013 to Tuesday, the 13th August, 2013 (both days inclusive).
3. Corporate members intending to send their authorised representative to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
4. A Proxy shall not vote except on a poll.
5. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. a) The payment of dividend on 0.01% Cumulative Redeemable Preference Shares upon declaration by the Members at the forthcoming Annual General Meeting, will be made on or after 17th August, 2013 as under :
 - i. To all those beneficial owners holding shares in electronic form as per the beneficial ownership data as may be made available to the Company by National Securities Depository Ltd. (NSDL) and the Central Depository Services (India) Ltd. (CDSL) as at the end of the day on Friday, 2nd August, 2013; and
 - ii. To all those shareholders holding shares in physical form after giving effect to all the valid share transfers lodged with the Company on or before Friday, 2nd August, 2013.
- b) It is suggested for convenience of Members that they should notify change in their addresses and / or Bank Mandate details, if any, preferably on or before Friday, 2nd August, 2013, in respect of :-
 - i. shares held in physical form - to Company's Share Transfer Agents (STAs) ; and
 - ii. shares held in dematerialized (demat) form - to their respective Depository Participants (DPs) to enable printing of these particulars on dividend warrants, to minimize chances of loss due to fraudulent encashment of warrants.

7. The Securities and Exchange Board of India (SEBI) has made it mandatory for all companies to use the bank account details furnished by the shareholders in respect of shares held in demat form to the Depositories for depositing dividends. Dividend will be credited to the Members' bank account through National Electronic Clearing Service (NECS) wherever complete core banking details are made available by the Depositories or are available with the STAs/Company. In cases where the core banking details are not available, dividend warrants will be issued to the Members with bank details printed thereon as provided by the shareholders to their Depositories in respect of shares held in demat form or to the STAs / the Company in respect of shares held in physical form.
8. Members who have neither received nor encashed their dividend warrant(s) for any of the financial years from 2005-06 upto 2011-12, are requested to write to the STAs of the Company mentioning the relevant Folio Number(s)/ DP ID and Client ID, for issuance of duplicate/ revalidated dividend warrant(s).
9. The Company has designated an exclusive e-mail ID viz. **investors@mukand.com** to enable the investors to e-mail their grievance, if any, and monitor its redressal.
10. Members desiring any information relating to the annual accounts of the Company are requested to send their queries to the Company Secretary at least 7 (seven) days before the date of the Meeting.
11. Members / Proxies are requested to bring their attendance slip along with their copy of Annual Report to the Meeting.
12. The SEBI has made it mandatory for every participant in the securities / capital market to furnish Income Tax Permanent Account Number (PAN) for transactions involving transfer of shares. Therefore, members holding shares in physical form are requested to furnish their PAN along with self-attested photocopy of PAN Card to the STAs. Members holding shares in demat form are requested to register the details of their PAN with their DPs.
13. Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding with the STAs of the Company. Members holding shares in dematerialised form may contact their DP for recording their nomination.
14. To ensure faster shareholder communications, including annual reports, in line with the " Green Initiative in Corporate Governance" taken by the Ministry of Corporate Affairs, the shareholders are requested to kindly register /update their e-mail address with their respective depository participant, where shares are held in electronic form. If, however, shares are held in physical form, shareholders are advised to register their e-mail address with Karvy Computershare Pvt. Ltd., Hyderabad.
Members may note that the aforesaid documents will be uploaded on the website of the Company viz. **www.mukand.com** and made available for inspection at the Registered Office of the Company during business hours.
15. As regards the re-appointment of retiring directors, viz. Shri Dhirajlal S. Mehta, Dr. N. P. Jain, IFS (Retd.) and Shri Prakash V. Mehta referred to in item Nos. 3, 4 and 5 of the Notice respectively, their brief resumes, including shareholding details, have been given in the Report on Corporate Governance which forms part of the Directors' Report and members are requested to refer to the same.

By Order of the Board of Directors
For MUKAND LTD.

Mumbai
Dated : May 25, 2013

K.J. MALLYA
Company Secretary

Registered Office:
Bajaj Bhawan, Jamnalal Bajaj Marg,
226, Nariman Point,
Mumbai 400021

DIRECTORS' REPORT

- 1.0** The Directors' of the Company place on record their deep sense of grief over the passing away of Shri Viren J. Shah on March 9, 2013. He was Chairman & Managing Director of the Company during the years 1972 to 1999.

Shri Virenbhai was associated with the Company for over five decades from 1945 when he joined Jeewan Ltd., the Managing Agents of your Company. His entrepreneurial leadership, high ethical standards and emphasis on the best management practices, led to the growth of the Company through several periods of fluctuating fortunes. He was a man of rare courage, original and unconventional in his thinking, a statesman among businessmen and always acted on his convictions.

Shri Virenbhai's greatest strength was his ability to build instant rapport and a connection with other people and his relationship with employees at all levels of the company was exemplary. Even after his retirement from Board of Directors of your Company, he took interest in the affairs of the company and was always available to provide invaluable guidance to the management as and when they needed it. He motivated and inspired generations of employees of the company who will always remember him with love, gratitude and respect.

- 2.0** The Directors present the 75th Annual Report and audited statements of accounts of the Company for the year ended March 31, 2013.

3.0 Gross Sales, Services and Other Income:

3.01 The gross sales from the operations and other income for the year under review was at Rs.2,348 crore as against Rs. 2,800 crore in the previous year.

3.02 Revenues from exports went down at Rs.151.83 crore during the year under review as against Rs.216.95 crore in the previous year.

3.03 Loss for the year is reduced to Rs.39.46 crore as against loss of Rs.93.50 crore in the previous year.

4.0 Dividend:

The Directors do not recommend any dividend on equity shares in view of the losses incurred during the year. The Directors recommend payment of dividend of 0.01% on cumulative redeemable preference shares. The dividend and tax thereon aggregate Rs.6,540/- for the year and the same will be paid by transfer from the general reserve.

5.0 Performance:

The performance of the Company is elaborated in the Management Discussion & Analysis annexed to this Report.

6.0 Joint Venture with Sumitomo Corporation, Japan :

The Company finalized during the year an understanding with M/s Sumitomo Corporation, Japan in respect of the formation of a Joint Venture between Mukand Ltd. Group (60%) and Sumitomo Corporation Group (40%) for the manufacture of bright bars and wires. The shareholders have, by postal ballot, approved the sale of Company's business of cold finished bars and wires to the Subsidiary, Technosys Metal Processing Ltd., which is re-christened Mukand Sumi Metal Processing Ltd. (MSMPL) after investment by Joint Venture Partner, Sumitomo Corporation, Japan. MSMPL is a subsidiary of your Company. The Company has invested an amount of Rs.118.09 crore in MSMPL. The effect of the transfer of this business has been considered in the results of the year under report. Sumitomo Corporation has an extensive worldwide customer network and would be in a position to bring in marketing expertise which would help expand the market for the products and widen the product range both in India and abroad. The tie-up with Sumitomo Corporation will also help MSMPL to achieve better operational parameters, improved quality and higher productivity in line with international benchmarks. This will fuel faster growth and lead to improved margins. The Company will cater to MSMPL's input requirements of wire rods and bars from its existing plants at Dighe, Thane, Maharashtra and Ginigera, Karnataka.

7.0 Finance:

7.01 Interest expenses have increased as the Company had to borrow additional funds for meeting its operational needs incurred during the year. The rate of interest too went up during the year.

7.02 Fixed Deposits:

The Company has, during the year, transferred Rs.0.09 crore of unclaimed deposits and interest thereon to the Investor Education and Protection Fund set up by the Government of India.

8.0 Industrial Relations:

The Company continues to maintain harmonious and cordial relations with its employees at all levels. The Company actively strives to train and motivate all employees to participate in Total Quality Management activities.

9.0 Awards:

9.01 You will be happy to note that during the year under report, your Company has for the second time, received SKF's Supplier Excellence Award 2012 for the quality of the wires and wire rods for tapered roller bearings. The earlier award was received in 2009. Bajaj Auto Ltd. awarded the Company its Quality Silver Award for the year 2012. Somic SF Components Ltd. too gave an award for quality and delivery.

9.02 Company's Steel Plant at Ginigera, Karnataka received safety awards instituted by the Government of Karnataka. These include first prize for 'Best Worker in Large Scale Industry' category for adopting Best Safe Practices in the year 2012.

10.0 Corporate Social Responsibility (CSR):

10.01 By the Company:

The Company continues to support and encourage developmental activities that are inclusive in nature. The Company strives towards the objective of achieving a minimum education level of Class 10 for every girl child born on or after the year 2002, belonging to SC/ST and economically disadvantaged segments, in seven remote talukas of Thane district. Currently, it encompasses over 16,000 girl students studying in schools across these seven talukas of Thane district. During the year under report, the Company supported by Janaki Devi Bajaj Gram Vikas Sanstha also conducted an elaborate CSR program at Shahapur, the largest Taluka in Thane District covering over 5,000 girls across 47 schools. Special emphasis has been made to trace 'out of school' girls and to bring them back to school.

At the Steel Plant at Ginigera in the State of Karnataka, the Company participates in the celebrations held by local schools on Children's Day and Independence Day by distribution of shields, medals, prizes etc.. The Company supports the students staying around the plant by distributing school bags, books, etc. The Company also ensures regular supply of drinking water to Ginigera village.

10.02 By the Group:

In addition to the activities carried out by the Company, the Bajaj Group is involved in a number of CSR projects in the areas of education, health care, economic and environmental development, social and urban development through various trusts and group companies. The group also manages schools, colleges, hospitals, and a nursing college. It helps NGOs, Charitable Bodies and Trusts operating at various locations. One of the trusts also gives awards for outstanding contribution for constructive work for application of science, technology and upliftment and welfare of women and children along Gandhian lines. Rural and community development activities are also conducted in the villages.

11.0 Statutory disclosures:

11.01 The statutory disclosures in accordance with section 217 (1) (e) of the Companies Act, 1956, with respect to conservation of energy, technology absorption and foreign exchange earnings and outgo are made in Appendix-I to the report.

11.02 A statement showing details of employees covered within the purview of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is given in Appendix-II to the report.

11.03 The Company has five wholly-owned Subsidiary Companies, viz., Mukand International FZE, Mukand Global Finance Limited, Vidyavihar Containers Limited, Mukand International Limited, and Mukand Vijayanagar Steel Limited and a subsidiary Company viz., Mukand Sumi Metal Processing Ltd.

A statement pursuant to Section 212 of the Companies Act, 1956 setting out the details of these subsidiaries is attached to the Balance Sheet. Government has granted general exemption to companies from compliance u/s 212 of the Companies Act, 1956 subject to fulfilment of certain conditions. The Company has satisfied the stipulated conditions and is therefore, entitled to the said exemption from attaching the financial statements of subsidiary companies to the Accounts of the Company for the Financial Year 2012-13. A summary of key financials of the subsidiaries is included in the Annual Report. The Annual Accounts of these subsidiaries and the related detailed information are available to the shareholders of the Company and other investors seeking such information at any point of time at the Registered Office of the Company. The Annual Accounts are also available for inspection by any investor at the Registered Office of the Company and that of the Subsidiary Company concerned.

11.04 Consolidated financial statements (CFS), pursuant to clause 32 of the Listing Agreement, have been prepared by the Company in accordance with the requirements of Accounting Standard 21 prescribed under the Companies Act, 1956.

11.05 Segment-wise disclosure of revenues, results, assets and liabilities on the basis of products segments are separately given in a tabular form in the Consolidated Financial Statement.

11.06 A report on corporate governance, pursuant to clause 49 of the Listing Agreement along with the certificate from Auditors regarding compliance of conditions of corporate governance is annexed to this Report.

12.0 Directors' Responsibility Statement:

Pursuant to section 217 (2AA) of the Companies Act, 1956, the Directors confirm that:

- I. In the preparation of the annual accounts, the applicable accounting standards have been followed;
- II. Appropriate accounting policies have been selected and applied consistently. Judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as on March 31, 2013, and of the Loss of the Company for the year ended March 31, 2013;
- III. Proper and sufficient care has 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;
- IV. The Annual Accounts have been prepared on a going concern basis.

13.0 Directors:

Shri D. S. Mehta, Dr. N. P. Jain, IFS (Retd.) and Shri Prakash V. Mehta, Directors of the Company, retire by rotation and are eligible for re-appointment.

14.0 Auditors:

14.01 Messrs Haribhakti & Co., Chartered Accountants, Mumbai, Auditors of the Company, retire and are eligible for re-appointment.

14.02 The Company has appointed M/s. Y. R. Doshi & Co., Cost Accountants, Mumbai as Cost Auditors to carry out the audit of cost records relating to steel plants of the Company for Financial Year 2012-13. The Cost Audit Report for Financial Year 2011-12 which was due to be filed with the Ministry of Corporate Affairs on February 28, 2013, was filed on February 18, 2013.

15.0 Auditors' Report:

The observations made in the auditors' report, read together with the relevant notes thereon are self-explanatory and hence, do not call for any comments under Section 217 of the Companies Act, 1956.

16.0 Acknowledgement:

The Board of Directors thanks the Banks, Financial Institutions, Central and State Government Authorities, Shareholders, Customers, Suppliers, employees and Business Associates for their continued co-operation and support to the Company.

On behalf of the Board of Directors,

Niraj Bajaj

Chairman & Managing Director

Rajesh V. Shah

Co-Chairman & Managing Director

Mumbai, May 25, 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

1.0 General :

1.01 The year that is past will be remembered for the economic and political turmoil that engulfed most parts of the world. It will be remembered as a year that witnessed the economic decline of Europe and America and a sluggish performance by the BRIC nations which fell short of all optimistic predictions.

1.02 In India, rising fiscal deficits, adverse trade balance and continued inflation resulted in high interest rates and weakening of the Rupee. Uncertain political environment resulting in policy and regulatory delays in implementing reforms slowed down the economic growth. The industrial growth was at 0.9% during April-February 2013, even lower than 3.3% recorded during April-February 2008-09 (the year of financial crisis). In FY 13 manufacturing grew at 1%, mining industry recorded a fall of 2.6% while the auto industry grew only by 3%.

1.03 In such an environment, the Company too witnessed a slowdown with its turnover and other income dropping to Rs.2,348 crore in the year under review as against Rs.2,800 crore in the previous year.

2.00 Specialty Steel Division:

2.01 The Company is predominantly engaged in the business of special and alloy steel and stainless steel long products that feed into the auto components, engineering, defence and fasteners industries. The fortunes of this business are closely linked with the availability and prices of raw-materials, growth of the user industries and overall growth of the economy.

2.02 The utilization of steel making capacity at the Steel Plant at Ginigera continued to remain low for the year under report due to the paucity of iron ore supplies and steep increase in iron ore prices resulting from the continued partial ban on mining operations and transportation of iron ore in the state of Karnataka by the Hon'ble Supreme Court since July-August 2011. The resulting loss of production contributed mainly to the losses incurred by the Company during the year.

2.03 Iron Ore:

2.03.1 As per the Order by the Hon'ble Supreme Court in July-August 2011, a total of 166 iron ore mines were closed. After exhaustive investigations under the aegis of a committee appointed by the Hon'ble Supreme Court, the Court permitted re-opening of only 18 'Category A' mines on 3rd September 2012 subject to the conditions laid down by the Court. By the end of March 2013, only 9 mines resumed mining operations of which one mine had to be closed down. There was thus only a marginal improvement in the availability of iron ore during the year under review.

2.03.2 At the beginning of the Financial Year 2012-13, it was expected that the balance 'Category A' and 'Category B' mines would reopen by the first half of 2012. Unfortunately, this did not happen and it was only in April 2013 that the Hon'ble Supreme Court permitted re-opening of the balance of 'Category A' and 'Category B' mines subject to specified conditions. The Court also simultaneously directed termination of mining leases of 49 'Category C mines'. The opening of the balance 'Category A' and 'Category B' mines will be a gradual process as each of the mines has to first obtain various approvals and implement a Reclamation & Rehabilitation Plan as approved by the competent authority.

2.03.3 The Hon'ble Supreme Court's Order referred above, also lifted the ban on allocation of new mining leases by Government of Karnataka coupled with termination of leases for the 49 'Category C' mines. These iron ore mines will now be available for new allotment to the steel plants and is expected to help them get mining leases for captive requirements.

2.03.4 With limited availability of high grade iron ore in the Supreme Court mandated e-auctions, the price of iron ore continued to remain high and the quality of available iron ore was also poor. The situation for the Company was even more challenging as it can only use iron ore lumps which are in short supply and the prices of which too were much higher than iron ore fines. The Company's need to reduce its dependence on iron ore lumps fructified in the second half of the year under report with the commissioning of the

Sinter Plant which uses iron ore fines. Thus the company's input cost for iron ore used in making steel will be lower during the year in progress.

2.04 Input Prices:

2.04.1 On account of the recessionary conditions and slump in the industrial activity in Europe and lackluster growth in the United States of America, the commodity prices in general were subdued, crude oil prices moved down, coking coal prices softened, prices of nickel, scrap and other imported input commodities also declined. However, due to the depreciation of the Indian Rupee during the year, the benefits on account of reduced prices have partially been negated. In India, however, the prices of Ferro-chrome high carbon, one of the major inputs for alloy and stainless steel production went up by about 11% during the year due to power cuts in the States of Orissa and Andhra Pradesh, where the manufacturing facilities of this input are located.

2.04.2 The Steel industry in India is largely dependent on imports of key inputs like coking coal, metallurgical coke, scrap, nickel and molybdenum. The prices of these inputs continue to remain volatile on the basis of global demand and supply factors and also, the highly volatile Rupee-Dollar exchange rate.

2.05 Demand:

2.05.1 The market for special carbon and alloy steel is expected to remain positive in the long run with the automobile sector expected to pick up momentum. Moreover, India is emerging as a major automobile hub for exports of vehicles as well as components. Emphasis on the development of the infrastructure segment by the Government is also likely to push up the demand for commercial vehicles.

2.05.2 The demand for bright bars and wires will increase considerably with the growth in automobile and engineering sectors and in view of this, the Company entered into a Joint Venture with Sumitomo Corporation, Japan to increase the output of bright bars and wires for which, the Company will supply larger quantities of wire rods and bars.

2.05.3 The Company expects prices of steel products to continue to be under pressure on account of the expansion in capacities by existing players, entry of new players in the alloy steel market and cheaper imports. The import duties on special and alloy steel are presently only at 5% and imports from the countries under the free trade agreement attract even a lower rate of 3% resulting in increased imports. Countries like China, Korea, Japan, Germany and France are stepping up their exports of steels to India to offset lower demand in other Asian and European countries. The sales of CHQ special steel wire rods were severely affected as the said segment was dominated by cheaper imports and stiff competition from domestic players.

2.05.4 The Indian auto industry grew by only 3% during the year under review as compared to 12% in the previous year. Several factors including high inflation, firm interest rates and rising fuel prices had a dampening effect on demand for automobiles. The growth rate of the sector however, is expected to improve in the year in progress to 6% to 8% and 9% to 11% in the long run. The growth of two-wheelers and low capacity vehicles (LCVs) is expected to grow rapidly.

2.05.5 The business of stainless steel long products largely depends on international markets. The markets in Europe and the USA are yet to emerge out of the recessionary conditions of the year 2008-09. This resulted in reduced off-take of stainless steel wire rods and bars by Indian producers manufacturing Bright Bars and Wires for export. Stiff competition from Indian producers as well as from international mills has put pressure on prices.

2.05.6 The demand for stainless steel is expected to grow at 6% to 8% per annum in the next five years. The demand for stainless steel in oil and gas sector has already revived. The investment made by the Company in hardening, tempering and quenching facilities will provide better opportunities to cater to this market. The increase in demand for stainless steel may shoot up the present low nickel

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

prices and slow-down the growth. The Company has developed new grades of wire rods and bars to widen its customer base.

2.05.7 The strategy for alloy and stainless steel business is to increase sale of high revenue contributing products, value added products and develop new products. The Company will widen its distribution network and tie up with automobile manufacturers who can take advantage of the Company being a one-stop-shop.

2.05.8 Exports of the company's steel products were lower mainly on account of weak demand for the Company's stainless steel long products in almost all the world markets due to global economic downturn and fluctuating Rupee-Dollar rate. Increase in import duty by Sri Lanka, the trade restrictions imposed by Argentina, dollar sales embargo with Iran, anti-dumping duties levied by the USA and European countries have reduced the exports of auto industry. Further, reduction in export incentives has brought down the export of steel and automobiles. The Government must come out with WTO compliant scheme and provide a level playing field to the exporters in the world market.

2.06 Cost Reduction:

2.06.1 These market influencers however did not deter the motivation and determination of your company to work towards a better tomorrow. Several steps were taken to reduce costs by substituting some of the inputs and changing some of the processes while maintaining the superior quality standards of the end products.

2.06.2 The Company expects a 10% reduction in production costs from July 2013 onwards by implementing several cost reduction projects such as installing of Sinter Plant, Hot Blast Stoves and a Pulverized Coal Injection System to reduce the cost of the two most critical inputs, viz., iron ore and coke. The Sinter Plant was commissioned in December 2012, the Hot Blast Stoves is expected to be commissioned by May 2013 and a Pulverized Coal Injection System by June 2013. The Sinter Plant will help the Company use iron ore fines which are available in larger quantities and are cheaper compared to iron ore lumps. Hot Blast Stoves will reduce the consumption of Coke and Pulverized Coal Injection System will replace metallurgical coke by coal which is cheaper. These facilities will increase the productivity and also reduce operating costs. The Company also started replacing costly fuel oil by using off gases from the Blast Furnaces in re-heating furnace and other applications. Two Bell Furnaces are expected to be commissioned during the year in progress to cater to the increased demand of annealed steel products. The total capital expenditure in the above projects is expected to be approximately Rs.200 crore. The Company has tied up long term funds to finance the same.

2.06.3 At the Steel Plant at Dighe, Thane, the company adopted duplex process instead of triplex process for making stainless steel thereby further reducing costs. Further, the Company developed processes to bypass annealing process for steel used in fastener steel and eliminate pickling of wire rod coils before annealing. All these processes will reduce costs and improve competitiveness and margins.

2.07 Segment Revenue & Results:

The net turnover of the division was Rs.1,848 crore during the year compared to Rs.2,273 crore in the previous year and the profit before interest was Rs.20.08 crore during the year compared to profit before interest of Rs.12.15 crore in the previous year.

3.0 Industrial Machinery division:

3.01 The division saw a decline in the turnover for the year under report. Several major projects, particularly in the steel sector, did not pick-up momentum during the year and also some customers delayed their committed delivery schedule requirements. Expected capital investments in the ferrous and non-ferrous sector were deferred, resulting in lower order booking for the division. At the end of the year, the division has orders aggregating to Rs.386 crore to be executed over FY 2013-14 and FY 2014-15.

3.02 Lower demand is likely to adversely affect the margins of the

division. However the division initiated a number of cost reduction measures, including design changes so as to reduce input and operating costs. A 10% reduction in the costs has already been achieved during the year under report through improved design and better sourcing. These efforts will rigorously continue during the year in progress.

3.03 Infrastructure work on the land acquired at Sinnar for expansion of the Industrial Machinery division is in progress and production is expected to commence in a phased manner during the year in progress.

3.04 Segment Revenue & Results:

The net turnover of the division was Rs.160 crore during the year compared to Rs.260 crore in the previous year and the profit before interest was Rs.27.68 during the year compared to Rs.58.60 crore in the previous year.

4.0 Resilience:

4.01 But this 75th report is not about the sluggish industrial climate or the decline in the top and bottom line of your company, which we believe is only temporary. This is the time to salute the resilient character of your company that has over the years withstood several depressing environments to continue holding its position as a superior quality brand in its area of operation.

4.02 Mukand was a front runner in the quality movement of the country. The company won several awards from industry bodies and the Government of India for its leadership in technological innovations and quality consciousness. Mukand's commitment to Quality is evident with the fact that the company was the first steel plant in the country to be awarded the ISO certification. Total Quality Management (TQM) was and is supported at all levels of the company, from the topmost executive to the lowest-level employee.

4.03 Mukand's TQM journey has stood the test of time. The steel plant continues its conformance with ISO / TS 16949 standard which specially applies to steel suppliers for the automotive industry worldwide. Additionally, the steel products of the industry are certified to AD 2000 and PED/ 97123 (EC) enabling the export of stainless steel to EU countries for general and pressure vessel equipment application. The Industrial Machinery division of the company is certified with ISO 9001:2008 QMS. Both the steel plant and the industrial machinery divisions have continued its conformance to ISO 14001: 2004 i.e. the Environmental Management Systems that ensure compliance with strict environmental regulations of the state and central governments. This TQM approach also enabled the company to develop several critical application products in-house that were hitherto imported from first world nations. Mukand took the challenge and through tight control of procurement of raw materials and manufacturing processes coupled with the experience and capability of our employees, achieved the impossible.

5.0 Commitments:

5.01 In the golden jubilee year 1987- 88, Mukand made a commitment to the shareholders to "continue the onward journey with new vigour, discover new vistas of growth and acquire new strengths".

5.02 Your Company has done just that. From producing commodity steel products the company now specializes in high end engineered steel products. To achieve this makeover, the company embarked on a massive modernization programme and updated its technology and machinery to meet the changing environment. It installed a whole new steel making facility using the mini blast furnace route in Hospet, Karnataka, to capture the automobile and auto component market. Today, the facilities in Dighe, Thane and Ginigera, Karnataka have state-of-the-art technology and are together capable of producing 0.5 million tonnes per year of high end specialty steel.

5.03 The Industrial Machinery division too has moved forward from

manufacturing simple five ton EOT cranes to 500 ton capacity EOT cranes and specialised equipment that barely any other company in the country is even capable of manufacturing.

- 5.04** Today, as we celebrate the platinum jubilee, Mukand renews its commitment to become the foremost quality steel producer and specialized crane manufacturer in the country. The company will continue to look for growth opportunities that will enhance shareholder value and make the country proud.

6.0 Internal Control Systems:

Adequate systems for internal controls provide assurances on the efficiency of operations, security of assets, statutory compliances, appropriate authorization, reporting and recording of transactions. The management audit prepares regular reports on the review of the systems and procedures. The scope of the audit activity is broadly guided by the annual audit plan approved by the Audit Committee of Directors. Audit reports are regularly reviewed by the top management and corrective measures are taken.

7.0 Human Resource Management Initiatives & Industrial Relations:

- 7.01** Company has 1,970 permanent employees on its rolls as on March 31, 2013. Industrial Relations remained cordial during the year and there has been active cooperation from employees in the Company's efforts to improve efficiency in all areas of its operations.
- 7.02** Company recognizes and values employee development and team efforts. It focuses on building the capabilities of its workforce by investing and covering every spectrum of individual growth and development, across all levels. It constantly works for improving and integrating its safety, health and environmental practices. It also conducts various sports and games activities for its employees who participate in tournaments at district and other levels. Incentives and rewards are given to motivate the employees and achieve targets. The Company places on record appreciation of the dedication and commitment of its employees at all levels and looks forward to their continued support in the future.

SUMMARY OF KEY FINANCIALS OF SUBSIDIARIES

DETAILS OF BALANCE SHEET AS AT 31ST MARCH, 2013 AND STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2013 OF SUBSIDIARY COMPANIES

| Sr. No. | Particulars | Indian Subsidiaries | | | | Foreign Subsidiaries | |
|------------|---|----------------------------------|----------------------------------|--|--|------------------------------------|-----------------------------|
| | | Mukand Global Finance Limited | Vidyavihar Containers Limited | Mukand Vijayanagar Steel limited | Mukand Sumi Metal Processing Limited | Mukand International Limited | Mukand International FZE |
| 1 | Share Capital | 11.75 | 119.77 | 0.07 | 19.93 | 0.01 | 7.40 |
| 2 | Reserves and Surplus | 29.87 | 0.27 | - | 178.92 | 0.01 | 2.31 |
| 3 | Total Assets | 143.94 @ | 108.71 | 0.01 | 204.84 | 0.04 | 26.41 |
| 4 | Accumulated Losses | - | 215.85 | 6.97 | 0.52 | - | - |
| 5 | Total Liabilities | 102.32 | 204.52 | 6.91 | 6.51 | 0.03 | 16.70 |
| 6 | Investments in Shares | 19.88 | - | - | - | - | - |
| 7 | Turnover and Other Income | 12.19 | 2.84 | - | 2.72 | - | 139.44 |
| 8 | Profit / (Loss) before Taxation | 2.30 | (0.26) | - | (0.75) | (0.03) | (0.44) |
| 9 | Provision for Taxation (including for earlier years) | (0.01) * | (0.04) | - | 0.23 | - | - |
| 10 | Profit / (Loss) After Taxation | 2.29 | (0.30) | - | (0.52) | (0.03) | (0.44) |
| 11 | Dividend paid | - | - | - | - | - | - |

@ Includes deferred tax assets (net)

* Includes provision for deferred tax.

Note: In respect of foreign subsidiary

a) Item nos.1 - 6 and 11 are translated at exchange rate as on 31st March, 2013 of US\$ 1 = Rs. 54.29

b) Item nos. 7 - 10 are translated at annual average exchange rate of US\$ 1 = Rs. 54.59

The above details have been annexed in compliance with the conditions stipulated for general exemption to companies u/s 212 of the Companies Act, 1956.

CORPORATE GOVERNANCE REPORT

Corporate Philosophy: Mukand continues to uphold its commitment to adhere to high standards of Corporate Governance. The Company strives to ensure transparency in all its operations, make disclosures and comply with various laws and regulations. Emphasis therefore, is on adding value to its shareholders, investors, employees, suppliers, customers and the community.

1. THE BOARD OF DIRECTORS:

1.1 Composition and size of the Board:

The Board at present consists of 11 directors, including the Executive Chairman. Out of these 11 Directors, 8 are Non-Executive Directors, which include 6 Independent Directors. The Company has had no pecuniary relations or transactions with the Non-Executive Directors.

1.2 Board Meetings:

During the year under review, four Board Meetings were held on May 25, 2012; August 13, 2012; November 9, 2012 and February 13, 2013. The Board was presented with relevant, statutory and necessary information at these meetings. The attendance of each Director at the Board Meetings during the year and at the last Annual General Meeting (AGM) along with details of number of other public limited companies and committees where he is a director and member/chairman respectively is tabulated below:

| Sr. No. | Name | Category | Attendance Particulars | | Number of positions held in other Public Limited Companies | | |
|---------|----------------------------|----------|------------------------|----------|--|-----------------------|-------------------------|
| | | | Board Meetings | Last AGM | Directorships | Committee Memberships | Committee Chairmanships |
| 1. | Shri Niraj Bajaj | P.CMD | 4 | Yes | 10 | 1 | - |
| 2. | Shri Rajesh V. Shah | P.CCMD | 4 | Yes | 5 | 2 | - |
| 3. | Shri Dhirajlal S. Mehta | I.NED | 3 | No | 3 | 3 | - |
| 4. | Shri Suketu V. Shah | P.Jt.MD | 3 | No | 6 | - | - |
| 5. | Shri Vinod S. Shah | NED | 4 | Yes | 3 | - | - |
| 6. | Dr. N.P. Jain, IFS (Retd.) | I.NED | 4 | Yes | 1 | - | - |
| 7. | Shri Narendra J. Shah | P.NED | 4 | Yes | - | - | - |
| 8. | Shri N.C. Sharma | I.NED | 4 | Yes | 3 | 3 | 1 |
| 9. | Shri Prakash V. Mehta | I.NED | 2 | No | 8 | 8 | - |
| 10. | Shri Pradip P. Shah | I.NED | 4 | Yes | 11 | 7 | 1 |
| 11. | Shri Amit Yadav | I.NED | 3 | No | - | - | - |

P: Promoter; **CMD:** Chairman & Managing Director; **CCMD:** Co-Chairman & Managing Director; **I:** Independent; **NED:** Non-Executive Director; **Jt.MD:** Joint Managing Director

None of the directors is a member of more than ten committees or acting as Chairman of more than five committees across all companies in which he is a Director.

1.3 Re-appointment of Directors:

Shri Dhirajlal S. Mehta, Dr. N. P. Jain, IFS (Retd.) and Shri Prakash V. Mehta retire by rotation and are eligible for re-appointment. Their attendance record in Board and General meetings held during the year under review is given in the Table hereinabove. Their brief particulars are as follows:

Shri Dhirajlal S. Mehta, born in 1936, is a fellow member of Institute of Chartered Accountants of India and a Fellow Member of Institute of Company Secretaries of India. He has been on Board of Directors of Mukand Ltd., since 1976. He has extensive experience in Corporate Laws, Taxation, Finance and Investments. He has served on committees constituted by SEBI, Department of Company Affairs and Business/Industry Association. He has varied interest for social and voluntary work. Presently he is the President of Kasturba Health Society and Shivanand Mission. He is the Trustee of Saurashtra Trust which runs the Janmabhoomi Group of Newspapers. He is also the trustee of Kasturba Gandhi National Memorial Trust. He has been on the Board of Directors of Mukand Ltd. since 1976.

He presently holds directorships in the following other listed companies:

Bajaj Auto Ltd.
Bajaj Finance Ltd.
Bajaj Hindustan Ltd.

Dr. N.P. Jain, IFS (Retd.), born in 1930, a career diplomat in the Indian Foreign

Service. In addition to having been Secretary, Ministry of External Affairs, Government of India, he has served as India's ambassador to European Union, Nepal, U.N., Mexico and Belgium. In recent years Dr. Jain has been a Member of Board of Directors of Exim Bank of India Ltd., Credit Lyonnais and number of other public limited companies in the Steel, Chemicals, Textiles, Electronics, Agri-Business, Power sector etc. He has been on the Board of Directors of Mukand Ltd. since 1990.

Shri Prakash V. Mehta, born in Mumbai in 1942, graduated in Law from the University of Bombay in 1963 and qualified as a Solicitor in 1966. He was appointed as a Notary in 1996. He is a Member of the Maharashtra & Goa Bar Association and also a Member of the Managing Committee of the Bombay Incorporated Law Society. His areas of specialisation include Joint Ventures & Foreign Collaborations, Property Law and Corporate Law. At present, he is one of the senior partners at M/s. Malvi Ranchoddas & Co., Advocates & Solicitors, Mumbai. He has been on the Board of Directors of Mukand Ltd. since 2007.

The details of his directorships and committee memberships in listed companies are as follows :-

| | | |
|--------------------------------|---|------------------|
| Advani Hotels & Resorts Ltd. | - | Committee Member |
| Bharat Bijlee Ltd. | - | Committee Member |
| Camphor & Allied Products Ltd. | - | Committee Member |
| Hikal Ltd. | - | Committee Member |
| JBF Industries Ltd. | - | Committee Member |
| Mukand Engineers Ltd. | - | Committee Member |
| PCS Technology Ltd. | - | |
| W. H. Brady & Co. Ltd. | - | |

2. AUDIT COMMITTEE :

The Audit Committee consists of Dr. N. P. Jain, IFS (Retd.), Chairman, Shri Dhirajlal S. Mehta, Shri N.C. Sharma and Shri Prakash V. Mehta all of whom are Independent Directors. Terms of Reference of the Audit Committee specified by the Board are as mandated under Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the Stock Exchanges as and where applicable.

During the year under review four meetings of the Audit Committee were held. Dr. N. P. Jain, IFS (Retd.), Chairman and Shri N.C. Sharma attended all the four meetings of the Committee, Shri Dhirajlal S. Mehta attended three meetings while Shri Prakash V. Mehta attended two meetings. In addition to Statutory Auditors, Chairman & Managing Director, Co-Chairman & Managing Director, Joint Managing Director, Chief Financial Officer, Statutory Auditors, Chief – Management Audit, who are permanent invitees at Audit Committee Meetings, the Cost Auditors attend where Cost Audit Report is considered at such Committee Meetings. Shri K. J. Mallya - Company Secretary acts as Ex-officio Secretary to the Audit Committee.

Apart from considering un-audited and/or audited financial results for the relevant quarters and for the year prior to adoption/ approval by the Board, the Committee focused its attention on key areas impacting the overall performance of the Company, Operations of Plants, Management Audit, Cost Audit, Review of Internal Control System, Energy Conservation/Saving and Cost Control measures, I.T. Security and Management Information System, Major Accounting Policies and Practices, Current Assets Management, Performance Reviews, Annual Budget and Annual Internal Audit plan. Based on the Committee's discussions and review of the observations of the reports submitted by the Company's internal audit department on Systems and Controls, Cost Control measures and Statutory Compliance in various functional areas, the Audit Committee advises the management on areas where greater internal control and internal audit focus was needed and on new areas to be taken up for audit.

3. REMUNERATION OF DIRECTORS:

The Company has a Remuneration Committee which consists of Dr. N. P. Jain, IFS (Retd.), Chairman, Shri Dhirajlal S. Mehta, Shri N. C. Sharma and Shri Prakash V. Mehta as members, all of whom are Independent Directors.

The Shareholders at the Annual General Meeting of the Company held on July 27, 2011, subject to the approval of the Central Government, re-appointed Shri Niraj Bajaj as Chairman & Managing Director, Shri Rajesh V. Shah as Co-Chairman & Managing Director and Shri Suketu V. Shah as Joint Managing Director for a period of 3 years w.e.f. July 5, 2011 on remuneration as per the recommendation of the Remuneration Committee. During the year under

CORPORATE GOVERNANCE REPORT (Contd.)

review no meeting of the Remuneration Committee was held.

The details of remuneration of Shri Niraj Bajaj - Chairman & Managing Director, Shri Rajesh V. Shah - Co-Chairman & Managing Director and Shri Suketu V. Shah - Joint Managing Director paid for FY 2012-13 are given below:

(Rs. in lacs)

| Remuneration Package | Niraj Bajaj | Rajesh V. Shah | Suketu V. Shah |
|--|--------------|----------------|----------------|
| Salary and allowances | 72.00 | 57.00 | 67.05* |
| Contribution to Provident Fund and Other funds | 9.64 | 7.84 | 8.71 |
| Perquisites | 18.00 | 10.15 | 13.44 |
| TOTAL | 99.64 | 74.99 | 89.20 |

* includes Leave Encashment

The Chairman & Managing Director, the Co-Chairman & Managing Director and the Joint Managing Director have agreements with the Company for a period of 3 years which can be terminated by giving 6 months' notice in writing. There is no provision for severance fees in the employment contracts of the Managing Directors.

The Company does not pay any remuneration to the Non-executive Directors of the Company except for the payment of sitting fees for attending Board / Committee meetings. The Company has not issued stock options to any of its Directors.

Details of sitting fees paid to the Non-executive Directors during the year ended March 31, 2013 and the shares in the Company held by them as on March 31, 2013 are as under:-

| Sr.No. | Name of the Director | Shareholding | | |
|--------|-----------------------------|--------------------|---------------|---|
| | | Sitting Fees (Rs.) | Equity Shares | 0.01% Cumulative Redeemable Preference Shares |
| 1 | Shri Dhirajlal S. Mehta | 140,000 | 133 | 69 |
| 2 | Shri Vinod S. Shah | 80,000 | 6,032 | 464 |
| 3 | Dr. N. P. Jain, IFS (Retd.) | 180,000 | 40 | 10 |
| 4 | Shri Narendra J. Shah | 80,000 | 99,605 | 8,245 |
| 5 | Shri N.C. Sharma | 180,000 | - | - |
| 6 | Shri Prakash V. Mehta | 80,000 | 2,000 | - |
| 7 | Shri Pradip P. Shah | 80,000 | 96 | 24 |
| 8 | Shri Amit Yadav | 60,000 | - | - |

4. SHAREHOLDERS' / INVESTORS' GRIEVANCES :

The Shareholders' / Investors' Grievance Committee consists of Shri N. C. Sharma -Chairman, Shri Dhirajlal S. Mehta and Dr. N. P. Jain, IFS (Retd.) all of whom are Independent Directors. The Twelfth meeting of the Committee was held on May 25, 2013. As on March 31, 2013, no request for transfer of shares and for dematerialization/ rematerialisation of shares was pending for approval. Shri K. J. Malya, Company Secretary is the Compliance Officer.

There were no major complaints from the investors. Routine complaints relating to non-receipt of annual report, details of shares offered, payment of dividends, transfer of shares, dematerialisation of shares and request for change of address, etc. were attended generally within 3 / 4 days. The Company had received 4 complaints from shareholders through the Securities and Exchange Board of India (SEBI) which were promptly attended. There were no complaints pending as at end of the year.

5. GENERAL BODY MEETINGS:

Details of the last three Annual General Meetings of the Company are as follows:

| AGM | Date & Time | Venue |
|------------------|---------------------------------|--|
| 72 nd | July 28, 2010 at 4.00 p.m. | Kamalnayan Bajaj Hall, Bajaj Bhawan, Jamnalal Bajaj Marg, 226 Nariman Point, Mumbai 400021 |
| 73 rd | July 27, 2011 at 4.30 p.m. | Kamalnayan Bajaj Hall, Bajaj Bhawan, Jamnalal Bajaj Marg, 226 Nariman Point, Mumbai 400021 |
| 74 th | August 13, 2012 at 4.00 p.m. | Indian Merchants' Chamber, IMC Bldg., IMC Marg, Churchgate, Mumbai 400020 |

The Company had passed 3 Special Resolutions in the Annual General Meeting held on July 27, 2011 for re-appointment and payment of remuneration to Shri Niraj Bajaj as Chairman & Managing Director, Shri Rajesh V. Shah

as Co-Chairman & Managing Director and Shri Suketu V. Shah as Joint Managing Director which were put to vote by show of hands and were passed unanimously.

Postal Ballot

During the year, the Company through Postal Ballot under Section 192A of the Companies Act, 1956 read with Companies (Passing of Resolutions by Postal Ballot) Rules, 2011, passed a Special Resolution to transfer, sell, dispose off of the Cold Finished Bars & Wires Business (CFB&WB) of the Company, to a subsidiary of the Company viz., Technosys Metal Processing Private Limited (now Mukand Sumi Metal Processing Ltd.). The resolution was passed with requisite majority the details of which are as under:-

| Particulars | Postal Ballots | | | | Shares Voted | | | |
|-----------------|---------------------|-------|------------|-------|--------------|-------|------------|-------|
| | Equity | | 0.01% CRPS | | Equity | | 0.01% CRPS | |
| | Number | % | Number | % | Number | % | Number | % |
| • In favour | 1,353 | 96.44 | 1,044 | 96.04 | 50,271,993 | 99.98 | 3,121,250 | 99.94 |
| • Against | 50 | 3.56 | 43 | 3.96 | 9,618 | 0.02 | 1,758 | 0.06 |
| Invalid Ballots | 386 (Equity & CRPS) | | | | 207,794 | - | 14,660 | - |

The Company had appointed M/s. Anant B. Khamankar & Co., Practicing Company Secretaries as Scrutinizer to conduct the Postal Ballot Process. Postal Ballot Forms received upto the close of working hours on 24th September, 2012 had been considered and the result of Postal Ballot was declared on 26th September, 2012 at the Registered Office of the Company.

6. DISCLOSURES:

6.1. Related Party Transactions:

There were no materially significant related party transactions made by the Company with its promoters, directors or their relatives during the year, which may have potential conflict with the interest of the Company at large. The details of transactions with related parties are disclosed in the Accounts.

6.2. Compliance with Regulations:

There were no non-compliance matters related to capital markets by the Company during the last three years, nor did the Company attract any penalties or strictures passed by the stock exchanges, SEBI or any other statutory authority.

6.3. Risk Management:

The process of identification and evaluation of various risks inherent in the business environment and the operations of the Company and initiation of appropriate measures for prevention and/or mitigation of the same are dealt with by the concerned operational heads under the overall supervision of the Managing Directors of the Company. The Audit Committee periodically reviews the adequacy and efficacy of the overall risk management system.

7. CODE OF CONDUCT:

The Company adopted a Code of Conduct for its Directors and Senior Management cadres in the meeting of Board of Directors held on October 28, 2005. The Directors and senior management personnel have affirmed their compliance of the Code of Conduct.

8. CODE FOR PREVENTION OF INSIDER TRADING:

The Company has instituted a Code of Conduct for prevention of Insider Trading in the securities of the Company for its Directors and key managerial staff as required by SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended from time to time.

9. CEO AND CFO CERTIFICATION:

In accordance with the requirement of Clause 49(V) of the Listing Agreement, the CEOs i.e., Chairman & Managing Director and Co-Chairman & Managing Director and CFO i.e., Chief Financial Officer have furnished the requisite certificates to the Board of Directors of the Company.

10. MEANS OF COMMUNICATION:

The quarterly un-audited and yearly audited financial results are published in English and regional language newspapers. The financial results, shareholding pattern and other corporate communication to stock exchanges, filed in compliance of clause 52 of the Listing Agreement, under Corporate Filing and Dissemination System (CFDS) are available at the website

www.corpfilings.co.in and on the corporate website of the Company www.mukand.com. The Management Discussion and Analysis is a part

CORPORATE GOVERNANCE REPORT (Contd.)

of the Annual Report. All financial and other vital information is promptly communicated to the Stock Exchanges where the Company's shares are listed.

Information, in words and visuals, about the Company and its businesses, including products manufactured, projects executed, facilities and processes, quality policy, financial results, shareholding pattern, code of conduct, press releases etc. is available at the corporate website: www.mukand.com.

11. SHAREHOLDERS' INFORMATION:

11.1 Annual General Meeting:

| | |
|--------------|---|
| Date | Tuesday, August 13, 2013 |
| Time | 4.00 p.m. |
| Venue | Kamalnayan Bajaj Hall, Bajaj Bhawan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai 400021 |

11.2 Financial calendar:

Financial Year: April 1 to March 31

Consideration of Financial Results (tentative):

| | | | |
|------|----------------|-------------|--------------------------|
| i. | First quarter | [unaudited] | second week of August. |
| ii. | Second quarter | [unaudited] | second week of November. |
| iii. | Third quarter | [unaudited] | second week of February. |
| iv. | Annual | [audited] | last week of May. |

11.3 Date of Book Closure and Dividend Payment:

The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 3rd August, 2013 to Tuesday, the 13th August, 2013 (both days inclusive) for the purpose of payment of Dividend on 0.01% Cumulative Redeemable Preference Shares.

The Preference Dividend as recommended by the Board of Directors, if declared at the ensuing Annual General Meeting, will be paid at par on or after August 17, 2013 to those members whose names appear on the Company's Register of members as holders of equity / preference shares in physical form on August 2, 2013. In respect of shares held in dematerialised form, the dividend will be paid on the basis of beneficial ownership details to be furnished by the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) for this purpose.

11.4 Stock Exchange Listing:

Equity Shares and 0.01% Cumulative Redeemable Preference Shares (CRPS) of the Company are listed on BSE Ltd. (BSE) and National Stock Exchange of India Ltd.(NSE) and the applicable listing fees have been duly paid to the Exchanges.

11.5 Stock Code:

| | Equity | CRPS |
|---------|---------------|---------------|
| 1. BSE | 500460 | 700087 |
| 2. NSE | Mukandltd | Mukandcrps |
| 3. ISIN | INE 304A01026 | INE 304A04012 |

11.6 Stock Price Data:

Monthly highs and lows of the Company's Equity Share prices on the BSE and NSE in the year 2012-13 are given hereunder:

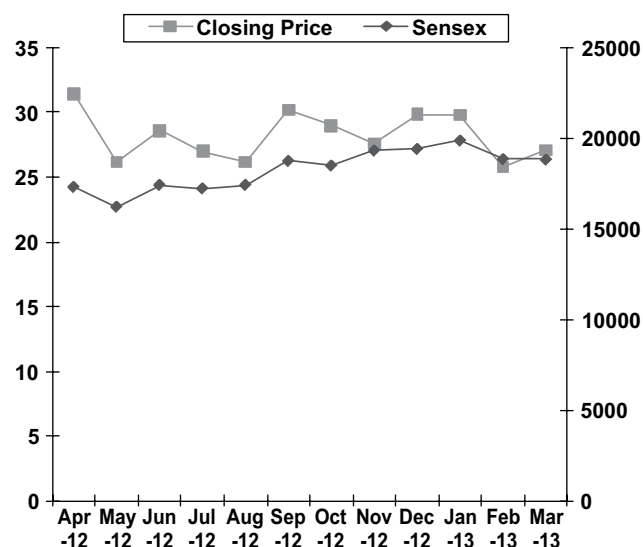
Rs. per share

| Months | BSE | | NSE | |
|------------------|-------|-------|-------|-------|
| | High | Low | High | Low |
| Year 2012 | | | | |
| April | 35.05 | 30.85 | 35.50 | 30.50 |
| May | 32.50 | 26.00 | 32.40 | 26.00 |
| June | 29.00 | 26.30 | 29.40 | 26.40 |
| July | 31.60 | 26.60 | 34.45 | 26.25 |
| August | 29.80 | 25.25 | 29.75 | 25.00 |
| September | 31.85 | 26.00 | 32.00 | 25.30 |
| October | 31.25 | 27.50 | 34.85 | 27.50 |
| November | 31.35 | 24.50 | 32.65 | 26.10 |
| December | 33.10 | 27.00 | 33.10 | 26.90 |
| Year 2013 | | | | |
| January | 33.90 | 29.05 | 34.00 | 29.10 |
| February | 30.40 | 25.50 | 30.00 | 25.35 |
| March | 32.50 | 23.50 | 31.95 | 23.65 |

During the year, CRPS were traded on BSE and the price ranged between Rs.3.61 and Rs.12.29 per share.

11.7 Comparative Stock Price Performance :

The Equity share prices of the Company on BSE in comparison with the BSE Sensex are given in the following graph:



11.8 Share Transfer Agents:

M/s. Karvy Computershare Private Limited are the Share Transfer Agents of the Company for carrying out work relating to Share transfers of the Company.

11.9 Share Transfer System:

The Share transfers are approved by a Committee of Directors, which is normally done once in 10 days. Share transfers are registered within a period of 15 days from the date of receipt, if the documents are complete in all respect. The Company has followed the guidelines issued by SEBI for dematerialisation of Shares.

During the year, **93,093** Equity Shares and **7,728** CRPS were transferred in physical (non-dematerialized) form.

11.10 Distribution of Shareholding:

The Company had **46,760** Equity Shareholders and **42,807** CRPS holders as on March 31, 2013. Distribution of shareholding is given in the table hereunder:

Equity Shares:

| Distribution of Shareholding | No. of Equity Shares | % of Equity Shares | No. of Equity Shareholders | % of Equity Shareholders |
|------------------------------|----------------------|--------------------|----------------------------|--------------------------|
| Upto - 50 | 519,084 | 0.71 | 22,876 | 48.92 |
| 51 - 100 | 754,250 | 1.03 | 8,820 | 18.86 |
| 101 - 500 | 2,784,216 | 3.81 | 10,599 | 22.67 |
| 501 - 1,000 | 1,818,157 | 2.49 | 2,272 | 4.86 |
| 1,001 - 5,000 | 3,706,815 | 5.07 | 1,719 | 3.68 |
| 5,001 - 10,000 | 1,577,573 | 2.16 | 219 | 0.47 |
| 10,001 and above | 61,954,034 | 84.73 | 255 | 0.54 |
| Total | 73,114,129 | 100.00 | 46,760 | 100.00 |

0.01% Cumulative Redeemable Preference Shares:

| Distribution of Shareholding | No. of CRPS | % of CRPS | No. of CRPS holders | % of CRPS holders |
|------------------------------|------------------|---------------|---------------------|-------------------|
| Upto - 50 | 409,880 | 7.29 | 38,642 | 90.27 |
| 51 - 100 | 153,259 | 2.72 | 1,976 | 4.62 |
| 101 - 500 | 368,744 | 6.55 | 1,728 | 4.04 |
| 501 - 1,000 | 154,302 | 2.74 | 206 | 0.48 |
| 1,001 - 5,000 | 384,764 | 6.84 | 179 | 0.42 |
| 5,001 - 10,000 | 209,320 | 3.72 | 28 | 0.06 |
| 10,001 and above | 3,946,051 | 70.14 | 48 | 0.11 |
| Total : | 5,626,320 | 100.00 | 42,807 | 100.00 |

CORPORATE GOVERNANCE REPORT (Contd.)

The shareholding pattern of Equity Shares as on March 31, 2013 is given in the table as under:

| Sl. No. | Category of Shareholders | No. of Shares | % of Total Shareholding |
|---------|----------------------------------|-------------------|-------------------------|
| 1 | Promoter and Promoter Group | 39,184,867 | 53.59 |
| 2 | Mutual Funds and UTI | 6,007 | 0.01 |
| 3 | Financial Institutions and Banks | 101,439 | 0.14 |
| 4 | Insurance Companies | 7,244,583 | 9.91 |
| 5 | Other Bodies Corporate | 9,721,176 | 13.30 |
| 6 | Foreign Institutional Investors | 908,621 | 1.24 |
| 7 | Non-Resident Indians/OCBs | 356,876 | 0.49 |
| 8 | Indian Public | 15,590,560 | 21.32 |
| | Total | 73,114,129 | 100.00 |

11.11 Dematerialization of Shares and liquidity:

The Company's Shares are dealt with both the depositories viz. NSDL and CDSL. The Company for the benefit of the Shareholders has made one time payment to NSDL towards custodial charges. During the year, **125,452** Equity Shares and **5,294** CRPS were dematerialised in respect of 280 and 179 requests respectively. The dematerialisation level as on March 31, 2013 stood at 97.73% of total paid-up Equity Share capital and 92.39% of the total paid-up 0.01% Cumulative Redeemable Preference Share Capital. As on March 31, 2013, **29,691** Shareholders held **71,457,550** Equity Shares and **18,484** Shareholders held **51,97,662** CRPS in demat form.

11.12 Plant Locations:

Dighe, Thane, Maharashtra- 400 605

Ginigeri, Karnataka- 583 228

11.13 Address for Correspondence:

- (i) Physical Shares (Equity and Preference):

Share Transfer Agents :

M/s. Karvy Computershare Private Limited

(Unit: Mukand Limited)

Plot No.17 to 24, Near Image Hospital,

Vittalrao Nagar, Madhapur

Hyderabad - 500 081

Tel: (040) 4465 5000 / 4465 5152

Fax: (040) 4465 5024

E-mail : einward.ris@karvy.com

Website : www.karvycomputershare.com

- (ii) Demat Shares (Equity & Preference) :

Respective Depository Participants of Shareholders

- (iii) Shares, Debentures & Fixed Deposits :

Bajaj Bhawan, Jamnalal Bajaj Marg,

226, Nariman Point, Mumbai 400021

Tel: Shares & Debentures: 022- 6121 6666

Fixed Deposits: 022- 6121 6629

Fax: 022-2202 1174

E-mail : Shares & Debentures: investors@mukand.com

Fixed Deposits: fixeddeposit@mukand.com

12. CERTIFICATE ON CORPORATE GOVERNANCE:

The Company has obtained a certificate from M/s. Haribhakti & Co., Auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated in the Listing Agreement with the Stock Exchanges. This is annexed to the Directors' Report. The certificate will be sent to the Stock Exchanges along with the Annual Report to be filed by the Company.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To The Members of

Mukand Limited

We have examined the compliance of conditions of Corporate Governance by Mukand Limited for the year ended on March 31, 2013, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

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 and on behalf of

Haribhakti & Co.

Chartered Accountants

Firm Registration No. 103523W

Sumant Sakhardande

Partner

Membership No.: 34828

Place: Mumbai

Date: May 25, 2013

Appendix-I to the Directors' Report:

Disclosure of particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo as required under Companies (Disclosure of Particulars in the report of Board Of Directors) Rules, 1988.

(A) Conservation of Energy:

(a) Energy Conservation Measures taken :

Steel Plant:

(a) To reduce electrical energy consumption :

- Replacement of conventional cooling water pumps for oxygen lance, Mould and LRF with energy efficient pumps.
- Heating of Furnace oil in Wire rod mill is done with single heater instead of two stage heater.

(b) To reduce Fuel Oil consumption in Reheating Furnaces of Rolling Mills :

- Oxygen monitoring in Recuperative Zone of BRF, to control excess air in the furnace.
- Laser mechanism for Billet charging modified to avoid delays & heat loss due to door opening.
- The charging door provided with pneumatic cylinder to prevent heat loss through door.
- New Recuperator installed, in reheating furnace.
- Blast Furnace gas used in reheating furnace to replace fuel oil.

Additional Investments and proposals being implemented for reduction in consumption of energy:

Steel Plant:

(a) To reduce electrical energy consumption:

- Up-gradation of UHPF electrode regulation system with Digital control;
- Electrode coating with special paint for reduction in losses.
- Control utilization of Auxiliaries during intermittent operations (start and stop).
- Shed light replacement with energy efficient fittings.

(b) To reduce fuel oil consumption:

- Air Fuel Auto Control system for the Preheat zone burners.
- Auto Pressure Control by auto damper controlling.
- Installing regenerative burners in Reheating Furnace.
- Schematic steam network to use steam in place of fuel.

(c) Impact of the above measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods.

Due to measures taken as described above, the overall power and fuel oil consumption in Steel Plant at Dighe, Thane, Maharashtra has reduced and reduction in the cost of production is achieved. However, the economies could not be observed due to reduced level of production at Ginigera Plant.

(d) Total energy consumption and energy consumption per unit of production.

Form - A

Form for disclosure of particulars with respect to conservation of energy.

A. Power and Fuel Consumption:

2012-13 2011-12

1) Electricity:

a) Purchased:

Unit : '000 kwh 141,960 137,164

Total amount – Rs. Crore 109.80 94.54

Rate / Unit – Rs./Kwh 7.73 6.89

b) Own Generation :

(i) Through steam turbine / generator unit :

Unit : '000 Kwh 37,497 33,662

Unit/NM³(Blast furnace gas) 0.188 0.182

Kwh/NM³ 2.66 3.14

Total cost / unit -- Rs. / Kwh 2.66 3.14

(ii) Through Fuel Oil :

Unit : '000 kwh -- 45,743

Kwh / litre of Fuel Oil -- 4.47

Total cost / unit -- Rs. / Kwh -- 10.10

2) Furnace Oil*

Quantity (Kl.) 16,480 20,172

Total amount – Rs. Crore 68.41 76.99

Rate – Rs./Kl. 41,512 38,168

3) Coke:

Quantity (MT) 121,582 135,874

Total amount – Rs. Crore 283.14 367.29

Average Rate – Rs. / MT. 23,288 27,031

B. Consumption per unit :

2012-13 2011-12 2010-11

1. Electricity kwh / tonne :

Rolled Products 491 537 475

2. Furnace Oil * ltr. / tonne

Rolled Products 51 56 52

3. Coke (Kg. / tonne) :

Hot Metal 634 642 739

* Includes diesel oil.

(B) Form for disclosure of particulars with respect to Technology Absorption, Research and Development.

(a) Research and Development :

1. Specific areas in which Research and Development was carried out by the Company.

- Two varieties of duplex stainless steel for electrode applications successfully developed as import substitution.
- Successfully developed low carbon customized Ferritic stainless steel with dual stabilization for welding electrode wire application for the export market.
- Innovative alloying addition and chemistry optimization was done to develop high sub-zero impact strength Martensitic stainless steel for special shaft application.
- Steel making process improvements in terms of alloying additions and de-oxidation practice has resulted in production of high fatigue life spring steel grade.
- Alloy steel welding grades in 7 special types developed for the domestic welding wire industry.

- Medium carbon microalloyed grade special steel for Crankshaft has been successfully developed; evaluation and validation trials completed.
- A New Martensitic stainless alloy which offers enhanced (superior) mechanical properties and higher corrosion resistance has been developed.
- Feasibility studies have been carried out on the development of super duplex stainless steels.
- High Aluminum nitriding steel has been developed for meeting specific requirements of hardness and machinability for the auto component industry.

Following new Grades were developed for critical application and import substitution:

Special & Alloy Steel:

- (a) Import substitution grades of steel for Passenger Cars:
Steel for gears, third generation bearings, bracket pad, rack bar (forgings steel and diesel engines), suspension springs and stabilizer bar.
- (b) Others:
Steel for two wheelers, shaft for passenger cars, diamond cutting tools and gears for heavy commercial vehicles.

Stainless Steel:

- Bar products for manufacture of tubes and shafting materials.
- High temperature corrosion resistance steel for springs as import substitution.
- Various new grades for specific use in welding electrode industry.

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

- Global auto makers have conducted field trials in various categories of steel for indigenization as sample lot evaluation and such steel has performed successfully.
- Import substitution achieved in the area of stainless steel electrode wires and stainless steel bar products for manufacture of tubes and shafting material.
- Improvements in steel making process and product mix have widened the scope for application of steel to a variety of high end automotive, petrochemical and other allied industries.

3. Future Plan of Action :

- To carryout feasibility for manufacturer of valve steels and tool steels which are imported at present.
- Development of high strength spring steels with improved cleanliness to substitute imports.
- Studies on the effects of inclusion type on the failure during cold forming operations.
- Improving the quality of case-carburizing steels by preventing grain boundary oxidation at higher carburizing temperature.
- Feasibility of producing duplex stainless steel for reinforcement application for overseas markets.

4. Expenditure on R&D :

| | 2012-13 | 2011-12 |
|--|----------|----------|
| | Rs.Crore | Rs.Crore |
| (a) Capital | 0.05 | 0.11 |
| (b) Recurring | 1.07 | 1.04 |
| Total | 1.12 | 1.15 |
| Total R&D expenditure as a % of total turnover | 0.05 | 0.04 |

(b) Technology absorption, adaptation and innovation.

Efforts made towards technology absorption, adaptation and innovation:

- Based on interaction and guidance from experts in the auto-component industry, process innovation in casting and refining being implemented to achieve improved steel quality meeting customer expectation.
- Combination of optical microscope and scanning electron microscope studies with energy dispersive X-Ray analysis have helped in inclusion characterization, resulting in valuable feedback to the steel making unit. This has helped in taking specific actions towards improving the cleanliness of steel through reduction in inclusion size, and also in modifying inclusion composition.
- Sinter plant technology has been acquired and absorbed from China Metallurgical Engineering and Project Corporation.
- Hot Blast Stoves (HBS) Technology from KALUGIN Joint Stock Company, Russia.
- Pulverized Coal Injection System (PCI) for Mini Blast Furnace from Beijing Okis New Technology Company, China.

(1) Benefits derived as a result of the above efforts :

- Increase in share of value added products through product development initiatives.
- Preferred steel supplier for indigenization of steel components for local operations by Global Automakers.
- Reduction of cost of production by partly replacing use of costly iron ore with sinter.
- Reduction in Coke consumption by installing HBS and PCI which reduces consumption of fuel and helps to reduce the cost of production of steel.
- Six Sigma Projects completed for reducing oxygen consumption and to improve cleanliness of steel.

(2) Imported Technology :

Company has not imported any technology during the year under review.

| (C) Foreign Exchange Earnings and Outgo | 2012-13 |
|---|-----------|
| | Rs. Crore |
| (i) Foreign Exchange Earnings | 152.79 |
| (ii) CIF Value of imports | 360.39 |
| (iii) Expenditure in Foreign Currency | 8.99 |

Appendix-II to the Directors' Report:

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

| Sr. No. | Name | Age (Yrs) | Designation & Nature of Duties | Qualification | Experience (Yrs.) | Remuneration Gross (Rs.) | Received Net (Rs.) | Date of Commencement of employment | Last Employment held, Designation, Name of the employer (Years for which post held) |
|--|---------------|-----------|---------------------------------|--|-------------------|--------------------------|--------------------|------------------------------------|---|
| A. Names of Employees employed throughout the year and were in receipt of remuneration not less than Rs.6,000,000/- per annum. | | | | | | | | | |
| 1 | BAJAJ NIRAJ | 58 | CHAIRMAN & MANAGING DIRECTOR | B.COM.,M.B.A.(HARVARD BUSINESS SCHOOL) | 32 | 9,964,000 | 6,425,000 | 31/03/1983 | EXECUTIVE TRAINEE, BAJAJ AUTO LTD.(2) |
| 2 | SHAH RAJESH V | 61 | CO-CHAIRMAN & MANAGING DIRECTOR | M.A.(CAMBRIDGE),M.B.A.(CALIFORNIA),P.M.D.(HARVARD BUSINESS SCHOOL) | 36 | 7,498,600 | 4,850,939 | 11/06/1977 | DIRECTOR,VIRANI FASTENERS & BOLTS PVT.LTD.(1) |
| 3 | SHAH SUKETU V | 58 | JOINT MANAGING DIRECTOR | B.COM.(HONS.), M.B.A.(HARVARD BUSINESS SCHOOL) | 31 | 8,919,733 | 5,575,022 | 29/12/1984 | EXECUTIVE DIRECTOR, ADONIS LABORATORIES, (2 YRS & 6 MTHS) |

NOTES:

- Gross remuneration includes Salary, House Rent Allowance, Leave Encashment, Medical, Other Allowances, Contribution to Provident and Superannuation Funds, and value of perquisites etc. but excludes contribution to Gratuity Fund.
- Net remuneration represents gross remuneration as above less taxes, contribution to Provident and Superannuation Funds.
- All appointments are contractual. 4. None of the above employees is related to any Director of the Company except that Shri Rajesh V. Shah and Shri Suketu V. Shah are related to each other.

INDEPENDENT AUDITORS' REPORT

To the Members of Mukand Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Mukand Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

As more explained in Note 18 (b) to the notes to the financial statements, no provision has been made with regard to the realisability of the 'Exposures' in Vidyavihar Containers Limited (VCL), a subsidiary company, aggregating Rs. 76.37 crore (net) as at 31 March, 2013 (Rs. 76.37 crore (net) as at March 31, 2012), due to significant uncertainties in recovering its investment and loans which is dependent on the ultimate realization of the assets of VCL.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

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

Emphasis of Matter

We draw attention to:

- (a) Note 18 (a) to the notes to the financial statements, relating to the Exposures in Bombay Forging Limited (BFL) aggregating Rs. 76.51 crore as at March 31, 2013 (Rs. 70.85 crore at March 31, 2012), where the management has, barring any significant uncertainties in future, relied upon the projected future earnings from the business activities of BFL.

- (b) Note 18 (c) to the notes to the financial statements, relating to the Exposures in Stainless India Limited (SIL), an associate company, aggregating Rs. 14.11 crore as at March 31, 2013 (Rs. 40.28 crore at March 31, 2012), where the net worth of SIL has been fully eroded and there is no significant activities being carried out by SIL. The management has, barring any significant uncertainties in future, relied upon the valuation report prepared by the independent valuer for the sale of assets of SIL.
- (c) Note 18 (d) to the notes to the financial statements, relating to the Exposures in Mukand Global Finance Limited (MGFL), a subsidiary company, aggregating Rs. 26.25 crore as at March 31, 2013 (Rs. 26.25 crore at March 31, 2012), where the management has, barring any significant uncertainties in future, relied upon the projected future earnings from the business activities of MGFL.
- (d) Note 21 (b) to the notes to the financial statements, relating to the Exposures aggregating Rs. 141.68 crore as at March 31, 2013 (Rs. 183.94 crore as at March 31, 2012), in respect of road construction activity and our reliance on the management's expectation of its realisability.

Our opinion is not qualified in respect of these matters.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit except for the matter described in the Basis for Qualified Opinion paragraph;
 - 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, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. except for the possible effects of the matters described in the Basis for Qualified Opinion, in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
 - e. on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For Haribhakti & Co.

Chartered Accountants

Firm Registration No.103523W

Sumant Sakhardande

Partner

Membership No. 034828

Place : Mumbai

Date : May 25, 2013

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 1 under "Report on Other Legal and Regulatory Requirements" in the Independent Auditors' Report of even date to the members of Mukand Limited on the financial statements for the year ended March 31, 2013]

- (i) (a) The Company has maintained the fixed assets register for quantitative details and situation of fixed assets. *However, it is in the process of updating the same for accumulated depreciation and net block of the assets.*
- (b) All the fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (c) During the year, company has transferred its coil finished bars and wires business to a subsidiary. In our opinion and according to the information and explanation given to us, the transfer of said business has not affected the ability of the Company to continue as a going concern as the impact is not substantial.
- (ii) (a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
- (b) 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) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification carried out at the end of the year.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions stated in paragraph 4 (iii) (b), (c) and (d) of the order are not applicable.
- (b) The Company has taken secured loans from companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 14.40 crore and the year-end balance of loans taken from such companies was Rs. 12.91 crore.
- (c) In our opinion, the rate of interest and other terms and conditions for such loans are not, prima facie, prejudicial to the interest of the Company.
- (d) In respect of the aforesaid loans, the Company was generally regular in repaying of principal amounts as stipulated and has not been regular in payment of interest.
- (iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct weakness in internal control system of the company.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time, except for certain items which are of technical nature and few others where the suitable alternate sources for obtaining comparative quotations are not available.
- (vi) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Sections 58A or any other relevant provisions of the Companies Act, 1956 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.
- (vii) In our opinion, the Company has an internal audit system which is commensurate with the size and nature of its business.
- (viii) 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 we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) The Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, wealth tax, service tax, customs duty, excise duty and other material statutory dues as applicable with the appropriate authorities *except for payment of income tax deducted at source, TCS, cess, professional tax, pension fund and sales tax which have not been regularly deposited and there has been a slight delay in many cases.*

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, TCS, professional tax, wealth-tax, pension fund, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

| Name of the statute | Nature of dues | Amt. (Rs. in crore) | Period to which the amount relates | Forum where dispute is pending |
|-----------------------|------------------------------------|---------------------|---|--------------------------------|
| Trade tax & Entry Tax | UP Trade Tax, Entry Tax | 0.13 | 2001-02 | High Court |
| Sales tax | Local Sales Tax, Central Sales Tax | 0.02 | 1988-89, 1989-90 | Tribunal |
| Sales tax | Local Sales Tax, Central Sales Tax | 0.02 | 1989-90, 1990-91, 1991-92, 1996-97, 1998-99 | Deputy Commissioner - Appeals |
| Trade Tax | UP Trade Tax | 4.20 | 2002-03, 2003-04, 2007-08 | Commissioner (Appeals) |

- (x) In our opinion, the accumulated losses of the company are not more than fifty percent of its net worth. Further, the company has not incurred cash losses during the financial year covered by our audit, however the company has incurred cash losses in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has defaulted in repayment of dues to financial institutions, banks and debenture holders. *The default towards principal being Rs. 31.59 Crore and interest being Rs. 13.25 Crore.*
- (xii) According to information and explanations given to us and based on document and records provided to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the company.
- (xvi) In our opinion, the term loans have been applied for the purpose for which the loans were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
- (xix) According to the information and explanations given to us, no debentures have been issued by the company during the year. Further, the Company has created security or charge in respect of debentures issued in earlier years.
- (xx) The Company has not raised any money by way of public issue during the year.
- (xxi) 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.

For **Haribhakti & Co.**
Chartered Accountants
Firm Registration No.103523W

Sumant Sakhardande
Partner
Membership No. 034828

Place : Mumbai
Date : May 25, 2013

BALANCE SHEET AS AT 31ST MARCH, 2013

| | Note No. | | 31st March, 2013 Rs in crore | 31st March, 2012 Rs in crore |
|------------------------------------|----------|----------|------------------------------------|------------------------------------|
| I. EQUITY AND LIABILITIES | | | | |
| (1) Shareholders' Funds | | | | |
| (a) Share Capital | 1 | 78.75 | | 78.75 |
| (b) Reserves and surplus | 2 | 2,003.27 | | 2,047.08 |
| | | | 2,082.02 | 2,125.83 |
| (2) Non Current Liabilities | | | | |
| (a) Long-term borrowings | 3 | 856.72 | | 774.19 |
| (b) Deferred tax liabilities (net) | 4 | - | | - |
| (c) Other long term liabilities | 5 | 12.03 | | 12.19 |
| (d) Long-term provisions | 6 | 30.05 | | 28.49 |
| | | | 898.80 | 814.87 |
| (3) Current Liabilities | | | | |
| (a) Short-term borrowings | 7 | 884.61 | | 840.55 |
| (b) Trade payables | 8 | 655.85 | | 732.72 |
| (c) Other current liabilities | 9 | 639.31 | | 438.77 |
| (d) Short-term provisions | 10 | 2.91 | | 4.53 |
| | | | 2,182.68 | 2,016.57 |
| Total | | | 5,163.50 | 4,957.27 |
| II. ASSETS | | | | |
| (1) Non Current Assets | | | | |
| (a) Fixed Assets | 11 | | | |
| (i) Tangible assets | | 2,407.15 | | 2,389.65 |
| (ii) Intangible assets | | 0.38 | | 0.47 |
| (iii) Capital work-in-progress | | 146.10 | | 104.22 |
| | | | 2,553.63 | 2,494.34 |
| (b) Non-current investments | 12 | 227.81 | | 109.67 |
| (c) Deferred tax assets (net) | 4 | 8.24 | | - |
| (d) Long-term loans and advances | 13 | 112.49 | | 122.88 |
| (e) Other non-current assets | 14 | 48.28 | | 48.28 |
| | | | 396.82 | 280.83 |
| (2) Current Assets | | | | |
| (a) Inventories | 15 | 1,034.64 | | 996.31 |
| (b) Trade receivables | 16 | 935.26 | | 876.98 |
| (c) Cash and Bank Balances | 17 | 74.80 | | 78.69 |
| (d) Short-term loans and advances | 18 | 166.42 | | 227.18 |
| (e) Other Current Assets | 19 | 1.93 | | 2.94 |
| | | | 2,213.05 | 2,182.10 |
| Total | | | 5,163.50 | 4,957.27 |

Statement of Significant Accounting

Policies adopted by the Company and

Notes forming part of the Financial Statements

1 to 38

As per our attached report of even date

For **Haribhakti & Co.**
Chartered Accountants
Firm Registration No.103523W
Sumant Sakhardande
Partner
Membership No. 034828
Mumbai: May 25, 2013

Niraj Bajaj
Chairman & Managing Director

Rajesh V Shah
Co-Chairman & Managing Director

Suketu V Shah
Joint Managing Director

K J Mallya
Company Secretary

Mumbai: May 25, 2013

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

| | Note No. | 2012-13 Rs in crore | 2011-12 Rs in crore |
|--|----------------|------------------------|------------------------|
| I) Gross Revenue from Operations | | 2,347.52 | 2,800.42 |
| Less Excise Duty | | 221.28 | 234.46 |
| Net Revenue from Operations | 21 | 2,126.24 | 2,565.96 |
| II) Other Income | 22 | 10.87 | 9.89 |
| III) Total Revenue (I) + (II) | | 2,137.11 | 2,575.85 |
| IV) Expenses | | | |
| a) Cost of Materials Consumed | 23 | 1,121.24 | 1,351.70 |
| b) Changes in inventories of finished goods, work-in progress and Stock-in-Trade | 24 | (61.13) | (19.77) |
| c) Employee benefits expenses | 25 | 136.53 | 131.85 |
| d) Finance costs | 26 | 215.38 | 181.87 |
| e) Depreciation and amortization expenses | | 64.15 | 65.72 |
| f) Other expenses | 27 | 832.49 | 977.28 |
| Expenditure transferred to Capital Accounts / Capital Work-in-Progress | | (15.52) | (4.42) |
| Total Expenses | | 2,293.14 | 2,684.23 |
| Profit/(Loss) before Exceptional items and tax | | (156.03) | (108.38) |
| Add / (Less) : | | | |
| Exceptional Items (net) | 28 | 108.33 | - |
| V) Profit before tax (III) - (IV) | | (47.70) | (108.38) |
| VI) Tax Expense: | | | |
| Deferred Tax (Charge) / Credit | | 8.24 | 14.65 |
| Excess / (Short) provision for tax in respect of earlier years | | - | 0.23 |
| | | 8.24 | 14.88 |
| Profit/ (Loss) for the year (V) - (VI) | | (39.46) | (93.50) |
| Weighted average number of Equity Shares outstanding during the year | | 73,114,129 | 73,114,129 |
| Basic and diluted earnings per share (in Rs.) | 30 | (5.40) | (12.79) |
| Basic and diluted earnings per share excluding Exceptional Items (net of tax) (in Rs.) | | (20.21) | (12.79) |
| Nominal value of share (in Rs.) | | 10.00 | 10.00 |
| Statement of Significant Accounting | | | |
| Policies adopted by the Company and | | | |
| Notes forming part of the Financial Statements | 1 to 38 | | |

As per our attached report of even date

For **Haribhakti & Co.**
Chartered Accountants
Firm Registration No.103523W
Sumant Sakhardande
Partner
Membership No. 034828
Mumbai: May 25, 2013

Niraj Bajaj
Chairman & Managing Director

Rajesh V Shah
Co-Chairman & Managing Director

Suketu V Shah
Joint Managing Director

K J Mallya
Company Secretary

Mumbai: May 25, 2013



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013

Rs. in crore

| | 2012-13 | 2012-13 | 2012-13 | 2011-12 | 2011-12 | 2011-12 |
|--|---------|---------|----------|---------|---------|----------|
| A. Cash Flow arising from Operating Activities | | | | | | |
| Profit / (Loss) before Tax and exceptional items | | | (156.03) | | | (108.38) |
| Add back : | | | | | | |
| (1) Depreciation | | 64.15 | | | 65.72 | |
| (2) Other Non-cash Expenditure/(Income) -(net) | | (2.88) | | | (2.54) | |
| (3) Interest / Lease Charges (net) | | 201.63 | | | 169.39 | |
| | | | 262.90 | | | 232.57 |
| | | | 106.87 | | | 124.19 |
| Deduct : | | | | | | |
| (1) Investment Income | | 0.74 | | | 0.94 | |
| (2) Surplus/(Loss) on sale of assets -(net) | | 29.73 | | | (0.09) | |
| | | | 30.47 | | | 0.85 |
| Operating Profit before Working Capital changes | | | 76.40 | | | 123.34 |
| Less : Working Capital Changes | | | | | | |
| (1) Increase in Trade and Other Receivables | 32.13 | | | 114.05 | | |
| (2) Increase in Inventories | 38.33 | | | 71.15 | | |
| (3) Decrease in Trade Payables | 36.26 | | | - | | |
| | | 106.72 | | | 185.20 | |
| Less: | | | | | | |
| (1) Increase in Trade Payables | - | | | 155.64 | | |
| | | - | | | 155.64 | |
| Net Working Capital changes | | | 106.72 | | | 29.56 |
| Cash Flow from Operations | | | (30.32) | | | 93.78 |
| Less : Direct taxes paid | | | 6.04 | | | 19.41 |
| | | | (36.36) | | | 74.37 |
| Add : Exceptional items | | | 47.96 | | | - |
| Net Cash Inflow/(Outflow) from Operating Activities | | | 11.60 | | | 74.37 |
| B. Cash Flow arising from Investing Activities | | | | | | |
| Inflow | | | | | | |
| (1) Sale of Fixed Assets | | 41.72 | | | 1.78 | |
| (2) Dividends received | | 0.74 | | | 0.94 | |
| (3) Decrease in Loans to Subsidiaries And Other Companies | | - | | | 33.39 | |
| (4) Sale of Investments | | 1.01 | | | - | |
| | | | 43.47 | | | 36.11 |
| Deduct Outflow | | | | | | |
| (1) Acquisition of Fixed Assets | | 121.74 | | | 104.62 | |
| | | | 121.74 | | | 104.62 |
| Net Cash Inflow/(Outflow) from Investing Activities | | | (78.27) | | | (68.51) |

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013 (Contd.)

Rs. in crore

| | 2012-13 | 2012-13 | 2012-13 | 2011-12 | 2011-12 | 2011-12 |
|--|---------|---------|---------|---------|---------|---------|
| C. Cash Flow arising from Financing Activities | | | | | | |
| Inflow | | | | | | |
| (1) Increase in Term Loans (net) | | 26.92 | | | - | |
| (2) Increase in Working Capital Loans from Banks - (net) | | 97.97 | | | 195.86 | |
| (3) Increase in Other Unsecured Loans (net) | | 163.64 | | | 80.47 | |
| | | | 288.53 | | | 276.33 |
| Deduct Outflow | | | | | | |
| (1) Redemption of Debentures | | 4.88 | | | 3.13 | |
| (2) Decrease in Term Loans - (net) | | - | | | 78.35 | |
| (3) Dividends paid | | - | | | 8.45 | |
| (4) Interest / Lease charges - (net) | | 211.77 | | | 222.61 | |
| | | | 216.65 | | | 312.54 |
| Net Cash Inflow / (Outflow) from Financing Activities | | | 71.88 | | | (36.21) |
| Net Increase / (Decrease) in Cash/Cash Equivalents | | | 5.21 | | | (30.35) |
| Add : Balance at the beginning of the year | | | 21.06 | | | 51.41 |
| Cash/Cash Equivalents at the close of the year | | | 26.27 | | | 21.06 |

Note : Cash / Cash Equivalents exclude balances with banks in Margin Money Accounts : 31.03.2013 - Rs 48.54 crores ; 31.03.2012 - Rs 57.63 crore; 31.03.2011 - Rs 52.97 crore

As per our attached report of even date

For **Haribhakti & Co.**
Chartered Accountants
Firm Registration No.103523W
Sumant Sakhardande
Partner
Membership No. 034828
Mumbai: May 25, 2013

Niraj Bajaj
Chairman & Managing Director

Rajesh V Shah
Co-Chairman & Managing Director

Suket V Shah
Joint Managing Director

K J Mallya
Company Secretary

Mumbai: May 25, 2013



NOTES

(1) Share Capital

| | 31st March, 2013 Rs.in crore | 31st March, 2012 Rs.in crore |
|---|---------------------------------|---------------------------------|
| Authorised | | |
| 118,000,000 (31 March 2012 : 118,000,000) Equity Shares of Rs.10/- each | 118.00 | 118.00 |
| 7,000,000 (31 March 2012 : 7,000,000) Preference Shares of Rs.10/- each | 7.00 | 7.00 |
| | 125.00 | 125.00 |
| Issued | | |
| 73,159,805* (31 March 2012 : 73,159,805*) Equity Shares of Rs.10/- each | 73.16 | 73.16 |
| 5,626,320 (31 March 2012 : 5,626,320) 0.01% Cumulative Redeemable Preference Shares of Rs.10/- each | 5.63 | 5.63 |
| Total issued share capital | 78.79 | 78.79 |
| * includes 28,031 Equity Shares which have been kept in abeyance by the Stock Exchange Authorities | | |
| Subscribed and fully paid up | | |
| 73,114,129 (31 March 2012 : 73,114,129) Equity Shares of Rs.10/- each | 73.11 | 73.11 |
| 5,626,320 (31 March 2011 : 5,626,320) 0.01% Cumulative Redeemable Preference Shares of Rs 10/- each | 5.63 | 5.63 |
| | 78.74 | 78.74 |
| Add: Forfeited shares (amounts originally paid up) | 0.01 | 0.01 |
| Total subscribed and fully paid-up share capital | 78.75 | 78.75 |

a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares

| | 31-Mar-13 | | 31-Mar-12 | |
|---|---------------|--------------|---------------|--------------|
| | Nos. in crore | Rs.in crore | Nos. in crore | Rs.in crore |
| At the beginning of the period | 7.31 | 73.11 | 7.31 | 73.11 |
| Add : issued during the period | --- | --- | --- | --- |
| | --- | --- | --- | --- |
| Less : bought back during the year | --- | --- | --- | --- |
| Outstanding at the end of the period | 7.31 | 73.11 | 7.31 | 73.11 |

Preference shares (CRPS)

| | 31-Mar-13 | | 31-Mar-12 | |
|---------------------------------------|---------------|-------------|---------------|-------------|
| | Nos. in crore | Rs.in crore | Nos. in crore | Rs.in crore |
| At the beginning of the period | 0.56 | 5.63 | 0.56 | 5.63 |
| Add : issued during the period | --- | --- | --- | --- |
| Less : bought back during the year | --- | --- | --- | --- |
| Outstanding at the end of the period | 0.56 | 5.63 | 0.56 | 5.63 |

b. Terms / rights attached to equity shares

The Company has only one class of equity share having a par value of Rs. 10/- per share. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividends in Indian rupees.

The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. During the year ended 31 March 2013, the amount of dividend per share recognized as distribution to equity shareholders was Rs. Nil (31 March 2012 : Re. Nil).

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

c. Terms of redemption of CRPS

Pursuant to the order of the Hon'ble High Court of Judicature at Bombay dated October 14, 2003, the Company had cancelled 22 ½ equity shares issued and unallotted and reduced 20% of the outstanding equity shares amounting to 5,626,320 equity shares. In lieu of cancelled shares, the company has issued 5,626,320 0.01% Cumulative Redeemable Preference Shares of Rs.10/- each entitled for cumulative Preference dividend of 0.01% p.a. and redeemable in five equal annual installments starting from September, 2019. In the event of liquidation of the company before redemption, the holders of CRPS will have priority over equity shares in the payment of dividend and repayment of capital.

d. The Company does not have any holding company.

e. There are no bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date.

NOTES (Contd.)

- f. Details of shareholders holding more than 5% shares in the company

Equity Shares of Rs. 10/- each fully paid

| | 31st March, 2013 | | 31st March, 2012 | |
|-------------------------------------|------------------|------------------------|------------------|------------------------|
| | Numbers | % holding in the class | Numbers | % holding in the class |
| Jamnallal Sons Pvt. Ltd. | 13,147,761 | 17.98 | 13,147,761 | 17.98 |
| Life Insurance Corporation of India | 7,228,076 | 7.89 | 7,228,076 | 7.89 |
| Bajaj Holdings & Investments Ltd. | 4,056,782 | 5.55 | 4,056,782 | 5.55 |
| Jeewan Ltd. | 4,785,369 | 6.55 | 4,031,857 | 5.51 |

CRPS of Rs. 10/- each fully paid

| | | | | |
|-------------------------------------|---------|-------|---------|-------|
| Life Insurance Corporation of India | 595,545 | 10.58 | 595,470 | 10.58 |
| Jamnallal Sons Pvt. Ltd. | 474,143 | 8.43 | 474,143 | 8.43 |

As per records of the company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

- g. There are no shares reserved for issue under options and contracts / commitments for sale of shares/disinvestment.
h. There are no unpaid calls from any Director and officer.

(2) RESERVES AND SURPLUS

| | | 31st March, 2013 Rs in crore | 31st March, 2012 Rs in crore |
|---|----------|---------------------------------|---------------------------------|
| Capital Reserve : | | | |
| As per last Account (Rs 47,439/-) | | - | - |
| Capital Redemption Reserve: | | | |
| As per last Account | | 3.00 | 3.00 |
| Securities Premium Account : | | | |
| As per last Account | 225.55 | | 225.55 |
| Add : Amounts debited to this account in earlier years written back | 0.04 | | - |
| | | 225.59 | 225.55 |
| Debenture Redemption Reserve : | | | |
| As per last Account | 11.43 | | 12.21 |
| Add / (Less) | | | |
| - Transferred to Surplus | (1.22) | | (0.78) |
| | | 10.21 | 11.43 |
| Revaluation Reserve : | | | |
| As per last Account | 1,668.94 | | 1,673.33 |
| Less : Transferred to Statement of Profit & Loss | (4.39) | | (4.39) |
| | | 1,664.55 | 1,668.94 |
| General Reserve : | | | |
| As per last Account | 231.66 | | 200.65 |
| Add / (Less) | | | |
| - Transferred to Surplus for Proposed Dividend and Tax thereon (Fy2012-13 : Rs 6,540/-; Fy2011-12: Rs 6,540/-) | | | |
| - Transferred from Surplus being Opening Balance / Appropriation | - | | 30.23 |
| - Transferred from Surplus being write back of Debenture Redemption Reserve | 1.22 | | 0.78 |
| | | 232.88 | 231.66 |
| Surplus : | | | |
| As per last Account | (93.50) | | 30.23 |
| Surplus / (Deficit) as per annexed Statement of Profit and Loss | (39.46) | | (93.50) |
| Transferred from Debenture Redemption Reserve | 1.22 | | 0.78 |
| Transfer from General Reserve for Proposed Preference Dividend and tax thereon (Fy 2012-13 :Rs 6,540/-;Fy2011-12 :Rs 6,540/-) | | | |
| Proposed Preference Dividend (Fy 2012-13: Rs 5,627/- ;Fy 2011-12: Rs 5,627/-) | | | |
| Tax on Preference / Equity Dividend (Fy 2012-13 Rs 913/- ; Fy 2011-12 :Rs 913/-) | | | |
| Transferred to General Reserve being Opening Balance / Appropriation | - | | (30.23) |
| Transferred to General Reserve being write back of Debenture Redemption Reserve | (1.22) | | (0.78) |
| | | (132.96) | (93.50) |
| | | 2,003.27 | 2,047.08 |

NOTES (Contd.)

(3) LONG-TERM BORROWINGS

| | 31st March, 2013 | 31st March, 2012 |
|-----------------------------------|------------------|------------------|
| | Rs in crore | Rs in crore |
| I) SECURED LOANS | | |
| a) Debentures | 20.20 | 38.72 |
| b) Term Loans : | | |
| - from Banks | 248.98 | 414.06 |
| - from Financial Institutions | 119.01 | 155.86 |
| - from Others | 117.63 | 44.03 |
| | 485.62 | 613.95 |
| Total Secured Loans | 505.82 | 652.67 |
| II) UNSECURED LOANS | | |
| a) Fixed Deposits | 102.56 | 119.66 |
| b) Long term loans from Companies | 246.95 | |
| c) Sales Tax Deferment Loan | 1.39 | 1.86 |
| Total Unsecured Loans | 350.90 | 121.52 |
| Total Long-term borrowings | 856.72 | 774.19 |

Nature of Security & Terms of repayment for Long Term Borrowings

(I) Nature of Security

(i) Debentures

5,800,000, 10.50% (2006-15) Mortgage Debentures (balance outstanding as at 31.03.2013 Rs.40.82 crore, Previous Year Rs.45.69 crore), are secured by way of first pari-passu charge against mortgage/ hypothecation of Company's freehold land, immovable and movable fixed assets both present and future of the Company at Kalwe and Dighe, Dist. Thane, in the State of Maharashtra and leasehold land, immovable and movable fixed assets both present and future of the Company at Ginigera/Kankapura, Dist. Ginigera in the State of Karnataka and such mortgage and charge shall rank pari-passu with the existing mortgages and charges created in favour of financial institutions, banks and a company for their term loans except term loans at (ii) to (xiii) below. These debentures are also secured by way of a second and subservient pari-passu charge on stocks (excluding machinery spares) and book debts.

(ii) Term Loans from Banks, Financial Institutions and a Company (balance outstanding as at 31.03.2013 Rs. 252.78 crore, Previous Year Rs.308.90 crore),

These are secured on pari-passu basis against the same assets as given to Trustees for Debentures as shown at (i) above.

(iii) Term Loan of Rs.62.50 crore (balance outstanding as at 31.03.2013 - Rs.62.50 Previous Year Rs.62.50 crore) from a Bank is secured against office premises at Mumbai and three residential premises at Mumbai.

(iv) Term Loan of Rs.350.00 crore (balance outstanding as at 31.03.2013 - Rs.218.75 crore, Previous Year Rs.287.50 crore) from a Bank is secured against mortgage of 50 acres of leasehold land at Dighe, Thane.

(v) Term Loan of Rs.100.00 crore (balance outstanding as at 31.03.2013 - Rs.42.50 crore, Previous Year Rs.70.00 crore) from a Bank is secured on pari-passu basis against the same assets as given to Trustees for Debentures as shown at (i) above.

Terms of Repayment

Rescheduled for repayment in 90 monthly installments from 2006 to 2015 in terms of financial restructuring package approved by Corporate Debt Restructuring Cell (CDR) in July 2003 and April 2009.

The principal term debt is to be repaid in 144 monthly installments commencing from April 2006 and ending in March, 2018 with a pre-determined ballooning schedule. During April 2009 CDR Cell approved deferment of principal amount due for payment aggregating Rs.119 crore during the period of 18 months commencing from 1st April, 2009 and ending on 30th September, 2010. The total loan amount is now rescheduled to be paid during FY2010-11 to FY2014-15 in place of the earlier schedule of payments by FY2017-18 without any increase in the rate of interest. Based on an assessment of its financial commitments and the estimated cash flows, the management is confident of meeting all its financial commitments in the foreseeable future.

Repayable in 36 equal monthly installments commencing from March 2013.

Term Loan of Rs.75 crore is repayable in 30 equal monthly installments commencing from September 2010. Term Loan of Rs.150 crore is repayable in 40 equal monthly installments commencing from August 2011. Term Loan of Rs.125 crore is repayable in 36 equal monthly installments commencing from April 2013.

Repayable in 40 equal monthly installments commencing from February 2011.

NOTES (Contd.)

| (I) | Nature of Security | Terms of Repayment |
|--------|---|--|
| (vi) | Term Loan of Rs.35.00 crore (balance outstanding as at 31.03.2013 - Rs.28.58 crore, Previous Year Rs.35 crore) from a Bank is secured against plant and machinery and other moveable assets of Captive Power Plant at Ginigera / Kankapura, District Ginigera in the State of Karnataka. | Repayable in 60 equal monthly installments commencing from April 2012. |
| (vii) | Loan of Rs.12.50 crore (balance outstanding as at 31.03.2013 - Rs.1.23 crore, Previous Year Rs.5.78 crore) from a Company is secured against hypothecation of specific movable plant and machinery, furniture and fixtures and office equipment. | Repayable in 36 monthly installments commencing from July 2010. |
| (viii) | Loan of Rs.17.50 crore (balance outstanding as at 31.03.2013 - Rs.9.18 crore, Previous Year Rs.14.63 crore) from a Company is secured against a residential premises at Delhi. | Repayable in 36 monthly installments commencing from September 2011. |
| (ix) | Loan of Rs.25.00 crore (balance outstanding as at 31.03.2013 - Rs.23.17 crore, Previous Year Rs.25.00 crore) from a Company is secured against mortgage of 5 acres of lease hold land at Dighe, Thane. | Repayable in 24 monthly installments commencing from February 2013. |
| (x) | Term Loans of Rs.100.00 crore (balance outstanding as at 31.03.2013 - Rs.100.00 crore, Previous Year Rs.Nil crore) from HDFC Ltd. is secured against mortgage of 50 acres of lease hold land at Dighe, Thane (Pari Passu Charge). | Repayable in 36 monthly installments commencing from July 2013 for a loan of Rs.50 crore and October 2013 for a loan of Rs.50 crore. |
| (xi) | Term Loan of Rs.50.00 crore (balance outstanding as at 31.03.2013 - Rs.47.17 crore, Previous Year Rs.Nil crore) from a Company is secured against various items of Plant & Machinery at Dighe, Thane, the charge being subservient to lenders at (i) & (ii) above. | Repayable in 58 monthly installments commencing from July 2012. |
| (xii) | Term Loan of Rs.37.45 crore (balance outstanding as at 31.03.2013 - Rs.37.35 crore, Previous Year Rs.Nil crore) from a Company is secured against Plant & Machinery at Ginigera, Kanakapura, Dist Ginigera in the State of Karnataka of Sinter Plant, Hot Blast Stoves and Pulverising Plant. | Repayable in 58 monthly installments commencing from February 2013. |
| (xiii) | Term Loans of Rs.8.00 crore from two companies (Rs.4 crore from each company) (balance outstanding as at 31.03.2013 - Rs.8.00 crore, Previous Year Rs.Nil crore) are secured against mortgage of a residential premises at Mumbai. | Repayable in one installment in November 2014. |

(II) Effect and Progress of Restructuring Package

In terms of the Financial Restructuring Package (FRP) approved by the Corporate Debt Restructuring (CDR) Cell in July 2003 and April 2009, the terms of security, redemption and conversion have been rescheduled. A separate disclosure is made hereunder to explain the same, as also the progress made so far:

- Promoters/Associates have pledged 11,426,514 equity shares and 546,652 cumulative redeemable preference shares out of their share-holding in the Company.
- Pledge of Promoters' holding of shares of Bajaj Auto Limited is to the tune of Rs.10.90 crore.
- The Company shall ensure balance realization of non-core assets and investments aggregating Rs.82.73 crore (net of amounts realized till 31.03.2013) over a specified time schedule ending on 30th September 2013.
- Lenders shall have a right of recompense upto 12% per annum in excess of the effective IRR charge / credit in FRP for 8 years commencing from the date of approval.
- In the event of default, as defined in the restructuring package, the lenders have the right to cancel, suspend, reduce or modify all or any of the relief and concessions or vary the terms and conditions thereof.

(III) For details of loans received from related parties, please refer Note No. 34.

(IV) Deferred sales tax liability is to be paid in 5 annual instalments commencing from FY2012-13 to FY 2016-17.

(4) Deferred Tax Asset / (Liabilities) (Net)

| | 31st March, 2013 Rs in crore | 31st March, 2012 Rs in crore |
|---------------------------------|---------------------------------|---------------------------------|
| Deferred Tax Assets | 134.36 | 118.82 |
| Less : Deferred Tax Liabilities | 126.12 | 118.82 |
| | 8.24 | - |
| | 8.24 | - |

Components of Deferred tax (assets) / liabilities are as under :

NOTES (Contd.)

| | Rs in crore | |
|--|--|-------------------------|
| | As at 31-Mar-12 | As at 31-Mar-13 |
| | Change / (Credit) for the year 2012-13 | |
| Deferred Tax | | |
| Deferred Tax Asset on account of : | | |
| a) Employee benefits, etc | 10.44 | 10.70 |
| b) Taxes, Duties, Cess, Interest to Banks/FIs', etc | 21.59 | 14.99 |
| c) Provision for doubtful debts | 0.13 | 0.13 |
| d) Unabsorbed Depreciation/ Business Loss, etc | 112.14 | 108.54 |
| | 144.30 | 134.36 |
| Deferred Tax liability on account of : | | |
| a) Depreciation | 118.06 | 126.12 |
| b) Others | 11.05 | - |
| | 129.11 | 126.12 |
| Net Deferred Tax Asset/(Liability) \$ | 15.19 | 8.24 |
| \$ Deferred Tax Asset aggregating Rs.26.47 crore was not recognised considering the principle of virtual certainty as stated in the Accounting Standard AS-22- Accounting for taxes on Income. | | |
| (5) OTHER LONG-TERM LIABILITIES | | |
| | 31st March, 2013 | 31st March, 2012 |
| | Rs in crore | Rs in crore |
| Security Deposits | 4.00 | 4.42 |
| Acceptances / Payables for Capital Goods | 8.03 | 7.77 |
| | 12.03 | 12.19 |
| (6) LONG-TERM PROVISIONS | | |
| for Premium on Redemption of Debentures | - | 0.04 |
| for Employee Benefits | 30.05 | 28.45 |
| | 30.05 | 28.49 |
| (7) SHORT-TERM BORROWINGS | | |
| I) SECURED LOANS | | |
| Working Capital Loans from Banks | 688.95 | 590.98 |
| Total Secured Loans | 688.95 | 590.98 |
| II) UNSECURED LOANS | | |
| Short Term Loans from Companies | 195.66 | 249.57 |
| Total Unsecured Loans | 195.66 | 249.57 |
| Total Short-term borrowings | 884.61 | 840.55 |
| Short Term Borrowings - Secured | | |
| Working Capital Facilities | | |
| (a) Working Capital Facilities from the Banks and other non-funded facilities are secured by hypothecation of stocks (excluding machinery spares) and book debts. The said facilities are also secured by way of second and subservient pari passu charge against the same assets as given to Trustees for Debentures as shown at Note No.3. The said charge shall be second and subservient to all other first charges created in favour of Trustees for all the series of Debentures and Lenders for their term loans at (i) and (ii) at Note No.3(I). | | |
| Note : Security given for the debentures, term loans at Note No.3(I) and working capital facilities mentioned above exclude : | | |
| 48 acres of grant land at Kalwe and Dighe, Dist. Thane in the State of Maharashtra. | | |
| Leasehold land at Dighe, Thane, as it is mortgaged to Lenders covered at Note No.3(I) (iv), (ix), (x) & (xi). | | |
| Freehold land acquired for Coke Oven Plant at Ginigera / Kankapura, District Ginigera in the State of Karnataka. | | |
| Plant and Machinery of Captive Power Plant at Ginigera / Kankapura, District Ginigera in the State of Karnataka is given as security to lenders covered at Note No.3(I) (vi). | | |
| 39.58 acres leasehold land at Lonand, Dist. Satara in the State of Maharashtra, for Company's project of expansion of finishing facilities for steel products. | | |
| 43.14 acres of leasehold land at Sinnar, Dist. Nasik, in the State of Maharashtra, for Company's project of expansion of its Industrial Machinery Division. | | |
| 152.83 acres of freehold land in the State of Jharkhand, for Company's projects in that State. | | |
| (b) Company has defaulted in repayment of current maturity of Long Term Debt to lenders to extent of Rs.31.59 crore out of which Rs.22.84 crore has been paid after close of the year. | | |

NOTES (Contd.)

(8) TRADE PAYABLES

| | 31st March, 2013 | 31st March, 2012 |
|----------------|------------------|------------------|
| | Rs in crore | Rs in crore |
| Acceptances | 330.37 | 358.01 |
| Trade Payables | 325.48 | 374.71 |
| | <u>655.85</u> | <u>732.72</u> |

- (a) "Trade Payables" include (i) Rs.0.99 crore (Previous year Rs.1.02 crore) due to creditors registered under the Micro, Small and Medium Enterprises Development Act, 2006 (MSME) (ii) Rs. 324.49 crore (Previous year Rs. 373.69 crore) due to other creditors.
- (b) Disclosure in respect of creditors registered under Micro, Small and Medium Enterprises Development Act, 2006 (MSME).
Disclosure as required by Micro, Small and Medium Enterprises Development Act, 2006 is as under :

| | | For the year ended 31st March, 2013 | For the year ended 31st March, 2012 |
|---|---|--|--|
| The principal amount and the interest due thereon remaining unpaid to suppliers | | | |
| a | i) Principal | 0.99 | 1.02 |
| | ii) Interest due thereon | 0.02 | 0.02 |
| b | I Interest actually paid under section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 (MSME) | 0.06 | --- |
| c | I Normal interest accrued during the year, for all the delayed payments, as per the agreed terms. | 0.11 | 0.24 |
| | II Normal interest payable for the period of delay in making payment, as per the agreed terms. | --- | --- |
| d | I Total interest accrued during the year. | 0.13 | 0.24 |
| | II Total interest accrued during the year and remaining unpaid. | 0.17 | 0.26 |
| e | Included in (d) above is interest on amounts outstanding as at beginning of the accounting year. | 0.04 | 0.01 |

The disclosure above is based on the information available with the Company regarding the status of the suppliers under the MSME.

(9) OTHER CURRENT LIABILITIES

| | 31st March, 2013 | 31st March, 2012 |
|--|------------------|------------------|
| | Rs in crore | Rs in crore |
| Current Maturities of long-term debt | 419.15 | 266.51 |
| Interest accrued but not due on borrowings | 14.19 | 13.42 |
| Interest accrued and due on borrowings | 14.49 | 4.76 |
| Unpaid Dividends (represents amounts unclaimed) | 0.21 | 0.21 |
| Unpaid matured deposits (represents amounts unclaimed) | 0.81 | 1.30 |
| Liability towards Employee Benefits | 8.96 | 7.73 |
| Advances against Orders and Engineering Contracts | 55.36 | 61.79 |
| Statutory Liabilities | 48.02 | 39.08 |
| Acceptances / Payables for Capital Goods | 75.41 | 36.40 |
| Other Payables | 2.71 | 7.57 |
| | <u>639.31</u> | <u>438.77</u> |

(10) SHORT-TERM PROVISIONS

| | 31st March, 2013 | 31st March, 2012 |
|---|------------------|------------------|
| | Rs in crore | Rs in crore |
| for Employee Benefits | 2.37 | 3.84 |
| for Equity / Preference Dividends & tax thereon | - | - |
| for Warranty Costs | 0.54 | 0.69 |
| | <u>2.91</u> | <u>4.53</u> |

NOTES (Contd.)

(11) FIXED ASSETS

Rs. in crore

| | GROSS BLOCK (At Cost / Book Value) | | | | | DEPRECIATION | | | | NET BLOCK | |
|---|-------------------------------------|------------------------|-------------------------|---|------------------------|-----------------------|--------------|--------------------------|------------------------|------------------------|-----------------------|
| | As at 1st April, 2012 | Additions/ Adjustments | Deductions/ Adjustments | Adjustments/ Additions/ (Deductions) to Revalued Assets | As at 31st March, 2013 | As at 1st April, 2012 | For the year | Recouped during the year | As at 31st March, 2013 | As at 31st March, 2013 | As at 31st March 2012 |
| i) Tangible Assets | | | | | | | | | | | |
| Freehold Land | 1,347.89 | 0.87 | - | - | 1,348.76 | - | - | - | - | 1,348.76 | 1,347.89 |
| Leasehold Land | 354.07 | 0.90 | - | - | 354.97 | 6.75 | 4.70 | # | 11.45 | 343.52 | 347.32 |
| Railway Siding | 13.82 | - | - | - | 13.82 | 2.58 | 0.65 | - | 3.23 | 10.59 | 11.24 |
| Buildings and Roads | 178.93 | 0.58 | - | - | 179.51 | 60.25 | 5.15 | - | 65.40 | 114.11 | 118.68 |
| Plant and Machinery | 1,247.94 | 94.72 | 41.76 | - | 1,300.90 | 692.72 | 56.82 | 30.15 | 719.39 | 581.51 | 555.22 |
| Furniture, Fixtures, etc. | 8.50 | 0.39 | 0.21 | - | 8.68 | 4.33 | 0.35 | 0.19 | 4.49 | 4.19 | 4.17 |
| Office Machinery | 2.73 | 0.21 | 0.03 | - | 2.91 | 1.33 | 0.20 | 0.03 | 1.50 | 1.41 | 1.40 |
| Vehicles | 6.16 | 0.11 | 1.54 | - | 4.73 | 2.43 | 0.43 | 1.19 | 1.67 | 3.06 | 3.73 |
| | 3,160.04 | 97.78 | 43.54 | --- | 3,214.28 | 770.39 | 68.30 | 31.56 | 807.13 | 2,407.15 | 2,389.65 |
| ii) Intangible Assets- Software | 1.34 | 0.15 | - | - | 1.49 | 0.87 | 0.24 | - | 1.11 | 0.38 | 0.47 |
| | 1.34 | 0.15 | - | - | 1.49 | 0.87 | 0.24 | - | 1.11 | 0.38 | 0.47 |
| Total (i) + (ii) | 3,161.38 | 97.93 | 43.54 | - | 3,215.77 | 771.26 | 68.54 | 31.56 | 808.24 | 2,407.53 | 2,390.12 |
| Previous year's Total | 3,143.67 | 29.91 | 12.20 | - | 3,161.38 | 711.46 | 70.12 | 10.32 | 771.26 | 2,390.12 | |
| iii) Capital Work-in-Progress, expenditure to date | | | | | | | | | | 146.10 | 104.22 |
| | | | | | | | | | | 2,553.63 | 2,494.34 |

includes Rs 4.39 crore withdrawn from Revaluation Reserve

Fixed Assets :

(i) Revaluation :

Freehold land at Kalwe / Dighe, Thane as at 30.6.1983 was revalued as at 30.6.1984 and the addition to assets on account of this revaluation, aggregating Rs.12.27 crore was correspondingly credited to the Revaluation Reserve during the year ended 30th June, 1984. To reflect the current fair market value, the Company further revalued the freehold land at Kalwe as at 31.3.2001 during November, 2001. The registered valuer had carried out the valuation on the basis of the then market values of these lands. The addition to assets on account of this revaluation, aggregating Rs.114.36 crore was correspondingly credited to the Revaluation Reserve during the year ended 31st March, 2002. Company has further revalued the aforesaid land as at 31.03.2009 and an amount aggregating Rs.1212.37 crore has been added to assets and correspondingly credited to the Revaluation Reserve as at 31.03.2009.

Leasehold land at Dighe, Thane as at 31.03.2011 has been revalued to reflect the current Fair Market Value of this land. The valuation was carried out by a Registered Valuer. The addition to assets on account of this revaluation, aggregating Rs.334.34 crore has been correspondingly credited to the revaluation reserve as at 31.03.2011. An amount of Rs.4.39 crore has been transferred from the revaluation reserve to the statement Profit & Loss towards charge of amortization of the said land for the year.

- (ii) Gross Block of Buildings as at 31st March, 2013 includes value of offices, residential flats and garages in co-operative societies/proposed co-operative societies/association of apartment owners aggregating Rs.6.39 crore at cost (Previous Year Rs.6.39 crore) [including cost of shares in co-operative societies Rs.7,500/- (Previous Year Rs.7,500/-)].
- (iii) Fixed assets include net book value of assets at Ginigera Steel Plant aggregating Rs.1.40 crore which have been retired from active use and are held for disposal as tabulated hereunder. The said net book value is on the basis of realisable value as per valuation report of an approved valuer.

Assets held for disposal

Rs. in crore

| | As at 1-Apr-12 | Depreciation as at 31-Mar-13 | Loss on Discard written-off | Net Block as at 31-Mar-13 |
|-------------------|----------------|------------------------------|-----------------------------|---------------------------|
| Description | | | | |
| Plant & Machinery | 3.30 | 1.90 | --- | 1.40 |

(iv) Fixed Assets include borrowing costs of Rs.18.07 crore capitalised during the year (Previous Year Rs.5.86 crore).

(v) As lessee: Future Rental obligations in respect of premises taken on lease – Operating Lease.

Rs. in crore

| | As at 31-Mar-13 | As at 31-Mar-12 |
|---|-----------------|-----------------|
| 1 For a period not later than one year. | 1.25 | 1.82 |
| 2 For a period later than one year and not later than five years. | 0.50 | --- |
| 3 For a period later than five years. | - | --- |
| Total..... | 1.75 | 1.82 |

Lease rentals charged to revenue for the current year Rs.3.11 crore (Previous Year Rs. 3.15 crore).

These premises comprise residential flats, office premises and warehouses. The Agreements for lease are executed for tenure of 11 to 72 months with a provision for renewal and termination by either party giving a prior notice of 1 to 3 months.

NOTES (Contd.)

(vi) As Lessor: Future Rental income in respect of premises given on lease – Operating Lease.

| | As at 31-Mar-13 | Rs. in crore As at 31-Mar-12 |
|---|-----------------|---------------------------------|
| 1 For a period not later than one year. | 0.67 | 0.57 |
| 2 For a period later than one year and not later than five years. | 0.09 | --- |
| 3 For a period later than five years. | --- | --- |
| Total..... | 0.76 | 0.57 |

These premises comprise office premises and a residential flat given on lease for tenure of two years with a provision for renewal in case of office premises.

Gross carrying amount of assets: Rs.2.40 crore.

Accumulated depreciation upto 31.03.2013: Rs.0.69 crore.

Depreciation for the year: Rs.0.04 crore.

(12) NON-CURRENT INVESTMENTS,

At Cost / Value after providing for diminution

| | 31st March, 2013 Rs in crore | 31st March, 2012 Rs in crore |
|--|---------------------------------|---------------------------------|
| I. Investments in Equity instruments : | | |
| A. In Subsidiary Companies (Trade / Unquoted) : | | |
| (i) Mukand Global Finance Ltd. | | |
| 11,749,500 Equity Shares of Rs.10/-each, fully paid up | 26.25 | 26.25 |
| (ii) Mukand International Ltd. | | |
| 1,000 Ordinary Shares of Stg. Pound 1/-each, fully paid up (Rs 50,000/-) | 0.01 | 0.01 |
| (iii) Mukand International Fze Ltd. | | |
| 5 Ordinary Shares of AED 1/- million each, fully paid up | 6.25 | 6.25 |
| (iv) Vidyavihar Containers Ltd | | |
| 11,976,762 Equity Shares of Rs.100/-each, fully paid up | 61.63 | 61.63 |
| Less : Provision for diminution in the value of investments | (18.49) | (18.49) |
| (v) Mukand Vijaynagar Steel Ltd. | | |
| 70,000 Equity Share of Rs.10/-each, fully paid up | 0.07 | 0.07 |
| Less : Provision for diminution in the value of investments | 0.07 | 0.07 |
| (vi) Mukand Sumi Metal Processing Ltd | | |
| 11,858,220 Equity Shares of Rs.10/-each, fully paid up | 118.14 | - |
| Sub-total - Subsidiary Companies | 193.79 | 75.65 |
| B. Trade (Unquoted) : | | |
| In Associates : | | |
| (i) Hospet Steels Ltd. | | |
| 70,000 Equity Shares of Rs. 10/-each, fully paid up | 0.07 | 0.07 |
| In Others : | | |
| (i) Bekaert Mukand Wire Industries Pvt Ltd | | |
| 13,000,000 Equity Shares of Rs.10/-each, fully paid up | 13.00 | 13.00 |
| In Joint Ventures | | |
| (i) Mukand Vini Mineral Ltd (A Joint Venture Company) | | |
| 667,765 Equity Shares of Rs.10/-each, fully paid up | 0.67 | 0.67 |
| Sub-total - Trade | 13.74 | 13.74 |
| C. Other than trade (Quoted) : | | |
| In Associates | | |
| (i) Mukand Engineers Ltd. | | |
| 4,539,781 Equity Shares of Rs.10/-each, fully paid up | 19.78 | 19.78 |
| D. Other than trade (Unquoted) : | | |
| In Associates | | |
| (i) Stainless India Ltd. | | |
| 6,097,200 Equity Shares of Rs.10/-each, fully paid up | 13.09 | 13.09 |
| Less : Provision for diminution in the value of investments | (13.09) | (13.09) |
| (ii) Bombay Forgings Ltd | | |
| 28,800 Equity Shares of Rs.66.67 each fully paid up | 0.19 | 0.19 |
| Sub-total : Associates | 0.19 | 0.19 |

NOTES (Contd.)

| | 31st March, 2013 Rs in crore | 31st March, 2012 Rs in crore |
|--|---------------------------------|---------------------------------|
| In Others | | |
| (i) Lazard Creditcapital Ltd. | | |
| 100 Equity Shares of Rs.10/- each, fully paid up (Rs 1,000/-) | - | - |
| [Previous year (Rs.1,000/-)] | | |
| (ii) Pradip Realtors Pvt. Ltd. | | |
| 12 Equity Shares of Rs.10/-each, fully paid up (Rs.120/-); | - | - |
| [Previous year (Rs.120/-)] | | |
| (iii) The Greater Bombay Co-operative Bank Ltd | | |
| 10 Equity Shares of Rs.25/-each, fully paid up (Rs. 250/-) | - | - |
| [Previous year (Rs. 250/-)] | | |
| Sub-total - Others | - | - |
| | 227.50 | 109.36 |
| II. Share Application Money : | | |
| Mukand Vini Mineral Ltd (A Joint Venture Company) | 0.31 | 0.31 |
| | 227.81 | 109.67 |
| Book Value | | |
| Quoted Investments | 19.78 | 19.78 |
| Unquoted Investments | 208.03 | 89.89 |
| | 227.81 | 109.67 |
| Market Value | | |
| Quoted Investments | 11.15 | 10.24 |
| Note : Aggregate diminution in value of Investments Rs 31.65 crore (Previous year Rs 31.65 crore) | | |
| (13) LONG-TERM LOANS AND ADVANCES, Unsecured, considered good, unless otherwise specified | | |
| Other Loans and Advances | 0.15 | 0.08 |
| Advances recoverable in cash or in kind or for value to be received | 38.95 | 59.70 |
| Capital Advances | 0.15 | |
| Advance payment of Income-tax (net) | 48.32 | 42.29 |
| Deposits with -- | | |
| Central Excise, etc. | 8.47 | 8.20 |
| Others \$ | 16.45 | 12.61 |
| | 24.92 | 20.81 |
| | 112.49 | 122.88 |
| \$ Includes National Savings Certificates of the cost of Rs 74,000/-. (Previous year Rs. 74,000/-) deposited with government departments. | | |
| (14) OTHER NON-CURRENT ASSETS | | |
| MAT Entitlement Credit | 48.28 | 48.28 |
| | 48.28 | 48.28 |
| (15) INVENTORIES (For mode of valuation refer Accounting Policy 6) | | |
| Raw Materials | 82.78 | 99.64 |
| Materials in Transit | 36.06 | 42.02 |
| Total Raw Materials | 118.84 | 141.66 |
| Work-in-Progress | 162.16 | 92.02 |
| Contracts in Progress [Refer Accounting Policy 8 (v) and Note No. 21] | 248.30 | 288.39 |
| Finished Goods | 455.40 | 420.34 |
| Stores, Spares, Components and Engineering Construction Materials | 41.57 | 44.71 |
| Materials in Transit | 7.03 | 7.77 |
| Total Stores, Spares, Components and Engineering Construction Materials | 48.60 | 52.48 |
| Fuel | 1.16 | 1.25 |
| Materials in Transit | 0.08 | |
| Total Fuel | 1.24 | 1.25 |
| Loose Tools | 0.10 | 0.17 |
| | 1,034.64 | 996.31 |
| Current Assets | | |

In the opinion of the Board of Directors of the Company, all items of 'Current Assets, Loans and Advances', continue to have a realizable value of at least the amounts at which they are stated in the Balance Sheet, unless otherwise stated.

NOTES (Contd.)

(16) TRADE RECEIVABLES, UNSECURED

| | 31st March, 2013 Rs in crore | 31st March, 2012 Rs in crore |
|---|---------------------------------|---------------------------------|
| More than six months from the due date of payment : | | |
| Considered Good | 499.77 | 327.96 |
| Considered Doubtful | 0.10 | 0.10 |
| Less : Provision | (0.10) | (0.10) |
| | 499.77 | 327.96 |
| Others Trade Receivables : | | |
| Considered Good | 435.49 | 549.02 |
| | 935.26 | 876.98 |

(17) CASH AND BANK BALANCES

| | | |
|---|-------|-------|
| Cash on hand | 2.90 | 2.57 |
| (including cheques on hand Rs. 2.75 crores Previous year Rs. 2.38 crores and stamp papers on hand Rs. 0.09 crores Previous year Rs. 0.13 crores) | | |
| Balances with Banks : | | |
| (i) In Current Accounts | 6.95 | 6.98 |
| (ii) In Unpaid Dividend Accounts | 0.21 | 0.21 |
| (iii) In Margin Money Accounts # | 48.54 | 57.63 |
| (iv) In Deposit Accounts | 10.12 | 0.70 |
| | 65.82 | 65.52 |
| Remittances-in-Transit | 6.08 | 10.60 |
| | 74.80 | 78.69 |
| # under lien with Banks | | |

(18) SHORT-TERM LOANS AND ADVANCES, Unsecured, considered good, unless otherwise specified

| | | |
|---|--------|--------|
| Loans to Subsidiaries : | | |
| Vidyavihar Containers Ltd. | 33.23 | 33.23 |
| Other Loans and Advances | 0.08 | 0.08 |
| Advances recoverable in cash or in kind or for value to be received | 126.76 | 182.20 |
| Considered Doubtful | 0.29 | 0.30 |
| Less : Provision | (0.29) | (0.30) |
| | - | - |
| | 126.76 | 182.20 |
| Balances, etc. with -- | | |
| Central Excise | 6.08 | 11.50 |
| Others \$ | 0.27 | 0.17 |
| | 6.35 | 11.67 |
| | 166.42 | 227.18 |

Short Term Loans and Advances, Trade Receivables, non-current investments etc.

- (a) The Company has investments of Rs.0.19 crore (Previous Year Rs.0.19 crore) in equity shares of Bombay Forgings Limited (BFL), and has trade receivables due from BFL / advances recoverable which stood at Rs.76.32 crore as at 31.03.2013 (Previous Year Rs.70.66 crore) (collectively referred to as 'Exposures'). Net worth of BFL has turned positive and BFL is no longer a sick industrial company. BIFR has discharged BFL from the purview of provisions of SICA. The management, considering its long term view on the 'Exposures' relies upon the valuation of unencumbered fixed assets of BFL as at 31st March, 2013 which is at Rs.71.89 crore (Previous Year Rs.79.92 crore), value of current assets and future earnings from the ongoing business of BFL. The management considers the balance 'Exposures' to be Good at the close of the year and adequately covered and barring unforeseen circumstances expects full realisability of the same in future.
- (b) The Company has an investment of Rs.61.63 crore (Previous Year Rs. 61.63 crore) in equity shares of Vidyavihar Containers Ltd. (VCL) a wholly owned Subsidiary and has provided for diminution in the value of investments upto an amount of Rs.18.49 crore. The Company has outstanding balances of loans amounting to Rs.33.23 crore (Previous Year Rs. 33.23 crore) (collectively referred to as 'Exposures'). Management relies upon the estimation of future realizable values of financial assets of VCL to recover its exposures. The management barring unforeseen circumstances considers the balance 'Exposures' to be 'Good' at the close of the year and adequately covered.
- (c) The Company has an investment of Rs.13.09 crore (Previous Year Rs.13.09 crore) in equity shares of Stainless India Limited (SIL), has trade receivables recoverable Rs.1.23 crore (Previous Year Rs. 1.12 crore) and has trade advances, aggregating Rs.12.88 crore (Previous Year Rs.39.16 crore) after writing off an amount of Rs.25.29 crore and after recovery of Rs.1.00 crore during the year.

The management has recognised the diminution in value of investments. The management, barring any significant uncertainties, relies upon the realisable values of unencumbered assets of SIL (Plant & Machinery), as at 31st March, 2013 out of the sale proceeds from disposal of the said assets by SIL. It also relies upon the valuation of Land and Building of SIL as at 31.03.2013 amounting to Rs.23.50 crore. The management considers the balance 'Exposures' aggregating Rs.14.11 crore to be 'Good' at the close of the year and adequately covered and barring unforeseen circumstances expects full realisability of the same in future.

NOTES (Contd.)

- (d) The Company has an investment of Rs.26.25 crore (Previous Year Rs.26.25 crore) in equity shares of Mukand Global Finance Limited (MGFL), a wholly owned subsidiary, whose recovery is dependent upon realisation of the financial assets that MGFL stands invested into at the close of the year. The management considers the 'Exposure' to be 'Good' and adequately covered. Any ultimate shortfall if any, in the realization is not determinable at present.
- (e) For details of loans and advances given to related parties, please refer Note No. 34.
- (f) Details of loans and advances in the nature of loans recoverable from subsidiaries/associates and shares held by loanees (stipulated under clause 32 of the listing agreement with Stock Exchanges).

| | | Rs.in crore | | | |
|----|---|--------------------|-----------------|--------------------------------|---------|
| | | Outstanding amount | | Maximum amount during the year | |
| | Name of the Party | As at 31-Mar-13 | As at 31-Mar-12 | 2012-13 | 2011-12 |
| i] | Subsidiaries: | | | | |
| | Vidyavihar Containers Ltd. – interest waived. | 33.23 | 33.23 | 33.23 | 66.19 |

- (g) In case of the Company's long term investments of Rs.13 crore in equity shares of Bekaert Mukand Wire Industries Pvt. Ltd., (BMWIPL), no provision for diminution in the value of investments in BMWIPL is considered even though BMWIPL's net-worth has eroded by over 40% since this is a long term investment by the Company. Moreover, NV Bekaert SA has infused additional capital in BMWIPL to double the capacity of its plant and this is expected to earn sufficient profits in the coming years and recoup the losses incurred till 31.03.2013. The Auditors have placed reliance on the judgment of the management.

(19) OTHER CURRENT ASSETS

| | 31st March, 2013 | 31st March, 2012 |
|--------------------|------------------|------------------|
| | Rs in crore | Rs in crore |
| Receivables Others | 1.93 | 2.94 |
| | 1.93 | 2.94 |

Other Current Assets

Other current assets include an amount of Rs.1.94 crore due from Ispat Group of Companies. The Company had entered into an agreement dated 31st March, 1998 to sell 500,000 Equity shares of Rs.10/- each of Kalyani Mukand Ltd., for an aggregate consideration of Rs.6.94 crore. Under the terms of the said agreement, the sale of shares was based on certain conditions to be complied with subsequent to sale, and which conditions have been fulfilled.

Since the sale and transfer of the shares were considered to be legally complete upon execution of the Agreement of Sale of shares, the Company had taken credit for the consideration aggregating Rs.6.94 crore, during the Accounting Year 1997-98. The Company has, upto the close of the accounting year 2012-13, received amounts aggregating Rs.5.00 crore against the aggregate consideration of Rs.6.94 crore, and management considers the balance amount to be good and recoverable in due course and this has been relied upon by the Auditors.

(20) (a) Contingent Liabilities not provided for :

| | 31st March, 2013 | 31st March, 2012 |
|---|------------------|------------------|
| | Rs.in crore | Rs.in crore |
| (i) Disputed matters in appeal/contested in respect of: | | |
| - Income Tax * | 21.79 | 20.10 |
| - Excise Duty, Customs Duty etc. | 3.80 | 4.53 |
| - Sales Tax, Works Contract Tax etc. ** | 5.63 | 2.83 |
| - Other matters | 0.24 | 0.24 |
| * included in this amount (not provided in the Accounts) is the liability under Sec 115JB of the Income Tax Act, 1961 for Assessment Year 2005-06 as the Company's appeal is pending disposal. Company places reliance on certain judicial pronouncements and has also obtained a legal opinion on the matter. | | |
| ** In the matter of certain ex-parte assessments completed by Commercial Tax Officer in the State of Uttar Pradesh, Company is advised that liability if any, that may arise will be determined after the matter is remanded to the Assessing Officer and on completion of reassessment proceedings and therefore, the same is not included herein. | | |
| (ii) Claims against the Company not acknowledged as debt as these are disputed and pending disposal at various fora. | 18.18 | 20.89 |
| For items (i) & (ii) | | |
| The Company has taken legal and other steps to protect its interest in respect of these matters, which is based on legal advice and/or precedents in its own/other cases. It is not possible to make any further determination of the liability which may arise in these matters. | | |
| (iii) Bills discounted with the Bankers and others | | |
| Sale Bills discounted | 10.96 | 9.80 |
| (iv) Guarantees and Counter guarantees given by the Company on behalf of :- | | |
| - Other Companies | 84.68 | 87.75 |
| (v) Bonds / Undertakings given by the Company under concessional duty/ exemption to Customs / Excise Authorities (Net of redemption applied for) | 0.66 | 0.66 |
| (vi) Bonds given by the Company against import of machinery under EPCG Scheme (Net of redemption applied for) | 34.78 | 30.02 |
| (vii) Lenders shall have a right of recompense upto 12% per annum in excess of the effective IRR charged in FRP for 8 years commencing from the date of approval. | | |

NOTES (Contd.)

- (viii) The Company has implemented the award given by the Industrial Tribunal in the matter relating to emoluments of staff and officers. The said award was under challenge in the High Court of Bombay by way of a Writ Petition. High Court has upheld the Award and dismissed the Writ Petition against the said Award.

Demand for Annual Bonus for the financial years 1995-96 to 2006-07 by Staff and Officers' Association is pending at different stages in proceedings under The Industrial Disputes Act, 1947. Bulk of these employees are statutorily not covered by The Payment of Bonus Act, 1965 and many of the employees are also not covered by The Industrial Disputes Act, 1947. Liability arising there from cannot therefore be determined at present.

- (ix) Government of Maharashtra had served a Demand Notice on the Company for payment of electricity duty for power generated during the period 01.04.2000 to 30.04.2005 and penal interest thereon in Company's Captive Power Plant amounting to Rs.14.27 crore. The Writ Petition filed by the Company was disposed by the Hon'ble Bombay High Court on 7th November, 2009 quashing the said Demand Notice. Government of Maharashtra has however, filed an appeal in the Supreme Court of India against the aforesaid judgment of High Court.
- (x) There have been delays in payment of tax deducted at source in earlier years and also in FY2012-13. Interest payable on delays has been accounted for in respect of cases where appropriate orders have been received from Income Tax authorities.
- (xi) A claim towards difference in price of calibrated iron ore for the period 1st April, 2006 to 28th February, 2007 amounting to Rs.33.07 crore has been raised by a supplier in March 2007. The Company has been legally advised that the supplier cannot seek this price revision under a concluded agreement and hence no provision is made in the Accounts for the same. The issue along with method of review and re-fixing of price of calibrated iron ore effective on 1st of April each year in terms of agreement is referred to an arbitral tribunal whose award is awaited. Moreover, the said supplier has also unilaterally increased the price of calibrated iron ore w.e.f. 1st April, 2007 and thereafter w.e.f. 1st April, every year. This issue too is to be settled by the aforesaid arbitral tribunal. However, pending such determination of final price, the supplier has raised invoices at an ad-hoc interim mutually agreed price on the marketing contractor who in turn, has billed the Company at the same price and which liability, has been fully accounted for.

Rs. in crore

| (b) Commitments | | 31-Mar-13 | | 31-Mar-12 | |
|-----------------|--|-----------------|------|-----------------|------|
| i) | Estimated amount of contracts remaining to be executed on Capital Account and not provided for | 12.36 | | 91.10 | |
| ii) | Commitments in respect of derivative instruments: | | | | |
| | Derivative instruments outstanding: | Amount in crore | | | |
| | | As at 31-Mar-13 | | As at 31-Mar-12 | |
| | | Equivalent Rs. | | Equivalent Rs. | |
| For Imports | | USD | 2.33 | USD | 2.50 |
| | | Euro | 0.12 | Euro | 0.12 |
| For Exports | | USD | - | USD | 0.48 |
| | | Euro | 0.02 | Euro | 0.05 |

Foreign Currency exposures that are not hedged by derivative instruments :

Amounts in brackets are for previous year.

| | | | | | | | | | | Amount in crore |
|------|---------|------------|-----------|------------|--------------------|------------|----------------|------------|--------|------------------------|
| | Debtors | Eqvnt. Rs. | Creditors | Eqvnt. Rs. | Cash Bank Balances | Eqvnt. Rs. | Other Payables | Eqvnt. Rs. | Total | Eqvnt. Rs. |
| USD | 0.09 | 5.02 | 1.81 | 98.14 | - | - | - | 0.10 | 1.90 | 103.26 |
| | (0.11) | (5.08) | (1.82) | (81.31) | | (0.01) | (0.01) | (0.19) | (1.94) | (86.59) |
| Euro | | | 0.20 | 13.75 | | | | | 0.20 | 13.75 |
| | | | (0.02) | (1.54) | | | | | (0.02) | (1.54) |
| SEK | | | 0.04 | 0.35 | | | | | 0.04 | 0.35 |
| | | | - | - | | | | | - | - |
| CHF | | | - | 0.12 | | | | | - | 0.12 |
| | | | - | (0.06) | | | | | - | (0.06) |

2012-13
Rs in crore

2011-12
Rs in crore

(21) REVENUE FROM OPERATIONS

Sale of Products and Services

| | | | |
|----|--|-----------------|----------|
| 1. | Bars ,Rods and Coils - Alloy Steel | 1,275.18 | 1,449.12 |
| 2. | Bars ,Rods and Coils - Stainless Steel | 681.04 | 919.63 |
| 3. | Engineering Contracts | 319.55 | 371.77 |
| 4. | Others | 4.75 | 20.25 |
| | Total | 2,280.52 | 2,760.77 |
| | Less : Excise Duty | 221.28 | 234.46 |
| | Net Sale of Products and Services | 2,059.24 | 2,526.31 |

Sales is net of returns, discounts and rebate aggregating Rs 18.58 crores
(Previous year Rs 17.09 crores)

NOTES (Contd.)

| | 2012-13 Rs in crore | 2011-12 Rs in crore |
|--|------------------------|------------------------|
| Other Operating Revenues | | |
| a) Sale of Scrap and Sundries | 9.38 | 8.64 |
| b) Sales-tax/VAT Refunds | 14.16 | 17.32 |
| c) Interest Received - From Banks | 4.93 | 4.77 |
| d) Insurance Claims etc. | 0.44 | 0.59 |
| e) Credit balances appropriated | 0.65 | 1.56 |
| f) Other Miscellaneous receipts | 3.89 | 3.74 |
| g) Excess provisions written back (net) | 2.21 | 1.94 |
| h) Surplus on account of sale of assets | 31.34 | 1.09 |
| Total Other Operating Revenues | 67.00 | 39.65 |
| Total Sales and Services and Other Operating Revenues | 2,126.24 | 2,565.96 |
| (a) Disclosure regarding Income from Engineering Contracts – Road Construction Division: | | |
| (i) The amount of Contract revenue recognised as revenue during the year. | 56.52 | - |
| (ii) The aggregate amount of costs incurred and recognised profits (less recognised losses) upto close of the year. | 757.24 | 765.42 |
| (iii) The amount of advances received (Gross) | --- | --- |
| (iv) The amount of retentions (included in sundry debtors) (net balance) | --- | --- |
| (v) Amount due to customers | --- | --- |
| (vi) Amount due from customers | 61.66 | 39.22 |
| (b) The Company in previous years executed road construction projects in the state of Uttar Pradesh with National Highway Authority of India (NHAI) along with Centrodorstroy (CDS), Russia. The exposure on this account as at the end of the financial year aggregate Rs. 141.68 crore (Previous Year: Rs.183.94 crore) (represented by contracts in progress Rs. 80.02 crore (Previous Year: Rs. 144.72 crore) and trade dues of Rs. 61.66 crore (Previous Year: Rs. 39.22 crore) During the year, the Company has recovered an amount of Rs. 34.47 crore (Previous Year: Rs.0.75 crore) against its trade dues. The management has, keeping in view the accounting policy A(8)(v) adopted by the Company, technically determined the realisable value of Contracts in Progress compared to relatable revenues and claims raised on NHAI by CDS. Although the outcome of the Road Construction activity cannot be estimated with reliability at present, it is the opinion of the management that in view of the substantially large claims aggregating Rs.164.33 crore of CDS for incremental jobs executed, escalations and time over-runs to be settled progressively over a period of 2 to 3 years, losses currently expected are already recognized till the close of the year. Since realization of these amounts is a judgmental matter, the auditors have placed reliance on the Management's judgment of the losses currently expected in the contract considering reliability of amounts. | | |
| (c) Disclosure regarding Income from Contracts of Industrial Machinery Division to which Accounting Standard 7 applies : | | |
| | 2012-13 Rs in crore | 2011-12 Rs in crore |
| The amount of Contract revenue recognised as revenue during the year. | 164.60 | 246.03 |
| The aggregate amount of costs incurred and recognised profits (less recognised losses) upto 31.03.2013. | 1,146.10 | 980.83 |
| The amount of advances received (Gross) | 34.98 | 32.12 |
| The amount of retentions (included in sundry debtors) (net balance) | 59.26 | 78.36 |
| Amount due to customers | - | --- |
| Amount due from customers | 165.16 | 141.37 |
| (22) Other Income | | |
| a) Rent received | 1.32 | 1.24 |
| b) Interest Received - From Others | 8.82 | 7.71 |
| c) Dividends (Gross) : | | |
| from Subsidiary | 0.27 | 0.24 |
| from Trade Investments | 0.45 | 0.70 |
| from Mutual Fund Investments | 0.01 | - |
| Total Other Income | 10.87 | 9.89 |

NOTES (Contd.)

(23) RAW MATERIALS CONSUMED

| | 2012-13 | 2011-12 |
|--|-------------|-------------|
| | Rs in crore | Rs in crore |
| Opening Stocks | 99.64 | 96.91 |
| Add : Purchases | 1,110.89 | 1,372.15 |
| Add / Less : Materials on loan / (Sales) [net] | (6.51) | (17.72) |
| | 1,204.02 | 1,451.34 |
| Less : Closing Stocks | 82.78 | 99.64 |
| | 1,121.24 | 1,351.70 |

Details of Imported and Indigenous Materials Consumed.

(a) **Raw Materials** (including materials taken on loan and after adjustments relating to return of materials taken on loan):

Important basic raw materials:

| | | |
|-------------------------------------|----------|----------|
| Coke including Coke Fines | 290.56 | 367.28 |
| Iron Ore including Iron Ore Fines * | 200.13 | 190.53 |
| Scrap & Pig Iron # | 251.43 | 285.90 |
| Ferro Nickel/Nickel | 162.23 | 253.06 |
| Ferro Chrome | 110.10 | 157.15 |
| Structural & other Steel @ | 20.96 | 22.33 |
| Other raw materials | 85.83 | 75.45 |
| | 1,121.24 | 1,351.70 |

| | 2012-13 | | 2011-12 | |
|------------|------------------------|--------------------|------------------------|--------------------|
| | % of total Consumption | Amount Rs.in crore | % of total Consumption | Amount Rs.in crore |
| Imported | 27.02% | 302.94 | 31.32% | 423.40 |
| Indigenous | 72.98% | 818.30 | 68.68% | 928.30 |
| | 100.00% | 1,121.24 | 100.00% | 1,351.70 |

* Used for conversion to hot metal for making pig iron, blooms, billets and rounds

Excludes Internal Arisings

@ Includes for Capital jobs

(24) Changes in inventories of Finished Goods and Work-in-Progress

| | 2012-13 | 2011-12 |
|--|-------------|-------------|
| | Rs in crore | Rs in crore |
| Opening Stocks | 800.75 | 770.73 |
| Less : | | |
| Closing Stocks | 865.86 | 800.75 |
| Variation in Stocks | (65.11) | (30.02) |
| Variation in Excise Duty on Opening & Closing Stocks of Finished Goods | 3.98 | 10.25 |
| (Increase)/Decrease in Stocks | (61.13) | (19.77) |

(25) Employee Benefits Expense

| | | |
|--|--------|--------|
| Salaries, Wages, Bonus, Compensation and Other Payments | 112.33 | 109.49 |
| Contribution towards Employees' State Insurance, Provident and Other Funds | 12.41 | 11.22 |
| Welfare Expenses | 11.79 | 11.14 |
| | 136.53 | 131.85 |

(26) Finance Costs

| | | |
|---|--------|--------|
| Interest Expense | 307.06 | 248.01 |
| Less : | | |
| Interest Capitalised | 18.07 | 5.86 |
| Interest Income from Trade Dues (Gross) | 78.13 | 70.89 |
| | 96.20 | 76.75 |
| | 210.86 | 171.26 |
| Other borrowing costs | 2.92 | 4.24 |
| Lease Rentals | 1.60 | 6.37 |
| | 215.38 | 181.87 |

NOTES (Contd.)

(27) Other Expenses :

| | 2012-13 | 2011-12 |
|--|-------------|-------------|
| | Rs in crore | Rs in crore |
| Stores, Spares, Components, Tools, etc. consumed (a) | 323.15 | 378.18 |
| Contract execution costs | - | 6.12 |
| Power and Fuel consumed | 178.20 | 206.53 |
| Machining and Processing charges | 132.12 | 148.92 |
| Sub-contracting expenses | 29.07 | 33.40 |
| Other Manufacturing expenses | 14.96 | 14.32 |
| Rent (net) | 0.95 | 0.97 |
| Repairs: | | |
| to Buildings | 1.25 | 1.87 |
| to Plant and Machinery (b) | 6.11 | 7.51 |
| to Other assets | 1.18 | 2.00 |
| | 8.54 | 11.38 |
| Rates and Taxes | 3.42 | 3.31 |
| Insurance | 1.87 | 1.91 |
| Commission | 3.46 | 5.02 |
| Freight, Forwarding and Warehousing (net) | 64.53 | 77.08 |
| Directors' Fees and Travelling Expenses | 0.10 | 0.11 |
| Bad Debts, debit balances and claims written off | 2.29 | 0.49 |
| Less : Doubtful debts provided in earlier years | - | - |
| | 2.29 | 0.49 |
| Loss on assets sold | 0.76 | 0.23 |
| Loss on assets discarded / impaired | 0.84 | 0.95 |
| Loss on variation in foreign exchange rates (net) | 22.84 | 41.84 |
| Miscellaneous Expenses (c) | 45.39 | 46.52 |
| | 832.49 | 977.28 |

(a) After adjusting sales/material on loan Rs 3.40 crore (Previous year Rs 1.84 crore).

(b) Excludes spares consumed for repairs.

(c) Includes non-recoverable excise duty Rs 0.03 crore and sales tax Rs 0.34 crore on sales (Previous year Rs 0.04 crore and Rs. 0.37 crore respectively).

(28) Exceptional Items (Net) include:

| | | |
|--|---------|---|
| i) Consideration for goodwill on transfer of business of cold finished bars & wires to a subsidiary. Also Refer Note 36. | 166.10 | - |
| ii) Advances to Stainless India Ltd. written off | (25.29) | - |
| iii) Unamortised lease charges of Power Plant for captive use at Dighe Thane. | (32.48) | - |
| | 108.33 | - |

(29) Earnings in Foreign Exchange

| | | |
|-------------------------------------|--------|--------|
| Exports (F.O.B. Value) | 151.83 | 216.95 |
| Dividend | 0.27 | 0.23 |
| Income from Engineering Contracts | 0.53 | 0.31 |
| Others (represents Management fees) | 0.16 | 0.16 |
| | 152.79 | 217.65 |

(30) Computation of Profit for Earnings per Share (EPS) :

| | | |
|--|------------|------------|
| Net Profit/(Loss) After Taxation as per Statement of Profit & Loss | (39.46) | (93.50) |
| Less : Dividends and tax thereon | | |
| Net Profit/(Loss) for calculation of basic / diluted EPS [including Exceptional Items (net)] | (39.46) | (93.50) |
| Net Profit/(Loss) for calculation of basic / diluted EPS [excluding Exceptional Items (net)] | (147.79) | (93.50) |
| Weighted average number of equity shares outstanding | 73,114,129 | 73,114,129 |
| Basic and diluted EPS (face value Rs.10/- per share) (in Rs.) | | |
| Including Exceptional items (net) | (5.40) | (12.79) |
| Excluding Exceptional items (net) | (20.21) | (12.79) |

NOTES (Contd.)

(31) (a) Stores, Spares, Components etc (net of sales) consumed :

| | 2012-13 | | 2011-12 | |
|-------------------------|------------------------|--------------------|------------------------|--------------------|
| | % of total Consumption | Amount Rs.in crore | % of total Consumption | Amount Rs.in crore |
| i) Stores, Spares, etc. | | | | |
| - Imported | 14.64% | 47.27 | 18.11% | 64.85 |
| - Indigenous | 85.36% | 275.60 | 81.89% | 293.16 |
| | 100.00% | 322.87 | 100.00% | 358.01 |
| ii) Components | | | | |
| - Imported | 10.71% | 0.03 | 0.15 | 0.03 |
| - Indigenous | 89.29% | 0.25 | 99.85 | 20.14 |
| | 100.00% | 0.28 | 100.00 | 20.17 |
| | | 323.15 | | 378.18 |

(b) Value of imports (C.I.F. basis) (including in-transit).

| | Rs.in crore | |
|--|-------------|---------|
| | 2012-13 | 2011-12 |
| Raw Materials | 296.04 | 383.45 |
| Stores, Spare Parts, Components and Fuel | 39.18 | 61.59 |
| Goods for trade | 0.20 | 0.00 |
| Capital goods | 24.97 | 42.45 |
| | 360.39 | 487.49 |

(c) Expenditure in Foreign Currency

(Including amounts capitalised and amounts recovered)

| | | |
|---|------|------|
| Interest and Bank charges (Net of tax) | 4.83 | 3.14 |
| Technical Consultancy / Services (Net of tax) | 3.21 | 0.49 |
| Foreign Travel | 0.27 | 0.41 |
| Legal and Professional fees | 0.23 | 0.16 |
| Other matters | 0.45 | 0.45 |
| | 8.99 | 4.65 |

(d) Disclosures in respect of provisions for warranty costs:

| | Rs.in crore | | | | |
|--|------------------------|--------------------------|--------------------------|--------------------------|--------------------------------|
| | Op.Bal. as at 01.04.12 | Provided during the year | Utilised during the year | Reversed during the year | Closing Balance as at 31.03.13 |
| | 0.69 | 0.69 | 0.62 | 0.22 | 0.54 |

(e) The Company had, during the Financial Year 1998-99, entered into a strategic alliance with Kalyani Steels Limited to set-up a steel plant to be operated by a company – Hospet Steels Limited.

Expenses and liabilities arising out of this alliance to Hospet Steels Limited are shared on the basis stipulated in the relevant Agreements, and its accounting in the books of the Company is carried out, accordingly.

Wherever, due to the terms of the alliance, estimations are required to be made in respect of expenses, liabilities, production, etc., the same have been relied upon by the auditors, being technical matters.

| | 2012-13 Rs.in crore | 2011-12 Rs.in crore |
|------------------------------------|------------------------|------------------------|
| (f) Payment to Auditors | | |
| (i) As Auditors | 0.33 | 0.33 |
| (ii) For Taxation Matters | 0.03 | 0.03 |
| (iii) For other services | 0.16 | 0.13 |
| (iv) For reimbursement of expenses | 0.03 | 0.06 |
| | 0.55 | 0.55 |

(32) STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY THE COMPANY

(1) Basis of preparation:

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

NOTES (Contd.)

(2) Use of Estimates:

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated and actual materialized results and estimates are recognized in the period, in which the results are known.

(3) Fixed Assets:

(a) Tangible Assets

Fixed Assets are stated at cost of acquisition or construction. However, fixed assets, which are revalued by the Company, are stated at their revalued book values.

Cost of acquisition comprise all costs incurred to bring the assets to their location and working condition upto the date assets are put to use. Cost of construction comprise of those costs that relate directly to specific assets and those that are attributable to the construction activity in general and can be allocated to specific assets upto the date the assets are put to use.

(b) Intangible Assets

Intangible Assets are stated at their cost of acquisition less accumulated amortization and impairment losses. An asset is recognized, where it is possible that future economic benefits attributable to the assets will flow to the enterprise and where its cost can be reliably measured. The depreciable amount on intangible assets is allocated over the best estimate of its useful life on a straight line basis or the period of agreement whichever is lower.

(c) Depreciation / Amortisation

- (i) The Company provides depreciation on all its assets on the "Straight Line Method" in accordance with the provisions of Section 205 (2)(b) of the Companies Act, 1956.
- (ii) Depreciation on Buildings and Furniture & Fixtures acquired upto 31st March, 1987 is provided at the rates of depreciation prevalent at the time of acquisition of the assets in accordance with Circular No.1 of 1986 [1/1/86-CL-V] dated 21.5.1986 issued by the Company Law Board.
- (iii) Depreciation on addition to assets referred to in (ii) above, acquired on or after 1st April, 1987 is provided at the Straight Line Method rates specified from time to time in Schedule XIV to the Companies Act, 1956.
- (iv) Depreciation on assets under Plant & Machinery group in Schedule XIV to the Companies Act, 1956, is provided over the recomputed "Specified Period", at the rates given in the said Schedule from time to time, in accordance with Circular 14/93 dated 20th December, 1993, issued by the Department of Company Affairs.
- (v) Software is amortised over a period of 3 years.
- (vi) Depreciation in respect of assets used for long term engineering contracts is provided on the estimated useful life of the assets.
- (vii) Assets costing less than Rs.5,000/- are fully depreciated at the rate of 100% in the year of purchase.
- (viii) Depreciation on addition to assets or on sale / discardment of assets is calculated pro-rata from the month of such addition or upto the month of such sale / discardment, as the case may be.
- (ix) Cost of Leasehold land is amortized over the period of lease.
- (x) Technical know-how is amortised over the period of agreement or six years, whichever is lower.

(4) Impairment of Assets :

An asset is considered as impaired in accordance with Accounting Standard 28 on "Impairment of Assets", when at balance sheet date there are indications of impairment and the carrying amount of the assets or where applicable the cash generating unit to which the assets belong, exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value in use). The carrying amount is reduced to the recoverable amount and the reduction is recognized as an impairment loss in the Statement of Profit and Loss.

(5) Investments :

Investments are classified as current or long term in accordance with Accounting Standard 13 on "Accounting for Investments". Long term Investments are stated at cost of acquisition. Provision for diminution is made to recognize a decline, other than temporary, in the value of such investments. Current investments are stated at lower of cost of acquisition and fair value. Any reduction in carrying amount and any reversals of such reductions are charged or credited to the Statement of Profit and Loss.

(6) Inventories :

Inventories are valued at lower of cost or net realizable value. Materials-in-transit are valued at cost-to-date. Cost comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition including excise duty payable on goods produced. The cost formulae used for determination of cost are either 'First in First Out' or 'Average Cost', as applicable.

(7) Foreign currency translations :

- (i) All transactions in foreign currency, are recorded at the rates of exchange prevailing as at the date of the transaction.
- (ii) Monetary assets and liabilities in foreign currency, outstanding at the close of the year, are converted in Indian currency at the appropriate rates of exchange prevailing at the close of the year. The resultant gain or loss is accounted for during the year.
- (iii) In respect of forward exchange contracts entered into towards hedge of foreign currency risks, the difference between the forward rate and the exchange rate at the inception of the contract is recognised as income or expenditure over the life of the contract. Further, the exchange differences arising on such contracts are recognised as income or expenditure along with the exchange differences on the underlying assets/liabilities. Profit or Loss on cancellations/renewals of forward contracts is accounted for during the year.

Non monetary items such as investments are carried at historical costs using the exchange rates on the date of the transactions.

NOTES (Contd.)

(8) Revenue Recognition :

- (i) Revenue is recognised when it is earned and no significant uncertainty exists as to its realisation or collection.
- (ii) Revenue from sale of goods is recognized when all significant contractual obligations have been satisfied, the property in the goods is transferred for a price, significant risks and rewards of ownership are transferred to the customers and no effective ownership is retained. Sales are net of Sales Tax/Value Added Tax. Excise Duty recovered is presented as a reduction from gross turnover.
- (iii) Liability for Excise Duty and Customs Duty payable on goods held in bond at the year end is provided for.
- (iv) Export benefits under Duty Drawback Scheme is estimated and accounted in the year of export.
- (v) Accounting for Long Term Engineering Contracts:
Revenue from construction/project related activity for supply/commissioning of Plant & Equipment is recognised on the percentage of completion method, in proportion that the contract costs incurred for the work performed upto the reporting date bear to the estimated total contract costs.
Provision for estimated losses, if any, on incomplete contracts are recorded in the period in which such losses become probable based on the current estimates.
At each reporting date, the contracts in progress (progress work) is valued and carried in the Balance Sheet under Current Assets.
- (vi) Interest income is recognized on time proportion basis taking into account the amount outstanding and the rate applicable. Dividend income is recognized when the right to receive dividend is established.
Interest income earned on trade dues is netted against interest expense under finance costs.
- (vii) Front-end fees paid on borrowings are amortised over the period of loans/debentures or over a period of three years whichever is shorter.

(9) Leases :

Operating lease:

Lease, where the lessor effectively retain substantially all the risks and benefits of ownership of the leased assets, are classified as operating lease. Operating lease receipts and payments are recognized as income or expense in the Statement of Profit and Loss on a straight line basis over the lease term.

(10) Employee benefits :

Employee benefits such as salaries, allowances, non-monetary benefits and employee benefits under defined contribution plans such as provident fund and other funds, which fall due for payment within a period of twelve months after rendering service, are charged as expense to the Statement of Profit and Loss in the period in which the service is rendered.

Employee benefits under defined benefit plans, such as compensated absences and gratuity which fall due for payment after a period of twelve months from rendering service or after completion of employment, are measured by the project unit cost method, on the basis of actuarial valuation carried out by third party actuaries at each balance sheet date. The Company's obligations recognized in the balance sheet represent the present value of obligations as reduced by the fair value of plan assets, where applicable. Actuarial gains and losses are recognized immediately in the Statement of Profit and Loss.

(11) Borrowing cost :

Borrowing cost attributable to the acquisition or construction of qualifying assets, as defined in Accounting Standard 16 on "Borrowing Costs" are capitalized as part of the cost of such assets upto the date when the asset is ready for its intended use. Other borrowing costs are expensed as incurred.

(12) Taxation :

Tax expense comprises of current and deferred. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternate tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

(13) Segment Reporting Policies :

Identification of segments :

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

NOTES (Contd.)

Inter segment Transfers :

The Company generally accounts for inter segment transfers at cost. However, in case of its captive power plant of Steel Division at Ginigera, Karnataka, the inter segment transfers are accounted at the per unit comparable cost of energy purchased from the supplier of energy at that plant.

Allocation of common costs :

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items :

Includes general corporate income and expense items which are not allocated to any business segment.

Segment Policies :

The company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company as a whole.

(14) Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(15) Provisions and Contingent Liabilities :

Provisions involving a substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the Financial Statements.

(16) Cash Flow Statement :

The Cash Flow Statement is prepared by the "indirect method" set-out in Accounting Standard 3 on "Cash Flow Statement" and presents the Cash Flows by operating, investing and financing activities of the Company.

Cash and cash equivalents presented in the Cash Flow Statement consist of cash on hand and unencumbered, highly liquid bank balances.

(33) Disclosures under Accounting Standard 15 on Employee Benefits

| | 2012-13 | 2011-12 |
|---|-------------|-------------|
| (a) (i) Details in respect of gratuity are as under : | Rs.in crore | Rs.in crore |
| <u>Liability to be recognised in Balance Sheet</u> | | |
| Present Value of Funded Obligations | 32.87 | 31.49 |
| Fair Value of Plan Assets | 12.46 | 12.27 |
| Net Liability | 20.41 | 19.22 |
| <u>Change in Plan Assets (Reconciliation of Opening & Closing Balances)</u> | | |
| Fair Value of Plan Assets as at beginning of the year | 12.27 | 10.43 |
| Expected Return on Plan Assets | 1.08 | 1.01 |
| Actuarial Gain / (Losses) | --- | --- |
| Contributions | 2.39 | 2.70 |
| Benefits Paid | (3.28) | (1.87) |
| Fair Value of Plan Assets as at the close of the year | 12.46 | 12.27 |
| <u>Reconciliation of Opening and Closing Balances of obligation</u> | | |
| Change in defined Benefit Obligation | | |
| Obligation as at beginning of the year | 31.49 | 29.39 |
| Current Service Cost | 2.68 | 1.56 |
| Interest Cost | 1.66 | 2.35 |
| Actuarial Losses / (Gain) | 0.32 | 0.06 |
| Benefits Paid | (3.28) | (1.87) |
| Obligation as at the close of the year | 32.87 | 31.49 |
| <u>Expenditure to be recognised during the year</u> | | |
| Current Service cost | 1.66 | 1.56 |
| Interest Cost | 2.68 | 2.35 |
| Expected Return on Plan Assets | (1.08) | (1.01) |
| Net Actuarial Losses / (Gains) Recognised during the year | 0.32 | 0.06 |
| Total Expenditure included in "Employees' Emoluments" | 3.58 | 2.96 |
| <u>Assumptions</u> | | |
| Discount Rate (per annum) | 8.25% | 8.50% |
| Expected rate of Return on Assets (per annum) | 9.40% | 9.40% |
| Salary Escalation Rate | 5.25% | 5.25% |

(ii) The Company expects to contribute Rs.Nil crores to its gratuity plan for the next year. In assessing the Company's post retirement liabilities, the Company monitors mortality assumptions and uses up-to-date mortality tables, the base being the LIC, 1994-96 ultimate tables.

NOTES (Contd.)

- (iii) Expected return on plan assets is based on expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations. The estimates of future salary increase considered in actuarial valuation take account of inflation, seniority promotion and other relevant factors, such as supply and demand in the employment market.
- (iv) The composition of the plan assets, by category from the insurers, LIC are on the basis of overall investment by them for all such insured entities and hence, the disclosures as required by Accounting Standard 15 in 'Employee Benefits' have not been given, and Auditors have relied upon the same.
- (v) Other disclosures :

| | Rs.in crore | | | | |
|---|-------------|---------|---------|---------|---------|
| Particulars | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 |
| Present Value of Funded Obligations | 32.87 | 31.49 | 29.39 | 24.53 | 21.24 |
| Fair Value of Plan Assets | 12.46 | 12.27 | 10.43 | 6.23 | 4.29 |
| Net Liability | 20.41 | 19.22 | 18.96 | 18.30 | 16.95 |
| Experience Adjustments on Plan | | | | | |
| Liabilities Loss / (Gain) | 0.12 | 0.06 | 3.51 | 2.35 | 0.22 |
| Experience on Plan Assets—Loss / (Gain) | --- | --- | --- | - | (0.07) |

- (b) In terms of the strategic alliance with Kalyani Steels Limited, the Company has accounted for its share towards gratuity in respect of employees of Hospet Steels Ltd. amounting to Rs.0.29 crore (Previous Year Rs.0.20 crore) on the basis of an actuarial valuation. This is under a funded plan with LIC.
- (c) In respect of certain employees of Road Construction Division, liability for gratuity is provided at actuals on the basis of amount due as at 31st March, 2013, since the projects are for shorter duration. Such liability as at 31st March, 2013 (including Rs..0.004 crore for the year and net of payments of during the year Rs.0.03 crore) aggregate Rs.0.02 crore (Previous Year Rs.0.05 crore)
- (d) An amount of Rs.5.81 crore as contribution towards defined contribution plans [including Rs.0.47 crore in terms of strategic alliance referred in (b) above] is recognised as expense in the Statement of Profit and Loss.

(34) Related Party Disclosures

(a) Relationship :

- (i) Subsidiaries:
 - Mukand Global Finance Ltd. (MGFL), Mukand International Ltd. (MIL),
 - Vidyavihar Containers Ltd. (VCL), Mukand Vijayanagar Steel Ltd.,
 - Mukand International FZE (MIFZE),
 - Mukand Sumi Metal Processing Ltd. (MSMPL) w.e.f. 29.10.2012
- (ii) Other related parties where control exists :
 - Mukand Engineers Ltd. (MEL), Bombay Forgings Ltd. (BFL), Stainless India Ltd. (SIL), Hospet Steels Ltd. (HSL),
- (iii) Joint Ventures :
 - Mukand Vini Mineral Ltd. (MVML).
- (iv) Key Management Personnel :
 - Niraj Bajaj, Rajesh V. Shah, Suketu V. Shah.
- (v) Relatives of key management personnel and enterprises in which significant influence can be exercised by persons at (iv) above or their relatives where transactions have taken place : Viren J. Shah upto 09.03.2013.
- (vi) Other related parties where significant influence exists or where the related party has significant influence on the Company :
 - Kalyani Mukand Ltd., Lineage Investments Ltd. (upto 29.03.2013), Catalyst Finance Ltd. (upto 29.03.2013), Econium Investments & Finance Ltd. (upto 29.03.2013), Fusion Investments & Financial Services Ltd. (upto 29.03.2013), Primus Investments & Finance Ltd. (upto 29.03.2013), Conquest Investments & Finance Ltd. (upto 29.03.2013), Jamnalal Sons Pvt. Ltd. (JSPL), Adonis Laboratories Pvt Ltd.

Note : Related party relationship is as identified by the Company and relied upon by the Auditors.

NOTES (Contd.)

(b) (i) Details of transactions with the related parties referred in (a) above :

(Rs.in crore)

| Nature of transactions | Related parties as referred in | | | | | | Total |
|---|--------------------------------|-----------------|------------------|-----------------|----------------|-----------------|---------|
| | a (i) above | a (ii) above | a (iii) above | a (iv) above | a (v) above | a (vi) above | |
| 1. Purchase of Goods | 28.90 | 4.02 | | | | | 32.92 |
| | 7.72 | 5.40 | | | | | 13.12 |
| 2. Sale of Goods | 102.87 | 15.27 | | | | | 118.14 |
| | 148.51 | 4.74 | | | | | 153.25 |
| 3. Transfer of Fixed Assets / Business | 190.49 | 4.11 | | | | | 194.60 |
| | | 0.18 | | | | | 0.18 |
| 4. Purchase of Fixed Assets | | | | | | | - |
| | | | | | | | - |
| 5. Services Received | 3.25 | 45.57 | | | | - | 48.82 |
| | 0.61 | 50.64 | | | | 0.20 | 51.45 |
| 6. Services Rendered | 0.16 | 0.30 | | | | | 0.46 |
| | 0.15 | 0.33 | | | | | 0.48 |
| 7. Remuneration to MDs / former MD | | | | 2.64 | 0.38 | | 3.02 |
| | | | | 2.42 | 0.44 | | 2.86 |
| 8. Interest / Dividend Paid / (Received) Net | (0.27) | (3.26) | | | | 4.24 | 0.71 |
| | (0.23) | 0.58 | | | | - | 0.35 |
| 9. Reimbursement of Expenses - Payments | | 0.01 | | | | | 0.01 |
| | | 0.01 | | | | | 0.01 |
| 10. Reimbursement of Expenses - Receipts | 3.35 | 0.06 | 0.12 | | | | 3.53 |
| | 6.69 | 0.16 | 0.12 | | | | 6.97 |
| 11. Finance taken including equity / (re-payment of loans & advances) - Net | - | | | | | 43.45 | 43.45 |
| | (33.39) | | | | | (0.20) | (33.59) |
| 12. Finance given including equity / (re-payment of loans & advances) - Net | 118.13 | 1.49 | | | | | 119.62 |
| | | 2.73 | | | | | 2.73 |
| 13 a. Bad debts / Advances written off | | 25.29 | | | | | 25.29 |
| | | | | | | | - |
| 13 b. Bad debts / Advances written off earlier recovered during the year | | | | | | - | - |
| | | | | | | 0.27 | 0.27 |
| 14. Other Miscellaneous | | - | | | | | - |
| | | 0.01 | | | | | 0.01 |
| 15. Balances at the close of the year: | | | | | | | |
| i) Amount Receivable | 11.20 | 73.43 | | | | 0.23 | 84.86 |
| | 12.47 | 68.49 | | | | 0.23 | 81.19 |
| ii) Amount Payable | 18.54 | 21.61 | | | | | 40.15 |
| | 16.68 | 26.10 | | | | | 42.78 |
| iii) Amount Receivable in respect of loans & advances | 33.23 | 17.00 | 0.47 | | | | 50.70 |
| | 33.23 | 42.66 | 0.35 | | | | 76.24 |
| iv) Amount Payable in respect of loans & advances | | 10.91 | | | | 43.86 | 54.77 |
| | | 12.40 | | | | | 12.40 |
| 16. Guarantees given by the Company | 14.78 | 65.00 | 4.90 | | | | 84.68 |
| | 13.85 | 65.00 | 4.90 | | | | 83.75 |
| 17. Counter Guarantees given on behalf of the Company | | 6.00 | | | | | 6.00 |
| | | 6.00 | | | | | 6.00 |
| 18. Collateral given on behalf of the Company | | | | # | | ## | |
| | | | | # | | ## | |

3,869,089 Equity Shares and 546,652 Cumulative Redeemable Preference Shares of the Company.

3,869,089 Equity Shares of the Company.

NOTES (Contd.)

(ii) Details in respect of material transactions with the related parties :

(Rs.in crore)

| | |
|--|---------------|
| Purchase of Goods: | |
| Mukand International FZE | 28.90 |
| | 7.72 |
| Mukand Sumi Metal Processing Ltd | 0.01 |
| | - |
| Bombay Forgings Ltd | 4.02 |
| | 4.69 |
| Stainless India Ltd. | - |
| | 0.71 |
| Sale of Goods: | |
| Mukand International FZE | 102.81 |
| | 148.51 |
| Bombay Forgings Ltd | 13.97 |
| | 4.74 |
| Mukand Sumi Metal Processing Ltd | 0.06 |
| | - |
| Stainless India Ltd. | 1.30 |
| | - |
| Transfer of Fixed Assets / Business | |
| Mukand Engineers Ltd | - |
| | 0.18 |
| Mukand Sumi Metal Processing Ltd | 190.49 |
| | - |
| Stainless India Ltd. | 4.11 |
| | - |
| Services Received: | |
| Hospet Steels Ltd | 29.05 |
| | 27.26 |
| Mukand Engineers Ltd | 16.34 |
| | 23.20 |
| Stainless India Ltd. | 0.18 |
| | 0.18 |
| Mukand Global Finance Ltd | 0.48 |
| | 0.61 |
| Mukand Sumi Metal Processing Ltd | 2.77 |
| | - |
| Services Rendered: | |
| Mukand International FZE | 0.16 |
| | 0.15 |
| Mukand Engineers Ltd | 0.30 |
| | 0.33 |
| Interest / Dividend Paid / (Received) Net | |
| Mukand International FZE | (0.27) |
| | (0.23) |
| Bombay Forgings Ltd | - |
| | (0.02) |
| Mukand Engineers Ltd | 3.26 |
| | 0.60 |
| Jamnalal Sons Pvt Ltd | 4.24 |
| | - |
| Adonis Laboratories Pvt Ltd | 0.22 |
| | - |
| Reimbursement of Expenses - Payments | |
| Stainless India Ltd. | 0.01 |
| | 0.01 |
| Reimbursement of Expenses - Receipts | |
| Mukand International FZE | 3.27 |
| | 6.67 |
| Mukand Global Finance Ltd | 0.08 |
| | 0.02 |

| | |
|--|---------------|
| Mukand Engineers Ltd | 0.06 |
| | 0.16 |
| Mukand Vini Minerals Ltd | 0.12 |
| | 0.12 |
| Finance taken including equity / (re-payment of loans & advances) - Net | |
| Vidyavihar Containers Ltd | - |
| | (33.39) |
| Lineage Investments Ltd | - |
| | (3.06) |
| Econium Investments & Finance Ltd. | - |
| | (0.02) |
| Fusion Investments & Financial Services Ltd | - |
| | (0.10) |
| Primus Investments & Finance Ltd | - |
| | (0.02) |
| Jamnalal Sons Pvt Ltd | 43.45 |
| | - |
| Adonis Laboratories Pvt Ltd | 2.00 |
| | - |
| Finance given including equity / (re-payment of loans & advances) - Net | |
| Mukand Engineers Ltd | (1.49) |
| | (2.73) |
| Mukand Sumi Metal Processing Ltd | 118.13 |
| | - |
| Bad debts / Advances written off earlier recovered during the year | |
| | |
| Lineage Investments Ltd | - |
| | 0.17 |
| Econium Investments & Finance Ltd. | - |
| | 0.05 |
| Primus Investments & Finance Ltd | - |
| | 0.05 |
| | |
| Other Miscellaneous | |
| Mukand Engineers Ltd | - |
| | 0.01 |
| Balances at the close of the year: | |
| i) Amount Receivable | |
| Mukand International FZE | 4.93 |
| | 12.47 |
| Bombay Forgings Ltd | 72.20 |
| | 67.16 |
| Stainless India Ltd. | 1.23 |
| | 1.12 |
| Mukand Sumi Metal Processing Ltd | 6.27 |
| | - |
| Mukand Engineers Ltd | - |
| | 0.21 |
| Kalyani Mukand Ltd | 0.23 |
| | 0.23 |
| ii) Amount Payable | |
| Mukand International FZE | 16.60 |
| | 16.63 |
| Mukand Global Finance Ltd | 0.19 |
| | 0.05 |
| Mukand Engineers Ltd | 20.20 |
| | 24.51 |

NOTES (Contd.)

| | |
|--|-------|
| | |
| Hospet Steels Ltd | 1.41 |
| | 1.59 |
| Mukand Sumi Metal Processing Ltd | 1.75 |
| | - |
| iii) Amount Receivable in respect of loans & advances | |
| | |
| Vidyavihar Containers Ltd @ | 33.23 |
| | 33.23 |
| Stainless India Ltd. | 12.88 |
| | 39.16 |
| Bombay Forgings Ltd | 4.12 |
| | 3.50 |
| Mukand Vini Minerals Ltd | 0.47 |
| | 0.35 |

| | (Rs.in crore) |
|--|---------------|
| iv) Amount Payable in respect of loans & advances | |
| Mukand Engineers Ltd | 10.91 |
| | 12.40 |
| Jamnalal Sons Pvt Ltd | 43.86 |
| | - |
| Guarantees given by the Company | |
| Mukand Vini Minerals Ltd | 4.90 |
| | 4.90 |
| Mukand Engineers Ltd | 65.00 |
| | 65.00 |
| Mukand International FZE | 14.78 |
| | 13.85 |
| Counter Guarantees given on behalf of the Company | |
| | |
| Mukand Engineers Ltd | 6.00 |
| | 6.00 |

Note: Figures in bold type relate to the current year and figures in normal type relate to previous year.

@ Interest Income not accounted out of prudence / Interest waived during the year.

(35) Information on Joint Ventures :

Mukand Vini Minerals Ltd.

- i) Jointly controlled entity – Mukand Vini Minerals Ltd.
Country of incorporation : India
Percentage of ownership interest : 48.80%.

| | | As at 31-3-2013 Un-Audited | As at 31-3-2012 Audited |
|------|---|----------------------------------|-------------------------------|
| ii) | Contingent liabilities in respect of Joint Venture. | | |
| a) | Directly incurred by the Company. | 4.90 | 4.90 |
| b) | Share of the Company in contingent liabilities incurred by jointly controlled entity (to the extent ascertainable) | - | - |
| iii) | Capital commitments in respect of Joint Venture. | | |
| a) | Direct capital commitments by the Company. | - | - |
| b) | Share of the Company in capital commitments of the jointly controlled entity | - | - |
| iv) | Interest in the assets, liabilities, income and expenses with respect to jointly controlled entity. | | |
| A | Assets: | | |
| a) | Fixed Assets (Net Block) Capital Work in progress | | - |
| b) | Investments | | - |
| c) | Current Assets, Loans and Advances | | - |
| | Inventories | | |
| | Sundry Debtors | | |
| | Cash and Bank Balances | 0.01 | |
| | Loans and Advances | | |
| | Other Current Assets | | |
| d) | Preliminary expenses | | |
| e) | Other Non-current Assets | 0.03 | 0.03 |
| f) | Pre-operative expenses | 2.68 | 2.52 |
| B | Liabilities | | |
| a) | Loan Funds | | |
| | Secured Loans | | - |
| | Unsecured Loans | | - |
| b) | Current Liabilities and Provisions | | |
| | Liabilities | 0.98 | 0.81 |

NOTES (Contd.)

| | | As at 31-3-2013 Un-Audited | As at 31-3-2012 Audited |
|---------------------------|--|----------------------------------|-------------------------------|
| Provisions | | - | - |
| c) Deferred Tax Liability | | - | - |
| C Income | | - | - |
| D Expenses | | - | - |
| E Tax | | - | - |

(36) Company has during the year transferred the business of cold finished bars & wires to a subsidiary - Mukand Sumi Metal Processing Limited (MSMPL). The Company has invested an amount of Rs.118.09 crore in MSMPL under its Agreement with Sumitomo Corporation (Group).

(37) In accordance with Accounting Standard – 17 "Segment Reporting", segment information has been given in the consolidated financial statements of the Company, and therefore, no separate disclosure on segment information is given in these financial statements.

(38) Previous years's figures have been regrouped / recast wherever necessary

As per our attached report of even date

For **Haribhakti & Co.**

Chartered Accountants

Firm Registration No.103523W

Sumant Sakhardande

Partner

Membership No. 034828

Mumbai: May 25, 2013

Niraj Bajaj

Chairman & Managing Director

Rajesh V Shah

Co-Chairman & Managing Director

Suketu V Shah

Joint Managing Director

K J Mallya

Company Secretary

Mumbai: May 25, 2013

Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies

| Particulars | Name of the subsidiary company | | | | | |
|---|--------------------------------|---------------------------|---------------------------|--------------------------|------------------------------|----------------------------------|
| | Mukand Global Finance Ltd | Vidyavihar Containers Ltd | Mukand International Ltd. | Mukand International FZE | Mukand Vijayanagar Steel Ltd | Mukand Sumi Metal Processing Ltd |
| The financial year of the subsidiary company ended on | 31st March, 2013 | 31st March, 2013 | 31st March, 2013 | 31st March, 2013 | 31st March, 2013 | 31st March, 2013 |
| Number of Shares in the subsidiary company held by Mukand Ltd., at the above date | | | | | | |
| Equity | 11,749,500 | 11,976,762 | 1,000 | 5 | 70,000 | 11,858,220 |
| Percentage of holding | 100 | 100 | 100 | 100 | 100 | 59.50 |
| The net aggregate of profits, less losses of the subsidiary company so far as they concern the members of Mukand Ltd. | | | | | | |
| | Rs 'Crore | Rs 'Crore | USD | USD | Rs 'Crore | Rs 'Crore |
| (i) Dealt with in the accounts of Mukand Ltd, amounted to : | | | | | | |
| (a) for the subsidiary's financial year | - | - | - | - | - | - |
| (b) for the previous financial years of the subsidiary since it became a subsidiary of Mukand Ltd | 4.00 | - | 1,158,699 | 100,000 | - | - |
| (ii) Not dealt with in the accounts of Mukand Ltd, amounted to : | | | | | | |
| (a) for the subsidiary's financial year | 2.29 | (0.30) (Loss) | (5,682) (Loss) | (79,976) (Loss) | | (5,143) (Loss) |
| (b) for the previous financial years of the subsidiary since it became a subsidiary of Mukand Ltd | 13.07 | (85.43) (Loss) | 6,749 | 506,466 | (6.97) (Loss) | N.A. |
| Changes in the interest of Mukand Ltd between the end of the subsidiary's financial year and 31-03-2013 | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| Material changes between the end of the subsidiary's financial year and 31-3-2013 | | | | | | |
| (i) Fixed Assets | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| (ii) Investments | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| (iii) Moneys lent by the subsidiary | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| (iv) Moneys borrowed by the subsidiary other than for meeting current liabilities | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |

Niraj Bajaj
Chairman & Managing Director

Rajesh V Shah
Co-Chairman & Managing Director

Suketu V Shah
Joint Managing Director

K J Mallya
Company Secretary

Mumbai: May 25, 2013

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF MUKAND LTD.

To the Board of Directors of Mukand Limited

We have audited the accompanying Consolidated Financial Statements of Mukand Limited ("the Company") and its subsidiaries, associates and Joint ventures, (collectively referred to as "the Group") which comprise the Consolidated Balance Sheet as at March 31, 2013, and the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these Consolidated Financial Statements on the basis of separate financial statements and other financial information regarding components that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India; this includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Consolidated Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Basis of Qualified Opinion

As more explained in Note 34(viii) to the Consolidated Financial Statements, the accounts of Vidyavihar Containers Limited, a subsidiary, have been prepared on the principles applicable to a going concern, despite substantial carry forward losses incurred as the property development activity has commenced.

Qualified Opinion

We report that the consolidated financial statements have been prepared by the Mukand Limited's Management in accordance with the requirements of Accounting Standards (AS) 21, "Consolidated financial statements", Accounting Standards (AS) 23, "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Ventures" as notified pursuant to the Companies (Accounting Standards) Rules, 2006 and on the basis of the separate financial statements of Mukand Limited, its subsidiaries, associates and joint ventures.

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries, associates and joint ventures as mentioned in the 'Other Matter' paragraph below, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

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

Emphasis of Matter

We draw attention to:

- (a) Note 18(a) to the notes to the Consolidated Financial Statements in respect of balances due to the group from Bombay Forgings Limited (BFL), an associate company, aggregating Rs. 76.32 Crore as at March 31, 2013 (Rs 70.66 crore as at March 31, 2012), where the management has, barring any significant

uncertainties in future, relied upon the projected future earnings from the business activities of BFL;

- (b) Note 18(b) to the Notes to the Consolidated Financial Statements, the realisability of the "Exposures" in certain investment companies (through wholly owned subsidiaries) aggregating Rs. 136.13 crore (Net) as at March 31, 2013 [Rs. 135.74 crore (net) at March 31, 2012] and the reliance upon amount realisable from the financial assets of these companies.
- (c) Note 18(c) to the notes to the Consolidated Financial Statements, relating to the realisability of the 'Exposures' in Stainless India Limited (SIL), an associate company, aggregating Rs. 38.24 Crore (net) as at March 31, 2013 (Rs. 66.19 crore as at March 31, 2012), where the net worth of SIL has been completely eroded and there is no significant activities being carried out by SIL, the Management has barring any significant uncertainties in future, relied upon the valuation report prepared by the independent valuer for sale of assets of SIL.
- (d) Note 21(b) to the notes to the Consolidated Financial Statements, relating to the Exposures aggregating Rs. 141.68 crore as at March 31, 2013 (Rs. 183.94 crore as at March 31, 2012), in respect of road construction activity and our reliance on the management's expectation of its realisability.
- (e) Note 34(i) to the notes to the Consolidated Financial Statements, regarding the exposure towards loans and investment given by a subsidiary company as at March 31, 2013 in excess of limits specified for single borrowers/ investee under Paragraph 18 of Non-banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
- (f) The auditors of the Associate Company has expressed Emphasis of Matter in their audit report regarding Note 18(e) to the notes to the Consolidated Financial Statements, the Exposures towards overdue loans aggregating Rs. 10.34 crore as at March 31, 2013 (March 31, 2012 Rs. 10.34 crore) and interest receivable thereon aggregating Rs. 4.95 crore as at March 31, 2013 (March 31, 2012 Rs. 4.95 crore) that are due from investment companies whose net worth have eroded. The Management's assessment on the recoverability from the financial assets of these companies is subject to uncertainties and which, if do not materialise, could significantly impact the carrying values of the aforesaid loans and interest thereon. The group's share for the above loans and interest receivable is Rs. 5.52 crore as at March 31, 2013 (March 31, 2012 Rs. 5.52 crore).
- (g) The auditors of the Associate Company has expressed Emphasis of Matter in their audit report regarding Note 34(v) to the notes to the Consolidated Financial Statements, relating to the change in accounting policy during the financial year in respect of threshold limits to be applied for revenue recognition, resulting in to an increase in revenue by Rs. 10.77 crore and consolidated profit before tax by Rs. 0.57 crore.

Other Matter

We did not audit the financial statements of five subsidiaries, whose financial statements reflect total assets of Rs. 279.10 Crore as at March 31, 2013, total revenues of Rs. 154.15 Crore and net cash inflow aggregating Rs. 1.45 Crore for the year then ended. We also did not audit the financial statements of three associates, in which the net share of profit of the group is Rs. 1.34 Crore which are included in the Consolidated Financial Statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion on the Consolidated Financial Statements to the extent they have been derived from such financial statements is based solely on the reports of the other auditors.

We have relied on the unaudited financial statements of a Joint Venture and a subsidiary company, which reflect total assets of Rs. 206.17 Crore as at March 31, 2013, total revenues of Rs. 2.72 crore and net cash inflows aggregating Rs. 0.09 crore for the year then ended. These unaudited financial statements have been prepared and furnished to us by the Management of these companies and our opinion in so far as it relates to the amounts included in respect of Joint venture and subsidiary company is based solely on such unaudited financial statements.

For Haribhakti & Co.
Chartered Accountants
Firm Registration No.103523W

Sumant Sakhardande
Partner
Membership No. 034828

Place : Mumbai
Date : May 25, 2013

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2013

| | Note No. | 31st March, 2013 Rs. in crore | 31st March, 2012 Rs. in crore |
|--|----------|----------------------------------|----------------------------------|
| I EQUITY AND LIABILITIES | | | |
| (1) Shareholders' Funds | | | |
| (a) Share Capital | 1 | 78.75 | 78.75 |
| (b) Reserves and Surplus | 2 | 1,740.03 | 1,967.71 |
| | | 1,818.78 | 2,046.46 |
| (2) Minority Interest | | | |
| | | 80.32 | - |
| (3) Non-Current Liabilities | | | |
| (a) Long Term Borrowings | 3 | 856.72 | 774.19 |
| (b) Other Long Term Liabilities | 5 | 12.03 | 12.19 |
| (c) Long Term Provisions | 6 | 30.12 | 28.54 |
| | | 898.87 | 814.92 |
| (4) Current Liabilities | | | |
| (a) Short Term Borrowings | 7 | 968.58 | 919.17 |
| (b) Trade Payables | 8 | 657.00 | 733.45 |
| (c) Other Current Liabilities | 9 | 775.64 | 559.73 |
| (d) Short Term Provisions | 10 | 3.31 | 6.59 |
| | | 2,404.53 | 2,218.94 |
| Total | | 5,202.50 | 5,080.32 |
| II ASSETS | | | |
| (1) Non-Current Assets | | | |
| (a) Fixed Assets | 11 | | |
| (i) Tangible Assets | | 2,416.64 | 2,389.88 |
| (ii) Intangible Assets | | 0.39 | 0.47 |
| (iii) Capital Work-in-Progress | | 147.39 | 105.44 |
| | | 2,564.42 | 2,495.79 |
| (b) Non Current Investments | 12 | 53.58 | 52.22 |
| (c) Deferred Tax Asset (net) | 4 | 8.50 | - |
| (d) Long Term Loans and Advances | 13 | 127.49 | 137.61 |
| (e) Other Non Current Assets | 14 | 48.28 | 48.28 |
| | | 237.85 | 238.11 |
| (2) Current Assets | | | |
| (a) Inventories | 15 | 1,034.63 | 996.28 |
| (b) Trade Receivables | 16 | 927.05 | 873.48 |
| (c) Cash and Bank Balances | 17 | 87.17 | 89.14 |
| (d) Short Term Loans and Advances | 18 | 339.37 | 376.69 |
| (e) Other Current Assets | 19 | 12.01 | 10.83 |
| | | 2,400.23 | 2,346.42 |
| Total | | 5,202.50 | 5,080.32 |
| Notes forming part of the Consolidated Financial Statements | 1-35 | | |

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

| | Note No. | 2012-13 Rs.in crore | 2011-12 Rs. in crore |
|---|----------|------------------------|-------------------------|
| I) Gross Revenue from Operations | | | |
| Less : Excise Duty | | 221.29 | 234.45 |
| Net Revenue from Operations | | 2,138.00 | 2,591.85 |
| II) Other Income | | | |
| | 22 | 10.74 | 10.08 |
| III) Total Revenue (I) + (II) | | | |
| | | 2,148.74 | 2,601.93 |
| IV) Expenses | | | |
| a) Cost of Materials Consumed | 23 | 1,126.04 | 1,351.45 |
| b) Purchases of Stock-in-Trade | | 2.78 | 7.10 |
| c) Changes in Inventories of finished goods and work-in- progress | 24 | (61.13) | (19.78) |
| d) Employee Benefit Expenses | 25 | 137.28 | 132.50 |
| e) Finance Costs | 26 | 226.02 | 178.02 |
| f) Depreciation and Amortization Expenses (including share of Joint Ventures) | | 64.52 | 65.75 |
| g) Other Expenses | 27 | 844.97 | 993.56 |
| Expenditure transferred to Capital Accounts / Capital Work-in-Progress | | (15.52) | (4.41) |
| Total Expenses | | 2,324.96 | 2,704.19 |
| V) (Loss) for the year before Exceptional Items & tax (III) - (IV) | | | |
| | | (176.22) | (102.26) |
| Add / (Less) : | | | |
| Exceptional items - Expenditure | 28 | (57.77) | - |
| (Loss) before tax | | (233.99) | (102.26) |
| (Less) : | | | |
| VI) Tax Expense : | | | |
| Net Current Tax | | (0.73) | (0.41) |
| Net Deferred Tax Credit | | 8.49 | 14.65 |
| Excess / (Short) provision for tax in respect of earlier years | | 0.66 | 0.24 |
| (Loss) for the year before share of profits of associates (V) - (VI) | | (225.57) | (87.78) |
| (Less) : | | | |
| Share of Profit in Associates (net) | | 1.34 | 0.90 |
| Minority Interest | | 0.21 | - |
| (Loss) for the year | | (224.02) | (86.88) |
| Weighted average number of Equity Shares outstanding during the year | | 73,114,129 | 73,114,129 |
| Basic and diluted earnings per share including Exceptional Items (in Rs.) | 29 | (30.64) | (11.88) |
| Basic and diluted earnings per share excluding Exceptional Items (in Rs.) | | (22.74) | (11.88) |
| Nominal value of share (in Rs.) | | 10.00 | 10.00 |
| Notes forming part of the Consolidated Financial Statements | 1-35 | | |

As per our attached report of even date

For Haribhakti & Co.
Chartered Accountants
Firm Registration No.103523W

Niraj Bajaj
Chairman &
Managing Director

Rajesh V Shah
Co-Chairman &
Managing Director

Suketu V Shah
Joint
Managing Director

Sumant Sakhardande
Partner
Membership No. 034828
Mumbai: May 25, 2013

K J Malliya
Company Secretary
Mumbai: May 25, 2013

As per our attached report of even date

For Haribhakti & Co.
Chartered Accountants
Firm Registration No.103523W

Niraj Bajaj
Chairman &
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Co-Chairman &
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Suketu V Shah
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Managing Director

Sumant Sakhardande
Partner
Membership No. 034828
Mumbai: May 25, 2013

K J Malliya
Company Secretary
Mumbai: May 25, 2013

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013

| | Rs.in crore | | | | | |
|---|-------------|---------|----------|---------|---------|----------|
| | 2012-13 | 2012-13 | 2012-13 | 2011-12 | 2011-12 | 2011-12 |
| A Cash Flow arising from Operating Activities | | | | | | |
| Profit before Tax and Exceptional Items | | | (176.22) | | | (102.26) |
| Add back : | | | | | | |
| a) Depreciation | | 64.52 | | | 65.75 | |
| b) Other Non-cash Expenditure / (Income) - (Net) | | (4.09) | | | 7.34 | |
| c) Finance and Lease Charges - (Net) | | 202.57 | | | 157.32 | |
| | | | 263.00 | | | 230.41 |
| | | | 86.78 | | | 128.15 |
| Deduct : | | | | | | |
| a) Investment Income | | 0.47 | | | 0.71 | |
| b) Profit on sale of Investments | | 0.02 | | | - | |
| c) Surplus/(Loss) on sale of assets - (Net) | | 16.21 | | | (0.09) | |
| | | | 16.70 | | | 0.62 |
| Operating Profit before Working Capital changes | | | 70.08 | | | 127.53 |
| Less : Working Capital Changes | | | | | | |
| a) Increase in Trade and Other Receivables | 56.44 | | | 131.52 | | |
| b) Increase in Inventories | 38.35 | | | 71.03 | | |
| c) Decrease in Trade Payables | 15.05 | | | - | | |
| | | 109.84 | | | 202.55 | |
| Less : | | | | | | |
| a) Increase in Trade Payables | - | | | 199.25 | | |
| | | | | | 199.25 | |
| Net Working Capital Changes | | | (109.84) | | | (3.30) |
| Cash Flow from Operations | | | (39.76) | | | 124.23 |
| Less : Direct taxes paid | | | 5.92 | | | 23.25 |
| Net Cash Inflow / (Outflow) from Operating Activities | | | (45.68) | | | 100.98 |
| B Cash Flow arising from Investing Activities | | | | | | |
| Inflow | | | | | | |
| a) Sale of Fixed Assets | | 18.59 | | | 1.78 | |
| b) Interest received on loans to Companies | | 0.17 | | | 0.03 | |
| c) Dividends received | | 0.47 | | | 0.71 | |
| d) Decrease in Loans to Companies | | 3.03 | | | - | |
| e) Sale of Investments - (Net) | | 1.01 | | | - | |
| | | | 23.27 | | | 2.52 |
| Deduct Outflow | | | | | | |
| a) Acquisition of fixed assets | | 121.81 | | | 104.72 | |
| b) Increase in Loans to Companies | | - | | | 2.50 | |
| | | | 121.81 | | | 107.22 |
| Net Cash Inflow / (Outflow) from Investing Activities | | | (98.54) | | | (104.70) |

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013 (contd.)

| | | | | | Rs.in crore |
|--|----------------|----------------|----------------|----------------|--------------------|
| | 2012-13 | 2012-13 | 2012-13 | 2011-12 | 2011-12 |
| C Cash Flow arising from Financing Activities | | | | | |
| Inflow | | | | | |
| a) Proceeds from issue of Shares to Minority Stakeholders | | 80.71 | | - | |
| b) Increase in Term Loans - (Net) | | 26.92 | | - | |
| c) Increase in Working Capital Loans from Banks - (Net) | | 97.97 | | 195.86 | |
| d) Increase in Other Unsecured Loans - (Net) | | 163.65 | | 80.47 | |
| | | | 369.25 | | 276.33 |
| Deduct Outflow | | | | | |
| a) Redemption of Debentures | | 4.88 | | 3.13 | |
| b) Decrease in Term Loans - (Net) | | - | | 78.35 | |
| c) Dividend paid | | - | | 8.45 | |
| d) Finance and Lease Charges - (Net) | | 212.80 | | 210.96 | |
| | | | 217.68 | | 300.89 |
| Net Cash Inflow / (Outflow) from Financing Activities | | | 151.57 | | (24.56) |
| Net Increase / (Decrease) in Cash/Cash Equivalents | | | 7.35 | | (28.28) |
| Add : Balance at the beginning of the year | | | 26.13 | | 54.41 |
| Cash/Cash Equivalents at the close of the year | | | 33.48 | | 26.13 |

Note :

- 1) Cash / Cash Equivalents exclude balances with banks in Margin Money Accounts : 31.03.2013 - Rs.48.61 crore; 31.03.2012 - Rs.57.70 crore; 31.03.2011 - Rs.53.03 crore; and in Escrow Account : 31.03.2013 - Rs.5.08 crore; 31.03.2012 - Rs. 5.31 crore

As per our attached report of even date

For **Haribhakti & Co.**
Chartered Accountants
Firm Registration No.103523W
Sumant Sakhardande
Partner
Membership No. 034828
Mumbai: May 25, 2013

Niraj Bajaj
Chairman & Managing Director

Rajesh V Shah
Co-Chairman & Managing Director

Suket V Shah
Joint Managing Director

K J Mallya
Company Secretary

Mumbai: May 25, 2013

NOTES

1. SHARE CAPITAL

| | 31st March, 2013 | 31st March, 2012 |
|---|------------------|------------------|
| | Rs.in crore | Rs.in crore |
| Authorised : | | |
| 7,000,000 (31 March 2012 : 7,000,000) Preference Shares of Rs.10/- each | 7.00 | 7.00 |
| 118,000,000 (31 March 2012 : 118,000,000) Equity Shares of Rs.10/- each | 118.00 | 118.00 |
| | 125.00 | 125.00 |

Issued :

| | | |
|---|--------------|--------------|
| 5,626,320 (31 March 2012 : 5,626,320) 0.01% Cumulative Redeemable Preference Shares of Rs.10/- each | 5.63 | 5.63 |
| 73,159,805 (31 March 2012 : 73,159,805) * Equity Shares of Rs.10/- each | 73.16 | 73.16 |
| | 78.79 | 78.79 |

* Includes 28,031 Equity Shares which have been kept in abeyance by the Stock Exchange Authorities

Subscribed and fully paid up :

| | | |
|--|--------------|--------------|
| 5,626,320 (31 March 2012 : 5,626,320) 0.01% Cumulative Redeemable Preference Shares of Rs.10/- each, fully paid up | 5.63 | 5.63 |
| 73,114,129 (31 March 2012 : 73,114,129) Equity Shares of Rs.10/- each, fully paid up | 73.11 | 73.11 |
| Add : | | |
| Forfeited Shares, amounts originally paid up | 0.01 | 0.01 |
| | 73.12 | 73.12 |
| | 78.75 | 78.75 |

a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

| Equity shares | 31 Mar 2013 | | 31 Mar 2012 | |
|--------------------------------------|---------------|-------------|---------------|--------------|
| | Nos. in crore | Rs.in crore | Nos. in crore | Rs. in crore |
| At the beginning of the period | 7.31 | 73.11 | 7.31 | 73.11 |
| Add : issued during the period | - | - | - | - |
| Less : bought back during the year | - | - | - | - |
| Outstanding at the end of the period | 7.31 | 73.11 | 7.31 | 73.11 |
| Preference shares (CRPS) | | | | |
| At the beginning of the period | 0.56 | 5.63 | 0.56 | 5.63 |
| Add : issued during the period | - | - | - | - |
| Less : bought back during the year | - | - | - | - |
| Outstanding at the end of the period | 0.56 | 5.63 | 0.56 | 5.63 |

b. Terms / rights attached to equity shares

The Company has only one class of equity share having a par value of Rs. 10/- per share. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividends in Indian rupees.

The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend.

During the year ended 31st March 2013, the amount of dividend per share recognized as distribution to equity shareholders was Rs. Nil (31 March 2012 :Rs. Nil).

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

c. Terms of redemption of CRPS

Pursuant to the order of the Hon'ble High Court of Judicature at Bombay dated October 14, 2003, the Company had cancelled 22 ½ equity shares issued and unallotted and reduced 20% of the outstanding equity shares amounting to 5,626,320 equity shares. In lieu of cancelled shares, the company has issued 5,626,320 0.01% Cumulative Redeemable Preference Shares of Rs.10/- each entitled for cumulative Preference dividend of 0.01% p.a. and redeemable in five equal annual installments starting from September, 2019. In the event of liquidation of the company before redemption, the holders of CRPS will have priority over equity shares in the payment of dividend and repayment of capital.

d. The Company does not have any holding company.

e. There are no bonus shares issued, share issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date.

f. Details of shareholders holding more than 5% shares in the Company :

| Equity Shares of Rs. 10/- each fully paid | 31 Mar 2013 | | 31 Mar 2012 | |
|---|-------------|------------------------|-------------|------------------------|
| | Numbers | % holding in the class | Numbers | % holding in the class |
| Jamnalal Sons Pvt. Ltd. | 13,147,761 | 17.98 | 13,147,761 | 17.98 |
| LIC of India | 7,228,076 | 7.89 | 7,228,076 | 7.89 |
| Bajaj Holdings & Investments | 4,056,782 | 5.55 | 4,056,782 | 5.55 |
| Jeewan Ltd. | 4,785,369 | 6.55 | 4,031,857 | 5.51 |
| CRPS of Rs. 10/- each fully paid | | | | |
| LIC of India | 595,545 | 10.58 | 595,470 | 10.58 |
| Jamnalal Sons Pvt. Ltd. | 474,143 | 8.43 | 474,143 | 8.43 |

As per records of the Company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

g. There are no shares reserved for issue under options and contracts / commitments for sale of shares/disinvestment.

h. There are no unpaid calls from any Director and officer.

NOTES (contd.)
2. RESERVES AND SURPLUS

| | 31st March, 2013 Rs.in crore | 31st March, 2012 Rs.in crore | | 31st March, 2013 Rs.in crore | 31st March, 2012 Rs.in crore |
|--|--|--|--|--|--|
| Capital Reserve : | | | As per last Account | (110.11) | 7.30 |
| As per last Account (Rs.47,439/-) | | - | (Deficit) as per Statement of Profit and Loss | (224.02) | (86.88) |
| Add: On Consolidation | 0.18 | - | Transferred from Debenture Redemption Reserve | 1.22 | 0.78 |
| | 0.18 | - | Transferred from General Reserve for Proposed Preference Dividend and tax thereon (FY 2012-13 Rs.6,540/-; FY 2011-12 Rs.6,540/-) | - | - |
| Capital Redemption Reserve: | | | Transferred to Reserve Fund in terms of Section 45-I C (i) of Reserve Bank of India Act, 1934 | (0.46) | (0.30) |
| As per last Account | 3.00 | 3.00 | Proposed Preference Dividend (FY 2012-13 Rs.5,627/-; FY 2011-12 Rs.5,627/-) | - | - |
| Securities Premium Account : | | | Tax on Preference Dividend (FY 2012-13 Rs.913/-; FY 2011-12 Rs.913/-) | - | - |
| As per last Account | 225.55 | 225.55 | Transferred to General Reserve being Opening Balance / Appropriation | - | (30.23) |
| Add / (Less) : Amount debited to this account in earlier years written back | 0.04 | - | Transferred to General Reserve being write back of Debenture Redemption Reserve | (1.22) | (0.78) |
| | 225.59 | 225.55 | | (334.59) | (110.11) |
| Debenture Redemption Reserve : | | | | 1,740.03 | 1,967.71 |
| As per last Account | 11.43 | 12.21 | | | |
| Add / (Less) : Transferred to Surplus | (1.22) | (0.78) | | | |
| | 10.21 | 11.43 | | | |
| Revaluation Reserve : | | | | | |
| As per last Account | 1,668.94 | 1,673.33 | | | |
| Less: Transferred to Consolidated Statement of Profit and Loss | (4.39) | (4.39) | | | |
| | 1,664.55 | 1,668.94 | | | |
| Reserve Fund : | | | | | |
| As per last Account | 2.31 | 2.01 | | | |
| Add : Transferred from Surplus in terms of Section 45-I C (i) of Reserve Bank of India Act, 1934 | 0.46 | 0.30 | | | |
| | 2.77 | 2.31 | | | |
| Currency Fluctuation Reserve - On Consolidation | | | | | |
| As per last Account | (3.14) | (3.16) | | | |
| Add / (Less): | | | | | |
| Increase / (Decrease) for the year on Consolidation | 0.51 | 0.02 | | | |
| | (2.63) | (3.14) | | | |
| General Reserve : | | | | | |
| As per last Account | 169.73 | 138.72 | | | |
| Add : Transferred to Surplus for Proposed Dividend & Tax thereon (F.Y. 2012-13 Rs.6,540/-; F.Y.2011-12 Rs.6,540/-) | - | - | | | |
| Transferred from Surplus being Opening Balance / Appropriation | - | 30.23 | | | |
| Transferred from Surplus being write back of Debenture Redemption Reserve | 1.22 | 0.78 | | | |
| | 170.95 | 169.73 | | | |
| Surplus | | | | | |

3. LONG TERM BORROWINGS
I. SECURED LOANS

| | | |
|----------------------------|--------|--------|
| a) Debentures | 20.20 | 38.72 |
| b) Term Loans : | | |
| - Banks | 248.98 | 414.06 |
| - Financial Institutions | 119.01 | 155.86 |
| - Others | 117.63 | 44.03 |
| | 485.62 | 613.95 |
| Total Secured Loans | 505.82 | 652.67 |

II. UNSECURED LOANS

| | | |
|--------------------------------|--------|--------|
| Fixed Deposits | 102.56 | 119.66 |
| Long Term Loans from Companies | 246.95 | - |
| Sales Tax Deferment Loan | 1.39 | 1.86 |
| Total Unsecured Loans | 350.90 | 121.52 |

TOTAL LONG TERM BORROWINGS

856.72 774.19

Nature of Security & Terms of repayment for Long Term Borrowings - By Mukand

NOTES (contd.)

| (I) Nature of Security | Terms of Repayment | |
|--|--|--|
| <p>(i) Debentures</p> <p>5,800,000, 10.50% (2006-15) Mortgage Debentures (balance outstanding as at 31.03.2013 Rs. 40.82 crore, Previous Year Rs.45.69 crore), are secured by way of first pari-passu charge against mortgage/ hypothecation of Company's freehold land, immovable and movable fixed assets both present and future of the Company at Kalwe and Dighe, Dist. Thane, in the State of Maharashtra and leasehold land, immovable and movable fixed assets both present and future of the Company at Ginigera/ Kankapura, Dist. Ginigera in the State of Karnataka and such mortgage and charge shall rank pari-passu with the existing mortgages and charges created in favour of financial institutions, banks and a company for their term loans except term loans at (ii) to (xiii) below. These debentures are also secured by way of a second and subservient pari-passu charge on stocks (excluding machinery spares) and book debts.</p> | <p>Rescheduled for repayment in 90 monthly installments from 2006 to 2015 in terms of financial restructuring package approved by Corporate Debt Restructuring Cell (CDR) in July 2003 and April 2009.</p> | <p>(iv) Term Loan of Rs.350.00 crore (balance outstanding as at 31.03.2013 - Rs.218.75 crore, Previous Year Rs.287.50 crore) from a Bank is secured against mortgage of 50 acres of leasehold land at Dighe, Thane.</p> |
| <p>(ii) Term Loans from Banks, Financial Institutions and a Company (balance outstanding as at 31.03.2013 Rs.252.78 crore, Previous Year Rs.308.90 crore).</p> <p>These are secured on pari-passu basis against the same assets as given to Trustees for Debentures as shown at (i) above.</p> | <p>The principal term debt is to be repaid in 144 monthly installments commencing from April 2006 and ending in March, 2018 with a pre-determined ballooning schedule. During April 2009 CDR Cell approved deferment of principal amount due for payment aggregating Rs.119 crore during the period of 18 months commencing from 1st April, 2009 and ending on 30th September, 2010. The total loan amount is now rescheduled to be paid during FY2010-11 to FY2014-15 in place of the earlier schedule of payments by FY2017-18 without any increase in the rate of interest. Based on an assessment of its financial commitments and the estimated cash flows, the Management is confident of meeting all its financial commitments in the foreseeable future.</p> | <p>(v) Term Loan of Rs.100.00 crore (balance outstanding as at 31.03.2013 - Rs.42.50 crore, Previous Year Rs.70.00 crore) from a Bank is secured on pari-passu basis against the same assets as given to Trustees for Debentures as shown at (i) above.</p> |
| <p>(iii) Term Loan of Rs.62.50 crore (balance outstanding as at 31-3-2013 Rs 62.50 crore, Previous Year Rs.62.50 crore) from a Bank is secured against office premises at Mumbai and three residential premises at Mumbai.</p> | <p>Repayable in 36 equal monthly installments commencing from March 2013.</p> | <p>(vi) Term Loan of Rs.35 crore (balance outstanding as at 31.03.2013 - Rs.28.58 crore, Previous Year Rs.35 crore) from a Bank is secured against plant and machinery and other moveable assets of Captive Power Plant at Ginigera / Kankapura, District Ginigera in the State of Karnataka.</p> <p>(vii) Loan of Rs.12.50 crore (balance outstanding as at 31.03.2013 - Rs.1.23 crore, Previous Year Rs.5.78 crore) from a Company is secured against hypothecation of specific movable plant and machinery, furniture and fixtures and office equipment.</p> <p>(viii) Loan of Rs.17.50 crore (balance outstanding as at 31.03.2013 - Rs.9.18 crore, Previous Year Rs.14.63 crore) from a Company is secured against a residential premises at Delhi.</p> <p>(ix) Loan of Rs.25.00 crore (balance outstanding as at 31.03.2013 - Rs.23.17 crore, Previous Year Rs.25.00 crore) from a Company is secured against mortgage of 5 acres of lease hold land at Dighe, Thane.</p> <p>(x) Term Loan of Rs.100.00 crore (balance outstanding as at 31.03.2013 - Rs.100.00 crore, Previous Year Rs.Nil) from HDFC Ltd. is secured against mortgage of 50 acres of lease hold land at Dighe, Thane (Pari Passu Charge).</p> <p>(xi) Term Loan of Rs.50.00 crore (balance outstanding as at 31.03.2013 - Rs.47.17 crore, Previous Year Rs.Nil) from a Company is secured against various items of Plant & Machinery at Dighe, Thane, the charge being subservient to lenders at (i) & (ii) above.</p> |
| <p>Term Loan of Rs.75 crore is repayable in 30 equal monthly installments commencing from September 2010. Term Loan of Rs.150 crore is repayable in 40 equal monthly installments commencing from August 2011. Term Loan of Rs.125 crore is repayable in 36 equal monthly installments commencing from April 2013.</p> <p>Repayable in 40 equal monthly installments commencing from February 2011.</p> <p>Repayable in 60 equal monthly installments commencing from April 2012.</p> <p>Repayable in 36 monthly installments commencing from July 2010.</p> <p>Repayable in 36 monthly installments commencing from September 2011.</p> <p>Repayable in 24 monthly installments commencing from February 2013.</p> <p>Repayable in 36 monthly installments commencing from July 2013 for a loan of Rs.50 crore and from October 2013 for a loan of Rs.50 crore.</p> <p>Repayable in 58 monthly installments commencing from July 2012.</p> | | |

NOTES (contd.)

(xii) Term Loan of Rs.37.45 crore Repayable in 58 monthly (balance outstanding as at 31.03.2013 - Rs.37.35 crore, Previous Year Rs.Nil crore) from a Company is secured against Plant & Machinery at Ginigera, Kanakapura, Dist Ginigera in the State of Karnataka of Sinter Plant, Hot Blast Stoves and Pulverising Plant.

(xiii) Term Loans of Rs.8.00 crore Repayable in one installment in from two companies (Rs.4 crore from each company) (balance outstanding as at 31.03.2013 - Rs.8.00 crore, Previous Year Rs.Nil crore) are secured against mortgage of a residential premises at Mumbai.

(II) Effect and Progress of Restructuring Package - of Mukand

In terms of the Financial Restructuring Package (FRP) for Mukand approved by the Corporate Debt Restructuring Cell in July 2003 and April 2009, the terms of security, redemption and conversion have been rescheduled. A separate disclosure is made hereunder to explain the same, as also the progress made so far :

- Promoters / Associates of Mukand have pledged 11,426,514 equity shares in Mukand and 546,652 cumulative redeemable preference shares out of their share-holding in Mukand.
- Pledge of Promoters' holding of shares of Bajaj Auto Limited to the tune of Rs.10.90 crore.
- Mukand shall ensure balance realization of non-core assets and investments aggregating Rs.82.73 crore (net of amounts realized till 31.03.2013) over a specified time schedule ending on 30th September, 2013.
- Lenders shall have a right of recompense upto 12% per annum in excess of the effective IRR charge / credit in FRP for 8 years, commencing from the date of approval.
- In the event of default, as defined in the restructuring package, the lenders have the right to cancel, suspend, reduce or modify all or any of the relief and concessions or vary the terms and conditions thereof.

(III) For details of loans received from related parties, please refer Note No. 33.

(IV) Deferred sales tax liability which is to be paid in 5 annual instalments commencing from FY2012-13 to FY 2016-17.

4. DEFERRED TAX ASSET / (LIABILITY) (NET)

| | 31st March, 2013 | 31st March, 2012 |
|-------------------------------|------------------------|------------------------|
| | Rs.in crore | Rs.in crore |
| Deferred Tax Asset | 134.62 | 118.82 |
| Less : Deferred Tax Liability | 126.12 | 118.82 |
| | 8.50 | - |
| | 8.50 | - |

Rs. in crore

| As at 31.03.2012 | Charge/ (Credit) for the year 2012-13 | As at 31.03.2013 |
|---------------------|---|---------------------|
|---------------------|---|---------------------|

a) Mukand :

Components of Deferred tax assets/(liabilities) are as under :

Deferred Tax Asset on account of :

| | | | |
|---|--------|--------|--------|
| Employee benefits, etc | 10.44 | (0.26) | 10.70 |
| Taxes, Duties, Cess, Interest to Banks/FIs, etc | 21.59 | 6.60 | 14.99 |
| Provision for doubtful debts | 0.13 | - | 0.13 |
| Unabsorbed Depreciation/ Business Loss, etc | 112.14 | 3.60 | 108.54 |
| | 144.30 | 9.94 | 134.36 |

Deferred Tax liability on account of :

| | | | |
|--------------|--------|--------|--------|
| Depreciation | 118.06 | (8.06) | 126.12 |
| Others | 11.05 | 11.05 | - |
| | 129.11 | 2.99 | 126.12 |

Net Deferred Tax Asset/
(Liability) \$ 15.19 6.95 8.24

\$ Deferred tax asset aggregating to Rs.26.47 crore was not recognised, considering the principle of virtual certainty as stated in the Accounting Standard AS-22 - Accounting for taxes on Income

b) MGFL

Rs. in crore

| As at 31.03.2012 | Charge (Credit) for the year 2012-13 | As at 31.03.2013 |
|---------------------|--|---------------------|
|---------------------|--|---------------------|

Deferred Tax Assets on account of :

| | | |
|---------------------------------|------|------|
| Depreciation | - | - |
| Provision for Employee Benefits | 0.01 | 0.01 |
| | 0.01 | - |
| | 0.01 | 0.01 |

Deferred Tax Liability on
account of :

| | | |
|------------------------|------|------|
| Depreciation | 0.01 | 0.01 |
| Net Deferred Tax Asset | 0.01 | 0.01 |
| | - | - |

c) VCL

Deferred tax asset aggregating Rs.0.74 crore has not been recognised by way of prudence in accordance with Accounting Standard AS-22 - Accounting for taxes on income.

d) MSMPPL

Deferred tax asset aggregating Rs.0.25 crore has been recognised by MSMPPL on account of depreciation.

NOTES (contd.)**5. OTHER LONG TERM LIABILITIES**

| | 31st March, 2013 | 31st March, 2012 |
|--|---------------------|---------------------|
| | Rs.in crore | Rs.in crore |
| Acceptances / Payables for Capital Goods | 8.03 | 7.77 |
| Other Liabilities | 4.00 | 4.49 |
| | 12.03 | 12.26 |

6. LONG TERM PROVISIONS

| | | |
|---|--------------|--------------|
| for Premium on Redemption of Debentures | - | 0.04 |
| for Employee Benefits | 30.12 | 28.50 |
| | 30.12 | 28.54 |

7. SHORT TERM BORROWINGS**I. SECURED LOANS**

| | | |
|----------------------------------|--------|--------|
| Working Capital Loans from Banks | 688.95 | 590.98 |
|----------------------------------|--------|--------|

II. UNSECURED LOANS

| | | |
|---------------------------------|---------------|---------------|
| Short Term Loans from Companies | 279.62 | 328.19 |
| Share of Joint Ventures | 0.01 | - |
| | 968.58 | 919.17 |

Short Term Borrowings - Secured**(I) Working Capital Facilities of Mukand**

- (a) Working Capital Facilities from Banks and other non-funded facilities are secured by hypothecation of stocks (excluding machinery spares) and book debts. The said facilities are also secured by way of second and subservient pari passu charge against the same assets as given to Trustees for Debentures as shown at Note No.3. The said charge shall be second and subservient to all other first charges created in favour of Trustees for all the series of Debentures and Lenders for their term loans at (i) and (ii) at Note No.3(I).

Note : Security given for the debentures, term loans at Note No.3(I) and working capital facilities mentioned above exclude :

48 acres of grant land at Kalwe and Dighe, Dist. Thane in the State of Maharashtra.

Leasehold land at Dighe, Thane, as it is mortgaged to Lenders covered at Note No.3(I) (iv), (ix), (x) and (xi).

Freehold land acquired for Coke Oven Plant at Ginigera / Kankapura, District Ginigera in the State of Karnataka.

Plant and Machinery of Captive Power Plant at Ginigera / Kankapura, District Ginigera in the State of Karnataka is given as security to lenders covered at Note No.3(I) (vi).

39.58 acres leasehold land at Lonand, Dist. Satara in the State of Maharashtra, for Company's project of expansion of finishing facilities for steel products.

43.14 acres of leasehold land at Sinnar, Dist. Nasik, in the State of Maharashtra, for Company's project of expansion of its Industrial Machinery Division.

152.83 acres of freehold land in the State of Jharkhand, for Company's projects in that State.

- (b) Mukand has defaulted in repayment of current maturity of Long Term Debt to a bank to the extent of Rs.31.59 crore out of which Rs.22.84 crore has been paid after close of the year.

- (II) Loan from other Companies to MGFL include Rs.12.25 crore availed against pledge of shares belonging to Baroda Industries Private Limited, Shri Rajesh V. Shah, Shri Suketu V. Shah, Smt. Bansri Rajesh Shah,

Smt. Neerja Shah and Smt. Jyoti Shah (Third Party Pledgors); (Previous Year Rs.12.25 crore against pledge of shares belonging to third party pledgors).

8. TRADE PAYABLES

| | 31st March, 2013 | 31st March, 2012 |
|------------------|---------------------|---------------------|
| | Rs.in crore | Rs.in crore |
| Acceptances | 330.37 | 358.01 |
| Sundry Creditors | 326.63 | 375.44 |
| | 657.00 | 733.45 |

9. OTHER CURRENT LIABILITIES

| | | |
|---|---------------|---------------|
| Current Maturities of Long Term Debt [Refer Note 7 (I) (b)] | 419.15 | 266.51 |
| Interest accrued but not due on borrowings | 14.95 | 14.06 |
| Interest accrued and due on borrowings | 14.49 | 4.83 |
| Unpaid Dividends (represents amounts unclaimed) | 0.21 | 0.21 |
| Unpaid matured deposits (represents amount unclaimed) | 0.81 | 1.30 |
| Liability towards Employee Benefits | 8.96 | 7.73 |
| Advances against Orders and Engineering Contracts | 47.65 | 53.27 |
| Liabilities for Property Development [Refer note below] | 139.63 | 127.29 |
| Statutory Liabilities | 51.21 | 40.06 |
| Acceptance / Payables for Capital Expenditure | 75.42 | 36.40 |
| Others | 2.88 | 7.82 |
| Share of Joint Ventures | 0.28 | 0.25 |
| | 775.64 | 559.73 |

Note :

VCL has entered into a development agreement for its land at Vidyavihar for a consideration of residential flats to be made available to VCL at the developer's own cost and an additional consideration as compensation payable for Government dues. Advances received against reservation / allotment of flats in this regard amounting to Rs.139.63 crore (Previous Year Rs.127.29 crore) has been included in other current liabilities under the head "Advance Towards Property Development". As per the accounting policy on recognition of income consistently followed by VCL, the consideration will be accounted for in the year in which the possession of constructed flats is handed over and the sale of land is completed.

10. SHORT TERM PROVISIONS

| | 31st March, 2013 | 31st March, 2012 |
|--|---------------------|---------------------|
| | Rs.in crore | Rs.in crore |
| for Employee Benefits | 2.40 | 3.86 |
| for NPA as per RBI Prudential Norms (Refer Note No.18 (c) and 34 (ii)) | - | 1.75 |
| for Standard Assets as per RBI Prudential Norms | 0.31 | 0.29 |
| for Warranty Costs | 0.54 | 0.69 |
| for Others | 0.06 | - |

NOTES (contd.)

| 31st March, 2013 | 31st March, 2012 |
|---------------------|---------------------|
| Rs.in crore | Rs.in crore |

for Proposed Preference Dividend
(FY 2012-13 Rs.5,627/-, FY 2011-12
Rs.5,627/-)

- -

for Tax on Preference Dividend
(FY 2012-13 Rs.913/- FY 2011-12
Rs.913/-)

- -

3.31 **6.59**

11. FIXED ASSETS

Rs.in crore

| | GROSS BLOCK | | | | DEPRECIATION / AMORTIZATION | | | | NET BLOCK | | |
|---|-----------------------------|---------------------------|----------------------------|------------------------------------|------------------------------|-----------------------------|-----------------|--|------------------------------|------------------------------|------------------------------|
| | As at 1st April, 2012 | Additions/ Adjustments | Deductions/ Adjustments | Additions to Revalued Assets | As at 31st March, 2013 | As at 1st April, 2012 | For the year | Adjustments/ Deductions during the year | As at 31st March, 2013 | As at 31st March, 2013 | As at 31st March, 2012 |
| (i) Tangible Assets | | | | | | | | | | | |
| Land (Including Leasehold Land) | 1,701.96 | 1.77 | - | - | 1,703.73 | 6.75 | 4.70 (*) | - | 11.45 | 1,692.28 | 1,695.20 |
| Railway Siding | 13.82 | - | - | - | 13.82 | 2.58 | 0.65 | - | 3.23 | 10.59 | 11.24 |
| Buildings | 179.37 | 0.58 | - | - | 179.95 | 60.53 | 5.17 | - | 65.70 | 114.25 | 118.84 |
| Plant and Machinery | 1,248.11 | 94.72 | 32.15 | - | 1,310.68 | 692.87 | 57.16 | 30.15 | 719.88 | 590.80 | 555.26 |
| Furniture, Fixtures, etc. | 11.53 | 0.62 | 0.24 | - | 11.91 | 5.91 | 0.56 | 0.22 | 6.25 | 5.66 | 5.62 |
| Vehicles | 6.16 | 0.11 | 1.54 | - | 4.73 | 2.43 | 0.43 | 1.19 | 1.67 | 3.06 | 3.72 |
| Sub-Total | 3,160.95 | 97.80 | 33.93 | - | 3,224.82 | 771.07 | 68.67 | 31.56 | 808.18 | 2,416.64 | 2,389.88 |
| (ii) Intangible Assets - | | | | | | | | | | | |
| Software | 1.34 | 0.16 | - | - | 1.50 | 0.87 | 0.24 | - | 1.11 | 0.39 | 0.47 |
| Sub-Total | 1.34 | 0.16 | - | - | 1.50 | 0.87 | 0.24 | - | 1.11 | 0.39 | 0.47 |
| Total (i) + (ii) | 3,162.29 | 97.96 | 33.93 | - | 3,226.32 | 771.94 | 68.91 | 31.56 | 809.29 | 2,417.03 | 2,390.35 |
| Previous year's Total | 3,166.98 | 29.91 | 34.60 | - | 3,162.29 | 712.78 | 71.54 | 12.38 | 771.94 | 2,390.35 | |
| (iii) a) Capital Work-in-Progress, expenditure to date | | | | | | | | | | 146.11 | 104.22 |
| (iii) b) Capital Work-in-Progress, Share of Joint Ventures | | | | | | | | | | 1.28 | 1.22 |
| Total (iii) | | | | | | | | | | 147.39 | 105.44 |
| | | | | | | | | | | 2,564.42 | 2,495.79 |

* Includes Rs. 4.39 crore (Previous year Rs.4.39 crore) withdrawn from Revaluation Reserve

a) Revaluation:

Mukand :

Freehold land at Kalwe / Dighe, Thane as at 30.6.1983 was revalued as at 30.6.1984 and the additions to assets on account of this revaluation aggregating Rs.12.27 crore was correspondingly credited to the Revaluation Reserve during the year ended 30.06.1984. To reflect the current fair market value, Mukand further revalued the freehold land at Kalwe as at 31.3.2001 during November, 2001. The registered valuer had carried out the valuation on the basis of the then market value of this land. The addition to assets on account of this revaluation, aggregating Rs.114.36 crore was correspondingly credited to the Revaluation Reserve during the year ended 31st March, 2002. Mukand has further revalued the aforesaid land as at 31.03.2009 and an amount aggregating Rs.1212.37 crore has been added to assets and correspondingly credited to the Revaluation Reserve as at 31.03.2009.

Leasehold land at Dighe, Thane as at 31.03.2011 has been revalued to reflect the current Fair Market Value of this land. The valuation was carried out by a Registered Valuer. The addition to assets on account of this revaluation, aggregating Rs.334.34 crore has been correspondingly credited to the revaluation reserve as at 31.03.2011. An amount of Rs.4.39 crore has been transferred from the revaluation reserve to the statement of profit & loss towards amortization charge of the said land for the year.

- b) Fixed assets include net book value of assets at Ginigera Steel Plant of Mukand aggregating Rs.1.40 crore which have been retired from active use and are held for disposal as tabulated hereunder. The said net book value is on the basis of realisable value as per valuation report of an approved valuer.

Assets held for disposal

| Description | Rs. in crore | | | |
|-------------------|---------------------|-------------------------------------|-----------------------------------|----------------------------------|
| | As at 01.04.2012 | Depreciation as at 31.03.2013 | Loss on discard written-off | Net Block as at 31.03.2013 |
| Plant & Machinery | 3.30 | 1.90 | - | 1.40 |

- c) Fixed Assets include borrowing costs of Rs.18.07 crore capitalised during the year (Previous year Rs.5.86 crore)
- d) As Lessee: Future Rental obligations in respect of premises taken on lease by Mukand – Operating Lease.

Rs. in crore

| | As at 31.3.2013 | As at 31.3.2012 |
|---|--------------------|--------------------|
| For a period not later than one year. | 1.25 | 1.82 |
| For a period later than one year and not later than five years. | 0.50 | - |
| For a period later than five years. | - | - |
| Total | 1.75 | 1.82 |

Lease rental charged to revenue for the current year Rs.3.11 crore (Previous Year Rs.3.15 crore)

NOTES (contd.)

These premises comprise residential flats, office premises and warehouses. The Agreements for lease are executed for tenure of 11 to 72 months with a provision for renewal and termination by other party giving a prior notice of 1 to 3 months.

- e) As Lessor: Future Rental income in respect of premises given on lease by Mukand – Operating Lease.

| | As at 31.3.2013 | As at 31.3.2012 |
|---|--------------------|--------------------|
| For a period not later than one year. | 0.67 | 0.57 |
| For a period later than one year and not later than five years. | 0.09 | - |
| For a period later than five years. | - | - |
| Total | 0.76 | 0.57 |

These premises comprise office premises and a residential flat given on lease for tenure of two years with a provision for renewal in case of office premises.

Gross carrying amount of assets: Rs.2.40 crore.

Accumulated depreciation upto 31.03.2013: Rs.0.69 crore.

Depreciation for the year: Rs.0.04 crore.

12. NON-CURRENT INVESTMENTS At Cost / Value after providing for diminution [Refer Note 18 (a), (b) and (c)]

| | 31st March, 2013 Rs.in crore | 31st March, 2012 Rs.in crore |
|---|--|--|
| A. Trade (Unquoted) | 1.52 | 1.53 |
| B. Others (Quoted) | 31.58 | 30.28 |
| C. Others (Unquoted) | 33.27 | 33.20 |
| Less : Provision for diminution in the value of investments | 12.79 | 12.79 |
| | 20.48 | 20.41 |
| | 53.58 | 52.22 |
| | Book Value as at | Market Value as at |
| | 31st March, 2013 Rs.in crore | 31st March, 2012 Rs.in crore |
| Quoted Investments | 31.58 | 30.28 |
| Unquoted Investments | 22.00 | 21.94 |
| | 53.58 | 52.22 |

Investments in Equity Shares of Associates / Joint Ventures.

| | Rs. in crore | |
|---|--|--|
| Name of the Associate | As at 31st March 2013 | As at 31st March 2012 |
| (i) Mukand Engineers Limited | | |
| Including Goodwill of Rs.7.99 crore | 19.78 | 19.78 |
| Share of post acquisition accumulated Profits/Reserves | 10.43 | 9.24 |
| Share of current Profit | 1.31 | 1.19 |
| | 31.52 | 30.21 |
| (ii) Stainless India Limited | 13.68 | 13.68 |
| Including Goodwill of Rs.70,161 thousands. | | |
| Share of post acquisition accumulated Loss | (13.68) | (13.68) |
| Share of current (Loss) | - | - |
| | - | - |
| (iii) Bombay Forgings Limited | 0.19 | 0.19 |
| Share of post acquisition accumulated profits | 8.29 | 8.58 |
| Share of current Profit / (Loss) | 0.04 | (0.29) |
| Less: Provision for diminution in value of investments. | (7.85) | (7.85) |
| | 0.67 | 0.63 |
| (iv) Hospet Steels Ltd. | 0.07 | 0.07 |
| Share of post acquisition loss | 0.07 | 0.07 |
| | - | - |
| Note: Share of current profit in Associate Companies is after considering prior period items. | | |
| 13. LONG TERM LOANS AND ADVANCES, Unsecured, considered good, unless otherwise specified | | |
| | 31st March, 2013 Rs.in crore | 31st March, 2012 Rs.in crore |
| Loans and Advances | 0.15 | 0.08 |
| Advances recoverable in cash or in kind or for value to be received | 39.25 | 59.70 |
| Capital Advances | 0.15 | - |
| Advance payment of Income-tax (net) | 62.28 | 56.45 |
| Balances, etc. with -- | | |
| Port Trust, Central Excise, etc. | 8.91 | 8.32 |
| Others | 16.75 | 13.06 |
| | 25.66 | 21.38 |
| | 127.49 | 137.61 |
| 14. OTHER NON-CURRENT ASSETS | | |
| MAT Entitlement Credit | 48.28 | 48.28 |

NOTES (contd.)

| | 48.28 | 48.28 | | 31st March, 2013 Rs.in crore | 31st March, 2012 Rs.in crore |
|--|---|---|---|--|--|
| 15. INVENTORIES | | | | | |
| [For mode of valuation refer Accounting Policy in Note No.30 F] | | | | | |
| | 31st March, 2013 Rs.in crore | 31st March, 2012 Rs.in crore | | | |
| Raw Materials | 85.83 | 104.59 | (v) In Deposit Accounts | 11.63 | 2.08 |
| Raw Materials in Transit | 32.95 | 36.96 | | 78.16 | 75.96 |
| Total Raw Materials | 118.78 | 141.55 | Remittances-in-Transit | 6.08 | 10.60 |
| Work-in-Process | 162.16 | 92.02 | Share of Joint Ventures | 0.01 | - |
| Contracts in Progress [Refer Accounting Policy 30 H (v) and Note 21] | 248.30 | 288.39 | | 87.17 | 89.14 |
| Finished Goods | 455.40 | 420.34 | # under lien with Banks | | |
| Stores, Spares, Fuel, Components and Engineering Construction Materials | 41.57 | 44.71 | 18. SHORT TERM LOANS AND ADVANCES | | |
| Stores in Transit | 6.99 | 7.76 | Unsecured, considered good, unless otherwise specified | | |
| Total Stores, Spares, Fuel, Components and Engineering Construction Materials | 48.56 | 52.47 | Loans and Advances | 177.32 | 168.23 |
| Fuel | 1.16 | 1.25 | Advances recoverable in cash or in kind or for value to be received | 155.57 | 196.66 |
| Fuel in Transit | 0.08 | - | Considered doubtful | 0.29 | 0.30 |
| Total Fuel | 1.24 | 1.25 | Less : Provision | (0.29) | (0.30) |
| Loose Tools | 0.10 | 0.17 | | - | - |
| Stock-in-trade of Property Development business | 0.09 | 0.09 | | 155.57 | 196.66 |
| | 1,034.63 | 996.28 | Balances, etc. with -- | | |
| | | | Port Trust, Central Excise, etc. | 6.08 | 11.50 |
| | | | Others | 0.27 | 0.17 |
| | | | | 6.35 | 11.67 |
| | | | Share of Joint Ventures | 0.13 | 0.13 |
| | | | | 339.37 | 376.69 |
| 16. TRADE RECEIVABLES, (Unsecured) | | | Long / Short Term Loans & Advances, Trade Receivables, Non-current Investments, Other Current Assets etc. | | |
| [Refer Note 18 (a) and (c)] | | | (a) Mukand has investments of Rs.0.19 crore (Previous Year Rs.0.19 crore) in equity shares of Bombay Forgings Limited (BFL), and has trade receivables due from BFL/advances recoverable which stood at Rs.76.32 crore as at 31st March, 2013 (Previous Year Rs.70.66 crore) (collectively referred to as 'Exposures'). Net worth of BFL has turned positive and BFL is no longer a sick industrial company. BIFR has discharged BFL from the purview of provisions of SICA. The management, considering its long term view on the 'Exposures' relies upon the valuation of unencumbered assets of BFL as at 31st March, 2013 which is at Rs.71.89 crore (Previous Year Rs.79.92 crore) and relies upon the future earnings from the ongoing business of BFL. The management considers the balance 'Exposures' to be 'Good' at the close of the year and adequately covered and barring unforeseen circumstances expects full realisability of the same in future. | | |
| More than six months from the due date of payment : | | | (b) MGFL has investments aggregating Rs.24.72 crore (Previous Year Rs.24.72 crore) in Preference Shares and has loans and interest dues aggregating to Rs.79.59 crore (Previous Year Rs.79.20 crore) recoverable from investment companies. The net worth of these companies has eroded. These loans have been renewed for further periods. MGFL has fully provided during FY2007-08 for a diminution in the value of investments in Fusion Investments and Financial Services Limited amounting to Rs.4.94 crore VCL has loans and interest dues aggregating Rs.36.76 crore (Previous Year Rs.36.76 crore) recoverable from these investment companies. As a matter of financial prudence, VCL has not recognised the revenue on these loans amounting to Rs.3.31 crore. The management believes that ultimate losses if any, that may result on account of these loans will depend upon the amount that would be realised from the financial assets of these companies. Under the circumstances, being unable to make an informed judgment, the Auditors have relied upon the judgment of the Management. | | |
| Considered good | 499.77 | 327.98 | | | |
| Considered doubtful | 0.10 | 0.10 | | | |
| Less : Provision | (0.10) | (0.10) | | | |
| | --- | --- | | | |
| | 499.77 | 327.98 | | | |
| Others : | | | | | |
| Considered good | 427.28 | 545.50 | | | |
| | 927.05 | 873.48 | | | |
| 17. CASH AND BANK BALANCES | | | | | |
| Cash on hand (including cheques on hand Rs.2.75 crore; Previous year Rs.2.38 crore and stamp papers on hand Rs.0.09 crore Previous year Rs.0.13 crore) | 2.92 | 2.58 | | | |
| Balances with Banks : | | | | | |
| (i) In Current Accounts | 12.63 | 10.66 | | | |
| (ii) In Unpaid Dividend Accounts | 0.21 | 0.21 | | | |
| (iii) In Escrow Account | 5.08 | 5.31 | | | |
| (iv) In Margin Money Accounts# | 48.61 | 57.70 | | | |

NOTES (contd.)

- (c) Mukand / MGFL has an investment of Rs.13.68 crore (Previous Year Rs.13.68 crore) in equity shares of Stainless India Limited (SIL). For the purpose of Consolidation of Accounts, the said value of investment has been reduced to Rs. Nil by accounting for share of post acquisition losses.

VCL has loans aggregating Rs.39.13 crore (Previous Year Rs.39.16 crore). VCL had provided during FY2010-11 an amount of Rs.15.00 crore as doubtful of recovery against these loans. VCL has not provided for interest on these loans as a matter of financial prudence for FY2007-08 to FY2012-13. SIL has not adhered to repayment of the loan as agreed in the undertaking given by SIL to pay the amount of loan as per the repayment schedule.

Mukand has also trade debts Rs.1.23 crore (Previous Year Rs.1.12 crore) and has trade advances, aggregating Rs.12.88 crore after writing off an amount of Rs.25.29 crore during year (Previous Year Rs.39.16 crore) and after recovery of Rs.1.00 crore during the year. The balance exposure aggregates Rs.14.11 crore.

MGFL has also purchased a fully secured debt of SIL of Rs.28.00 crore as per Deed of Assignment executed by IDBI in favour of MGFL on 29th April, 2008 for a consideration of Rs.12.50 crore. MGFL has recovered the full amount of consideration of Rs.12.50 crore from SIL. Therefore the provision for non-performing assets as at 31st March 2012 amounting to Rs.1.75 crore has been written back by MGFL during the year.

The management has recognised the diminution in value of investments and has made no further provision of balance 'Exposures' in SIL. The management, barring any significant uncertainties, relies upon the estimated realisable values of unencumbered assets of SIL (Plant & Machinery), as at 31st March 2013 out of the sale proceeds of disposal of the said assets by SIL. It also relies upon the valuation of land & building of SIL as at 31st March 2013 amounting to Rs.23.50 crore. The management considers the balance 'Exposures' to be 'Good' at the close of the year and adequately covered and barring unforeseen circumstances expects full realisability of the same in future.

- (d) (i) Details of loans and advances in the nature of loans recoverable from associates and shares held by loanees (stipulated under clause 32 of the listing agreement with Stock Exchanges).

| Name of the Party | Rs. in crore | | | |
|--|--------------------|----------------|--------------------------------|---------|
| | Outstanding Amount | | Maximum Amount during the year | |
| | As at 31.03.13 | As at 31.03.12 | 2012-13 | 2011-12 |
| Lineage Investments Ltd. | N.A. | 36.18 | 36.18 | 38.22 |
| Catalyst Finance Ltd. | N.A. | 3.34 | 4.99 | 8.21 |
| Econium Investments & Finance Ltd. | N.A. | 11.13 | 11.13 | 14.02 |
| Fusion Investments & Financial Services Ltd. | N.A. | 37.41 | 37.41 | 38.63 |
| Primus Investments & Finance Ltd. | N.A. | 13.79 | 13.79 | 14.98 |
| Conquest Investments & Finance Ltd. | N.A. | 7.57 | 7.57 | 16.14 |
| Stainless India Ltd. | 39.13 | 42.66 | 42.66 | 46.55 |
| Mukand Vini Mineral Ltd. | 0.36 | 0.28 | 0.36 | 0.31 |

- (ii) Equity Shares held by the loanees in the capital of Mukand :

| Name of the Loanee | No. of Shares held by Loanee | | Maximum No. of Shares held by Loanee during the Year | |
|--|------------------------------|----------------|--|---------|
| | As at 31.03.13 | As at 31.03.12 | 2012-13 | 2011-12 |
| Lineage Investments Ltd. | N.A. | 427,880 | 427,880 | 427,880 |
| Catalyst Finance Ltd. | N.A. | 581,000 | 581,000 | 581,000 |
| Econium Investments & Finance Ltd. | N.A. | 345,760 | 345,760 | 345,760 |
| Fusion Investments & Financial Services Ltd. | N.A. | 806,180 | 806,180 | 806,180 |
| Primus Investments & Finance Ltd. | N.A. | 213,608 | 213,608 | 213,608 |
| Conquest Investments & Finance Ltd. | N.A. | 248,320 | 248,320 | 248,320 |

- (iii) Preference Shares held by the loanees in the capital of Mukand :

| Name of the Loanee | No. of Shares held by Loanee | | Maximum No. of Shares held by Loanee during the Year | |
|--|------------------------------|----------------|--|---------|
| | As at 31.03.13 | As at 31.03.12 | 2012-13 | 2011-12 |
| Lineage Investments Ltd. | N.A. | 166,000 | 166,000 | 166,000 |
| Catalyst Finance Ltd. | N.A. | 161,790 | 161,790 | 161,790 |
| Econium Investments & Finance Ltd. | N.A. | 97,940 | 97,940 | 97,940 |
| Fusion Investments & Financial Services Ltd. | N.A. | 206,420 | 206,420 | 206,420 |
| Primus Investments & Finance Ltd. | N.A. | 91,591 | 91,591 | 91,591 |
| Conquest Investments & Finance Ltd. | N.A. | 72,080 | 72,080 | 72,080 |

- (e) MEL has, as at 31st March, 2013 loans aggregating Rs.10.34 crore (Previous Year Rs.10.34 crore) and interest recoverable aggregating Rs. 4.95 crore (Previous Year Rs.4.95 crore) due from investment companies. The net worth of these companies has eroded. On the undertaking by these companies to pay the principal amount along with interest, (accrued upto 31st March, 2003) MEL had agreed to waive interest on these loans with effect from 1st April, 2003. As a matter of prudence, MEL had already stopped accounting for interest income on these loans with effect from 1st April, 2003. The management of MEL, based on its assessment of the estimated realisable values of the financial assets of these companies, believes that the MEL would still be able to recover the loans and interest as mentioned above. and has accordingly treated the said loan amounts and interest due thereon as current assets.

- (f) As per the understanding reached by Mukand with Commerzbank AG as recorded in the Consent Terms filed in the Debt Recovery Tribunal, MEL during financial year FY 2002-03 joined as a surety under the said Consent Decree to pay a sum of Rs.7.60 crore in the manner specified in the Consent terms, whereby MEL became entitled to assignment of the entire outstanding debt of Rs.16.09 crore due by Mukand to the Bank together with the security held by the Bank. MEL discharged its obligations under the said Consent Terms and the aforesaid debt has been assigned in its favour. The difference between the face value of debt assigned to MEL and the obligation discharged by it aggregating Rs.8.49 crore was credited to the Profit and Loss Account as "Exceptional Income" during FY 2002-03.

During the year 2009-10, MEL re-participated along with other secured creditors in restructuring of Mukand's debts to receive the payment of

NOTES (contd.)

principal amount and interest only over a period of 9 years (earlier 12 years), on similar lines, as other secured creditors, who have accepted the Financial Restructuring Package (FRP) approved by the Corporate Debt Restructuring Cell for Mukand. As per the aforesaid FRP, interest for the period 1st April, 2002 to 30th September, 2004 was converted into a loan to be repaid till March 2013. The Principal amount will be repaid till March, 2015 as per the said FRP. MEL has ceded pari-passu charge on certain current assets and fixed assets of Mukand to the extent of Priority Debt raised by Mukand.

19. OTHER CURRENT ASSETS

| | 31st March, 2013 | 31st March, 2012 |
|---|------------------------|------------------------|
| | Rs.in crore | Rs.in crore |
| Interest receivable [Refer Note 18 (b)] | 10.08 | 7.89 |
| Receivable Others | 1.93 | 2.94 |
| | 12.01 | 10.83 |

Other Current Assets

Other Current Assets include Rs.1.94 crore recoverable by Mukand from Ispat Group of Companies. Mukand had entered into an agreement dated 31st March, 1998 to sell 500,000 Equity shares of Rs.10/- each of Kalyani Mukand Ltd., for an aggregate consideration of Rs.6.94 crore. Under the terms of the said agreement, the sale of shares was based on certain conditions to be complied with subsequent to sale, and which conditions have been fulfilled.

Since the sale and transfer of the shares were considered to be legally complete upon execution of the Agreement of Sale of shares, Mukand had taken credit for the consideration aggregating Rs.6.94 crore, during the Accounting Year 1997-98. Mukand has, upto the close of the Accounting Year 2012-13, received amounts aggregating Rs.5.00 crore against the aggregate consideration of Rs.6.94 crore and management considers the balance amount to be good and recoverable in due course, and this has been relied upon by the Auditors.

20. (a) Contingent Liabilities not provided for :

| | 31.3.2013 | 31.3.2012 |
|---|-----------------|-----------------|
| | Rs. in crore | Rs. in crore |
| (i) Disputed matters in appeal/contested in respect of: | | |
| - Income Tax * | 48.12 | 53.94 |
| - Excise Duty, Customs Duty etc. | 3.80 | 4.53 |
| - Sales Tax, Works Contract Tax etc. ** | 5.63 | 4.90 |
| - Other matters | 0.24 | 0.24 |

** included in this amount (not provided in the Accounts) is the liability under Sec 115JB of the Income Tax Act, 1961 for Assessment Year 2005-06 as Mukand's appeal is pending disposal. Mukand places reliance on certain judicial pronouncements and has also obtained a legal opinion on the matter.*

*** In the matter of certain ex-parte assessments completed by Commercial Tax Officer in the State of Uttar Pradesh, Mukand is advised that liability if any, that may arise will be determined after the matter is remanded to the Assessing Officer and on completion of reassessment proceedings and therefore, the same is not included herein.*

| | 31.3.2013 | 31.3.2012 |
|---|-----------------|-----------------|
| | Rs. in crore | Rs. in crore |
| (ii) Claims against the Company not acknowledged as debt | 18.53 | 21.24 |
| (iii) Bills discounted with the Bankers and others Sale Bills discounted | 10.96 | 9.80 |
| (iv) Guarantees and Counter guarantees given on behalf of :- | | |
| - Associates | 65.00 | 65.00 |
| - Others | 4.90 | 8.90 |
| (v) Bonds / Undertakings given by Mukand under concessional duty/ exemption to Customs / Excise Authorities (Net of redemption applied for) | 0.66 | 0.66 |
| (vi) Bonds given by Mukand against import of machinery under EPCG Scheme | 34.78 | 30.02 |
| (vii) Share in the contingent liabilities of Associates | 1.44 | 1.59 |
| (viii) Share in the contingent liabilities of Joint Ventures | - | - |
| (ix) The Lenders of Mukand have a right to recompense upto 12% per annum in excess of the effective IRR charged in Financial Restructuring Package for 8 years commencing from the date of approval. | | |
| (x) Mukand has implemented the award given by the Industrial Tribunal in the matter relating to emoluments to staff and officers. The said award was under challenge in the High Court of Bombay by way of a Writ Petition. High Court has upheld the Award and dismissed the Writ Petition against the said Award. | | |
| Demand for Annual Bonus for the financial years 1995-96 to 2006-07 by Staff and Officers' Association of Mukand is pending at different stages in proceedings under The Industrial Disputes Act, 1947. Bulk of these employees are statutorily not covered by The Payment of Bonus Act, 1965 and many of the employees are also not covered by The Industrial Disputes Act, 1947. Liability arising there from cannot therefore, be determined at present. | | |
| (xi) Government of Maharashtra has served a Demand Notice on Mukand for payment of electricity duty for power generated during the period 01.04.2000 to 30.04.2005 and penal interest thereon in Mukand's Captive Power Plant amounting to Rs.14.27 crore. The Writ Petition filed by Mukand was disposed by the Hon'ble Bombay High Court on 7th November, 2009 quashing the said Demand Notice. Government of Maharashtra, has however, filed an Appeal in the Supreme Court of India against the aforesaid judgment of High Court. | | |
| (xii) There have been delays in payment of tax deducted at source by Mukand in earlier years and also in FY2012-13. Interest payable on delays has been accounted for in respect of cases where appropriate orders have been received from Income Tax authorities. | | |
| (xiii) A claim towards difference in price of calibrated iron ore for the period 1st April, 2006 to 28th February, 2007 amounting to Rs.33.07 crore has been raised by a supplier on Mukand in March 2007. Mukand has been legally advised that the supplier cannot seek this price revision under a concluded agreement and hence no provision is made in the Accounts for the same. The issue along with method of review and re-fixing of price of calibrated iron ore effective on 1st of April each year in terms of agreement is referred to an arbitral tribunal, whose award is awaited. Moreover, the said supplier has also unilaterally increased the price of iron ore w.e.f. 1st April, 2007 and thereafter w.e.f 1st April every year. This issue too is to be settled by the aforesaid arbitral tribunal. However, pending such determination of final price, the supplier has raised invoices at an ad-hoc interim mutually agreed price on the marketing contractor who in turn has billed Mukand at the same price and which liability, has been fully accounted for. | | |

NOTES (contd.)

b) Estimated amount of contracts remaining to be executed on Capital Account and not provided for

21. REVENUE FROM OPERATIONS

i) REVENUE FROM OPERATIONS

| | | |
|-----------------------------------|----------|----------|
| (a) Sale of Products and Services | | |
| 1. Steel Products | 1,968.81 | 2,384.84 |
| 2. Engineering Contracts | 319.55 | 371.77 |
| 3. Others | 4.59 | 20.10 |
| Total | 2,292.95 | 2,776.71 |
| Less : Excise Duty | 221.29 | 234.45 |
| Net Sales | 2,071.66 | 2,542.26 |

| | | |
|---|-------------|------|
| (b) Interest from Financing Activities | 9.61 | 7.37 |
| (c) Income from Property Development Activities | 2.75 | 0.96 |

| | | |
|-----------------------------------|----------|----------|
| (d) Share of Joint Ventures | | |
| (i) Total Revenue from Operations | 2,084.02 | 2,550.59 |

| | | |
|---|-------|-------|
| ii) Other Operating Revenues | | |
| a) Sale of Scrap and Sundries | 8.13 | 8.64 |
| b) Sales-tax / VAT Refunds | 14.16 | 17.32 |
| c) Interest Received from Banks | 4.93 | 4.78 |
| d) Insurance Claims etc. | 0.44 | 0.59 |
| e) Credit balances appropriated | 0.65 | 1.56 |
| f) Other Miscellaneous receipts | 3.90 | 3.87 |
| g) Excess provisions written back (net) (Including for Non Performing Assets) | 3.96 | 3.41 |
| h) Surplus on account of sale of Assets | 17.81 | 1.09 |

| | | |
|-------------------------------------|-------|-------|
| (ii) Total Other Operating Revenues | 53.98 | 41.26 |
|-------------------------------------|-------|-------|

| | | |
|--|-----------------|-----------------|
| Total Sales and Services and Other Operating Revenues | 2,138.00 | 2,591.85 |
|--|-----------------|-----------------|

a) Disclosure regarding Income from Engineering Contracts of Mukand – Road Construction Division:

| | Rs. in crore | |
|--|---------------|---------------|
| | FY 2012-13 | FY 2011-12 |
| The amount of Contract revenue recognised as revenue during the year. | 56.52 | - |
| The aggregate amount of costs incurred and recognised profits (less recognised losses) upto close of the year. | 757.24 | 765.42 |
| The amount of advances received (Gross) | - | - |

| | Rs. in crore | |
|---|---------------|---------------|
| | FY 2012-13 | FY 2011-12 |
| The amount of retentions (included in sundry debtors) (net balance) | - | - |
| Amount due to customers | - | - |
| Amount due from customers | 61.66 | 39.22 |

b) Mukand in previous years executed road construction projects in the state of Uttar Pradesh with National Highway Authority of India (NHAI) along with Centrodorstroy (CDS), Russia. The exposure on this account as at the end of the financial year aggregate Rs. 141.68 crore (Previous Year: Rs.183.94 crore) represented by contracts in progress Rs. 80.02 crore (Previous Year: Rs. 144.72 crore) and trade dues of Rs. 61.66 crore (Previous Year: Rs. 39.22 crore) During the year, Mukand has recovered an amount of Rs. 34.47 crore (Previous Year: Rs.0.75 crore) against its trade dues. The management has, keeping in view the accounting policy at Note No.30 H(v) adopted by Mukand, technically determined the realisable value of Contracts in Progress compared to relatable revenues and claims raised on NHAI by CDS. Although the outcome of the Road Construction activity cannot be estimated with reliability at present, it is the opinion of the management that in view of the substantially large claims aggregating Rs.164.33 crore of CDS for incremental jobs executed, escalations and time overruns to be settled progressively over a period of 2 to 3 years, losses currently expected are already recognized till the close of the year.

Since realization of these amounts is a judgmental matter, the auditors have placed reliance on the Management's judgment of the losses currently expected in the contract considering reliasability of amounts.

c) Disclosure regarding Income from Contracts of Industrial Machinery Division of Mukand to which Accounting Standard 7 applies :

| | Rs. in crore | |
|--|-----------------|---------|
| | 2012-13 | 2011-12 |
| The amount of Contract revenue recognised as revenue during the year. | 164.60 | 246.03 |
| The aggregate amount of costs incurred and recognised profits (less recognised losses) upto close of the year. | 1,146.10 | 980.83 |
| The amount of advances received (Gross) | 34.98 | 32.12 |
| The amount of retentions (included in sundry debtors) (net balance) | 59.26 | 78.36 |
| Amount due to customers | - | - |
| Amount due from customers | 165.16 | 141.37 |

| 22. OTHER INCOME | | 2012-13 | 2011-12 |
|------------------|--|--------------|-------------|
| | | Rs. in crore | Rs.in crore |
| a) | Rent received | 1.32 | 1.24 |
| b) | Surplus on sale of long term investments | 0.02 | - |
| c) | Interest Received from Others | 8.93 | 8.13 |
| d) | Dividends (Gross) : | | |
| | from Trade Investments (long term) | 0.45 | 0.70 |
| | from Other Investments (short term) | 0.02 | 0.01 |
| | | 0.47 | 0.71 |
| | Total Other Income | 10.74 | 10.08 |

NOTES (contd.)

| 23. RAW MATERIALS CONSUMED | 2012-13 Rs. in crore | 2011-12 Rs.in crore | | 2012-13 Rs. in crore | 2011-12 Rs.in crore |
|---|----------------------------|---------------------------|---|----------------------------|---------------------------|
| Opening Stocks | 104.60 | 96.91 | Provision for doubtful debts / advances | - | - |
| Add : Purchases | 1,113.78 | 1,376.86 | Provision on Standard Assets | 0.02 | 0.05 |
| Less : Sales / Materials given on loan | 6.51 | 17.72 | Loss on assets discarded / impaired | 0.84 | 1.15 |
| | <u>1,211.87</u> | <u>1,456.05</u> | Loss on assets sold (net) | 0.76 | 0.03 |
| Less : Closing Stocks | 85.83 | 104.60 | Loss on variation in foreign exchange rates (net) | 22.96 | 42.34 |
| | <u>1,126.04</u> | <u>1,351.45</u> | Miscellaneous Expenses | 55.71 | 48.29 |
| Share of Joint Ventures | - | - | | <u>844.97</u> | <u>993.56</u> |
| | <u>1,126.04</u> | <u>1,351.45</u> | | | |
| 24. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE | | | | | |
| Opening Stocks | 800.84 | 770.81 | | | |
| Less : Closing Stocks | 865.95 | 800.84 | | | |
| Variation in Stocks | (65.11) | (30.03) | | | |
| Variation in Excise Duty on Opening & Closing Stocks of Finished Goods | 3.98 | 10.25 | | | |
| (Increase) / Decrease in Stocks | (61.13) | (19.78) | | | |
| 25. EMPLOYEE BENEFIT EXPENSES | | | | | |
| Salaries, Wages, Bonus, Compensation and Other Payments | 113.02 | 110.08 | | | |
| Contribution towards Employees' State Insurance, Provident and Other Funds | 12.41 | 11.22 | | | |
| Welfare Expenses | 11.85 | 11.20 | | | |
| | <u>137.28</u> | <u>132.50</u> | | | |
| 26. FINANCE COSTS | | | | | |
| Interest Expenses | 317.70 | 257.47 | | | |
| Less : | | | | | |
| Interest Capitalised | 18.07 | 5.86 | | | |
| Interest Income from Trade Dues (Gross) | 78.13 | 84.20 | | | |
| | <u>96.20</u> | <u>90.06</u> | | | |
| | <u>221.50</u> | <u>167.41</u> | | | |
| Other Borrowing Costs | 2.92 | 4.24 | | | |
| Lease Rentals | 1.60 | 6.37 | | | |
| | <u>226.02</u> | <u>178.02</u> | | | |
| 27. OTHER EXPENSES | | | | | |
| Stores, Spares, Components, Tools, etc. consumed | 323.29 | 378.14 | | | |
| Contract execution costs | - | 6.12 | | | |
| Power and Fuel consumed | 178.28 | 206.53 | | | |
| Machining and Processing charges | 129.75 | 148.92 | | | |
| Sub-contracting expenses | 29.07 | 33.40 | | | |
| Other Manufacturing expenses | 14.96 | 14.32 | | | |
| Property Development Expenses | 2.75 | 0.96 | | | |
| Rent (net) | 1.20 | 1.04 | | | |
| Repairs: | | | | | |
| to Buildings | 1.25 | 1.87 | | | |
| to Plant and Machinery | 6.11 | 7.51 | | | |
| to Other assets | 1.20 | 2.00 | | | |
| | <u>8.56</u> | <u>11.38</u> | | | |
| Rates and Taxes | 3.42 | 3.31 | | | |
| Insurance | 1.99 | 2.19 | | | |
| Commission | 4.48 | 6.30 | | | |
| Freight, Forwarding & Warehousing (net) | 64.54 | 77.25 | | | |
| Directors' Fees and Travelling Expenses | 0.10 | 0.11 | | | |
| Bad Debts, debit balances & claims written off | 2.29 | 11.73 | | | |
| Less : Doubtful debts provided in earlier years | - | - | | | |
| | <u>2.29</u> | <u>11.73</u> | | | |
| | <u>2.29</u> | <u>11.73</u> | | | |
| 28. EXCEPTIONAL ITEMS (NET) INCLUDE: | | | | | |
| i) Advances to Stainless India Ltd. written off | (25.29) | - | | | |
| ii) Unamortised lease charges of Power Plant for captive use at Dighe Thane. | (32.48) | - | | | |
| | <u>(57.77)</u> | <u>-</u> | | | |
| 29. COMPUTATION OF PROFIT FOR EARNINGS PER SHARE : | | | | | |
| Net Profit /(Loss) after taxation as per Stateent of Profit & Loss | (224.02) | (86.88) | | | |
| Less : Dividends and tax there-on (Rs.6,540/- for FY2012-13 and FY2011-12) | - | - | | | |
| Net Profit /(Loss) for calculation of basic/diluted EPS [including exceptional items] | (224.02) | (86.88) | | | |
| Net Profit /(Loss) for calculation of basic/diluted EPS [Excluding exceptional items] | (166.25) | (86.88) | | | |
| Weighted average number of equity shares outstanding | 73,114,129 | 73,114,129 | | | |
| Basic and diluted EPS in Rs (Face Value Rs.10 per share) [including exceptional items] | (30.64) | (11.88) | | | |
| Basic and diluted EPS in Rs (Face Value Rs.10 per share) [Excluding exceptional items] | (22.74) | (11.88) | | | |
| 30. BASIS AND PRINCIPLES OF CONSOLIDATION | | | | | |
| a) The consolidated financial statements of the group have been prepared based on a line-by-line consolidation of the financial statements of Mukand Limited and its subsidiaries using uniform accounting policies for like transactions and other events in similar circumstances except for the changes in accounting policy discussed more fully below. All material inter-company balances and transactions are eliminated on consolidation. Mukand Limited and all the subsidiaries have closed books of accounts as at March 31, 2013 as year-end for the purpose of preparing the consolidated financial statements of the group. | | | | | |
| b) Investment of the Company in associates is accounted as per the equity method prescribed under notified Accounting Standard 23 – "Accounting for Investment in Associates in Consolidated Financial Statements" under Company Accounting Standard Rules 2006 (as amended). | | | | | |
| c) Interest in Jointly Controlled Entity is accounted as per the Proportionate Consolidation Method prescribed under Notified Accounting Standard 27 – 'Financial Reporting of Interests in Joint Venture in Consolidated Financial Statements' under Companies Accounting Standard Rules, 2006 (as amended). | | | | | |
| d) Assets and liabilities of subsidiaries are translated into Indian rupees at the rate of exchange prevailing as at the Balance Sheet | | | | | |

NOTES (contd.)

date. Revenues and expenses are translated into Indian rupees at average of twelve months closing rates and the resulting net translation adjustment aggregating Rs.0.51 crore (Previous Year Rs.0.02 crore) has been adjusted to Reserves.

- (e) Accordingly, the Consolidated Financial Statements (CFS) includes the results of five wholly owned subsidiaries, one subsidiary, one joint venture and four associates. The names, country of incorporation and proportion of ownership is given hereunder :

| Name of the Company | Country of Incorporation | Percentage of shareholding | Consolidated as |
|--|--------------------------|----------------------------|---------------------------|
| Mukand Global Finance Ltd. (MGFL) | India | 100.00 | Subsidiary |
| Vidyavihar Containers Ltd. (VCL) | India | 100.00 | Subsidiary |
| Mukand Vijaynagar Steels Ltd. (MVSL) | India | 100.00 | Subsidiary |
| Mukand International Ltd. (MIL) | UK | 100.00 | Subsidiary |
| Mukand International FZE (MIFZE) | UAE | 100.00 | Subsidiary |
| Mukand Sumi Metal Processing Ltd. (MSPL) | India | 59.50 | Subsidiary |
| Mukand Vini Mineral Ltd. (MVML) | India | 48.80 | 48.80:51.20 Joint Venture |
| Mukand Engineers Ltd. (MEL) | India | 36.11 | Associate |
| Bombay Forgings Ltd. (BFL) | India | 24.00 | Associate |
| Stainless India Ltd. (SIL) | India | 48.30 | Associate |
| Hospet Steels Ltd. (HSL) | India | 28.00 | Associate |

Significant accounting policies and notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding the consolidated position of the companies. Recognizing this purpose, the Company has disclosed only such Policies and Notes from the individual financial statements, which fairly present the needed disclosures.

Intra-group balances, intra-group transactions and unrealised profits have been eliminated in preparing these accounts. During the year, Mukand transferred its business of cold finished bars & wires to MSMP. While consolidating these financial statements the effect of surplus arising on transfer of this business (including goodwill) and other intra-group transactions with MSMP have been eliminated.

The excess of the cost to the Parent Company of its investments in each of the subsidiaries and associates over its share of equity in the respective subsidiary/associate, on the acquisition date, is recognised in the financial statement as goodwill and amortized over a period of five years. However, such excess or deficit arising after the acquisition date on account of currency fluctuation in respect of foreign subsidiaries is transferred to Currency Fluctuation Reserve.

Statement of significant accounting policies and practices.**A] Basis of preparation:**

The consolidated financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The consolidated financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies have been consistently applied and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

B] Use of Estimates:

The preparation of consolidated financial statements in conformity with Generally Accepted Accounting Principles requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated and actual materialized results and estimates are recognized in the period, in which the results are known.

C] Fixed Assets:**a) Tangible Assets:**

- Fixed Assets except leasehold land are stated at cost of acquisition or construction. However, fixed assets, which are revalued are stated at their revalued book values.
- Cost of acquisition comprise all costs incurred to bring the assets to their location and working condition upto the date assets are put to use. Cost of construction comprise of those costs that relate directly to specific assets and those that are attributable to the construction activity in general and can be allocated to specific assets upto the date the assets are put to use.

(b) Intangible Assets:

Intangible Assets are stated at their cost of acquisition less accumulated amortization and impairment losses. An asset is recognised, where it is possible that future economic benefits attributable to the assets will flow to the enterprise and where its cost can be reliably measured. The depreciable amount on intangible assets is allocated over the best estimate of its useful life on a straight line basis or the period of agreement whichever is lower.

(c) Depreciation/ Amortisation:

- Depreciation is provided on all assets on the "Straight Line Method" in accordance with the provisions of Section 205 (2) (b) of the Companies Act, 1956.
- Depreciation on Buildings and Furniture & Fixtures acquired upto 31st March, 1987 is provided at the rates of depreciation prevalent at the time of acquisition of the assets in accordance with Circular No.1 of 1986 [1/1/86-CL-V] dated 21.5.1986 issued by the Company Law Board.
- Depreciation on addition to assets referred to in (ii) above, acquired on or after 1st April, 1987 is provided at the Straight Line Method rates specified from time to time in Schedule XIV to the Companies Act, 1956.
- Depreciation on assets under Plant & Machinery group in Schedule XIV to the Companies Act, 1956, is provided over the recomputed "Specified Period", at the rates given in the said Schedule from time to time, in accordance with Circular 14/93 dated 20th December, 1993, issued by the Department of Company Affairs.
- Software is amortised over a period of 3 years. At MEL ERP Software is amortised over a period of 5 years.

NOTES (contd.)

- (vi) Depreciation in respect of assets used for long term engineering contracts is provided on the estimated useful life of the assets.
- (vii) Assets costing less than Rs.5,000/- are fully depreciated at the rate of 100% in the year of purchase.
- (viii) Depreciation on addition to assets or on sale / discardment of assets is calculated pro-rata from the month of such addition or upto the month of such sale / discardment, as the case may be.
- (ix) Cost of Leasehold land is amortized over the period of lease.
- (x) Technical know-how is amortised over the period of agreement or six years, whichever is lower.
- (xi) By the foreign subsidiaries –on methods and at rates applicable under local laws or at such rates so as to write-off the value of assets over its useful life.

D] Impairment of Assets :

An asset is considered as impaired in accordance with Accounting Standard 28 on "Impairment of Assets", when at Balance Sheet there are indications of impairment and the carrying amount of the assets or where applicable the cash generating unit to which the assets belong, exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value in use). The carrying amount is reduced to the recoverable amount and the reduction is recognized as an impairment loss in the Consolidated Statement of Profit and Loss.

E] Investments:

Investments are classified as current or long term in accordance with Accounting Standard 13 on "Accounting for Investments". Long term Investments are stated at cost of acquisition. Provision for diminution is made to recognise a decline, other than temporary, in the value of such investments. Current investments are stated at lower of cost of acquisition and fair value. Any reduction in carrying amount and any reversals of such reductions are charged or credited to the Consolidated Statement of Profit and Loss.

F] Inventories:

The inventories resulting from intra group transactions have been stated at cost by eliminating unrealized profit on such transactions.

Inventories are valued at lower of cost or net realisable value. Materials-in-transit are valued at cost-to-date. Cost comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition including excise duty payable on goods produced. The cost formulae used for determination of cost are either 'First in First Out' or 'Average Cost', as applicable.

Inventories of shares/other securities are valued at lower of aggregate costs as compared to the aggregate market value for each category of inventories.

G] Foreign currency translations :

- (i) All transactions in foreign currency, are recorded at the rates of exchange prevailing as at the date of the transaction.
- (ii) Monetary assets and liabilities in foreign currency, outstanding at the close of the year, are converted in Indian currency at the appropriate rates of exchange prevailing at the close of the year. The resultant gain or loss is accounted for during the year.
- (iii) In respect of forward exchange contracts entered into towards hedge of foreign currency risks, the difference between the forward rate and the exchange rate at the inception of the contract is recognised as income or expenditure over the life of the contract. Further, the exchange differences arising on such contracts are recognised as income or expenditure along with the exchange differences on the underlying assets/liabilities. Profit or Loss on cancellations/renewals of forward contracts is accounted for during the year.

Non monetary items such as investments are carried at historical costs using the exchange rates on the date of the transactions.

- (iv) In accordance with the approval obtained by MIL from the Inland Revenue Department, the currency of accounting of MIL was changed from GBP to USD from 1.04.1997.

H] Revenue Recognition:

- (i) Revenue is recognised when it is earned and no significant uncertainty exists as to its realisation or collection.
- (ii) Revenue from sale of goods is recognized when all significant contractual obligations have been satisfied, the property in the goods is transferred for a price, significant risks and rewards of ownership are transferred to the customers and no effective ownership is retained. Sales are net of Sales Tax/Value Added Tax. Excise Duty recovered is presented as a reduction from gross turnover.
- (iii) Liability for Excise Duty and Customs Duty payable on goods held in bond at the year end is provided for.
- (iv) Export benefits under Duty Drawback Scheme is estimated and accounted in the year of export.
- (v) Accounting for Long Term Engineering Contracts:

Revenue from construction/project related activity for supply/ commissioning of Plant & Equipment is recognised on the percentage of completion method, in proportion that the contract costs incurred for the work performed upto the reporting date bear to the estimated total contract costs.

Provision for estimated losses, if any, on incomplete contracts are recorded in the period in which such losses become probable based on the current estimates.

At each reporting date, the contracts in progress (progress work) is valued and carried in the Balance Sheet under Current Assets.

- (vi) Interest income is recognized on time proportion basis taking into account the amount outstanding and the rate applicable. Dividend income is recognized when the right to receive dividend is established.
Interest income earned on trade dues is netted against interest expense under finance costs.
- (vii) Front-end fees paid on borrowings are amortised over the period of loans/debentures or over a period of three years whichever is shorter.
- (viii) MGFL follows the prudential norms for income recognition and provisioning for bad and doubtful debts and other non-performing assets as prescribed by the Reserve Bank of India, for Non-Banking Finance Companies.
- (ix) Income from property development activities is recognised in terms of agreements with developers, where applicable, when the construction of the flats and conveyance of the land is completed.
- (x) Income from EDP Services provided by MEL is accounted on accrual basis.

I] Leases:

Operating lease:

Lease, where the lessor effectively retain substantially all the risks and benefits of ownership of the leased assets, are classified as operating lease. Operating lease receipts and payments are recognized as income or expense in the Consolidated Statement of Profit and Loss on a straight line basis over the lease term.

J] Employee Benefits :

Employee benefits such as salaries, allowances, non-monetary benefits and employee benefits under defined contribution plans such as provident fund and other funds, which fall due for payment within a period of twelve months after rendering service, are charged as expense to the Consolidated Statement of Profit and Loss in the period in which the service is rendered.

Employee benefits under defined benefit plans, such as compensated absences and gratuity which fall due for payment after a period of twelve months from rendering service or after completion of employment, are

NOTES (contd.)

measured by the project unit cost method, on the basis of actuarial valuation carried out by third party actuaries at each Balance Sheet date. The obligations recognized in the Balance Sheet represent the present value of obligations as reduced by the fair value of plan assets, where applicable. Actuarial gains and losses are recognized immediately in the Consolidated Statement of Profit and Loss.

K] Borrowing Costs:

Borrowing cost attributable to the acquisition or construction of qualifying assets, as notified in Accounting Standard 16 on "Borrowing Costs" are capitalized as part of the cost of such assets upto the date when the asset is ready for its intended use. Other borrowing costs are expensed as incurred.

L] Taxation:

Tax expense comprises of current and deferred. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each Balance Sheet date unrecognised deferred tax assets are re-assessed. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each Balance Sheet date. It writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Statement of profit and loss and shown as MAT Credit Entitlement. It reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

Foreign Subsidiaries

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

M] Segment Reporting Policies :

Identification of segments:

The operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different

products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions operate.

Inter segment Transfers:

The Company generally accounts for inter segment transfers at cost. However, in case of Mukand's Captive Power Plant of Steel Division at Ginigera, Karnataka, the inter-segment transfers at the per unit comparable cost of energy purchased from supplier of energy at that plant.

Allocation of common costs:

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items :

Includes general corporate income and expense items which are not allocated to any business segment.

Segment Policies:

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the group as a whole.

N] Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

O] Provisions and Contingent Liabilities:

Provisions involving a substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the Consolidated Financial Statements.

P] Cash Flow Statement:

The Cash Flow Statement is prepared by the "indirect method" set-out in Accounting Standard 3 on "Cash Flow Statement" and presents the Cash Flows by operating, investing and financing activities.

Cash and cash equivalents presented in the Cash Flow Statement consist of cash on hand and unencumbered, highly liquid bank balances.

31. Disclosures under Accounting Standard 15 on Employee Benefits

(i) Details in respect of gratuity (including share in associates) are as under :

| | Rs. in crore | |
|--|--------------|---------|
| | 2012-13 | 2011-12 |
| Liability to be recognised in Balance Sheet | | |
| Present Value of Funded Obligations | 34.67 | 33.04 |
| Fair Value of Plan Assets | 13.91 | 13.48 |
| Net Liability | 20.76 | 19.55 |
| Change in Plan Assets (Reconciliation of Opening & Closing Balances) | | |
| Fair Value of Plan Assets as at beginning of the year | 13.48 | 11.42 |
| Expected Return on Plan Assets | 1.20 | 1.10 |
| Actuarial (Gain) / Losses | - | - |
| Contributions | 2.61 | 2.87 |

NOTES (contd.)

| | Rs. in crore | |
|--|--------------|--------------|
| | 2012-13 | 2011-12 |
| Benefits Paid | (3.38) | (1.91) |
| Fair Value of Plan Assets as at the close of the year | 13.91 | 13.48 |
| Reconciliation of Opening and Closing Balances of obligation | | |
| Change in defined Benefit Obligation | | |
| Obligation as at beginning of the year | 33.04 | 30.65 |
| Current Service Cost | 2.89 | 1.76 |
| Interest Cost | 1.80 | 2.46 |
| Actuarial Losses / (Gain) | 0.33 | 0.08 |
| Benefits Paid | (3.38) | (1.91) |
| Obligation as at the close of the year | 34.67 | 33.04 |
| Expenditure to be recognised during the year | | |
| Current Service cost | 1.80 | 1.76 |
| Interest Cost | 2.84 | 2.46 |
| Expected Return on Plan Assets | (1.20) | (1.04) |
| Net Actuarial Losses / (Gains) Recognised during the year | 0.33 | 0.02 |
| Total Expenditure included in "Employees' Emoluments" | 3.82 | 3.20 |
| Assumptions | | |
| Discount Rate (per annum) % | 8.00 to 8.50 | 8.50 |
| Expected rate of Return on Assets (per annum) % | 8.00 to 9.40 | 8.50 to 9.40 |
| Salary Escalation Rate % | 5.25 to 6.00 | 5.25 to 6.00 |

- (ii) Mukand expects to contribute Rs. Nil crore to its gratuity plan for the next year. In assessing the Mukand's post retirement liabilities, Mukand monitors mortality assumptions and uses up-to-date mortality tables, the base being the LIC, 1994-96 ultimate tables.
- (iii) Expected return on plan assets is based on expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations. The estimates of future salary increase considered in actuarial valuation take account of inflation, seniority promotion and other relevant factors, such as supply and demand in the employment market.
- (iv) The composition of the plan assets, by category from the insurers, LIC are on the basis of overall investment by them for all such insured entities and hence, the disclosures as required by Accounting Standard 15 in 'Employee Benefits' have not been given, and Auditors have relied upon the same.

(v) Other disclosures for Mukand:

| | Rs. in crore | | | | |
|--|--------------|---------|---------|---------|---------|
| Particulars | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 |
| Present Value of Funded Obligations. | 32.87 | 31.49 | 29.39 | 24.53 | 21.24 |
| Fair Value of Plan Assets. | 12.46 | 12.27 | 10.43 | 6.23 | 4.29 |
| Net Liability. | 20.41 | 19.22 | 18.96 | 18.30 | 16.95 |
| Experience Adjustments on Plan Liabilities | | | | | |
| Loss / (Gain) | 0.12 | 0.06 | 3.51 | 2.35 | 0.22 |
| Experience on Plan Assets | | | | | |
| Loss / (Gain) | - | - | -- | -- | (0.07) |

- (vi) In respect of certain employees of Road Construction Division of Mukand, liability for gratuity is provided at actuals on the basis of amount due as at 31st March, 2013. Similarly, In respect of employees of Bombay Forgings Limited and Stainless India Limited, liability for gratuity is provided at actuals on the basis of amount due as at 31st March, 2013.
- (vii) An amount of Rs.5.81 crore as contribution towards defined contribution plans including Rs.0.47 crore in terms of strategic alliance is recognised as expense in the Consolidated Statement of Profit and Loss.

NOTES (contd.)

32. Segment Information for the year ended 31st March, 2013

A. Business Segment

| Particulars | Steel | Industrial Machinery | Road Construction | Power Plant | Others | Eliminations | Total |
|--|-----------------|----------------------|-------------------|--------------|--------------|----------------|-----------------|
| | (Rs. in crores) | | | | | | |
| Segment Revenue : | | | | | | | |
| External Revenue | 2,070.40 | 166.03 | 56.52 | - | 12.36 | - | 2,305.31 |
| Inter-Segment Revenue | - | 5.59 | - | 22.13 | 0.30 | (28.02) | - |
| Total Revenue | 2,070.40 | 171.62 | 56.52 | 22.13 | 12.66 | (28.02) | 2,305.31 |
| Less : Excise Duty | | | | | | | 221.29 |
| Net Revenue | | | | | | | 2,084.02 |
| Segment Results before interest and tax : | | | | | | | |
| Interest and tax : | (17.59) | 26.98 | (10.41) | 16.78 | 1.53 | - | 17.29 |
| Inter-Segment Margin | | 0.70 | - | - | 0.78 | (1.48) | - |
| Minority Interest | (0.21) | | | | | | (0.21) |
| Total Segment Results before interest and tax : | (17.38) | 27.68 | (10.41) | 16.78 | 2.31 | (1.48) | 17.50 |
| Add : Unallocated Income (net of Expenses) | | | | | | | 22.92 |
| Add : Share of Profit in Associates | | | | | | | 1.34 |
| Less : Finance and Lease Charges | | | | | | | (216.43) |
| Less : Exceptional Items (net) (Including share in Associates) | | | | | | | (57.77) |
| Add : Tax Expenses (net) | | | | | | | 7.76 |
| Add : Excess Provision for tax | | | | | | | 0.66 |
| Net Loss | | | | | | | (224.02) |
| Other Information | | | | | | | |
| Segment Assets | 4,051.96 | 523.83 | 143.30 | 49.34 | 157.93 | (2.49) | 4,923.87 |
| Un-allocated Assets | | | | | | | 278.63 |
| Total Assets | | | | | | | 5,202.50 |
| Segment Liabilities | 757.64 | 101.70 | 0.61 | 0.96 | 244.46 | (16.44) | 1,088.93 |
| Minority Interest | 80.32 | | | | | | 80.32 |
| Un-allocated Liabilities (Including Loan Funds) | | | | | | | 2,214.47 |
| Total Liabilities | | | | | | | 3,383.72 |
| Capital Expenditure | | | | | | | |
| Segment Capital Expenditure | 128.63 | 11.15 | - | 0.02 | - | - | 139.80 |
| Un-allocated Capital Expenditure | | | | | | | 0.11 |
| Total Capital Expenditure | | | | | | | 139.91 |
| Depreciation & Amortisation | | | | | | | |
| Segment Depreciation & Amortisation | 59.18 | 2.03 | 0.07 | 2.61 | 0.03 | - | 63.92 |
| Un-allocated Depreciation & Amortisation | | | | | | | 0.60 |
| Total Depreciation & Amortisation | | | | | | | 64.52 |
| Significant Non-Cash Expenditure | | | | | | | |
| Segment Non-Cash Expenditure | - | 2.21 | 0.08 | - | - | - | 2.29 |
| Un-allocated Non-Cash Expenditure | | | | | | | - |
| Total Significant Non-Cash Expenditure | | | | | | | 2.29 |

Notes :

1. Finance and Lease Charges excludes interest charged to Segment Results (net of eliminations) Rs.9.59 crore.
2. Segment Result is after adjusting prior period items.
3. Share of Profit in Associates is after considering prior period items.

32. Segment Information for the year ended 31st March, 2012

A. Business Segment

| Particulars | Steel | Industrial Machinery | Road Construction | Power Plant | Others | Eliminations | Total |
|--|-----------------|----------------------|-------------------|--------------|-------------|----------------|-----------------|
| | (Rs. in crores) | | | | | | |
| Segment Revenue : | | | | | | | |
| External Revenue | 2,523.04 | 271.43 | - | - | 8.33 | - | 2,802.80 |
| Inter-Segment Revenue | - | 6.96 | - | 19.99 | 0.06 | (27.01) | - |
| Total Revenue | 2,523.04 | 278.39 | - | 19.99 | 8.39 | (27.01) | 2,802.80 |
| Less : Excise Duty | | | | | | | 234.45 |
| Net Revenue | | | | | | | 2,568.35 |
| Segment Results before interest and tax : | | | | | | | |
| Interest and tax : | 2.99 | 57.84 | (4.35) | 13.63 | 0.88 | - | 70.99 |
| Inter-Segment Margin | | 0.76 | - | - | 0.67 | (1.43) | - |
| Minority Interest | | | | | | | - |
| Total Segment Results before interest and tax : | 2.99 | 58.60 | (4.35) | 13.63 | 1.55 | (1.43) | 70.99 |
| Less : Unallocated Expenses (net of Income) | | | | | | | (3.02) |
| Add : Share of Profit in Associates | | | | | | | 0.90 |
| Less : Finance and Lease Charges | | | | | | | (170.23) |
| Less : Exceptional Items (net) (Including share in Associates) | | | | | | | - |
| Add : Tax Expenses (net) | | | | | | | 14.24 |
| Add : Excess Provision for tax | | | | | | | 0.24 |
| Net Loss | | | | | | | (86.88) |
| Other Information | | | | | | | |
| Segment Assets | 3,935.99 | 514.33 | 186.88 | 51.57 | 137.40 | (5.21) | 4,820.96 |
| Un-allocated Assets | | | | | | | 259.36 |
| Total Assets | | | | | | | 5,080.32 |
| Segment Liabilities | 785.39 | 114.19 | 2.45 | 0.71 | 226.26 | (16.44) | 1,112.56 |
| Minority Interest | | | | | | | - |
| Un-allocated Liabilities (Including loan funds) | | | | | | | 1,921.30 |
| Total Liabilities | | | | | | | 3,033.86 |
| Capital Expenditure | | | | | | | |
| Segment Capital Expenditure | 104.08 | 6.04 | - | 0.14 | - | - | 110.26 |
| Un-allocated Capital Expenditure | | | | | | | 0.32 |
| Total Capital Expenditure | | | | | | | 110.58 |
| Depreciation & Amortisation | | | | | | | |
| Segment Depreciation & Amortisation | 59.82 | 2.19 | 0.79 | 2.60 | 0.03 | - | 65.43 |
| Un-allocated Depreciation & Amortisation | | | | | | | 0.32 |
| Total Depreciation & Amortisation | | | | | | | 65.75 |
| Significant Non-Cash Expenditure | | | | | | | |
| Segment Non-Cash Expenditure | 0.21 | 0.09 | 0.19 | - | - | - | 0.49 |
| Un-allocated Non-Cash Expenditure | | | | | | | 11.24 |
| Total Significant Non-Cash Expenditure | | | | | | | 11.73 |

Notes :

1. Finance and Lease Charges excludes interest charged to Segment Results (net of eliminations) Rs.7.79 crore.
2. Segment Result is after adjusting prior period items.
3. Share of Profit in Associates is after considering prior period items.

NOTES (contd.)

B. Geographical Segment :

| Particulars | India | Rest of the World Rs. in crores | Total |
|---|----------|------------------------------------|-----------------|
| Segment Revenue | 2,140.37 | 164.94 | 2,305.31 |
| Carrying cost of Segment Assets | 4,912.65 | 11.22 | 4,923.87 |
| Additions to Fixed Assets & Intangible Assets | 139.79 | 0.01 | 139.80 |

B. Geographical Segment :

| Particulars | India | Rest of the World Rs. in crores | Total |
|---|----------|------------------------------------|-----------------|
| Segment Revenue | 2,569.45 | 233.35 | 2,802.80 |
| Carrying cost of Segment Assets | 4,811.44 | 9.52 | 4,820.96 |
| Additions to Fixed Assets & Intangible Assets | 110.26 | - | 110.26 |

(C) Other Disclosures :

Segments have been identified in line with the Accounting Standard on Segment Reporting (AS-17) taking into account the organizational structure as well as the differential risk and returns of these segments.

Business segment has been disclosed as primary segment.

Types of products and services in each business segment:

Steel – billets, blooms, rounds, wire rods, bars, rods and sections, bright bars and wires of special & alloy steel and stainless steel.

Power Generation for captive use.

Industrial Machinery - EOT and other cranes, steel structurals, material handling equipment, processing plant and equipment, etc.

Road Construction

Others -- Comprise Segments of property development and income from operations of Non-banking Financial Activities.

The segments as reported above include trading activity of the respective segments.

Inter segment revenues are recognized at cost except in respect of segment of power generation.

The Segment Information include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis.

33. Related Party Disclosures

(a) Relationship :

(i) Other related parties where control exists :

Mukand Engineers Ltd. (MEL), Bombay Forgings Ltd. (BFL), Stainless India Ltd. (SIL), Hospet Steels Ltd. (HSL),

(ii) Joint Ventures :

Mukand Vini Mineral Ltd. (MVML).

(iii) Key Management Personnel :

Niraj Bajaj, Rajesh V. Shah, Suketu V. Shah.

(iv) Relatives of key management personnel and enterprises in which significant influence can be exercised by persons at (iii) above or their relatives where transactions have taken place : Viren J. Shah (upto 09.03.2013).

(v) Other related parties where significant influence exists or where the related party has significant influence on the Company :

Kalyani Mukand Ltd., Lineage Investments Ltd. (upto 29.03.2013), Catalyst Finance Ltd. (upto 29.03.2013), Econium Investments & Finance Ltd. (upto 29.03.2013), Fusion Investments & Financial Services Ltd. (upto 29.03.2013), Primus Investments & Finance Ltd. (upto 29.03.2013), Conquest Investments & Finance Ltd. (upto 29.03.2013), Jammalal Sons Pvt. Ltd. (JSPL), Adonis Laboratories Pvt Ltd. (ALPL)

Note : Related party relationship is as identified by Mukand and relied upon by the Auditors.

| (b) (i) Details of transactions with the related parties in (a) above: | | (Rs.in crore) | | | | | |
|--|---|--------------------------------|-----------------|------------------|-----------------|----------------|-------|
| Nature of transactions | | Related Parties as referred in | | | | | Total |
| | | a (i) above | a (ii) above | a (iii) above | a (iv) above | a (v) above | |
| 1. | 1. Purchase of Goods | 4.02 | | | | | 4.02 |
| | | 5.40 | | | | | 5.40 |
| 2. | Sale of Goods | 15.27 | | | | | 15.27 |
| | | 4.74 | | | | | 4.74 |
| 3. | Sale of Fixed Assets | 4.11 | | | | | 4.11 |
| | | 0.18 | | | | | 0.18 |
| 4. | Purchase of Shares of a company | | | | | 0.03 | 0.03 |
| | | | | | | - | - |
| 5. | Services Received | 45.57 | | | | | 45.57 |
| | | 50.64 | | | | | 50.64 |
| 6. | Services Rendered | 0.34 | | | | | 0.34 |
| | | 0.40 | | | | | 0.40 |
| 7. | Remuneration to MDs / former MD | | | 2.64 | 0.38 | | 3.02 |
| | | | | 2.42 | 0.44 | | 2.86 |
| 8. | Interest / Dividend Paid / (Received) Net | 3.26 | 0.04 | | | 10.27 | 13.57 |
| | | 0.58 | 0.03 | | | 6.03 | 6.64 |
| 9. | Reimbursement of Expenses - Payments | 0.01 | | | | | 0.01 |
| | | 0.01 | | | | | 0.01 |
| 10. | Reimbursement of Expenses - Receipts | 0.06 | 0.12 | | | - | 0.18 |
| | | 0.16 | 0.12 | | | 0.20 | 0.48 |
| 11. | Finance taken including equity / (re-payment of loans & advances) - Net | 3.53 | | | | 47.48 | 51.01 |
| | | 3.42 | | | | (0.20) | 3.22 |
| 12. | Finance given including equity / (re-payment of loans & advances) - Net | 1.49 | 0.08 | | | 2.65 | 4.22 |
| | | 2.73 | 0.14 | | | - | 2.87 |
| 13a. | Bad debts / Advances written off | 25.29 | | | | | 25.29 |
| | | - | | | | | - |
| 13b. | Bad debts / Advances written off earlier recovered during the year / Provision for NPA written back | 1.75 | | | | - | 1.75 |
| | | 1.46 | | | | 0.27 | 1.73 |
| 14. | Other Miscellaneous | - | | | | | - |
| | | 0.01 | | | | | 0.01 |
| 15. | Balances at the close of the year: | | | | | | |
| | i) Amount Receivable | 73.44 | 0.47 | | | 0.23 | 74.14 |
| | | 68.50 | 0.35 | | | 0.23 | 69.08 |
| | ii) Amount Payable | 21.61 | | | | | 21.61 |
| | | 26.10 | | | | | 26.10 |
| | iii) Amount Receivable in respect of loans & advances | 41.13 | 0.39 | | | | 41.52 |
| | | 68.57 | 0.31 | | | | 68.88 |

NOTES (contd.)

| | | (Rs.in crore) | | | | |
|-----|---|--------------------------------|-----------------|------------------|-----------------|----------------|
| | Nature of transactions | Related Parties as referred in | | | | |
| | | a (i) above | a (ii) above | a (iii) above | a (iv) above | a (v) above |
| | iv) Amount Payable in respect of loans & advances | 10.91 | | | | 45.86 |
| | | 12.40 | | | | - |
| 16. | Guarantees given by the Company | 65.00 | 4.90 | | | 69.90 |
| | | 65.00 | 4.90 | | | 69.90 |
| 17. | Counter Guarantees given on behalf of the Company | 6.00 | | | | 6.00 |
| | | 6.00 | | | | 6.00 |
| 18. | Collateral given on behalf of the Company | | | # | | ## |
| | | | | # | | ## |

3,869,089 Equity Shares and 546,652 Cumulative Redeemable Preference Shares of the Company.

3,869,089 Equity Shares of the Company.

ii) Details in respect of material transactions with related parties

| | | (Rs. in Crore) |
|--|--|----------------|
| Purchase of Goods: | | |
| Bombay Forgings Ltd | | 4.02 |
| | | 4.69 |
| Stainless India Ltd. | | - |
| | | 0.71 |
| Sale of Goods: | | |
| Bombay Forgings Ltd | | 13.97 |
| | | 4.74 |
| Stainless India Ltd. | | 1.30 |
| | | - |
| Sale of Fixed Assets: | | |
| Mukand Engineers Ltd | | - |
| | | 0.18 |
| Stainless India Ltd. | | 4.11 |
| | | - |
| Purchase of Shares of a company from: | | |
| Catalyst Finance Ltd., Conquest Investment & Finance Ltd., Econium Investments & Finance Ltd., Fusion Investments & Financial Services Ltd., Lineage Investments Ltd., Primus Investments & Finance Ltd. | | 0.03 |
| | | - |
| Services Received: | | |
| Hospet Steels Ltd | | 29.05 |
| | | 27.26 |
| Mukand Engineers Ltd | | 16.34 |
| | | 23.20 |
| Stainless India Ltd. | | 0.18 |
| | | 0.18 |
| Services Rendered: | | |
| Mukand Engineers Ltd | | 0.34 |
| | | 0.40 |

| | | (Rs. in Crore) |
|---|--|----------------|
| Interest / Dividend Paid / (Received) Net | | |
| Bombay Forgings Ltd | | - |
| | | (0.02) |
| Mukand Engineers Ltd | | 3.26 |
| | | 0.60 |
| Jamnalal Sons Pvt Ltd | | 4.24 |
| | | - |
| Adonis Laboratories Pvt Ltd | | 0.22 |
| | | - |
| Catalyst Finance Ltd. | | 0.33 |
| | | 0.27 |
| Lineage Investments Ltd | | 1.84 |
| | | 1.87 |
| Econium Investments & Finance Ltd. | | 0.88 |
| | | 0.89 |
| Fusion Investments & Financial Services Ltd. | | 1.07 |
| | | 1.08 |
| Primus Investments & Finance Ltd. | | 1.09 |
| | | 1.10 |
| Conquest Investments & Finance Ltd. | | 0.60 |
| | | 0.82 |
| Mukand Vini Mineral Ltd. | | 0.04 |
| | | 0.03 |
| Reimbursement of Expenses - Payments | | |
| Stainless India Ltd. | | 0.01 |
| | | 0.01 |
| Reimbursement of Expenses - Receipts | | |
| Mukand Engineers Ltd | | 0.06 |
| | | 0.16 |
| Mukand Vini Minerals Ltd | | 0.12 |
| | | 0.12 |
| Kalyani Mukand Ltd | | - |
| | | 0.20 |
| Finance taken including equity / (re-payment of loans & advances) - Net | | |
| Lineage Investments Ltd | | - |
| | | (0.06) |
| Econium Investments & Finance Ltd. | | - |
| | | (0.02) |
| Fusion Investments & Financial Services Ltd | | - |
| | | (0.10) |
| Primus Investments & Finance Ltd | | - |
| | | (0.02) |
| Jamnalal Sons Pvt Ltd | | 43.45 |
| | | - |
| Adonis Laboratories Pvt Ltd | | 2.00 |
| | | - |

NOTES (contd.)
(Rs. in Crore)

| | |
|---|---------------|
| Catalyst Finance Ltd. | 1.00 |
| | - |
| Lineage Investments Ltd | 1.03 |
| | - |
| Stainless India Ltd. | 3.53 |
| | 3.42 |
| Finance given including equity / (re-payment of loans & advances) - Net | |
| Mukand Engineers Ltd | (1.49) |
| | (2.73) |
| Catalyst Finance Ltd. | 2.65 |
| | - |
| Mukand Vini Mineral Ltd. | 0.08 |
| | 0.14 |
| Bad debts / Advances written off during the year | |
| Stainless India Ltd. | 25.29 |
| | - |
| Provision for NPA written back | |
| Stainless India Ltd. | 1.75 |
| | 1.46 |
| Bad debts / Advances written off earlier recovered during the year | |
| Lineage Investments Ltd | - |
| | 0.17 |
| Econium Investments & Finance Ltd. | - |
| | 0.05 |
| Primus Investments & Finance Ltd | - |
| | 0.05 |
| Other Miscellaneous | |
| Mukand Engineers Ltd | - |
| | 0.01 |
| Balances at the close of the year: | |
| i) Amount Receivable | |
| Bombay Forgings Ltd | 72.20 |
| | 67.16 |
| Stainless India Ltd. | 1.23 |
| | 1.12 |
| Mukand Engineers Ltd | 0.01 |
| | 0.22 |
| Kalyani Mukand Ltd | 0.23 |
| | 0.23 |
| Mukand Vini Mineral Ltd. | 0.47 |
| | 0.35 |
| ii) Amount Payable | |
| Mukand Engineers Ltd | 20.20 |
| | 24.51 |
| Hospet Steels Ltd | 1.41 |
| | 1.59 |

(Rs. in Crore)

| | |
|---|--------------|
| iii) Amount Receivable in respect of loans & advances | |
| Stainless India Ltd. | 37.01 |
| | 65.07 |
| Bombay Forgings Ltd | 4.12 |
| | 3.50 |
| Mukand Vini Minerals Ltd | 0.39 |
| | 0.31 |
| iv) Amount Payable in respect of loans & advances | |
| Mukand Engineers Ltd | 10.91 |
| | 12.40 |
| Jamnalal Sons Pvt Ltd | 43.86 |
| | - |
| Adonis Laboratories Pvt Ltd | 2.00 |
| | - |
| Guarantees given by the Company | |
| Mukand Vini Minerals Ltd | 4.90 |
| | 4.90 |
| Mukand Engineers Ltd | 65.00 |
| | 65.00 |
| Counter Guarantees given on behalf of the Company | |
| Mukand Engineers Ltd | 6.00 |
| | 6.00 |

Note: Figures in bold type relate to the current year and figures in normal type relate to previous year.

34. Other Notes of Subsidiaries / Associates

- MGFL has given loans to and invested in shares of certain companies which as at 31st March, 2013, are in excess of the limits specified for single borrower/investee under the Non Banking Financial (Non-Deposit accepting or holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. MGFL has brought down the excess credit concentration of the aforesaid exposures and is still in the process of taking adequate steps to bring down the excess concentration of the aforesaid exposures within the prescribed ceiling specified under paragraph 18 of the said directions.
- MGFL has complied with the Prudential Norms relating to Income Recognition, Accounting Standards, Asset Classification and Provisioning for Bad and Doubtful Debts as required by the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. MGFL has also made provision on Standard Assets as on 31st March, 2013 as prescribed by Reserve Bank of India (RBI) in their Notifications No. DNBS. 222 CGM(US)2011 and No. DNBS. 223 CGM (US) 2011 both dated January 17, 2011. Various Returns required to be filed with RBI have been filed with RBI in time.
- Disclosure requirements by MGFL in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 are attached to these consolidated financial statements as 'Annexure I'.
- MGFL has maintained minimum stipulated "Capital to Risk - Assets Ratio" (CRR) as on 31st March 2013. Disclosure requirements by MGFL as per Reserve Bank of India Guidelines dated 1st August, 2008 as regards capital adequacy, liquidity and disclosure norms are attached to these consolidated financial statements as 'Annexure II'.

NOTES (contd.)

- v) During the year, MEL has changed its accounting policy in respect of threshold limits to be applied for income recognition, from 15% to 5% / 10% / 15% depending upon the value of the contract. This has resulted in increase in income from operations and profit before tax by Rs.10.77crore and Rs.0.57 crore respectively.
- vi) SIL's operations have been suspended w.e.f. 27.10.2008. However, the manufacturing facilities have been properly maintained. During the year, SIL did business in trading. For past several years SIL's net worth has been fully eroded. In view of above, the accounts have been prepared under going concern assumption.
- vii) SIL's Plant was not in operation during the whole year 2012-13. Depreciation on Plant & Machinery has been charged on single shift basis considering the normal wear and tear of plant with the passing of time.
- viii) The management of VCL plans to, and is hopeful of, reviving in the foreseeable future, economically viable non-industrial commercial activity. The accounts of VCL have been drawn up based on the going concern assumption based on the VCL management's perception of the future of VCL.

35. Previous Year's figures have been regrouped / recast wherever necessary.

As per our attached report of even date

| | | | |
|--|---|--|--|
| For Haribhakti & Co. Chartered Accountants Firm Registration No.103523W | Niraj Bajaj Chairman & Managing Director | Rajesh V Shah Co-Chairman & Managing Director | Suketu V Shah Joint Managing Director |
| Sumant Sakhardande Partner Membership No. 034828 Mumbai: May 25, 2013 | | | K J Maliya Company Secretary Mumbai: May 25, 2013 |

Annexure - I

MGFL

**Schedule to the Balance Sheet of a non-deposit taking
non-banking financial company
[as required in terms of Paragraph 13 of Non-Banking Financial
(Non-Deposit Accepting or Holding) Companies Prudential Norms
(Reserve Bank Directions, 2007)]**

(Rs. in crore)

| Particulars | | |
|---|--------------------|----------------|
| Liabilities side : | | |
| (1) Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid: | Amount outstanding | Amount overdue |
| (a) Debentures : Secured | Nil | Nil |
| : Unsecured | Nil | Nil |
| (other than falling within the meaning of public deposits) | | |
| (b) Deferred Credits | Nil | Nil |
| (c) Term Loans | Nil | Nil |
| (d) Inter-corporate loans and borrowing | 101.16 | 16.44 |
| (e) Commercial Paper | Nil | Nil |
| (f) Other Loans (specify nature) | | |
| (1) Loan from a Company against Hypothecation of Assets | Nil | Nil |
| (2) Overdraft from Bank against pledge of security | Nil | Nil |
| (3) Loan from Banks | Nil | Nil |
| * Please see Note 1 below | | |
| Assets side : | | |

(Rs. in crore)

Amount outstanding

| | |
|--|--------|
| (2) Break-up of Loans and Advances including bills receivable [other than those included in (4) below] : | |
| (a) Secured (Net of Provision) | - |
| (b) Unsecured (includes loans to employees) | 112.26 |
| (3) Break up of Leased Assets and stock on hire and other assets counting towards AFC activities | |
| (i) Lease assets including lease rentals under sundry debtors : | |
| (a) Financial lease | Nil |
| (b) Operating lease | Nil |
| (ii) Stock on hire including hire charges under sundry debtors : | |
| (a) Assets on hire | Nil |
| (b) Repossessed Assets | Nil |
| (iii) Other loans counting towards AFC activities | |
| (a) Loans where assets have been repossessed | Nil |
| (b) Loans other than (a) above | Nil |
| (4) Break-up of Investments : | |
| Current Investments : | |
| 1. Quoted : | |
| (i) Shares : (a) Equity | Nil |
| (b) Preference | Nil |
| (ii) Debentures and Bonds | Nil |
| (iii) Units of mutual funds | Nil |
| (iv) Government Securities | Nil |
| (v) Other (please specify) | Nil |
| 2. Unquoted : | |
| (i) Shares : (a) Equity | Nil |
| (b) Preference | Nil |
| (ii) Debentures and Bonds | Nil |
| (iii) Units of mutual funds | Nil |
| (iv) Government Securities | Nil |
| (v) Others (please specify) | Nil |
| Long Term Investments : | |
| 1. Quoted : | |
| (i) Shares : (a) Equity | 0.07 |
| (b) Preference | Nil |
| (ii) Debentures and Bonds | Nil |
| (iii) Units of mutual funds | Nil |
| (iv) Government Securities | Nil |
| (v) Others (please specify) | Nil |
| 2. Unquoted (Net of Provision): | |
| (i) Shares : (a) Equity | 0.03 |
| (b) Preference | 19.78 |
| (ii) Debentures and Bonds | Nil |
| (iii) Units of mutual funds | Nil |
| (iv) Government Securities | Nil |
| (v) Others (please specify) | Nil |

NOTES (contd.)

- (5) Borrower group-wise classification of assets financed in (2) and (3) above :

(Rs. in crore)

Please see Note 2 below

| Category | Amount net of provisions | | |
|---------------------------------|--------------------------|-----------|--------|
| | Secured | Unsecured | Total |
| 1. Related Parties ** | | | |
| (a) subsidiaries | -NA- | -NA- | -NA- |
| (b) Companies in the same group | Nil | 2.33 | 2.33 |
| (c) Other related parties | Nil | Nil | Nil |
| 2. Other than related parties | Nil | 109.93 | 109.93 |
| Total | Nil | 112.26 | 112.26 |

- (6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) :

Please see Note 3 below

| Category | Market value/Break up or fair value or NAV | Book value (net of Provisions) |
|-----------------------|--|--------------------------------|
| 1. Related Parties ** | | |
| (a) Subsidiaries | Nil | Nil |

- (b) Companies in the same group #

| | | |
|---------------------------------|-------|-------|
| (c) Other related parties # | Nil | Nil |
| 2. Other than Related Parties # | 20.07 | 19.88 |
| Total | 20.07 | 19.88 |

- # Investments in preference shares and unquoted equity shares are shown at cost (net of provision).

- ** As per Accounting Standard (Please see Note 3)

- (7) Other Information :

| Particulars | Amount |
|---|--------|
| (i) Gross Non-Performing Assets | |
| (a) Related parties | Nil |
| (b) Other than related parties | Nil |
| (ii) Net Non-Performing Assets | |
| (a) Related parties | Nil |
| (b) Other than related parties | Nil |
| (iii) Assets acquired in satisfaction of debt | Nil |

Notes :

- As defined in paragraph 2(1) (xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning norms shall be applicable as prescribed in Non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/ fair value / NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in (4) above.

Annexure - II

Capital to Risk-Assets Ratio (CRAR)

| Items | Current Year | Previous Year |
|---------------------------------|--------------|---------------|
| i) CRAR % | 19.22% | 13.31% |
| ii) CRAR - Tier I Capital (%) | 18.97% | 13.05% |
| iii) CRAR - Tier II Capital (%) | 0.25% | 0.25% |

Exposures

| Current Year | Previous Year |
|--------------|---------------|
| Nil | Nil |

Exposure to Real Estate Sector

Asset Liability Management

Maturity pattern of certain items of assets and liabilities as on 31st March, 2013

(Amount in Crores of Rupees)

| Particulars | 1 day to 30/31 Days (One Month) | Over One Month to 2 Months | Over 2 Months upto 3 Months | Over 3 Months to 6 Months | Over 6 Months to 1 Year | Over 1 Year to 3 Years | Over 3 Years to 5 Years | Over 5 Years | Total |
|-------------------------------------|---------------------------------|----------------------------|-----------------------------|---------------------------|-------------------------|------------------------|-------------------------|--------------|--------|
| Liabilities | | | | | | | | | |
| Borrowings from banks | - | - | - | - | - | - | - | - | - |
| Market Borrowings | - | - | - | 12.25 | 71.71 | - | - | - | 83.96 |
| Assets | | | | | | | | | |
| Loans & Advances (Net of Provision) | - | - | - | - | 112.27 | - | - | - | 112.27 |
| Investments (Net of Provision) | - | - | - | - | - | - | - | 19.88 | 19.88 |

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ADMISSION SLIP

Registered Office: Mukand Ltd., Bajaj Bhawan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai 400021

| | | | |
|---|--|--|--|
| Name of the Member | | | |
| In case of shares held in Demat Form | | In case of shares held in Physical Form | |
| DP ID: | | Folio No. | |
| Client ID: | | | |
| No. of Shares | | No. of Shares | |

I/We hereby record my/our presence at the **75th Annual General Meeting** of the Company at 4.00 p.m. on Tuesday, the 13th August, 2013 at Kamalnayan Bajaj Hall, Bajaj Bhawan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai 400021.

Signature of the Member / Proxy / Representative attending the Meeting

Note: Member / Proxy / Representative must bring the Admission Slip to the Meeting and hand over at the entrance duly signed.

Proxy Form

Registered Office: Mukand Ltd., Bajaj Bhawan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai 400021

| | | | |
|---|--|--|--|
| Name of the Member | | | |
| In case of shares held in Demat Form | | In case of shares held in Physical Form | |
| DP ID: | | Folio No. | |
| Client ID: | | | |
| No. of Shares | | No. of Shares | |

I/We
 ofbeing a Member / Members of
 MUKAND LTD. hereby appoint.....
 ofor failing him / her
of.....as my / our proxy to vote for me/us on my /

our behalf at the **75th Annual General Meeting** of the Company to be held on Tuesday, the 13th August, 2013 and at any adjournment thereof.

Signed this.....day of 2013

Signature

Notes:

1. The Proxy duly completed must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting.
2. Signature should be affixed across the Revenue Stamp as per specimen signature registered with the Company.

Affix
Re. 1/-
Revenue
Stamp





Awards and recognition received by the Company from its customers in the last decade

| S. No. | Award | Customer |
|--------|---|----------------------------|
| 1 | Silver Jubilee Award (Partnering Growth) | Sona Koya Steering Systems |
| 2 | Supplier Performance Award (Quality/ Delivery) | Somic ZF components |
| 3 | Silver Quality Medal | Bajaj Auto |
| 4 | SKF Global Quality Award | SKF, Sweden (Global Award) |
| 5 | Strategic Supplier Award | FAG India |
| 6 | Star Performance Award | Alfa Laval - Pune |
| 7 | Bronze Quality Medal | Bajaj Auto |
| 8 | Certificate of Excellence | Varroc Engg. |
| 9 | Best Supplier Award | Rane, Madras |
| 10 | Best Supplier Award | SKF (Global Award) |
| 11 | Best Supplier of Spring Steels | TC Springs |
| 12 | Business Partner Award | Varroc Engg |
| 13 | Appreciation letter from BOSCH for development of micro alloyed steels. | BOSCH, India |
| 14 | Achievement of Quality Targets | TC Springs |
| 15 | Best Supplier Award | SKF – India |
| 16 | Excellence in Performance | BOSCH – (BOSCH-Germany) |

Mukand's specialty steel is used in automobile component, engineering, textile machinery and machine tool industries



BOOK POST



MUKAND LIMITED, Bajaj Bhavan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai - 400 021.
www.mukand.com

Mukand Ltd.

Kalwe Works, Thane-Belapur Road,
Dighe, Thane.

Maharashtra, India 400 605.

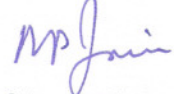
T 91 22 2172 7500 / 7700 F 91 22 2534 8179

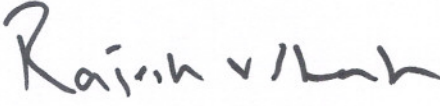
Regd. Office : Bajaj Bhavan, Jamnalal Bajaj Marg,
226 Nariman Point, Mumbai, India 400 021.
www.mukand.com

FORM A

| | | |
|---|--|--|
| 1 | Name of the Company | Mukand Ltd. |
| 2 | Annual financial statements for the year ended | 31st March 2013 |
| 3 | Type of Audit observation | Unqualified / Matter of emphasis |
| 4 | Frequency of observation – Matter of emphasis. | a) Regarding exposures of Bombay Forgings Ltd – since FY 2009-10 b) Regarding exposures of Stainless India Ltd – since FY 2009-10 c) Regarding exposures of Mukand Global Finance Ltd – since FY 2006-07 d) Regarding exposures of Road Construction Activity- since FY 2007-08 |


Chairman & Managing Director


Chairman of Audit Committee


Co-Chairman & Managing Director



Chief Financial Officer

Auditor of the Company

HARIBHAKTI & CO,
42, FREE PRESS HOUSE,
4TH FLOOR,
215, NARIMAN POINT,
MUMBAI-400 021



For Haribhakti & Co.
Chartered Accountants
FRN 103523W


Sumant Sakhardande
Partner
Membership No. 034828

25 MAY 2013

Mukand Ltd.

Kalwe Works, Thane-Belapur Road,
Dighe, Thane.

Maharashtra, India 400 605.

T 91 22 2172 7500 / 7700 F 91 22 2534 8179

Regd. Office : Bajaj Bhavan, Jamnalal Bajaj Marg,
226 Nariman Point, Mumbai, India 400 021.
www.mukand.com

FORM B

| | | |
|---|---|--|
| 1 | Name of the Company | Mukand Ltd. |
| 2 | Annual financial statements for the year ended | 31 st March 2013 |
| 3 | Type of Audit Qualification | Subject to |
| 4 | Frequency of Qualification | Regarding exposures of Vidyavihar Containers Ltd – since FY 2000-01 |
| 5 | Relevant Note No. in the Financial Statement – 18B, (reproduced herein) Page No. <u>31</u> of Annual Report. Management response to the same in Para No. <u>15.0</u> of the Directors' Report | Note No.18B The Company has an investment of Rs.61.63 crore (Previous Year Rs. 61.63 crore) in equity shares of Vidyavihar Containers Ltd. (VCL) a wholly owned Subsidiary and has provided for diminution in the value of investments upto an amount of Rs.18.49 crore. The Company has outstanding balances of loans amounting to Rs.33.23 crore (Previous Year Rs. 33.23 crore) (collectively referred to as 'Exposures'). Management relies upon the estimation of future realizable values of financial assets of VCL. The management barring unforeseen circumstances considers the balance 'Exposures' to be 'Good' at the close of the year and adequately covered. |
| 6 | Additional comments from the Board/Audit Committee Chair | ---- |


Chairman & Managing Director


Chairman of Audit Committee

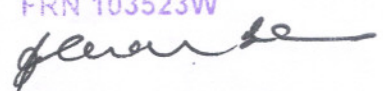

Co-Chairman & Managing Director


Chief Financial Officer

Auditor of the Company



For Haribhakti & Co.
Chartered Accountants
FRN 103523W


(Sumant Sakhardande
Partner

Membership No. 034828

25 MAY 2013