

**42ND
ANNUAL - REPORT
2012-2013**

Rathi Steel and Power Ltd.

BOARD OF DIRECTORS	Shri Pradeep Kumar Rath Shri Prem Narain Varshney Shri Shree Kumar Daga Shri Dwarka Das Lakhotia
CHIEF FINANCIAL OFFICER (CFO)	Shri Atul Agarwal
COMPANY SECRETARY	Shri Manish Rakesh
AUDITORS	M/s M. Lal & Co. (Chartered Accountants) III-A, 49 Nehru Nagar Ghaziabad (U.P.) Pin- 201001
LEGAL ADVISOR	Mr. Shiv Khurana, Advocate F-7, Second Floor Lajpat Nagar-III New Delhi- 110024
BANKERS	Bank of Baroda Canara Bank Syndicate Bank State Bank of India Dena Bank Karur Vyasa Bank Limited Corporation Bank
REGISTERED OFFICE	24/1A, Mohan Co-Operative Industrial Estates, Mathura Road, New Delhi – 110044 Ph: 011- 26991060-62 Fax: 011-26991063
CORPORATE OFFICE	Industrial Area No. 1 A-3, South of GT Road Ghaziabad (U.P.) Pin- 201009 Ph: 0120-2840346-350 Fax: 0120-2840352-353
WORKS: Unit No. 1	Industrial Area No. 1 A-3, south side of GT Road Ghaziabad (U.P.) Pin- 201009 Ph: 0120-2840346-350 Fax: 0120-2840352-353
Unit No.2	Vill. Potapalli, Sikirdi, P.S. Burla, Dist.Sambalpur (Orissa) Pin- 768006 Ph: 0663-2541170, 2230495
REGISTRAR & SHARE TRANSFER AGENT	Mas Services Limited T-34, Second Floor Okhla Industrial Area, Phase-II, New Delhi- 110020 Ph: 011-26387281-82-83 Fax: 011-26387384 Email: info@masserv.com

NOTICE

Notice is hereby given that the 42nd Annual General Meeting of the members of Rath Steel And Power Limited will be held on Monday, the 30th day of September 2013 at KDM Hotels & Resorts Pvt. Ltd (BULBUL) A-4, Mohan Cooperative industrial Estates Mathura Road New Delhi-110044 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2013 and the Profit and Loss Account for the year ended on that date together with the report of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Dwarka Das Lakhotia, who retires by rotation and being eligible, offers him-self for re-appointment.
3. To consider and if thought fit, to pass with or without modification(s), if any, the following resolution as an ordinary resolution.

"Resolved that M/s M. Lal & Co. Chartered Accountants, retiring auditors of the Company, be and are hereby re-appointed as the Auditors of the Company to hold office from conclusion of this Annual General Meeting upto the conclusion of next Annual General Meeting of the Company at such remuneration as shall be fixed by the Board of Directors."

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modification(s), if any, the following resolution as a special resolution:

Resolved that the Report of Board of Directors of the Company to the shareholders on erosion of more than 50% of the peak net worth of the Company during immediately preceding four financial years as per the duly finalized audited accounts of the company for the financial year ended 31st March 2013 and the causes for such erosion as required under section 23(1) (ii) of the Sick Industrial Companies (Special Provisions) Act, 1985 be and hereby considered and approved.

Resolved further that face of the above erosion reported to the Board for Industrial and Financial Reconstruction (BIFR) New Delhi by the Board of Directors of the Company or by any other person duly authorized by it in this behalf, in accordance with the provisions of section 23(1) (i) of the said act, be and is hereby noted.

For Rath Steel And Power Limited

Sd/-

Place: New Delhi

(Manish Rakesh)

Date: 04/09/2013

Company Secretary

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on a poll instead of him-self and the proxy need not be a member of the Company. The instrument appointing the proxy should, however be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.

2. An explanatory statement pursuant to section 173(2) of the Companies Act, 1956 relating to the special business to be transacted at the meeting is annexed hereto.
3. Members are requested to bring their attendance slip along with their copy of Annual report to the meeting.
4. Members who hold shares in dematerialized form are requested to write their client ID and DP ID and those who hold shares in physical form are requested to write their folio number in the attendance slip for attending the meeting.
5. The Register of Members and Share transfer books of the Company will remain closed from 25th September 2013 to 30th September 2013 (both days inclusive).
6. The members who are interested to avail the nomination facility may obtain the necessary application form from Registrar and Share Transfer agent of the Company.
7. All correspondence relating to the transfer and transmission, sub-division of shares, issue of duplicate share certificate, change of address, dematerialization of shares, payment of dividend etc. will be attended at the registered office of the Company and shall be processed at the office of the Registrar and Share Transfer agent.
8. The queries, if any, on the accounts should be sent to the Company at its registered office such a way that the company will receive the same at least 10 days before the Annual General Meeting.
9. Pursuant to the recommendation of SEBI committee on corporate governance about re-appointment of the retiring Directors, the relevant detail of the concerned directors are given in the report on Corporate Governance form part of the Director's Report.

EXPLANATORY STATEMENT:

Pursuant to Section 173(2) of the Companies Act, 1956

ITEM NO.5

As the members are aware that the accumulated loss of the company as per duly finalized audited accounts as on 31st March 2013 is Rs.110.05 Crores which has resulted in erosion of more than 50% of its peak net worth during the immediately preceding four financial years. As such, the provisions of the Sick industrial Companies (Special Provisions) Act, 1985 are applicable to the Company.

Pursuant to provisions of Section 23 of the aforesaid act, every company whose accumulated losses have resulted in erosion of 50% or more of its peak net worth during the immediately preceding four financial years, has to report the fact of such erosion to the Board for Industrial and Financial Reconstruction (BIFR) and hold a general meeting of the shareholders for considering such erosion within 60 days from the date of finalization of the duly audited accounts of the company for the relevant financial year. Therefore the matter has been conveyed to consider and approve.

None of the Directors is concerned or interested in the said resolution.

For Rath Steel And Power Limited

Sd/-

Place: New Delhi

(Manish Rakesh)

Date: 04/09/2013

Company Secretary

REPORT OF THE BOARD OF DIRECTORS OF RATHI STEEL AND POWER LIMITED PURSUANT TO THE PROVISIONS OF SECTION 23(1)(a)(ii) READ WITH SECTION 23(1)(b) OF THE SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985.

To
The Members
Rathi Steel And Power Limited

As per duly finalized audited accounts at the end of the financial year as on 31st March 2013 the accumulated losses as on the date amounted to Rs. 11004.82 Lacs which eroded the peak net worth of Rs. 188.29 Crores in the preceding four financial years i.e. 31st March 2012 by more than 50%. Under section 23(1) (a) and 23(1) (b) of the Sick Industrial Companies (Special Provisions) Act, 1985 the Company is required, within a period of 60 days from the date of finalization of the duly finalized audited accounts of the company for the relevant financial year, to report the facts of such erosion to The Board for Industrial and Financial Reconstruction (BIFR). The Board of Directors of the Company is also required to inform its shareholders the fact of such erosion with cause of such erosion by holding a general meeting of the shareholders of the Company for considering such erosion and hence this report.

REASONS FOR EROSION OF 50% OF PEAK NET WORTH

Primary reasons for erosion of 50% of the peak net worth of the Company as at 31.03.2012 by the accumulated losses as on 31st March 2013 are as under:

- a) Increase in Raw material prices without a corresponding increase in finished goods prices.
- b) Scarcity of key RM (mainly iron ore) due to restriction on mining of iron ore. Only 8-10 iron ore mines were operational in Orissa during larger part of FY-13 due to various regulatory issues.
- c) Increase in energy cost.
- d) Increase in other costs/overhead e.g. freight charges etc.
- e) High financial cost.
- f) Unabsorbed fixed overheads due to lower operating levels.
- g) Slowdown in sectors which are key consumers of Iron & Steel viz. real estate, infrastructure, auto etc. As per the Society of Indian Automobile Manufacturers (SIAM), the passenger car sales declined to 1.89 million units in 2012-13 from 2.03 million a year earlier pointing to a marked decline in automobile sector. Further, there has been significant slowdown in real estate sector due to high interest rate and high prices. The demand from infrastructure sector has also decreased due to subdued growth in the sector resulting from decrease in government spending in view of high fiscal deficit.

- h) Contraction in margins due to inability of the major steel suppliers and even RSPL to pass on the increase in RM cost to the customers due to depressed market scenario.
- i) The company continued production at its Orissa unit even with operational losses due to repeated assurances from the State Government for opening of mines and sudden closure of plant would have led to administrative / labour issues. Further, the Company did not thought it prudent to stop production due to high shutdown & restart cost associated with an integrated steel plant and belief in expected turnaround in the situation. However, the Company decided to stop production at Orissa unit in January 2013 due to prolonged problems.

STEP TAKEN FOR REVIVAL OF THE COMPANY

Generally speaking all Steel producers who do not have captive mines of Iron Ore and Coal have been suffering. The management of your company has been mulling various options for revival of the company and deciding on the strategy to turn around the company although everything is not in the hands of the company. One such step in this direction is substitution of iron ore with pellets. Recently, the Central Government has introduced duty on export of Iron ore fines, which has resulted in reduction in export from 25 million tons earlier to 3 million tons. Due to this, there has been improvement in availability of Iron ore fines for conversion to pellets. Further, there are many pellets plants which are expected to come online in the next 6-12 months. This will in turn reduce the dependence of industry on sized ore and will in-fact be a new source of raw material, thus increasing the overall availability substantially. With this new source of raw material not only the availability of will increase but prices will also come down to normal level. Most of these plants are either merchant plants or their capacity is more than what is required by them captively for their own consumption. This will further increase the availability of raw material.

Due proactive steps taken by the State Governments and favourable Supreme Court verdict in Karnataka the mining sector is slowly limping back to its normal operational level. Further, Orissa Government has also taken proactive steps and has recently allowed restart of mining in some of the mines, which is expected to alleviate the scarcity of raw material.

In the previous years of operations, the Company has never witnessed such a problem and FY-13 has been an exceptional year due to major demand-supply mismatch and monopolistic position of mine owners. As a strategy, the Company plans to use pellets in case supply of good quality Iron ore is not resumed in near future. The yield from Pellets is higher than yield from poor quality material.

Further, the problem of low quality raw material and associated yield losses is expected to be resolved with demand-supply parity, improved availability of sized iron ore, and availability of alternative sources of raw material (i.e. pellets) as explained above.

Last but not the least the company is working on cost reduction measures to make its products more competitive.

DIRECTORS' REPORT

The Directors have pleasure in presenting the 42nd Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2013.

FINANCIAL RESULTS

(Rs. In Lacs)

Particulars	Year ended 31st March 2013	Year ended 31st March 2012
Sales	80843.18	93665.84
EBITDA	(8038.40)	8276.42
Interest	5320.88	5003.43
Depreciation	2207.40	2255.73
Profit before Tax (PBT)	(15566.67)	1017.26
Profit after Tax (PAT)	(11004.82)	1238.00
Dividend and Dividend Tax	NIL	NIL

DIVIDEND

Due to heavy losses, Directors regret their inability to declare any dividend.

PERFORMANCE REVIEW

The sales for the financial year under review were Rs.808 Crore as against 937 Crore for the previous financial year. The operational performance of the Company has been comprehensively covered in the Management Discussion and Analysis report.

FUTURE OUTLOOK / PROSPECTS:

The Indian economy has been impacted due to concerns in the developed economies. Unlike the situation post 2008, wherein the Indian economy witnessed considerable resilience to the global economic slowdown, and was able to recover strongly the impact this time is of higher magnitudes due to policy related issues.

Driven by policy log jam, the industrial sector was plagued by a slowdown in demand and consumption in 2012-13. World crude steel production for the 62 countries reporting to the World Steel Association was 132 MT in April 2013, an increase of 1.2% compared to April, 2012 and accounted for more than 98% of world crude steel production. The average capacity utilization ratio in 2012 was 78.8% compared to 80.7% in 2011.

With the steady decline in the domestic economy's growth rate, the Indian steel industry's pace of growth slowed down and in terms of all the performance indicators.

A report by Bank of America-Merrill Lynch suggests domestic steel outlook to remains weak with lesser possibility of turnaround in the current financial year. Offering a negative outlook, the report blames it on demand slowdown from key industries like construction, auto and infrastructure, keeping margins of steel firms under pressure. A fall in the value of the rupee has further complicated matters for the Reserve Bank to reduce policy rates, creating fear of delaying the process of economic recovery. The report also points out

that while demand for steel products remains low; many delayed steel projects are due for commissioning during this fiscal leading to overcapacity.

The Indian economy's outlook for 2013-14 can be viewed as cautiously optimistic. It is expected that the domestic steel industry will continue to be under pressure over the short term. Domestic steel demand is expected to be muted and profit margin in financial year 2013-2014 to remain broadly similar to financial year 2012-13. This is mainly due to persistent high cost of steel production. Though the Steel demand was low in 2012-13 due to continuing economic crisis, however, spurt in demand is expected in 2014- 15.

The Government of India has planned to invest about Rs.56.32 lakh crore in infrastructure during the 12th Five Year Plan period 2012-17. This will augur well for the industry.

Your company reasonably believes that the turbulent conditions during the year under review, which did not allow the potential of the operations to be fully realized, will not be a lasting phenomenon.

CORPORATE DEBT RESTRUCTURING:

In the wake of adverse business environment and severe liquidity crunch, your Company has applied for restructuring of its debts. The Restructuring proposal has since been admitted in the CDR cell. Final Approval from CDR Empowered Group/CDR Cell is yet to be received.

PUBLIC DEPOSITS:

The Company has not invited any public deposit during the year. There is no overdue / unclaimed deposit.

DIRECTORS':

In terms of Article 116 of the Articles of Association of the Company Shri Dwarka Das Lakhotia, Director of the Company is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. He has confirmed that he has not incurred any disqualification under section 274(1) (g) of the Companies Act, 1956 and is eligible for reappointment as Director of the Company.

AUDITORS AND AUDITORS' REPORT:

M/s M. Lal & Co., Chartered Accountants hold office until the conclusion of the ensuing 42nd Annual General Meeting and are eligible for re-appointment. They have confirmed that their appointment, if made, would be in conformity with the limit prescribed under section 224 (1B) of the Companies Act, 1956. The Auditors' observation in para 10 of the Annexure to the Auditor's Report that the Company has incurred cash losses as at 31st March 2013 and accumulated losses of the Company at the end of the year are more than 50% of its net worth is self explanatory and does not require any further comments from the Directors.

With respect to Auditors observation under para 11 of the Annexure to the Auditors' Report, your Directors wish to inform you that the delay in repayment of principal of Rs. 10.45 Crores, interest of Rs. 9.36 Crores and bills Crystallized Rs. 50.57 Crores for the period from 01.12.2012 to 31.03.2013 were due to severe liquidity crisis being faced by the Company on account of continued losses incurred during the year, further aggravated by the delay in receipt of

expected cash flows on time.

COST AUDITORS:

The Board of Directors had approved the appointments of Messrs R.M.Bansal & Co., Cost Accountants (Kanpur) to conduct the Cost Audit for the year ending on 31st March, 2013.

PARTICULARS OF EMPLOYEE(S):

During the year under review there was no employee falling under the terms of section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employee) Rules 1975.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO:

As required under the provisions narrated under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 the relevant data is attached and forming part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the provisions of sub section 217(2AA) of the Companies Act, 1956 the Board of Directors confirms:

- (i) That in preparations of the annual accounts for the financial year ended 31.03.2013 the applicable accounting standards had been followed along with proper explanations relating to material departure.
- (ii) That the selected accounting policies were applied consistently and judgement and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March 2013 and of the profit or loss of the company for the year ended on that date.
- (iii) That 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) That the annual accounts of your company have been prepared on going concern basis.

LISTING OF SHARES:

The Equity shares of the Company are presently listed with Mumbai Stock Exchange Limited. The Company has made a request to delist its shares from Delhi Stock Exchange Limited.

CORPORATE GOVERNANCE:

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a separate section titled "compliance report on corporate governance" has been included in this Annual Report along with a certificate of compliance from the Auditors and forming part of this report.

MANAGEMENT DISCUSSION AND ANALYSIS:

Management Discussion and Analysis Report for the year under review, as per clause 49 of the Listing Agreement with the Stock Exchange is presented in a separate section, forming part of Annual Report.

CHIEF FINANCIAL OFFICER:

Shri Atul Agarwal had been appointed as Chief Financial Officer of the Company effective from 08-10-2012.

INDUSTRIAL RELATIONS:

The Company enjoys cordial industrial relations with the employee. The Board wishes to place on record its deep sense of appreciation of the contribution made by all the employees in ensuring high level of performance and growth during the year.

ACKNOWLEDGEMENT:

The Board of Directors take this opportunity to express its gratitude and appreciation to the Banks, Central and State Government Authorities, Regulatory Authorities Stock Exchange and the stake holders for the continued cooperation and assistance extended to the Company.

For **Rathi Steel And Power Limited**

Sd/-

Prem Narain Varshney
Whole Time Director

Place: New Delhi
Date: 04/09/2013

Sd/-

Pradeep Kumar Rathi
Managing Director

ANNEXURE TO THE DIRECTORS' REPORT:

INFORMATION AS PER SECTION 217(1)(E) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF DIRECTORS) REPORT 1988 AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH 2013.

(1) CONSERVATION OF ENERGY:

The Company has taken a number of steps to improve the conservation of energy by optimum utilization of electrical resources and equipments. Conservation of energy and improving the efficiency of existing resources are continuing process and form an integral part of responsibility of department head.

(A) Energy conservation measure taken:

- (i) All the staff members are strictly instructed to switch off all the lights and equipments after office hours when not in use.
- (ii) Optimization of capacity utilization thus reducing specific consumption of energy.
- (iii) Strict control of quality input for saving electricity consumption.
- (iv) Minimization of handling loss.
- (B) Additional Investment and proposals, if any, being implemented for reduction of consumption of energy: The company is studying the feasibility of adding variable frequency drives for various applications wherever

suitable, to bring down the energy consumption subject to techno-commercial viability of the proposal. Studying the feasibility of adding automatic power factor correction system to bring the power factor up to unity to bring down the energy consumption.

(C) The impact of above (a) and (b) for reduction of energy consumption and consequent impact on cost of production of goods.

(D) The per ton power consumption has been under control.

(E) New fuel system of bigger capacity for AOD and induction furnace is under erection / execution. This will enable to control the pollution level well below the norms prescribed by Central / State Pollution Control Board.

(2) TECHNOLOGY ABSORPTION:

Efforts made in technology absorption is as per form B annexed.

(3) Foreign Exchange Earning and Outgo:

(a) Activities relating to exports: initiatives taken to increase export, development of new export market for products and services and export plan.

(b) Total foreign exchange used and earned

	2012-13	2011-12
	Amount (Rs.)	Amount (Rs.)
Used	44,04,50,284	52,96,18,950
Earned	Nil	Nil

FORM A

S. No.	PARTICULARS		
A.	Power and Fuel Consumption	Current Year	Previous year
1.	ELECTRICITY		
	Ghaziabad Unit		
	(a) Purchase Units		
	(i) Rolling Mill Unit (A-3)	15989878	17357450
	(ii) SMS Unit (C-4)	19412605	24034800
	(b) Total Amount (In Rs.)		
	(i) Rolling Mill Unit (A-3)	96565217	87392052
	(ii) SMS Unit (C-4)	109754462	108951545
	(c) Rate / Unit		
	(i) Rolling Mill Unit (A-3)	6.14	5.03
	(ii) SMS Unit (C-4)	5.65	4.53
	Orissa Unit		
	(a) Purchase Units (KWH)	3103357	3031020
	(b) Total Amount (In Rs.)	28682900	24982421
	(c) Rate / Unit	9.24	8.24
	Own Generation	51785000	84310000
2.	GAS & FUELS		
	(a) Natural Gas / Furnace Oil (SCM / Litre)	5229671	6063323
	(b) Natural Gas Rs./ SCM	31.86	23.38
	(c) FO Rs. / Liter	53.74	52.42
3.	OTHER GENERATION	NIL	NIL
B.	CONSUMPTION PER MT OF PRODUCTION		
	Ghaziabad Unit		
	Finished Production (MT)		
	(i) Rolling Mill Unit (A-3)	101844	101330
	(ii) SMS Unit (C-4)	39308	47370
	Electricity (in unit)		
	(i) Rolling Mill Unit (A-3)	157.00	171.30
	(ii) SMS Unit (C-4)	493.86	507.38
	Natural Gas / FO (SCM / Litre)	51.35	59.84
	Orissa Unit		
	Production Billet (MT)	311124	52816
	Electricity (KWH)	996.31	919.18

Note: Previous year figures have been regrouped / rearranged wherever necessary.

FORM –B

Disclosure of Particulars with Respect to Technology Absorption

A. Research and Development

The Company is doing in house R&D activities to improve operational efficiencies and yield of its products.

B. Technology Absorption Adaptation & Innovation

(1) Efforts in brief, made towards technology absorption and innovation. - The company has always tried to adopt the best and latest technologies to manufacture its products. It is due to this very reason that over the years the company has witnessed very positive response and quick adaptation of the various products and grades of steel that have been manufactured from time to time. For instance, the company was amongst the first in the country to adopt the TOR® technology in the 1970s and was again amongst the first to make a quick transformation to THERMEX® technology for manufacturing TMT bars at its Ghaziabad plant.

In the area of special steel as well, the company has installed the most modern and suitable technology for manufacturing of high quality stainless steel products in the steel melting shop at Ghaziabad and has also installed the most modern mono-block to finish superior quality of wire rods.

In addition to the above, the company has also continuously upgraded and modernized the rolling mills to adhere to the international standards.

For the Orissa plant, the company has tied-up with the best technology and equipment suppliers who have provided the best know-how and most modern and reliable equipments for manufacturing sponge iron, power for captive use and steel billets.

(2) Benefit derived as a result of the above efforts. e.g. product improvement, cost reduction, product development, import substitution etc.- Technology has helped in product improvement.

(3) Information relating to Imported Technology – NIL

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT.

This is to confirm that the Board has laid down a code of conduct for its Board members and senior Management. This code is available on the Company's website. It is further confirmed that all directors and senior management personnel of the Company have affirmed compliance with the code of conduct of the Company for the financial year ended March 31, 2013 as envisaged in Clause 49 of the Listing Agreement with the Stock Exchange.

For **Rathi Steel And Power Limited**

Sd/-

Prem Narain Varshney
Whole Time Director

Sd/-

Pradeep Kumar Rathi
Managing Director

Place: New Delhi
Date: 04/09/2013

CERTIFICATE BY MANAGING DIRECTOR AND CHIEF FINANCE OFFICER (CFO)

We, Pradeep Kumar Rathi, Managing Director, Atul Agarwal, Chief Financial Officer (CFO) certify that:-

- (1) We have reviewed financial statements and the cash flow statements for the year ended 31st March 2013 and that to the best of our knowledge and belief:-
 - (i) These statement do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards applicable laws and regulations.
- (2) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (3) We accept responsibility for establishing and maintaining internal controls, we have evaluated the effectiveness of internal control systems of the Company and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal control, if any, of which we are aware and the steps we have taken or propose to take to rectify the indemnified deficiencies and
- (4) We have informed the auditors and the Audit Committee of:-
 - (i) Significant changes in internal control over financial reporting during the year.
 - (ii) Significant changes in accounting policies during the year and that the same have disclosed in the notes to the financial statements and
 - (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or and employee having a significant role in the Company's internal control system over financial reporting.

On behalf of Board of Directors
For **Rathi Steel And Power Limited**

Sd/-

Atul Agarwal
CFO

Sd/-

Pradeep Kumar Rathi
Managing Director

Place: New Delhi
Date: 04/09/2013

TO WHOM IT MAY CONCERN

(Certificate from statutory Auditors on compliance of conditions of Corporate Governance)

The members

Rathi Steel And Power Limited

We have reviewed the implementation of Corporate Governance procedures by the Company during the year ended 31st March 2013 with the relevant records and documents maintained by the Company furnished to us for our review and the report on corporate governance as approved by the Board of Directors.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination is neither an audit nor an expression of opinion on the financial statement of the Company.

On the basis of the above and according to the information and explanations given to us, in our opinion the company has complied in all material respect with the conditions of corporate governance as stipulated in clause 49 of the Listing agreement with the stock exchange and no investor grievance(s) is / are pending for a period exceeding one month against the company as per records maintained by the shareholders / investor grievances committee.

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

For **M. Lal & Co.**
Chartered Accountants

Sd/-

Place: New Delhi

Date: 04-09-2013

M. L. Agarwal

M. No. 11148

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2012-13 (IN ACCORDANCE WITH CLAUSE 49 OF THE LISTING AGREEMENT ENTERED INTO WITH STOCK EXCHANGE)

Corporate governance is commonly referred to as a system by which organization are directed and controlled. It is the process by which company objective are established achieved and monitored. Corporate Governance is a reflection of the Company's culture, policies, relationship with stakeholders, commitment to values and ethical business conduct.

1. Company's Corporate Governance Philosophy

Rathi Steel and Power Limited's philosophy on corporate governance envisages working towards the highest levels of transparency, accountability, consistent value system, delegation across all facets of its operations leading to sharply focused and operationally effect growth. The business operations are conducted to benefit its all stakeholders, including shareholders, employee, customers, suppliers and statutory authorities.

The Company is in compliance with the requirement

of the revised guidelines on Corporate Governance stipulated under clause 49 of the Listing Agreement entered into with the Bombay Stock Exchange Limited (BSE).

2. (A) Board of Directors

Composition and category of Directors (as on 31st March 2013)

The Company has an Executive Chairman and the number of Independent Directors is equal to 50% of the total number of Directors. As on 31st March 2013 the Company has 4 Directors on its Board, of which 2 Directors are independent. The number of Non-executive Directors is equal to 50% of the total number of Directors. The Company is in compliance with the recent amendment / development of Clause 49 of the Listing Agreement pertaining to composition of Board of Directors.

The name and categories of the Directors on the Board along with their directorship held in other bodies corporate are as follows:

Director's Name	Designation	Category	Directorship		No. of Committees	
			Public	Private	Member	Chairman
Shri Pradeep Kumar Rathi	Managing Director	Executive and Non Independent	03	01	Nil	Nil
Shri Prem Narain Varshney	Whole Time Director	Executive and Non Independent	Nil	Nil	Nil	Nil
Shri S K Daga	Director	Non Executive and Independent	01	Nil	Nil	Nil
Shri Ranjit Khattar*	Director	Non Executive and Independent	01	02	Nil	Nil
Shri Dwarka Das Lakhota	Director	Non Executive and Independent	Nil	Nil	Nil	Nil

*Resigned from 21st January 2013.

(b) Information in case of appointment or re-appointment as required under listing agreement is given as under:

Shri Dwarka Das Lakhota, aged 40 years, holds a master degree in Commerce from Meerut University and has more than 19 years of experience in the field of accounting and marketing. He has been on our Board of Directors as a Non Executive and independent Director since March 2003.

did not exceeds four months. The date on which the Board meeting were held as follows:

27th April 2012, 21st May 2012, 15th June 2012, 27th August 2012, 08th October 2012, 22nd February 2013 and 09th March 2013. All the Meetings were held at the registered office of the Company.

(d) Detail of attendance of Directors at Board Meeting and at the Annual General Meeting held during the year:

The last (41st) Annual General Meeting was held on 29th September 2012. The attendance at Board Meeting during the year and at the 41st Annual General Meeting was as follows:

Name of Director's	No of Board Meeting held	No of Meeting attended	Last AGM Attended
Shri Pradeep Kumar Rathi	7	7	No
Shri P. N. Varshney	7	7	Yes
Shri D.D.Lakhota	7	6	No
Shri S. K. Daga	7	6	No
Shri Ranjit Khattar*	7	3	No

*Resigned from 21st January 2013.

3. AUDIT COMMITTEE:

The Audit Committee comprises of Independent Directors in compliance of clause 49 II (A) of the Listing Agreement. Shri

Dwarka Das Lakhota is the chairman of the committee. The Chief financial officer and finance head along with statutory Auditors are invitee to the meeting. The Company Secretary acts as the secretary of the Audit Committee..

Date of Meeting	21-05-2012	27-08-2012	22-02-2013
Shree Kumar Daga	Yes	Yes	Yes
Dwarka Das Lakhota	Yes	Yes	No
Ranjit Khattar*	Yes	No	No
Prem Narain Varshney**			Yes

*Resigned from 21st January 2013.

**Appointed w.e.f. 22nd February 2013.

4. Remuneration Committee:

The Remuneration committee comprise of Independent Director in compliance of Clause 49(IVE) of the Listing Agreement. Shri Dwarka Das Lakhota is the Chairman of the Committee and Shri Shree Kumar Daga and Shri Prem Narain Varshney are the other member of the Committee.

5. Details of remuneration of Whole Time Directors:

(a)

(Amount in Rs.)

Shri Pradeep Kumar Rathi	24,00,000
Shri Prem Narain Varshney	2,14,320

(b) Period of contract

Shri Pradeep Kumar Rathi 5 years from 01-08-09

(c) Detail of Director's Shareholding

Name	No. of Shares
Shri Pradeep Kumar Rathi	675736
Shri Prem Narain Varshney	200
Shri Dwarka Das Lakhota	Nil
Shri Ranjit Khattar	Nil
Shri Shree Kumar Daga	Nil

6. Investor's Grievances Redressal Committee

The Company's Registrar and Share Transfer agent handle the investor's grievances in consultation with secretarial department of the Company. The Registrar has adequate skilled staff with potential qualification and advance computer system for speedy redressal of the Investor's grievances. The total process of settlement of the complaint right from its receipt to disposal is fully computerized to ensure timely settlement. It normally takes 15 days from the date of receipt of the complaint for disposal of investor grievances. Nevertheless the Company has constituted an investor grievances committee in accordance with the requirement of Clause 49 of the listing agreement for attending the investor's complaints pertaining to transfer / transmission of shares, dividend enquiry and any other related matter. Shri Shree Kumar Daga is the Chairman of the committee. Shri Pradeep Kumar Rathi and Shri Dwarka Das Lakhota are the other member of the committee.

7. Status of complaints for the period 01st April 2012 to 31st March 2013

Number of complaints- opening Balance	Nil
Complaints received during the year	25
Complaints resolved during the year	25
Pending at the end of the year	Nil

8. DETAIL OF AGM / EGM OF THE COMPANY

Date	AGM / EGM	Place of Meeting	Time
30th Sep 2010	39th AGM	Pyarelal Bhawan, 2 Bahadurshah Zafar Marg, Near ITO New Delhi- 110002	10.00 a.m.
30th Sep 2011	40th AGM	Pyarelal Bhawan, 2 Bahadurshah Zafar Marg, Near ITO New Delhi- 110002	03.00 p.m.
29th Sep 2012	41st AGM	Little Theatre Group, Next to Kamani Auditorium Copernicus Marg New Delhi- 110001	10.00 a.m.

Detail of special Resolution passed in the above referred meeting as under:

AGM held on 30th Sep 2010

Revision in remuneration of Managing Director
Appointment of Directors Relative at place of profit
Appointment of Directors Relative at place of profit
Increase in borrowing limits

AGM held on 30th Sep 2011

Revision in remuneration of CEO

AGM held on 29th Sep 2012

No Special Resolution was passed.

During the year under review, the Company did not pass any resolution by way of postal ballot. No special resolution requiring Postal Ballot is proposed at the ensuing Annual General Meeting.

9. Disclosures

Neither has any non compliance with any of the legal provisions of law been made by the Company nor any penalty or stricture imposed by the stock exchange or SEBI or any other statutory authority on any matter related to the capital market during the last 3 years. The employees of the Company are accessible to the senior management for any counseling or consultation and the company has not denied any employee access to the Audit Committee. All the mandatory requirement of Clause 49 is being complied with. Related party transactions have been disclosed in Notes on Accounts in the Financial Statements of the Company.

10. Means of communication

The Annual, Half Yearly and Quarterly results are communicated to Stock Exchange, where the Company's share are listed, immediately after the same are taken on record / approved by the Board. Further the results are also published in newspapers which include "The Pioneer" (English) and "The Veer Arjun" (Hindi). Financial results are supplied through e-mail and mail to shareholders on demand. The results are also placed on the website of Mumbai Stock Exchange Limited at www.bseindia.com. As per clause 54 of the Listing Agreement, the information regarding shareholders can be downloaded / retrieved from www.rathisteels.com

Whether management discussion and analysis form part of Annual Report or not: yes

11. GENERAL SHAREHOLDERS INFORMATION

(a) Annual General Meeting

The next (42nd) Annual General Meeting is scheduled to be held at KDM Hotels & Resorts Private Limited (BULBUL) A-4, Mohan Co-operative Industrial Estates Mathura Road New Delhi- 110044 on 30th September 2013 at 10.00 a.m.

b) Financial Calendar year for 2013-14 (Tentative)

Financial Year ending	31st March 2014
First Quarter Results	on or before 14th Aug 2013
Second Quarter Results	on or before 15th Nov 2013
Third Quarter Results	on or before 15th Feb 2014
Fourth Quarter Results	on or before 15th May 2014

(C) Book Closure Date:

From 25th September 2013 to 30th September 2013 (both days inclusive)

(D) Dividend:

The company has no surplus to distribute.

12. Listing of Securities

Mumbai Stock Exchange Limited (**Scrip 504903**)

The Company has made a request to delist its securities from Delhi Stock Exchange Limited.

13. Stock Price data monthly High and Low Price at BSE for the year 2011-12:

Month & Year	High / Rs.	Low / Rs.	Volume (Shares)	Volume (Trades)
April 12	10.75	9.40	81800	550
May 12	15.82	9.40	905219	3155
June 12	10.44	9.00	97174	392
July 12	11.58	8.65	207196	646
Aug 12	9.80	8.50	152016	419
Sep 12	9.45	7.79	130179	534
Oct 12	10.55	8.20	102971	424
Nov 12	10.10	8.46	98182	412
Dec 12	9.98	8.50	225322	726
Jan 13	9.74	8.16	154842	642
Feb 13	8.90	6.06	113627	441
Mar 13	7.35	4.01	183354	622

14. Distribution of Shareholding as at 31st March 2013.

Category (In Value)	No. of Shares	%	No. of Share Holders	% of total Share holders
01-5000	1894345	6.051	11808	80.507
5001-10000	1270309	4.057	1564	10.663
10001-20000	1056819	3.376	686	4.677
20001-30000	490061	1.565	190	1.295
30001-40000	333567	1.065	93	0.634
40001-50000	359960	1.150	76	0.518
50001-100000	876140	2.798	122	0.832
100001 and above	25026910	79.937	128	0.873

15. Shareholding pattern as on 31st March 2013

Description	No. of Shares	Percentage
Promoters	16112914	51.465
Mutual Fund	686913	2.194
Financial Institution / Banks	2185127	6.979
Foreign Institutional Investors	0	0.000
Bodied Corporate	2999911	9.582
Individual	8854442	28.282
NRI	332178	1.061
Clearing Members	136626	0.436
Total	31308111	100

16. Share Transfer System:

Share transfer are registered and returned within the stipulated period if the documents are complete in all respects.

17. Dematerialization of Equity Shares:

As at 31st March 2013, 98.14 % equity capital was held in Electronic form with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL). Normally request for dematerialization of shares are processed and confirmed within 21 days of receipt to NSDL and CDSL.

18. Plant Locations:

Works

Address

(Ghaziabad)

A-3, Industrial Area,
Ghaziabad (U.P.) 201009

(Odisha)

Vill. Potapalli and Sikirdi Dist. Sambalpur (Orissa)

19. Address for correspondence

Rathi Steel and Power Limited (Secretarial Department)
24/1A, Mohan Co-Operative Ind. Estates
Mathura Road, New Delhi- 110044

Registrar and Share Transfer Agent:

Mas Services Limited (Unit Rathi Steel)
T-34, Second Floor
Okhla Ind. Area, Phase-II
New Delhi- 110020
Ph: 011-26387281-82-83
Fax No. 011-26387384
Email: info@masserv.com

20. Investors contact

Compliance Officer Email ID: investors@rathisteelandpower.com

DECLARATION BY THE CHAIRMAN UNDER CLAUSE 49(1D) OF THE LISTING AGREEMENT

I hereby confirm that all Board members and senior management personnel of the company have affirmed compliance with code of conduct and Senior Management as approved by the Board, for the financial year ended March 31, 2013.

Sd/-

Place: New Delhi
Date: 04-09-2013

Pradeep Kumar Rathi
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

FORWARD LOOKING STATEMENTS

This report contain forward looking statement which may be identified by their use of words like plans, expects, will, anticipates, believes, intends, projects estimates or other words or similar meaning. All statements that address expectations or projections about the future including but not limited to statement about the company's strategy for growth product development, market position expenditure and financial results are forward looking statement. Forward looking statement is based on certain assumption and expectation of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company's actual results performance or achievements could thus differ materially from those projected in any such forward looking statements. The Company assumes no responsibility to publicly amend modify or revise any forward looking statement on the basis of any subsequent developments, information or events.

FINANCIAL:

During the year 2012-13, your Company achieved a total turnover of Rs. 808.43 crore as compared to Rs. 936.66 crore in the previous year due to adverse business environment and depressed scenario of key consumer sectors e.g. infrastructure and real estate. Production in Odisha Plant came down significantly. In fact Odisha unit remained shut since January 2013. Your company incurred loss during the year under review which was mainly due to hike in the price of raw materials, scarcity of key raw materials, increase in energy cost and freight rates, rising borrowing costs and other operating costs, depressed economic scenario, and various other factors. The net loss for the year was Rs. 110.05 crores as compared to net profit of Rs. 12.38 crores in the previous year.

BUSINESS REVIEW AND OUTLOOK:

The global economic activity continued to remain soft in 2012. Fiscal consolidation and a still-weak financial system continue to weigh on the growth prospects in the advanced economies, balanced to some extent by an accommodative monetary policy. Global economic outlook weakened both in developed and developing countries. The industrial sector was plagued by a slowdown in demand and consumption, driven by policy slowdown. According to IMF growth in global economy was slower than expected, with risks increasing especially in emerging markets.

Domestically too, the year was challenging with lower growth in industrial production, continuing high rate of inflation, euro zone crises, geopolitical disturbances, policy logjam, delay in implementation of projects and depreciation of the rupee. These factors had an adverse impact on the economy resulting in lower GDP growth rate. Rising input costs, slow pace of industrial production, infrastructure development and the impact of global slowdown constrained the performance of the industry. The growth in Indian economy slowed for the second year in succession to 5% approximately in 2012-13 against modest growth of 6.2% in 2011-12.

The situation remained grim for the steel industry too. With the steady decline in the domestic economy's growth rate, the Indian steel industry's pace of growth slowed down and in

terms of all the performance indicators viz., capacity creation, production, consumption, exports and price/ profitability, the performance of the industry fell below average.

Clampdown on illegal mining in Goa and Karnataka by the Government of India and the Supreme Court respectively, and quantitative restrictions imposed by the Odisha Government have significantly curtailed the amount of iron ore being produced in the country. The decline in iron ore production in India has been driven by a simultaneous implementation of regulatory restrictions on key iron ore producing regions, Karnataka, Goa and Orissa, which together contributed approximately 80% of India's iron ore production before regulatory restraints. A series of orders issued by the State Government and the inquiry by Justice Shah Commission also led to the stoppage of mining at a number of iron ore mines in Odisha in the third quarter of FY 13. Since iron ore produced in the state is largely used in domestic steel mills and by sponge iron players, the reduction in iron ore output from Odisha has significantly affected the availability for domestic players, especially in a scenario when iron ore mining at Karnataka has also not gathered momentum. This has also led to an increase in demand for alternative sources like pellets, which can replace iron ore lumps in the steel making process. Additionally, some large players also resorted to import of iron ore lumps and pellets. However, with a sharp rise in iron ore prices, cost of imported ore now is significantly higher than that of domestic ore, which may render imports economically unviable.

A tightness in the availability of non-coking coal has remained a challenge for Indian sponge iron players for quite some time now. In addition, the states of Karnataka and Odisha, which account for about 37% of the total installed capacity of sponge iron in India, have been adversely affected by iron ore mining restrictions, as a result of which sponge iron production in these states has declined considerably. The mining restrictions in Odisha itself are likely to lead to a production loss of over 10% of the country's overall sponge iron production in FY 12. With falling realizations due to weak demand from secondary steel manufacturers, the profitability of sponge iron producers continues to remain under stress.

Demand slowdown from key consuming industries affected sales volumes and also led to a softening in overall sales realizations of steel producers. On the other hand, input costs remained at high levels leading to a reduction in the operating profitability of most of the players. Besides lower operating margins, high capital costs too have dented the net margins. The pressure on the profitability of steel players may continue in the near term because of cost pressures and continuing weakness in demand.

The increase in freight rates proposed in the Railway Budget and periodical increase in price of diesel is likely to increase operating costs substantially, since the steel business is highly material intensive in nature, and freight costs account for a significant proportion of the overall costs of a steel manufacturer.

Stagnating demand, domestic oversupply, and falling prices in the last four years have hit Indian steel makers. Barring the sporadic rise in demand in the recent months, it has suffered from un-remunerative prices to the extent that companies have been finding it difficult to maintain capital costs.

The Union Budget for 2013-14 did not have any major proposal that would significantly impact the domestic steel industry directly.

THREATS, RISKS AND CONCERNS:

As of now the biggest concern is availability of quality raw materials at a viable price. Persistent high costs of steel production and limited ability of steel producers to pass on the higher costs to end user industries, due to subdued demand, is set to create extensive pressure on margins. Ban/Restrictions on mining of Iron ore have added fuel to the fire. Increase in other costs e.g. water, freight, power etc. without corresponding increase in the price of steel are a challenge.

The slowdown in economic growth is another concern for the industry. The cyclical nature of steel demand, arising from volatility in prices of raw material, excess capacity, regional demand and supply imbalance, etc. has affected the steel demand. Indian Steel industry may get affected if the demand in advance countries does not increase. The revival of growth in the advanced economies is expected to be slow and uncertain at least in the near future, despite the measures being taken on monetary and fiscal fronts.

Poor quality of basic infrastructure like road, port etc, lack of expenditure in research and development, delay in absorption in technology by existing units, low quality of steel and steel products, limited access of domestic producers to good quality iron ores which are normally earmarked for exports, and High level taxation are some of the matters of concern.

The revival of growth in the advanced economies is expected to be slow and uncertain at least in the near future, despite the measures being taken on monetary and fiscal fronts.

OPPORTUNITIES:

Compared to the global average per capita consumption of 150 kgs, India's per capita consumption of steel is still a mere 59 kgs. per head. Even by Asian standards India have a long way to go in the consumption of steel. Technologically, the main hurdles before Indian steel industry are the cost of power and non availability of metallurgical coke.

India has rich mineral resources. It has abundance of iron ore, coal and many other raw materials required for iron and steel making. It has the fourth largest iron ore reserves (10.3 billion tonnes) after Russia, Brazil, and Australia. Therefore, many raw materials are available at comparatively lower costs. It has the third largest pool of technical manpower, next to United States and the erstwhile USSR, capable of understanding and assimilating new technologies. Considering quality of workforce, Indian steel industry has low unit labour cost, commensurate with skill. This gets reflected in the lower production cost of steel in India compared to many advanced countries.

The Indian rural sector remains fairly unexposed to their multi-faceted use of steel. The rural market was identified as a potential area of significant steel consumption way back in the year 1976 itself. However, forceful steps were not taken to penetrate this segment. Enhancing applications in rural areas assumes a much greater significance now for increasing per capital consumption of steel. The usage of steel in cost effective manner is possible in the area of housing, fencing, structures and other possible applications

where steel can substitute other materials which not only could bring about advantages to users but is also desirable for conservation of forest resources.

OUTLOOK:

India's growth story was, till recently, quite attractive in comparison with many other developed and developing economies. However, the nation's adverse fiscal deficit and negative current account balance call for some bold rectification measures from the Government. The Government appears to be focusing on consolidation of the economic recovery through expeditious clearance for projects, selective disinvestment and accelerated foreign direct investment through policy reforms. Also, the renewed emphasis on infrastructure sector would raise demand from Construction & Mining Industries in the domestic market.

ENVIRONMENT PROTECTION:

In Ghaziabad your company has revamped the entire pollution control system by installing a new Fume Extraction System with the latest available technology suitable to our requirement. It will help not only in adhering to the environmental norms but will bring down the emission levels drastically i.e. much below the permissible limit.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES INDUSTRIAL RELATION FRONT

Increase in value of Human Capital through development of individual and collective skill and knowledge is essential for any company for its continuous growth. Your company implements in-house programs for skill development and updating of competency of its employees on a continuous basis.

Your Company lays due emphasis on sound human resources management practices and appraisal system with focus on cordial employee relations and building a motivated work force, which can participate constructively in the growth of the Company. The Company continues to focus on the safety, Health, Training and Development of the Employee.

STATUTORY COMPLIANCE

A declaration regarding compliance with the provisions of the various statutes is being made by the Managing Director at every meeting of the Board of Directors.

INDUSRIAL RELATIONS

The Industrial relations in the Company with the workers at all levels are cordial and are expected to remain cordial in future as well. The Management acknowledges the contribution of all employees in achieving the record performance.

CAUTIONARY STATEMENT

Statement in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be forward looking statement within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors could make a difference to the Company's operations include economic conditions in the domestic market in which the Company operates changes in the Government regulations, tax laws and other statutes and other incidental factors.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF RATHI STEEL AND POWER LIMITED Report on the Financial Statements

We have audited the accompanying financial statements of **M/s RATHI STEEL AND POWER 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.

Auditor's Responsibility

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

Opinion

Without qualifying our opinion, we draw attention to Note No 6 to the financial statements, regarding the preparation of the same on a going concern basis. The Company incurred a net loss of Rs. 110.05 Crores during the year ended March 31, 2013 and, as of that date, the Company's current liabilities exceeded its current assets by Rs.129.60 Crores, while the Company's net worth remains positive as at the balance sheet date. In view of proposed plan to restructure the Company's debt profile to convert majority of their short term loan to long term loan, these financial statements have been prepared on a going concern basis and no adjustment has been made to the carrying value of the assets and liabilities.

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

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) In the case of the Profit and Loss Account, 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.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as 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. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - 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 Companies Act, 1956.

As required by the Companies (Auditors' Report) Order, 2003, as amended by the Companies (Auditors Report) (Amendment) Order, 2004 (herein referred to as "the Order") issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956. We further report that:-

1. In respect of fixed assets:

- a) The company has been maintaining details showing full particulars, including quantitative details of fixed assets.
- b) We have been informed that physical verification of fixed assets has been conducted by the management at reasonable intervals and no material discrepancies have been noticed by them.
- c) In over opinion, a substantial part of fixed assets has not been disposed off during the year.

2. In respect of inventories:

- a) According to the information and explanations given to us, the physical verification has been conducted at

- reasonable intervals by the management of the stock of stores. The physical verification of finished goods (excluding stocks lying with third parties) and raw material has been done on estimation basis, from time to time, due to the nature of the business and the cost involved and no discrepancies have been found. In respect of goods inventory lying with third parties, these have substantially been confirmed by them.
- b) In our opinion, the procedures of physical verification of stocks followed by the management, is commensurate with the size of the company and nature of its business.
 - c) Having regard to the size of operations, no material discrepancies have been noticed on physical verification as compared to books and accounts and minor discrepancies found, have been properly dealt with in the books of accounts.
3. The company has not taken or granted loans from/to parties listed in the register maintained under Section 301 of the Companies Act, 1956 and from the Companies under the same management as defined under sub-section (1b) of Section 370 of the Companies Act, 1956.
 4. In our opinion and according to information and explanation given to us, the internal control procedures needs to be strengthened in order to be commensurate with the size of the company and the nature of its business.
 5. According to the information and explanations given to us, the company has not entered into contract or arrangement for purchase and sale of goods and materials with parties entered in the registers maintained under Section 301.
 6. The Company has not accepted any deposits from public within the meaning of Section 58A and 58AA of the Companies Act, 1956 and rules framed there under.
 7. The company has an internal audit system, which, in our opinion, requires to cover more areas looking after the size of the company and the nature of its business.
 8. We have broadly reviewed the records maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 and we are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
 9. According to the information and explanations given to us in respect of statutory and other dues:
 - a) According to the records of the Company, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees State Insurance contributions, Income Tax, Sales tax/VAT, Wealth Tax, Service Tax, Custom duty ,Cess and any other material statutory dues applicable to it. According to the information and explanations given to us, there are no undisputed statutory dues payable for a period more than six months from the date they became payable as at 31.03.2013 except the sales tax/VAT liability amounting to Rs. 4.52 crores.
 - b) According to the books and records as produced and explanation given to us, there are no un-stayed disputed statutory dues.
 10. The accumulated losses of the Company at the end of the year are more than 50% of its net worth. The Company has incurred cash losses during the year covered by report but has not incurred cash losses in the immediately preceding financial year.
 11. According to the records of the Company examined by us and the information and explanations given to us, other than dues to financial institutions, banks for the period from 01.12.2012 to 31.03.2013 aggregating Rs.10.45 crores towards principal and Rs. 9.36 crores towards interest and Rs. 50.57 crores towards bills crystallized, the Company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date.
 12. According to the information and explanations given to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
 13. In our opinion, the company is not a chit fund, nidhi or a mutual benefit fund / society.
 14. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures, except in long term investments in shares and has been held by the company in its own name.
 15. According to the information and explanations given to us, the company has not given any guaranty for loans taken by others from banks or financial institutions.
 16. In our opinion and according to the information and explanations given to us, the term loans were applied for the purpose for which they were obtained.
 17. According to the information and explanations given to us, no funds raised on short-term basis have been used for long term investment. Similarly, no funds raised on long-term basis have been used for short term investment. However, short term fund have been used for funding losses to the company.
 18. The company has not made any preferential allotment of shares/ convertible shares/ warrants during the year.
 19. The company has not issued any debentures during the year.
 20. The company has not raised any money by way of public issue during the year.
 21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing standards in India and as per the information and explanations given to us, we have not come across any instance of fraud, either noticed or reported during the year on or by the company.

For **M. LAL & CO.**
Chartered Accountants

Sd/-

M. L. AGRAWAL
M. No.: 11148

Place: New Delhi
Dated :04.09.2013

RATHI STEEL AND POWER LTD.

BALANCE SHEET AS AT 31.03.2013

(Amount in Rs.)

PARTICULARS	Note No.	AS AT 31.03.2013	AS AT 31.03.2012
I. Equity and Liabilities			
<u>1. Shareholders' Funds</u>			
Share Capital	1	313,081,110	313,081,110
Reserves And Surplus	2	488,380,631	1,588,863,384
<u>2. Non-Current Liabilities</u>			
Long-Term Borrowings	3	1,432,510,973	1,916,008,782
Deferred Tax Liability		-	3,285,297
Other Long Term Liabilities	4	341,531,928	336,099,286
Long Term Provisions	5	20,156,144	16,755,731
<u>3. Current Liabilities</u>			
Short-Term Borrowings	6	1,734,406,276	1,399,196,053
Trade Payables	7	806,652,662	716,083,142
Other Current Liabilities	8	677,208,819	508,981,550
Short-Term Provisions	9	3,562,967	2,289,474
Total Equity & Liabilities		5,817,491,510	6800643809
II. Assets			
<u>(1) Non-Current Assets</u>			
Fixed Assets			
Tangible Fixed Assets	10	3,242,755,448	3,378,886,009
Capital WIP		85,710,984	85,253,763
		3,328,466,432	3,464,139,772
Deferred Tax Assets Net		452,765,314	-
Non-Current Investments	11	7,320,997	10,860,997
Long Term Loans And Advances	12	34,432,691	30,441,543
Other Non-Current Assets	13	68,696,903	39,833,212
<u>(2) Current Assets</u>			
Inventories	14	440,855,786	1,398,399,222
Trade Receivables	15	1,223,134,757	1,184,140,079
Cash And Cash Equivalents	16	67,630,591	114,721,160
Short-Term Loans And Advances	17	177,337,686	541,898,500
Other Current Assets	18	16,850,353	16,209,324
		-	-
Total Assets		5,817,491,510	6,800,643,809

The accompanying Notes are an integral part of the financial statements

Sd/-
P N Varshney
Director

Sd/-
Pradeep Kumar Rathi
Managing Director

Sd/-
Manish Rakesh
Company Secretary

As per our Report of
For M. LAL & CO.
Chartered Accountants

Sd/-
Atul Agarwal
CFO

Sd/-
M. L. AGRAWAL
M. No. 11148

PLACE : NEW DELHI
DATED :04.09.2013

RATHI STEEL AND POWER LTD.

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED ON 31.03.2013

(Amount in Rs.)

Particulars	Note No.	Year ended 31.03.2013	Year ended 31.03.2012
Revenues			
Revenue From Operations	19	8,084,318,063	9,366,583,512
Other Income	20	29,145,197	11,508,780
Total Revenue		8,113,463,260	9,378,092,292
Expenses:			
Cost Of Materials Consumed	21	7,394,677,511	7,669,946,879
Changes In Inventories Of Finished Goods, Work-In-Progress And Stock-In-Trade	22	524,899,626	(139,390,164)
Employee Benefit Expenses	23	118,504,657	130,225,215
Financial Costs	24	561,705,935	535,306,093
Depreciation And Amortization Expense		220,739,875	225,573,175
Other Expenses	25	849,603,115	854,783,696
Total Expenses		9,670,130,719	9,276,444,894
(Loss)/Profit Before Exceptional And Extraordinary Items And Tax		(1,556,667,459)	101,647,398
Exceptional Items		-	79,035
(Loss)/Profit Before Extraordinary Items And Tax		(1,556,667,459)	101,726,433
Extraordinary Items			-
(Loss)/Profit Before Tax		(1,556,667,459)	101,726,433
Tax Expense:			
(1) Current Tax		-	20,000,000
(2) Tax for earlier years		(134,095)	-
(3) MAT Credit entitlement		-	(20,000,000)
(4) Deferred Tax		(456,050,611)	(22,035,944)
(Loss)/Profit From The Year From Continuing Operations		(1,100,482,753)	123,762,377
(Loss)/Profit For The Year		(1,100,482,753)	123,762,377
Earnings per share(of Rs.10/- each)			
(a) Basic		(35.15)	3.95
(b) Diluted		(35.15)	3.95

The accompanying Notes are an integral part of the financial statements

As per our Report of even date

Sd/-
P N Varshney
Director

Sd/-
Pradeep Kumar Rathi
Managing Director

Sd/-
Manish Rakesh
Company Secretary

For M. LAL & CO.
Chartered Accountants

Sd/-
Atul Agarwal
CFO

Sd/-
M. L. AGRAWAL
M. No. 11148

PLACE : NEW DELHI
DATED :04.09.2013

RATHI STEEL AND POWER LTD.

NOTES TO THE FINANCIAL STATEMENT FOR THE PERIOD ENDED 31ST MARCH 2013

<u>Note 1 : Share Capital:</u>		As at 31 March 2013	As at 31 March 2012
			Rs
Authorised			
50000000(50000000) Equity Shares of Rs.10/- each		500,000,000	500,000,000
Issued, Subscribed and Paid-up			
31308111(31308111) Equity Shares of Rs.10/- each		313,081,110	313,081,110
Total		313,081,110	313,081,110

(a) Reconciliation of Number of Shares

Shares Outstanding as at 1st April 2013/ 1st April 2012	31,308,111	31,308,111
Add: Issued during the year	-	-
Shares Outstanding as at 31st March 2013/ 31st March 2012	31,308,111	31,308,111

(b) List of shareholders holding more than 5% of the total number of shares issued by the Company

Name of Shareholder	As at 31 March 2013	As at 31 March 2012
	No. of Shares held	No. of Shares held
Punam Chand Rathi (HUF)	4601247(14.697%)	4670810(14.92%)
Archit Securities Private Limited	3824622(12.216%)	2824622(9.02%)
DBG Leasing & Housing Limited	36125591(11.548%)	2552531(8.15%)
Rathi Electrosteel Limited	-	2063060(6.59%)

The Company has issued only one class of equity shares having a par value of Rs.10 per share. Each holder of Equity share is entitled to one vote per share.

<u>Note 2 : Reserves & Surplus:</u>		As at 31 March 2013	As at 31 March 2012
Revaluation Reserve		19,025,530	19,025,530
Capital Reserve		521,438	521,438
Securities Premium Account		892,421,479	892,421,479
General Reserve			
Opening Balance		174,934,316	154,934,316
Add: Transferred from Profit and Loss Account		-	20,000,000
Closing Balance		174,934,316	174,934,316
Profit And Loss Account			
Opening Balance		501,960,621	398,198,244
Add: Profit(Loss) for the year		(1,100,482,753)	123,762,377
Less: Appropriations			
Transferred to General Reserve		-	(20,000,000)
Closing Balance		(598,522,132)	501,960,621
		488,380,631	1,588,863,384

RATHI STEEL AND POWER LTD.

NOTES FORMING PART OF BALANCE SHEET

Note - 3 : Long Term Borrowings		As at 31 March 2013	As at 31 March 2012
			Rs
Secured Term Loans:			
From Banks		1,426,019,792	1,902,884,523
Finance / Lease Obligations			
From Banks		2,482,234	3,859,009
From Others		4,008,947	9,265,250
		1,432,510,973	1,916,008,782

Notes

1. Term Loans from Banks are secured by :

- First Pari- Passu charge on Fixed Assets of the company
- Second Pari-Passu charge on Current Assets of the company
- Personal guarantee of Shri Pradeep Rath, Managing Director and Shri Udit Rath, CEO

2. Vehicle/Equipment Loans are secured by the

hypothecation of specific assets purchased under such arrangements

3. Terms of repayments of Indian Rupee Term Loans

	Rs in Crores		
Year	1-2 years	2-3 years	after 3 years
Term Loans from Banks	30	35	78
Year	1-2 years	2-3 years	after 3 years
Maturity Profile	1	0	-

Note - 4 : Other Long Term Liabilities

	As at 31 March 2013	As at 31 March 2012
Unsecured		
Unsecured Loans	314,168,800	314,168,800
Dealers Deposits	1,157,485	1,157,485
Deferred Payment liabilities		
Interest free sales tax deferment(unsecured)	6,965,412	6,965,412
Sundry Creditors for Capital Goods	19,240,231	13,807,589
	341,531,928	336,099,286

Interest free sales tax deferment

The Govt of Uttar Pradesh has extended to the Company, the incentive of sales tax deferral scheme pursuant to which the sales tax attributable to the sales effected out of

Note - 5 : Other Long Term Provisions		As at 31 March 2013	As at 31 March 2012
Gratuity(unfunded)		20,156,144	16,755,731
		20,156,144	16,755,731

Note - 6 : Short Term Borrowings

	As at 31 March 2013	As at 31 March 2012
Secured		
Working Capital Facilities		
From Banks	1,734,406,276	1,399,196,053
	1,734,406,276	1,399,196,053

Working capital facilities from Banks are secured by :

- First Pari- Passu charge on Current Assets of the company,
- Second Pari-Passu charge on Fixed Assets of the company,
- Personal guarantee of Shri Pradeep Kumar Rath, Managing Director and Shri Udit Rath, CEO

RATHI STEEL AND POWER LTD.

NOTES FORMING PART OF BALANCE SHEET

Note - 7 : Trade Payables		As at 31 March 2013	As at 31 March 2012
		Rs	Rs
Unsecured			
Acceptance		729,425,583	378,579,538
Trade Payables		77,227,079	337,503,604
		806,652,662	716,083,142
Note 8 : Other Current Liabilities		As at 31 March 2013	As at 31 March 2012
Unsecured			
Current Maturities Of Long Term Debt		507,559,840	274,209,468
Current Maturities Of Finance/ Lease Obligations		6,423,975	7,912,102
Interest Accrued But Due		37,158,871	-
Interest Accrued But Not Due		8,249,123	-
Advances From Customers		7,847,308	64,044,115
Statutory dues payable		8,387,397	77,645,437
Others Payables		27,582,305	85,170,428
		677,208,819	508,981,550
Note - 9 : Short Term Provisions		As at 31 March 2013	As at 31 March 2012
Wealth Tax Payable		25,060	35,000
Bonus		2,207,088	1,537,820
Earn Leave(unfunded)		1,330,819	716,654
		3,562,967	2,289,474

RATHI STEEL AND POWER LTD.

NOTE 10

NOTES FORMING PART OF PROFIT AND LOSS

PARTICULARS	G R O S S B L O C K			D E P R E C I A T I O N			N E T B L O C K		
	As at 01.04.2012 (Rs.)	Addition during the year (Rs.)	Sales/ Adjustment (Rs.)	As at 31.03.2013 (Rs.)	Upto 31.03.2012 (Rs.)	For the Year (Rs.)	Total Upto 31.03.2013 (Rs.)	As at 31.03.2013 (Rs.)	As at 31.03.2012 (Rs.)
FIXED ASSETS									
Land Freehold	1,889,704	-	-	1,889,704	-	-	-	1,889,704	1,889,704
Land Leasehold	49,525,262	-	-	49,525,262	-	-	-	49,525,262	49,525,262
Boundary Wall	173,896	-	-	173,896	138,468	-	138,468	35,428	35,428
Building	582,928,342	-	-	582,928,342	79,893,851	19,421,092	99,314,943	483,613,399	503,034,491
Plant & Machinery	3,690,231,228	82,848,681	-	3,773,079,908	887,347,267	196,412,346	1,083,759,613	2,689,320,295	2,802,883,961
Furniture Fixtures	8,179,878	9,000	-	8,188,878	4,583,682	510,944	5,094,626	3,094,252	3,596,196
Office Equipment	4,138,351	229,451	-	4,367,802	1,193,942	205,962	1,399,904	2,967,898	2,944,409
Vehicles	29,666,695	-	1,620,655	28,046,040	16,483,785	2,907,953	18,189,260	9,856,780	13,182,910
Computers	8,043,757	1,940,359	-	9,984,116	6,250,109	1,281,577	7,531,686	2,452,430	1,793,648
TOTAL	4,374,777,113	85,027,491	1,620,655	4,458,183,948	995,891,104	1,202,478	1,215,428,499	3,242,755,448	3,378,886,009
Previous Year	4,151,133,141	224,673,937	1,029,965	4,374,777,113	770,573,149	255,220	995,891,104	3,378,886,009	

RATHI STEEL AND POWER LTD.

NOTES FORMING PART OF PROFIT AND LOSS

Note - 11 : Non Current Investments		As at 31 March 2013	As at 31 March 2012
Trade Investments			
QUOTED (AT COST)			
25,127(53,127) Equity Share of Bank of Baroda of Rs.10 each (Market Value Rs. 17031080/-)		5,779,210	9,319,210
1000(185) Equity Shares of State Bank of Bikaner & Jaipur of Rs.100/- each (Market Value Rs.413050/-)		489,900	489,900
2400(4000) Equity Shares of Focus Industrial Resources Ltd of Rs. 10/- each (Market Value Rs.139560/-)		20,086	20,086
1000 Equity Shares of M/s First Financial Services Ltd. Of Rs.10/- each (Market Value Rs.296850/-)		10,000	10,000
Investment in Mutual Fund		1,000,000	1,000,000
UNQUOTED (AT COST)			
20000(20000) Equity Shares of M/s Moradabad Syntex Ltd. of Rs.10/- each (Under liquidation)		1	1
3350 Equity Shares of M/s Lynx Traders & Export Ltd.of Rs.10/- each		33,500	33,500
		7,332,697	10,872,697
Less:Prov. for diminution in value of investments		11,700	11,700
		7,320,997	10,860,997
Note - 12 Long-term loans and advances		As at 31 March 2013	As at 31 March 2012
Unsecured, considered good			
Security Deposit		34,432,691	28,891,543
Earnest Money Deposit-Considered Good		-	1,550,000
		34,432,691	30,441,543
Note -13 Other Non Current Assets		As at 31 March 2013	As at 31 March 2012
Unsecured, considered good			
Trade Receivables		55,688,903	26,825,212
Others		13,008,000	13,008,000
		68,696,903	39,833,212
Note 14 : Inventories:		As at 31 March 2013	As at 31 March 2012
Valued At Lower Of Cost Or Realisable Value			
Raw Material(Including Goods In Transit Rs Nil (Previous year Rs.1,50,46,253/-))		250,121,866	618,866,980
Stores & Spare Parts		51,741,212	78,004,710
Fuel		805,719	2,058,673
Finished Goods - At Lower Of Cost Or Market Value		138,186,989	661,968,859
Work In Process		-	18,500,000
Semi Finished Goods		-	19,000,000
		440,855,786	1,398,399,222

RATHI STEEL AND POWER LTD.

NOTES FORMING PART OF PROFIT AND LOSS

Note - 15 : Trade Receivables		As at 31 March 2013	As at 31 March 2012
(Unsecured, considered good unless otherwise stated)			
Outstanding For A Period Exceeding Six Months			
-Considered Good		286,681,020	34,847,441
-Considered Doubtful		1,876,850	449,472
Less: Provision for Doubtful Debts		(449,472)	(449,472)
Others		935,026,359	1,149,292,638
		1,223,134,757	1,184,140,079
Note - 16 : Cash And Cash Equivalents		As at 31 March 2013	As at 31 March 2012
<u>Balances With Banks</u>			
In Current Accounts		8,444,906	31,863,056
In Deposit Accounts		90,000	90,000
In Margin money a/c including FDR's with maturity less than 12 months		48,458,669	67,274,246
Cash On Hand		5,625,112	11,302,726
In Margin money a/c as FDR's with maturity more than 12 months		864,000	874,660
Interest Accrued But Not Due On FDR's		4,147,904	3,316,472
		67,630,591	114,721,160
Note - 17 : Short Term Loans & Advances:		As at 31 March 2013	As at 31 March 2012
(Unsecured, considered good unless otherwise stated)			
Advance For Recoverable in cash or kind or for value to be received			
-Considered Good		61,773,885	354,261,988
-Considered Doubtful		2,508,110	337,500
Less: Provision for Doubtful Debts		(337,500)	(337,500)
Balances With Government Authorities		109,726,819	183,970,140
Security Deposits		3,666,372	3,666,372
		177,337,686	541,898,500
Note - 18 : Other current assets		As at 31 March 2013	As at 31 March 2012
<u>Unsecured, considered good</u>			
Prepaid Expenses		10,810,698	9,856,753
Advance Income Tax / Tax Deducted At Source		6,039,655	3,105,737
Insurance Claim Receivable		-	3,246,834
		16,850,353	16,209,324

RATHI STEEL AND POWER LTD.

NOTES FORMING PART OF PROFIT AND LOSS

Note - 19 : Revenue From Operations		Year ended 31.03.2013	Year ended 31.03.2012
Sale Of Products		8,099,600,360	9,264,664,409
Sale of Services		62,555,467	251,711,598
Others Operating Revenue		81,705,928	32,578,394
		8,243,861,755	9,548,954,401
Less : Excise Duty (Net)		159,543,692	182,370,889
		8,084,318,063	9,366,583,512
Steel Bars/TMT,Structural Plates etc.		3,542,090,193	3,970,555,689
SS Round in Coil		2,862,713,601	3,156,015,080
Billets		1,215,356,221	1,732,426,547
Others		623,701,740	689,957,085
		8,243,861,755	9,548,954,401
		-	
Note - 20 : Other Income:		Year ended 31.03.2013	Year ended 31.03.2012
Interest Received		7,355,933	6,526,619
Dividend		94,484	77,816
Insurance Claim Received		3,288,693	1,594,404
Notice Period Salary		-	94,434
Miscellaneous Income		47,808	-
Profit on Sale of Fixed Assets		-	58,870
Profit on Sale of Investments		16,471,738	
Commission Received		1,813,400	181,346
Sundry Balances Written Off		73,141	2,975,291
		29,145,197	11,508,780
Note -21 : Cost Of Materials Consumed		Year ended 31.03.2013	Year ended 31.03.2012
Opening Stock		603,821,727	551,280,088
Purchases		7,040,977,650	7,722,488,518
		7,644,799,377	8,273,768,606
Less : Closing Stock		250,121,866	603,821,727
		7,394,677,511	7,669,946,879
Material consumed comprises:-			
Billets		2,701,856,422	2,476,422,373
Scrap		924,028,012	1,079,772,745
Iron Ore and Pallets		725,324,561	561,141,919
Coal		410,340,479	380,787,742
Others raw materials		2,633,128,037	3,171,822,100
		7,394,677,511	7,669,946,879

RATHI STEEL AND POWER LTD.

NOTES FORMING PART OF PROFIT AND LOSS

Note 22 : Changes In Inventories Of Finished Goods , Semi Finished Goods & Wip		Year ended 31.03.2013	Year ended 31.03.2012
Inventories At The Beginning Of The Year			
Finished Goods		661,968,859	522,537,619
Semi Finished Goods		19,000,000	16,500,000
Work In Progress		18,500,000	13,500,000
		699,468,859	552,537,619
Inventories At The End Of The Year			
Finished Goods		138,186,989	661,968,859
Semi Finished Goods		-	19,000,000
Work In Progress		-	18,500,000
		138,186,989	699,468,859
		561,281,870	(146,931,240)
Differential Excise duty on Increase/ (decrease) in Stock		(36,382,244)	7,541,076
		524,899,626	(139,390,164)
Note 23 : Employee Benefit Expenses		Year ended 31.03.2013	Year ended 31.03.2012
Salary		109,530,815	119,508,515
Contribution to PF and other Funds		4,692,761	5,650,223
Staff Welfare		4,281,081	5,066,477
		118,504,657	130,225,215
Note 24 : Financial Cost		Year ended 31.03.2013	Year ended 31.03.2012
Interest Expenses		532,087,498	500,342,834
Other Borrowing Costs			
Bank Charges & Processing Fee		28,461,967	30,466,809
others		1,156,470	
Exchange Fluctuation			4,496,450
		561,705,935	535,306,093

RATHI STEEL AND POWER LTD.

NOTES FORMING PART OF PROFIT AND LOSS

Note -25 : Other Expenses:		Year ended 31.03.2013	Year ended 31.03.2012
A. Manufacturing Expenses			
Stores Consumed		272,062,782	284,663,878
Water Charges		17,983,086	5,481,061
Power & Fuel		457,164,624	431,044,137
Royalty		272,531	458,628
Consultation Charges		-	13,236
Rolling Charges Paid		3,732,548	23,937,565
Repair & Maintenance			
Building		1,077,163	223,683
Plant & Machinery		20,179,528	12,409,929
others		1,405,848	2,778,541
Laboratory Expenses		159,898	503,194
B.Selling Expenses			
Advertisement and Sales Promotion Expenses		179,290	75,632
Consignment Expenses		29,872,522	24,042,195
Freight Outwards		8,762,466	33,846,084
Testing Charges		31,470	29,282
C.Administrative Expenses			
Directors Remuneration		3,094,320	3,085,245
Directors Travelling		21,781	213,499
Guest House Maint.Expenses		394,420	487,526
Insurance Charges		4,913,970	6,814,958
Legal & Professional Charges		8,931,683	2,366,632
Miscellaneous Expenses		3,709,980	3,172,495
Vehicle Running & Maintenance		47,475	42,891
Postage, Telegram & Telephone		2,134,960	2,300,308
Printing & Stationery		540,194	796,328
Rates & Taxes		2,014,720	2,077,825
Rent		1,805,063	2,019,640
Security Charges		4,820,389	6,715,975
Travelling & Conveyance Expenses		3,667,227	4,748,329
Auditors' Remuneration		400,000	400,000
Wealth Tax		40,000	35,000
Loss on Sale of Assets		183,177	-
			-
		849,603,115	854,783,696

RATHI STEEL AND POWER LTD.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(Rs. in Lacs)

	PARTICULARS	YEAR ENDED 31.03.2013	YEAR ENDED 31.03.2012
A.	CASH FLOW FROM OPERATING ACTIVITIES		
	Profit Before Taxation	(15,566.67)	1,017.26
	Adjustments for :		
	Depreciation	2,207.40	2,255.73
	(Profit)/ Loss on Sale of Assets	1.83	(0.59)
	Profit on sale of investments	(164.72)	-
	Interest Paid	5,320.87	5,003.43
	Insurance Claim Received	(32.89)	(15.94)
	Misc. Balance written back/Written Off	(0.73)	(29.75)
	Dividend income	(0.94)	(0.78)
	Miscellaneous Income	(18.61)	(1.81)
	Interest income	(73.56)	(65.27)
	Operating profit before working capital changes:	(8,328.02)	8,162.28
	Adjustments for:		
	Increase in Trade receivables	(389.95)	(3,502.10)
	(Increase)/Decrease in inventories	9,575.43	(1,601.10)
	(Increase)/Decrease in Loans & Advances and other assets	3,310.65	(991.26)
	Increase in Current Liabilities and Other Long Term Liabilities	(82.94)	2,048.07
	Cash Generated from Operation	4,085.18	4,115.89
	Less: Income Tax paid (net)	(1.34)	200.00
	Net cash from operating activities:	4,086.52	3,915.89
B.	CASH FLOW FROM INVESTMENT ACTIVITIES		
	Purchase of Fixed Assets	(850.27)	(2,246.74)
	Change in Capital Work in Progress	(4.57)	313.61
	Dividend income	0.94	0.78
	Sales of Assets	2.35	8.34
	Miscellaneous Income	18.61	1.81
	Sales/ (Purchase) of Investments	200.12	(3.90)
	Insurance claim	32.89	15.94
	Interest income	73.56	65.27
	Net cash used in investing activities :	(526.37)	(1,844.89)
C.	CASH FLOW FROM FINANCING ACTIVITIES		
	Receipt of Long Term Borrowings		1,233.70
	Payment of Long Term Borrowing	(2,629.08)	(1,878.64)
	Increase/(Decrease) in Short Term Borrowing	2,970.01	2,239.46
	Increase/(Decrease) in Unsecured loans	-	1,639.50
	Interest Paid	(4,371.98)	(5,003.43)
	Net cash used in Financing activities :	(4,031.05)	(1,769.41)
	Net increase/(Decrease) in cash and cash equivalents	(470.90)	301.59
	Opening cash and cash equivalents	1,147.21	845.62
	Closing cash and cash equivalents	676.31	1,147.21

As per our Report of even date
For M. LAL & CO.
Chartered Accountants

Sd/- P.N.Varshney Director	Sd/- Pradeep Kumar Rathi Managing Director	Sd/- Manish Rakesh Company Secretary	Sd/- Atul Agarwal CFO	Sd/- M. L. AGRAWAL M. No. 11148
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Sd/-
PLACE : NEW DELHI
DATED :04.09.2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

NOTE NO.26

1. COMPANY INFORMATION

Rathi Steel And Power Limited(formerly Rathi Udyog Limited) (the Company) is a public limited company incorporated in 1971 and engaged in the business of manufacturing and sale of Steel and Steel related products.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies have been predominantly presented below in the order of the Accounting Standards notified under the Companies (Accounting Standards) Rule,2006(as amended)

a) Basis of Preparation of Financial Statements:

The financial statements are prepared under historical cost convention except for revaluation of certain fixed assets which are revalued in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956. The Company follows the mercantile system of accounting, recognizing income and expenditure on accrual basis.

b) Use of Estimates:

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/ materialized.

c) Inventories:

Inventories are stated at cost (net of CENVAT credit) or net realisable value, whichever is lower and inclusive of excise duty. Cost determined on weighted average basis and comprises of expenditure incurred in the normal course of business in bringing such inventories to their location and includes, where applicable appropriate overheads. Inventory of Iron Ore and Coal have been segregated according to usability at the time of physical verification and are stated at Cost or market price whichever is less.

d) Tangible Fixed assets and depreciation accounting:

All fixed assets are accounted for at cost of acquisition, inclusive of freight, duties, taxes, erection, installation and other incidentals related to acquisition and exclusive of CENVAT recoverable on purchase of capital goods. Pre-operation expenses including trial run expenses (net of revenue) are capitalized.

Leasehold land has been revalued as on 31st March, 1992.

e) Depreciation

Depreciation on fixed assets is provided on straight line method in accordance with the rates specified in Schedule XIV of the Companies Act, 1956. Depreciation on additions/deductions has been calculated on day-to-day basis.

f) Revenue Recognition

Sales comprises of sales of goods and services but net of sales returns and includes inter unit transfers.

Interest income is accounted for on accrual basis.

Dividend income is accounted for on receipt of payment.

g) Investments :

Trade Investments are the investments meant to enhance the company's interest . Investments are classified as current or non-current based on the management's intention at the time of investment. Long-term investments are stated at cost . Provision for diminution in the value of long-term investment is made only if such a decline is permanent in nature.

h) Impairment of Assets :

At each Balance Sheet date, the company reviews the carrying amounts of assets to determine whether there is any indication of impairment of assets. If any indication exists, the recoverable amount is estimated, at the higher of realizable value and value in use, as considered appropriate. If the estimated recoverable amount is less than the carrying amount, an impairment loss is recognized in the statement of Profit and Loss. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash –generating unit to which the assets belongs. As per assessment conducted by the company as at March 31, 2013, there were no indications that the fixed assets have suffered an impairment loss.

i) Borrowing Costs:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged revenue.

j) Current Tax and Deferred Tax:

Current Tax is determined as the amount of tax payable in respect of taxable income for the period.

In accordance with the Accounting Standard 22 "Accounting for Taxes on Income" issued by The Institute of Chartered Accountants of India, the deferred tax liability for timing differences between book profits and tax profits is accounted for using the tax rates and tax laws that have been enacted or substantially enacted as of Balance Sheet date. Deferred Tax Assets are recognized with regard to all deductible timing difference to the extent that it is probable that taxable profit will

be available against which deductible timing difference can be utilized. When the company carries forward accumulated losses and unabsorbed depreciation, deferred tax assets are recognized only to the extent there is virtual certainty backed by convincing evidence that sufficient future taxable income will be available against which deferred tax assets can be realized.

k) Retirement benefits:

Actual liability for gratuity is provided in respect of eligible employees. Other employees' benefits are accounted for as per Company's policy.

l) Accounting for Provisions, Contingent Liabilities and Contingent Assets:

A provision is recognized when the company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determined best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and are adjusted to reflect the current best estimates. Contingent Assets are not recognized in the financial statements.

m) The amount of Stores consumed during the financial year includes the value of stores issued for repair and maintenance.

NOTES ON ACCOUNTS:

1. COMMITMENTS:

Estimated amount of Contracts remaining to be executed on capital account-Rs.NIL (Rs.1243.00 lakhs).

2. CONTINGENT LIABILITIES:

A. No provision has been made for:

- Outstanding Bank Guarantees and Counter Guarantees given by the Company Rs. 12,81,27,112(Rs.7,03,98,000).
- Outstanding Letter of Credit Rs. 2,70,00,000 (Rs.29,37,59,771).
- Sales tax Liability in respect of goods impounded-amount unascertained (The Company has deposited Rs.1239019/- as security with the dept.)
- Civil suits and Labour cases pending against the Company not acknowledged as debts -Rs.14040870/-.

B. (i) Show Cause notices issued by various Government department are not considered as contingent liability.

(ii) The Company has not considered those disputes/ demands/claims as contingent liability for which the chances of outflow of resources are remote.

C. Surety given to sales tax dept. for others. The Company has not considered these as contingent liability as chances of out flow of resources are remote as Company has a right to claim the same from other party.

D. Income Tax and Sales Tax Assessments:

- Income tax assessments have been completed up to assessment year 2010-11. Additional liability, if any, in respect of pending assessments, would be provided for on completion of assessments.
 - Additional demand, if any, in respect of pending assessment of Sales Tax/ VAT would be known only on completion of the assessments.
- Name of the Company has been changed from Rathii Udyog Limited to Rathii Steel And Power Limited w.e.f. 20.03.2008.
 - Prior period expenses have been debited to respective heads.
 - Unsupported expenditure amounting to Rs. 900000/-
 - The Company has incurred a net loss of Rs.110.05 crores during the year ended 31 March 2013 and as of that date the Company's current liabilities exceeded its current assets by Rs. 129.60 crores. The Company has approached the Lenders to restructure its debt profile to convert majority of their short-term loans to long-term loans, which has already been agreed in principle by all the banks and the approval is under process. The Company has prepared the financial statements on the basis of going concern assumption.

7. FOREIGN CURRENCY TRANSACTIONS:

Expenditure in Foreign Currency:

- Raw material purchase (CIF) Rs.42,90,10,186 (Rs.52,06,29,787).
- Store Purchase (CIF) – Rs. Nil (Rs.Nil).
- Capital Goods (CIF) – Rs.1,14,40,098(Rs.89,89,163).

Earning in Foreign Currency (FOB):

Finished goods sale Rs. Nil (Rs. Nil).

Details of consumption of imported and indigenous items

Rs. in lacs

Particulars	Imported				Indigenous			
	2012-13	%	2011-12	%	2012-13	%	2011-12	%
Materials	4290.10	5.80%	5206.3	6.79%	69656.67	94.20%	71493.2	93.21%
Stores and Spares	0		0		2586.96	100%	2846.64	100%

8. Payment to auditors:
- Audit Fee – Rs.4,00,000 (Rs.4,00,000).
 - Fee for Limited Review – Rs.1,00,000 (Rs.20,000).
 - Out of Pocket Expenses-Rs.15,000 (Rs.15000).
9. Sundry debtors, advances, creditors & other liabilities includes inter parties transfers and are subject to confirmation and consequent adjustments. In the opinion of the Board of Directors, the current assets and loans & advances except doubtful in nature would realize at least the amount at which these are stated

in the Balance Sheet. For doubtful debts, the board of directors are very much hopeful for their recovery. Therefore, No provision has been made.

10. Based on the information available with the Company, there are no over dues to micro and small enterprises under the Micro, Small and Medium Enterprises as on 31st March 2013 due for a period of more than 45 days, Accordingly no interest was paid/is payable in terms of the said Act during the year under review.

11. Earning Per Share (EPS):

Earning Per Share (EPS) – the numerators and denominators used to calculate earning per share:-

Particulars	Year Ended on 31.03.2013	Year Ended on 31.03.2012
Profit/(Loss) attributable to the Equity Shareholders (Rs.) (A)	(1100482754)	123762377
Profit/(Loss) Cash attributable to the Equity Shareholders (Rs.) (B)	(879742879)	349335552
Weighted average number of Equity Shares Outstanding during the year (C)	31308111	31308111
Nominal Value of Share (Rs.)	10	10
Earning Per Share (Rs.) (A)/(C)	(35.15)	3.95
Earning Per Share (Cash) (Rs.) (B)/(C)	(28.10)	11.16

12. Related Party Disclosure:

In accordance with Accounting Standard (AS-18) on related party disclosure, where control exists and where key management personnel are able to exercise significant influence and, where transactions have taken place during the year, along with description of relationship identified, are given below:

a) Individuals

- Shri Udit Rathi
- Shri Shrivardhan Rathi
- Smt.Sonal Rathi
- Smt.Divya Rathi

b) Key Managerial Personnel

Shri Pradeep Kumar Rathi
Shri P N Varshney

- c) The following transactions were carried out with related parties in the ordinary course of business:

Particulars	Key Managerial Personnel (Rs)	Individuals (Rs)
Paid for rendering of services	3094320	8160000

13. Segmental Reporting:

The business activity of the company falls within one broad segment viz Steel. Hence the disclosure requirement of Accounting Standard-17 of "Segment Reporting" issued by the Institute of Chartered Accounts of India is not given.

14. Previous year figures have been regrouped or recast wherever necessary.

As per our Report of even date
For **M. LAL & Co.**
Chartered Accountants

Sd/-
Manish Rakesh
Company Secretary

Sd/-
Prem N.Varshney
Director

Sd/-
Pradeep Kumar Rathi
Managing Director

Sd/-
M.L. Agrawal
M. No. 11148

Sd/-
Atul Agrawal
CFO

Place : New Delhi
Dated: 04.09.2013

RATHI STEEL AND POWER LIMITED

24/1A, MOHAN CO-OPERATIVE INDUSTRIAL ESTATES MATHURA ROAD NEW DELHI- 110044

Attendance slip

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

I hereby record my presence at the 42nd Annual General Meeting of the Company being held at KDM Hotels & Resorts Pvt. Ltd. (BULBUL) A-4 Mohan Cooperative Industrial Estate, Mathura Road, New Delhi-110044 on Monday 30th September 2013 at 10.00 a.m.

Name of the Shareholder:
Name of the proxy- holder /
Authorized representative (in block letters)

Signature of the Shareholder / Proxy / Authorised Representative

Note:

1. A member / proxy / authorised representative wishing to attend the meeting must complete this Admission Slip before coming to the Meeting and hand it over at the entrance.
2. If you intend to appoint a proxy, please complete, stamp, sign, and deposit the Proxy form given below at the Company's Registered office at least 48 hours before the meeting.

In Proxy Form write

42nd AGM

RATHI STEEL AND POWER LIMITED

24/1A, MOHAN CO-OPERATIVE INDUSTRIAL ESTATES MATHURA ROAD NEW DELHI- 110044

I / We..... ofbeing a member / members of Rathi Steel And Power Limited hereby appoint Shri / Smt / Km..... ofor failing him Shri / Smt / Km..... ofor failing him Shri / Smt / Km..... ofas my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the 42nd Annual General Meeting of the Company to be held on Monday 30th September 2013 at 10.00 a.m. and at any adjournment thereof.

Signed thisday of2013

Folio No.		DP ID	
No. of Shares Held		CL ID	

Revenue
Stamp

Signature(s).....

Note: The proxy, in order to be effective, should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the meeting.

Rathi Steel And Power Ltd.

(Formerly Rathi Udyog Ltd.)

An ISO 9001 : 2000 Company

Works & Corporate Office


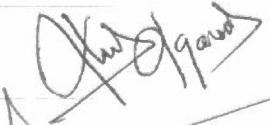

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Website www.rathisteelandpower.com Email info@rathisteelandpower.com

FORM A

Covering letter of annual Audit Report to be filled with the Mumbai Stock Exchange Limited

1.	Name of the Company	Rathi Steel And Power Limited
2.	Annual Financial Statement for the year ended on	31 st March 2013
3.	Type of Audit Observation	Unqualified
4.	Frequency of Observation	There was no adverse / qualified observation by the statutory auditors.
5.	Signed by: (a) Pradeep Kumar Rathi (Managing Director)	
6.	(b) Atul Agarwal (Chief Financial Officer)	
7.	(c) Munna Lal Agarwal (Statutory Auditors)	
8.	(d) Dwarka Das Lakhota (Audit Committee Chairman)	