



SUNFLAG IRON & STEEL CO. LTD.
TWENTY EIGHTH ANNUAL REPORT
2013 - 2014

SUNFLAG IRON AND STEEL COMPANY LIMITED

BOARD OF DIRECTORS	Mr. P. B. BHARDWAJ (Non-executive Chairman) Mr. RAVI BHUSHAN BHARDWAJ (Vice-Chairman & Managing Director) Mr. PRANAV BHARDWAJ (Joint Managing Director) Dr. E. R. C. SHEKAR (Non-executive, Independent) Mr. S. GAJENDRAN (Non-executive, Independent) CA JAYESH M. PARMAR (Non-executive, Independent) Mr. KUMAR JITENDRA SINGH (Non-executive, Independent) (Effective 5 th August 2014) Mr. B.W. RAMTEKE (Upto 24 th October 2013) } Mr. SONAM BODH (Effective 24 th October 2013) } Nominee - IDBI Bank Limited Mr. SURENDRA KUMAR GUPTA (Director & CEO)
CHIEF FINANCIAL OFFICER	CA R. MURALIDHAR, Executive Director (Finance)
COMPANY SECRETARY	CS MUKESH D. PARAKH (Upto 5 th August 2014)
COMPANY SECRETARY	CS PRANAB PANIGRAHI (Effective 5 th August 2014)
STATUTORY AUDITORS	M/s. PATEL, SHAH & JOSHI CHARTERED ACCOUNTANTS, MUMBAI
COST AUDITORS	M/s. G. R. PALIWAL & COMPANY COST ACCOUNTANTS, NAGPUR
BANKERS	STATE BANK OF INDIA BANK OF INDIA CANARA BANK INDIAN BANK STATE BANK OF BIKANER AND JAIPUR IDBI BANK LIMITED
REGISTERED OFFICE	33, MOUNT ROAD, SADAR, NAGPUR - 440001 (MAHARASHTRA)
WORKS	WARTH, BHANDARA ROAD, BHANDARA - 441905 (MAHARASHTRA)
WEB SITE	www.sunflagsteel.com
REGISTRAR & SHARE TRANSFER AGENT	BIGSHARE SERVICES PRIVATE LIMITED, MUMBAI

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SUNFLAG IRON AND STEEL COMPANY LIMITED**REGISTERED OFFICE : 33, MOUNT ROAD, SADAR, NAGPUR - 440001****Corporate Identification Number (CIN) – L 27100 MH 1984 PLC 034003****Tel No. + 91 712 2524661 / 2520356-7-8, Fax No. + 91 712 2520360, E-Mail ID : investor@sunflagsteel.com, Website : www.sunflagsteel.com****NOTICE**

NOTICE is hereby given that the **Twenty-eighth (28th)** Annual General Meeting of the Members of **Sunflag Iron and Steel Company Limited** will be held on **Friday, the 26th Day of September 2014 at 3.00 P. M.** at Indian Medical Association's J. R. Shaw Auditorium, North Ambazari Road, Nagpur – 440010 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements (Standalone & Consolidated) of the Company for the year ended 31st March 2014, the Balance Sheet as at that date, Statement of Profit and Loss and Cash Flow Statement for the financial year ended 31st March 2014, together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. P.B. Bhardwaj (DIN : 00136076), who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Ravi Bhushan Bhardwaj (DIN : 00054700), who retires by rotation and, being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution :
"RESOLVED THAT pursuant to Section 139, 141 and other applicable provisions of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, Messers Patel, Shah & Joshi, Chartered Accountants, Mumbai (ICAI Firm Registration No. 107768W), be and are hereby re-appointed as the Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting at a remuneration as decided by the Committee of the Board or Board of Directors of the Company."

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution :
"RESOLVED THAT in accordance with the provisions of Section 149, 152 and all other applicable provisions of the Companies Act, 2013, Schedule IV to the Act read with the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modifications and/or re-enactment for the time being in force) and pursuant to provisions of the Listing Agreement/s, Dr. E.R.C. Shekar (DIN : 00013670), in respect of whom the Company has received a Notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of the Director, be and is hereby appointed as a Non-executive, Independent Director of the Company to hold the office for a fixed term of three (3) consecutive years i.e. from the conclusion of 28th Annual General Meeting up to the conclusion of 31st Annual General Meeting of the Company in the calendar year 2017."
6. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution :
"RESOLVED THAT in accordance with the provisions of Section 149, 152 and all other applicable provisions of the Companies Act, 2013, Schedule IV to the Act read with the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modifications and / or re-enactment thereof for the time being in force) and pursuant to provisions of the Listing Agreement/s, Mr. S Gajendran (DIN : 00250136), in respect of whom the Company has received a Notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of the Director, be and is hereby appointed as a Non-executive, Independent Director of the Company to hold the office for a fixed term of three (3) consecutive years i.e. from the conclusion of 28th Annual General Meeting up to the conclusion of 31st Annual General Meeting of the Company in the calendar year 2017."
7. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution :
"RESOLVED THAT in accordance with the provisions of Section 149, 152 and all other applicable provisions of the Companies Act, 2013, Schedule IV to the Act read with the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modifications and / or re-enactment thereof for the time being in force) and pursuant to provisions of the Listing Agreement/s, CA Jayesh M Parmar (DIN : 00802843), in respect of whom the Company has received a Notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of the Director, be and is hereby appointed as a Non-executive, Independent Director of the Company to hold the office for a fixed term of three (3) consecutive years i.e. from the conclusion of 28th Annual General Meeting up to the conclusion of 31st Annual General Meeting of the Company in the calendar year 2017."
8. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution :
"RESOLVED THAT in accordance with the provisions of Section 149, 152 and all other applicable provisions of the Companies Act, 2013, Schedule IV to the Act read with the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modifications and / or re-enactment thereof for the time being in force) and pursuant to provisions of the Listing

Agreements, Mr. Kumar Jitendra Singh (DIN : 00626836), whose period of office is expiring at the ensuing Annual General Meeting and in respect of whom the Company has received a Notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of the Director, be and is hereby appointed as a Non-executive, Independent Director of the Company to hold the office for a fixed term of three (3) consecutive years i.e. from the conclusion of 28th Annual General Meeting up to the conclusion of 31st Annual General Meeting of the Company in the calendar year 2017."

9. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED THAT in accordance with the provisions of Section 198, 269, 309, 310 & 311 and other applicable provisions, if any, of the Companies Act, 1956, Schedule XIII to the Act, substituting with the provisions of Sections 196, 197, 203 and other applicable provisions, if any, of the Companies Act, 2013, Schedule V to the Act, read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modifications and / or re-enactment thereof for the time being in force) and/or subject to the approval of the Central Government, the Company do hereby approves the payment of existing remuneration, as set out in the explanatory statement annexed hereto, to Mr. Ravi Bhushan Bhardwaj (DIN : 00054700) as the Vice-Chairman & Managing Director of the Company, as minimum remuneration and waiver of excess remuneration paid during the financial year from 1st April 2013 to 31st March 2014 in view of the Company having inadequate profit during the financial year ended 31st March 2014, with liberty to the Board of Directors including any Committee thereof to revise, amend, alter, vary and implement the terms and conditions of remuneration in such manner and as may be permitted in accordance with the provisions of the Companies Act, 1956 as well as Companies Act, 2013 and/or any modifications/ amendments thereof.

FURTHER RESOLVED THAT the Committee and/or Board of Directors be and is hereby authorised to do and perform all such acts, deeds, matter and things as may be considered desirable or expedient to give effect to this resolution."

10. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED THAT in accordance with the provisions of Section 198, 269, 309, 310 & 311 and other applicable provisions, if any, of the Companies Act, 1956, Schedule XIII to the Act, substituting with the provisions of Sections 196, 197, 203 and other applicable provisions, if any, of the Companies Act, 2013, Schedule V to the Act, read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modifications and / or re-enactment thereof for the time being in force) and/or subject to the approval of the Central Government, the Company do hereby approves the payment of existing remuneration, as set out in the explanatory statement annexed hereto, to Mr. Pranav Bhardwaj (DIN : 00054805) as the Joint Managing Director of the Company, as minimum remuneration and waiver of excess remuneration paid during the financial year from 1st April 2013 to 31st March 2014 in view of the Company having inadequate profit during the financial year ended 31st March 2014, with liberty to the Board of Directors including any Committee thereof to revise, amend, alter, vary and implement the terms and conditions of remuneration in such manner and as may be permitted in accordance with the provisions of the Companies Act, 1956 as well as Companies Act, 2013 and/or any modifications / amendments thereof.

FURTHER RESOLVED THAT the Committee and/or Board of Directors be and is hereby authorised to do and perform all such acts, deeds, matter and things as may be considered desirable or expedient to give effect to this resolution."

11. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED THAT in accordance with the provisions of Section 198, 269, 309, 310 & 311 and other applicable provisions, if any, of the Companies Act, 1956, Schedule XIII to the Act, substituting with the provisions of Sections 196, 197, 203 and other applicable provisions, if any, of the Companies Act, 2013, Schedule V to the Act, read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modifications and / or re-enactment thereof for the time being in force) and/or subject to the approval of the Central Government, the Company do hereby approves the payment of existing remuneration, as set out in the explanatory statement annexed hereto, to Mr. Surendra Kumar Gupta (DIN : 00054836) as the Whole-time Director, designated as Director & CEO of the Company, as minimum remuneration and waiver of excess remuneration paid during the financial year from 1st April 2013 to 31st March 2014 in view of the Company having inadequate profit during the financial year ended 31st March 2014, with liberty to the Board of Directors including any Committee thereof to revise, amend, alter, vary and implement the terms and conditions of remuneration in such manner and as may be permitted in accordance with the provisions of the Companies Act, 1956 as well as Companies Act, 2013 and/or any modifications / amendments thereof.

FURTHER RESOLVED THAT the Committee and/or Board of Directors be and is hereby authorised to do and perform all such acts, deeds, matter and things as may be considered desirable or expedient to give effect to this resolution."

12. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED THAT in supersession of the Ordinary Resolution passed at the 6th Annual General Meeting held on 3rd July, 1991 and Ordinary Resolution passed at 22nd Annual General Meeting held on 23rd September 2008 and pursuant to provisions of Section 180 and all other applicable provisions, if any, of the Companies Act, 2013 and the Memorandum and Articles of Association of the Company, the consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing, from time to time, any sum or sums of moneys which together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate, for the time being of the paid-up capital of the Company and its free Reserves, that is to say, Reserves not set apart for any specific purpose, provided that the total amount of money so borrowed by the Board shall not at any time exceed ₹ 1,000 Crores (₹ One Thousand Crores)"

13. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:

“RESOLVED THAT the consent of the Company be and is hereby accorded in terms of the provisions of Section 180 and all other applicable provisions, if any, of the Companies Act, 2013 to the Board of Directors of the Company, for creation by the Board of Directors of the Company of such mortgage, charges, hypothecations in addition to the existing mortgages, charges and hypothecations created by the Company as the Board may direct, on such of the undertakings including the movable and immovable properties of the Company and assets of all kinds, both present and future, in the form of first and/or second and/or subservient mortgage / charge and/or floating charge and in such manner as the Board may direct, together with power to take over the Management of the Company in certain events to or in favour of all or any of the Banks, any other investing agencies, trustees for the holders of debentures/bonds/other instruments which may be issued to and subscribed by all or any of the Banks / any other investing agency or any other person/s / bodies corporates by way of private placement or otherwise, to secure repayment of such debentures / bonds or other instruments / term loans / any other form of financial assistance availed by the Company of an amount not exceeding to ₹ 1,000 Crores (₹ One Thousand Crores) at any time together with interests thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment, or on redemption costs, charges, expenses and all other moneys payable by the Company to the aforesaid parties or any of them under the loan agreements / arrangements entered into / to be entered into by the Company in respect of the said debentures / bonds or other instruments / term loans / any other form of financial assistance.

FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to finalise with the Banks and/or others, the documents for creating mortgage / charge / hypothecations and accepting / making any alterations / changes / variations, to or in the terms and conditions, to do all such acts, deeds, matters and things and to execute all such documents and writing as it may consider necessary for the purpose of giving effect to this resolution.”

14. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution :

“RESOLVED THAT pursuant to provisions of Section 148 and all other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, including any statutory modifications and / or re-enactment thereof, for the time being in force, M/s G R Paliwal & Company, Cost Accountants, Nagpur, whose appointment as the Cost Auditors of the Company for the financial year 2014-2015 has been duly approved by the Board of Directors based on the recommendations of the Audit Committee of the Board of the Company, be paid a sum ₹ 150,000 (₹ One Lac Fifty Thousand) plus service tax as applicable and reimbursement of actual out of pocket expenses, as a remuneration for audit of cost records of the Company for the financial year 2014-2015, as recommended by the Board of Directors based on the recommendations of the Audit Committee of the Board of the Company.”

15. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:

“RESOLVED THAT pursuant to provisions of Section 14 and all other applicable provisions, if any, of the Companies Act, 2013, including any statutory modification/s and / or re-enactment thereof, for the time being in force, Article 12(2) of the Articles of Association of the Company be and is hereby altered and substituted in its place and stated as under :

12(2) Notwithstanding anything contained in sub-clause(1) hereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) sub-clause(1) hereof) in any manner whatsoever;

a) If a special resolution to that effect is passed by the Company in general meeting; or

b) Where no such special resolution is passed, if the votes cast (whether on a show of hands, or on a poll, as the case may be) in favour of the proposal contained in the resolution moved in that general meeting (including the casting vote if any, of the Chairman) by members, who being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.

PROVIDED THAT the Company shall not issue any shares to any person unless the Company has offered to Daido Steel Co. Ltd., Japan, the rights to acquire its pro rata shares of such issuance, to maintain its aggregate shareholding in the Company of 10% of the paid up share capital of the Company, on the same terms and conditions as are offered to the proposes recipient.

For the avoidance of doubt, the rights under this Article 12(2) may only be enjoyed by Daido Steel Co. Ltd., Japan, as long as Daido Steel Co. Ltd., Japan, holds 10% of the paid up equity capital of the Company and shall not be capable of being transferred to any third party.

FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as it may consider necessary for the purpose of giving effect to this resolution.”

Nagpur
5th August 2014

By Order of the Board
CS Pranab Panigrahi
Company Secretary

NOTES :

A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY, SO APPOINTED SHALL NOT HAVE ANY RIGHT TO SPEAK AT THE MEETING. PROXY FORM, IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT (48) HOURS BEFORE THE TIME APPOINTED FOR THE MEETING.

A Proxy submitted on behalf of the Company, Trust or Society (Institutional Investors) must be supported by an appropriate Resolution or Authority, as applicable. A person can act as a proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than 10% (ten percent) of the total Share Capital of the Company carrying voting rights. In case, a proxy is proposed to be appointed by a member holding more than 10% (ten percent) of the total Share Capital of the Company carrying voting rights, then such proxy shall not act as proxy for any other person or shareholder.

All documents referred to in the Notice including Explanatory Statement thereof, will be available for inspection by Members during working hours on any working day till the date of the Annual General Meeting at the Registered Office of the Company and also at the place of the Meeting at the scheduled time of Annual General Meeting.

1. An explanatory statement pursuant to Section 102(1) of the Companies Act, 2013 in respect of Special Business under Item No.5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15 are annexed hereto and form part of the Notice.
2. The Register of Members and Share Transfer Books of the Company will remain closed from **Saturday, the 6th Day of September 2014 to Friday, the 26th Day of September 2014** (both days inclusive) for the purpose of Annual General Meeting.
3. Members are requested to send their queries, if any, in writing at least 10 days in advance of the date of the meeting to the Company at its Registered Office.
4. Members / Proxies are requested to bring the attendance slip attached to the Annual Report, duly filled in, for attending the meeting.

5. **DEMATERIALIZATION OF SHARES**

This is to inform that about 54.916% of the total Equity Shares have already been dematerialized as of 31st March 2014. The Shareholders who have not dematerialised their Equity Shareholding may opt the same accordingly.

6. **REGISTRAR & SHARE TRANSFER AGENT**

M/s Bigshare Services Private Limited, E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai – 400072 have been appointed by the Company as the Registrar and Share Transfer Agent effective 31st March 2003. Therefore, Depository Participants / Shareholders / Investors of the Company are advised to send all documents / correspondence such as requests for Dematerialisation of Shares, Transfer of Shares, Change of Address, Registration of e-mail id, Change of Bank Mandate / NECS and other Shares related documents to M/s Bigshare Services Private Limited at the above mentioned address only.

7. **CHANGE OF INFORMATION / BANK MANDATE**

The Members / Shareholders holding Equity Shares in physical form are requested to notify / update any Change in their Address, Bank Mandate e.g. Name of Bank, Branch Address, Account Number and MICR / IFS Code to the Registrar and Share Transfer Agent and / or the Company or to their respective Depository Participants (DP), if the Shares are held in Demat mode.

8. **TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND**

The dividend declared by the Company which remains unpaid / unclaimed for a period of seven (7) years is required to be transferred to the Investor Education & Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

As such, the dividend for the financial year 2005-2006 declared at Twentieth (20th) Annual General Meeting held on 28th September 2006 and remaining unpaid / unclaimed for Seven (7) years amounting to ₹ 1,592,685/- had been transferred to the credit of IEPF Account on 27th September 2013.

Further, the dividend for the financial year 2006-2007 declared at Twenty-first (21st) Annual General Meeting held on 25th September 2007 remaining unpaid / unclaimed is due for transfer to the credit of IEPF on 24th September 2014. The Members are requested to claim their unpaid / unclaimed Dividend(s), if any, declared and paid for the financial years 2007-2008, 2008-2009, 2009-2010 and 2010-2011 including for financial year 2006-2007.

Pursuant to the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 25th September 2013 (date of last Annual General Meeting) on the Company's website (www.sunflagsteel.com), as also on the Ministry of Corporate Affairs' website.

9. **GREEN INITIATIVE**

As a responsible corporate citizen, your Company welcomes and supports the 'Green Initiative' taken by the Ministry of Corporate Affairs, Government of India. We strongly urge you to support this 'Green Initiative' by opting for electronic mode of communication and making the world a cleaner, greener and healthier place to live.

The members who have not registered their e-mail address, so far, are requested to register their e-mail address with the Company, Registrar and Share Transfer Agent or Depository Participant (DP), as the case may be.

10. E-VOTING

In compliance with provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (though non-mandatory till 31st December 2014 pursuant to MCA Circular No. 20/2014 Dated 17th June 2014) and Clause 35B of the Listing Agreement (mandatory for all listed companies), the Company is pleased to provide its Members facility to exercise their right to vote at the Annual General Meeting by electronic means and the business may be transacted through e-voting services provided by the Central Depository Services (India) Limited (CDSL).

The instructions for members for voting electronically are as under :

The e-voting period begins on **Friday, the 19th September 2014 at 09:00 Hrs.** and ends on **Saturday, the 20th September 2014 at 18:00 Hrs.** During this period Shareholders' of the Company, holding Equity Shares either in physical form or in dematerialised (demat) form, as on the record date of **Saturday, the 6th September 2014**, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

l) In case of members receiving e-mail :

- a) Log on to the e-voting website <https://www.evotingindia.com>
- b) Click on "Shareholders" tab.
- c) Now Enter your User ID
 - i) For CDSL: 16 digits beneficiary ID,
 - ii) For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - iii) Members holding shares in Physical Form should enter Folio Number registered with the Company.
- d) Next enter the Image Verification as displayed and Click on Login.
- e) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any Company, then your existing password is to be used.
- f) If you are a first time user, then follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
PAN *	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> Members who have not updated their PAN with the Company / Depository Participant are requested to use the first two letters of their name and the last 8 digits of the demat account / folio number in the PAN field. In case the folio number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with folio number 100 then enter RA00000100 in the PAN field.
DOB #	Enter the Date of Birth as recorded in your demat account or in the Company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details #	Enter the Dividend Bank Details as recorded in your demat account or in the Company records for the said demat account or folio.
Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or Company, please enter the number of shares held by you as on the cut off date in the Dividend Bank details field.	

- g) After entering these details appropriately, click on "SUBMIT" tab.
- h) Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- i) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- j) Click on the EVSN for "**Sunflag Iron and Steel Company Limited**" to vote.
- k) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- l) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- m) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- n) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

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- o) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- p) If Demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- q) Note for Non-individual Shareholders and Custodians
- Non-individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to <https://www.evotingindia.co.in> and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity to should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details they have to create a compliance user using the admin login and password. The Compliance user would be able to link the account(s) which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- II) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.co.in under help section or write an email to helpdesk.evoting@cdslindia.com or **Toll-free No. 1800 200 5533**.
- III) **In case of members receiving the physical copy :**
- Please follow all steps from Point (a) to Point (q) above to cast vote.
- IV) The Board of Directors has appointed Pinkush Jaiswal & Associates, Company Secretary in Practice as a Scrutinizer to process the e-voting and submit a report to the Chairman.
- V) CS Pranab Panigrahi, Company Secretary of the Company shall be responsible for addressing all the grievances in relation to this Annual General Meeting including e-voting.
- VI) The Notice of the Annual General Meeting will be sent to all the Members, whose names appear in the Register of Members as on record date i. e. Saturday, the 6th September 2014 through Post / Courier and also by E-Mail, wherever registered. The Members may also download a copy of the Notice from the Website of the Company (www.sunflagsteel.com).
- VII) The Members of the Company, holding Equity Shares either in physical form or in dematerialized (demat) form as on Saturday, the 6th September 2014 and not casting their vote electronically, may only cast their vote at the Annual General Meeting. The voting rights of shareholders shall be in proportion to their shareholding of paid-up share capital of the Company as on Saturday, the 6th September 2014.
- VIII) Kindly note that the shareholders can opt only one mode of voting i.e. either by e-voting or physical mode. If you are opting for e-voting, then do not vote by physically also. However, in case shareholder cast their vote through e-voting as well as physically, then voting done through e-voting will prevail.
- IX) The results of voting shall be declared within seven (7) days of the Annual General Meeting. The results of voting so declared along with the Scrutinizer's Report shall be placed on the Company's Website (www.sunflagsteel.com), CDSL Website and shall also be communicated to the Stock Exchanges (BSE & NSE).
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EXPLANATORY STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013

ITEM NOS. 5, 6 & 7 :

Dr. ERC Shekar, Mr. S Gajendran and CA Jayesh M Parmar are the Non-executive, Independent Directors of the Company.

Dr. ERC Shekar, Mr. S Gajendran and CA Jayesh M Parmar are not disqualified from being appointed as Directors in terms of Section 164 of the Companies Act, 2013 and have given their consent to act as Directors of the Company.

The Company has also received declarations from Dr. ERC Shekar, Mr. S Gajendran and CA Jayesh M Parmar that they meet with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013 and under the provisions of the Listing Agreement/s.

The Company has received notice in writing from a member along with the deposit of requisite amount under Section 160 of the Companies Act, 2013 proposing the candidatures of each of Dr. ERC Shekar, Mr. S Gajendran and CA Jayesh M Parmar for the office of the Director of the Company.

In the opinion of the Board, Dr. ERC Shekar, Mr. S Gajendran and CA Jayesh M Parmar fulfill the conditions for appointment as Non-executive, Independent Directors as specified in the Act and the Listing Agreement/s. The brief profile/s of the Director/s is given in the Annex to Directors Report and forms part of the Notice.

It is proposed to appoint Dr. ERC Shekar, Mr. S Gajendran and CA Jayesh M Parmar as Non-executive, Independent Directors under Section 149, 152 of the Act and provisions of the Listing Agreement/s, to hold the office for a fixed term of consecutive three (3) years, i.e. from the conclusion of 28th Annual General Meeting up to the conclusion of 31st Annual General Meeting of the Company in the calendar year 2017.

Copy of the draft letter for respective appointments of Dr. ERC Shekar, Mr. S Gajendran and CA Jayesh M Parmar as Non-executive, Independent Directors setting out the terms and conditions are available for inspection by members at the Registered Office of the Company.

Dr. ERC Shekar, Mr. S Gajendran and CA Jayesh M Parmar may be deemed to be interested in the Resolutions set out respectively at Item No. 5, 6 and 7 of the Notice with regard to their respective appointments.

Except the above, none of the Directors, Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in these Resolutions.

ITEM NO. 8 :

The Board of Directors at their meeting held on 5th August 2014, based on the recommendation of Nomination and Remuneration Committee, has considered and approved the appointment of Mr. Kumar Jitendra Singh as an Additional Director (Non-executive, Independent) of the Company effective 5th August 2014 to hold the office till the conclusion of ensuing Annual General Meeting.

Mr. Kumar Jitendra Singh is not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013 and has given consent to act as a Director of the Company.

The Company has received a notice in writing from a member along with the deposit of requisite amount under Section 160 of the Act proposing the candidature of Mr. Kumar Jitendra Singh for the office of the Director of the Company. The brief profile of Mr. Kumar Jitendra Singh is given in the Annex to Directors Report and forms part of the Notice.

It is proposed to appoint Mr. Kumar Jitendra Singh as a Non-executive, Independent Director under Section 149, 152 of the Act and provisions of the Listing Agreement/s to hold the office for a fixed term of consecutive three (3) years i.e. from the conclusion of 28th Annual General Meeting up to the conclusion of 31st Annual General Meeting of the Company in the calendar year 2017.

Mr. Kumar Jitendra Singh may be deemed to be interested in the Resolution set out at Item No. 8 of the Notice with regard to his appointment as a Non-executive, Independent Director of the Company .

Except the above, none of the Directors, Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in this Resolution.

ITEM NOS. 9, 10 & 11 :

The Members will recall the appointment including re-appointment of, terms and conditions including payment of remuneration to, Mr. Ravi Bhushan Bhardwaj (Vice-Chairman & Managing Director), Mr. Pranav Bhardwaj (Joint Managing Director) and Mr. Surendra Kumar Gupta (Whole-time Director designated as Director & CEO), as to their respective office/s were duly approved by the Members by ordinary resolutions at the Twenty-second (22nd), Twenty-fourth (24th) and Twenty-sixth (26th) Annual General Meeting/s held on 23rd September 2008, 23rd September 2010 and 25th September 2012, respectively and by special resolutions at the Twenty-seventh (27th) Annual General Meeting held on 25th September 2013, pursuant to the provisions of Section 198, 269, 309, 310 & 311 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Act.

The Board of Directors at its meeting held on 21st May 2014 has, according to the recommendations / approval of Remuneration Committee, approved the aforesaid resolution/s and accordingly, the same were recommended for approval by the Members of the Company, subject to approval of the Central Government.

The details of existing remuneration payable as minimum remuneration and waiver of excess remuneration paid during the financial year 2013-2014, subject to the approval of the Central Government, to the concerned managerial personnel of the Company, in the event of inadequacy of profits, are as follows :

Mr. Ravi Bhushan Bhardwaj (Vice-Chairman & Managing Director)

Basic Salary : ₹ 480,000/- (₹ Four lacs eighty thousand) per month, with suitable annual increase as may be decided by the Committee/ Board from time to time.

Commission : @2% of Net Profits of the Company as computed in accordance with the provisions of the Act.

Perquisites : Rent free furnished accommodation with all facilities and amenities or fixed House rent allowance of ₹ 250,000/- (₹ Two Lacs Fifty Thousand) per month, reimbursement of all medical expenses / medical allowance, subscription to two clubs, personal insurance, use of car with driver, telephone at residence, contributions to the provident fund, leave travel concessions, leave encashment, gratuity and other retirement benefits, reimbursement of business expenses, and all other benefits / allowances as per rules of the Company.

Explanation : For the purpose of calculation of perquisites, in absence of anything to the contrary, the rules of the Company governing the employment of the Company will be applicable.

Minimum Remuneration : In the event of loss or absence / inadequacy of profits in any financial year, Mr. Ravi Bhushan Bhardwaj will be paid the remuneration as above as minimum remuneration subject to the provisions of Schedule XIII of the Companies Act, 1956 and/or Schedule V to the Companies Act, 2013 (whichever is applicable) and/or subject to the approval of the Central Government, if necessary.

Mr. Pranav Bhardwaj (Joint Managing Director)

Basic Salary : ₹ 420,000/- (₹ Four lacs twenty thousand) per month, with suitable annual increase as may be decided by the Committee/ Board from time to time.

Commission : @2% of Net Profits of the Company as computed in accordance with the provisions of the Act.

Perquisites : Rent free furnished accommodation with all facilities and amenities or fixed House rent allowance of ₹ 200,000/- (₹ Two Lacs) per month, reimbursement of all medical expenses / medical allowance, subscription to two clubs, personal insurance, use of car with driver, telephone at residence, contributions to the provident fund, superannuation and annuity fund, leave travel concessions, leave encashment, gratuity and other retirement benefits, reimbursement of business expenses, and all other benefits / allowances as per rules of the Company.

Explanation : For the purpose of calculation of perquisites, in absence of anything to the contrary, the rules of the Company governing the employment of the Company will be applicable.

Minimum Remuneration : In the event of loss or absence / inadequacy of profits in any financial year, Mr. Pranav Bhardwaj will be paid the remuneration as above as minimum remuneration subject to the provisions of Schedule XIII of the Companies Act, 1956 and / or Schedule V to the Companies Act, 2013 (whichever is applicable) and/or subject to the approval of the Central Government, if necessary.

Mr. Surendra Kumar Gupta (Whole-time Director, designated as Director & CEO)

Basic Salary : ₹ 260,000/- (₹ Two lacs sixty thousand) per month, with suitable annual increase as may be decided by the Committee/ Board from time to time.

Perquisites and benefits : As per the Company rules as applicable from time to time.

Minimum Remuneration : In the event of loss or absence / inadequacy of profits in any financial year, Mr. Surendra Kumar Gupta will be paid the remuneration as above as minimum remuneration subject to the provisions of Schedule XIII of the Companies Act, 1956 and/ or Schedule V to the Companies Act, 2013 (whichever is applicable) and/or subject to the approval of the Central Government, if necessary.

INFORMATION IN TERMS OF SCHEDULE XIII TO THE COMPANIES ACT, 1956**I. GENERAL INFORMATION**

- Nature of Industry :** The Company is having a 'state of the art' integrated Steel Plant to manufacture high quality Special Steel Rolled products with manufacturing facilities like Sponge Iron Plant, Mini Blast Furnace, Sinter Plant, Captive Power Plant and Blooming Mill.
- Date or expected date of commencement of commercial production :** Existing Company, Incorporated on 12th September 1984 and commenced commercial operations in the year 1988.
- In case of new Companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus :** Existing Company, Hence Not Applicable
- Financial performance based on given indicators :**

Amount in ₹ Lacs

Particulars	For the Financial Year		
	2013-2014	2012-2013	2011-2012
Net Sales / Income from operations	158,542	156,931	161,818
Other Income	548	782	528
Total Expenditure	143,841	145,085	149,782
Finance Costs	7,299	8,233	5,305
Depreciation	6,118	5,645	4,244
Tax Expenses	(336)	0	1,078
Net Profit / (Loss)	2,168	(1,250)	1,937

- Foreign Investments or Collaborators, if any :** NIL, Hence Not Applicable

II. INFORMATION ABOUT THE APPOINTEE**A. Mr. Ravi Bhushan Bhardwaj (Vice-Chairman & Managing Director)**

- Background details :** Mr. Ravi Bhushan Bhardwaj (aged about 71 years) hails from a renowned family of industrialists and an industrial entrepreneur himself. He has over forty-nine (49) years of experience in various industries and particularly, Steel and Textile industry. He is associated with the Company since its inception and working as the Vice-Chairman & Managing Director since year 1998.

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- 2 **Past remuneration** : Basic Salary of ₹ 480,000/- (₹ Four lacs eighty thousand) per month plus Commission @2% of net profits and Perquisites as more specifically described in the explanatory statement.
 - 3 **Recognition or awards** : Not Applicable
 - 4 **Job profile and his suitability** : Subject to the superintendence, control and direction of the Board of Directors, Mr. Ravi Bhushan Bhardwaj is in overall in-charge of running the business affairs of the Company including finance, commercial, technical, legal, liaison with the Investors and Corporate Affairs of the Company. As a Vice-Chairman & Managing Director, he has successfully led the Company by his unstinted efforts and wide contributions which resulted into a turnaround overall performance. The Company has made tremendous growth under his leadership.
 - 5 **Remuneration proposed** : Basic Salary of ₹ 480,000/- (₹ Four lacs eighty thousand) per month plus Commission @2% of net profits and Perquisites as more specifically described in the explanatory statement.
 - 6 **Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w. r. t. the country of his origin)** : The proposed remuneration is comparable with the remuneration drawn by the peers and is necessitated due to complexities of business.
 - 7 **Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any** : Mr. Ravi Bhushan Bhardwaj is a part of Promoter and Promoter Group, holding 700,000 equity shares constituting 0.43% of the paid-up capital of the Company. Apart from receiving remuneration as stated above and dividend as a member of the Company, he does not receive any emoluments from the Company. Except Mr. P. B. Bhardwaj, Non-executive Chairman and Mr. Pranav Bhardwaj, Joint Managing Director, no other managerial personnel / director have any relationship with Mr. Ravi Bhushan Bhardwaj.
- B. Mr. Pranav Bhardwaj (Joint Managing Director)**
- 1 **Background details** : Mr. Pranav Bhardwaj (aged about 40 years) hails from a renowned family of industrialists and an industrial entrepreneur himself. He is a dynamic new generation industrialist. He has graduated as B. Sc. majoring in Chemistry and Business Management (Joint Honors Degree) from the world renowned Imperial College of London. He has over nineteen (19) years of experience in Steel and Textile industry. He is associated with the Company since year 1995.
 - 2 **Past remuneration** : Basic Salary of ₹ 420,000/- (₹ Four lacs twenty thousand) per month plus Commission @2% of net profits and Perquisites as more specifically described in the explanatory statement.
 - 3 **Recognition or awards** : (i) Vice-Chairman of Alloy Steel Producers of India (ASPA) since 2009; (ii) Managing Committee Member of The Associated Chamber of Commerce & Industry of India (ASSOCHEM) during the period 2009-2010.
 - 4 **Job profile and his suitability** : Subject to the superintendence, control and direction of the Board of Directors, Mr. Pranav Bhardwaj is in overall in-charge of running the business affairs of the Company including production, planning and control, maintenance and service, quality control, purchase, marketing, customer satisfaction and human resource management. He is instrumental in product development and export sales. The Company has made tremendous growth under his leadership.
 - 5 **Remuneration proposed** : Basic Salary of ₹ 420,000/- (₹ Four Lacs Twenty Thousand) per month plus Commission @2% of net profits and Perquisites as more specifically described in the explanatory statement.
 - 6 **Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w. r. t. the country of his origin)** : The proposed remuneration is comparable with the remuneration drawn by the peers and is necessitated due to complexities of business.
 - 7 **Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any** : Mr. Pranav Bhardwaj is a part of Promoter and Promoter Group, holding 912,140 equity shares constituting 0.56% of the paid-up capital of the Company. Apart from receiving remuneration as stated above and dividend as a member of the Company, he does not receive any emoluments from the Company. Except Mr. P. B. Bhardwaj, Non-executive Chairman and Mr. Ravi Bhushan Bhardwaj, Vice-Chairman & Managing Director, no other managerial personnel / director have any relationship with Mr. Pranav Bhardwaj.
- C. Mr. Surendra Kumar Gupta (Whole-time Director, designated as Director & CEO)**
- 1 **Background details** : Mr. Surendra Kumar Gupta (aged about 66 years), qualified as B. E. (Mechanical) & holding Diploma in Business Management, working with the Company since Year 1992, having more than 36 years of overall experience in Steel and steel making industry. Earlier to Sunflag Steel, he was associated with Frontier Springs Limited, Coventry Springs Limited, Aravali Scooters and Instrumentation Limited and has held / handled various responsibilities and positions.
 - 2 **Past remuneration** : Basic Salary of ₹ 260,000/- (₹ Two Lacs Sixty Thousand) per month and Perquisites / benefits, as per the Company rules as applicable from time to time and more specifically described in the explanatory statement.
 - 3 **Recognition or awards** : Not Applicable
 - 4 **Job profile and his suitability** : Mr. Surendra Kumar Gupta is presently looking after and responsible for the overall operations of the Company's Steel Plant at Warthi, Bhandara Road in the state of Maharashtra and also various Mining activities of the Company. Mr. Surendra Kumar Gupta has the requisite qualification, experience and expertise suitable for the present position.
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- 5 **Remuneration proposed** : Basic Salary of ₹ 260,000/- (₹ Two Lacs Sixty Thousand) per month and Perquisites / benefits, as per the Company rules as applicable from time to time and more specifically described in the explanatory statement.
 - 6 **Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w. r. t. the country of his origin)** : The proposed remuneration is comparable with the remuneration drawn by the peers and is necessitated due to complexities of business.
 - 7 **Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any** : Mr. Surendra Kumar Gupta, holding 9,650 equity shares constituting 0.006% of the paid-up capital of the Company. Apart from receiving remuneration as stated above and dividend as a member of the Company, he does not receive any emoluments from the Company. None of the managerial personnel / director have any relationship with Mr. Surendra Kumar Gupta.

III. OTHER INFORMATION

- 1 **Reason for inadequate profits during financial year 2013-2014** : **SUNFLAG STEEL** manufacture special steel rolled products and mainly catering to the Automobile industry. During the year 2013-2014, the automobile industry continued to remain sluggish owing to high interest rates and spiraling cost of fuel. This coupled with the general slowdown in domestic as well export market has resulted in squeeze of profit margin.

Further availability of major raw material viz. Iron ore, Coke and coal and increasing power and fuel cost has been our concern throughout the year. Also as a result of entry of large integrated players in the weak demand market has affected the performance of most of the small and medium sized steel units.

With a view to expand our market base, Sunflag has commissioned Blooming Mill to cater to heavy vehicle segment in Auto industry. The project was commissioned in April, 2012. But, new product development efforts have been marred by instability in long term supply contracts in view of cyclical demand. This has reduced risk bearing capacity of the Alloy steel manufacture in general. Sunflag is not an exception to this scenario.

Also, as a result of low demand, the Company could not operate the plant at its maximum capacity and servicing of interest and cost of depreciation has become burden on bottom line.

- 2 **Steps taken or proposed to be taken for improvements** : During the first quarter of the current year viz. 2014-2015 the Company has seen developments / improvements in Automobile market demand. Sunflag has posted profit before tax of ₹ 9.83 Crores during the first quarter of current year compared to ₹ 4.00 Crores in the corresponding quarter in 2013-2014. Further, Sunflag has initiated for installation of certain balancing equipment to improve quality to ensure more orders from OEMs of critical auto component, where the company can expect higher profit margin. The Company has already started getting more orders as compared to previous year from our customers.
- 3 **Expected increase in productivity and profits in measurable terms** : It is difficult at this stage to quantify the effect of the measures taken / being taken by the Company to improve the overall performance in financial terms – productivity and profits of the Company. The steel industry is cyclical and swift changes in demand-supply dis-equilibrium cause volatile changes. The Company's new projects will add new grades, wider product range, value additions, more competitive products and also venturing into the self dependency of raw material will help in achieving economy in the cost of production. As such, efforts will continue to be made to recover as much of the adverse impact from the market to the extent practicable.

IV. DISCLOSURES

- 1 **The shareholders of the Company shall be informed of the remuneration package of the managerial person** : More specific disclosures made in the explanatory statement as well as Corporate Governance Report, which form part of the Annual Report of the Company.
- 2 **The following disclosures shall be mentioned in the Board of Director's Report under the heading "Corporate Governance", if any attached to the Annual Report** :
 - i. **All elements of remuneration package such as salary, benefits, bonuses, stock options, pension etc. of all the directors**
 - ii. **Details of fixed component and performance linked incentives along with the performance criteria**
 - iii. **Service contracts, notice period, severance fees**
 - iv. **Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable.**

The requisite details / disclosures as required under the Companies Act, 1956, as well as Companies Act, 2013 (wherever applicable) and Listing Agreement are provided under the Corporate Governance Report, which form part of the Annual Report of the Company. The Company pays remuneration to its managerial personnel/s in the form of basic salary, commission @2% of net profits to Vice-Chairman & Managing Director and Joint Managing Director and perquisites as more specifically described in explanatory statement as well as Corporate Governance Report, which form part of the Annual Report of the Company. The Company neither pays any performance linked incentives, nor have any specific service contract, notice period and severance fees nor stock options have been granted to any of the directors / employees of the Company.

This explanatory statement may be treated as an abstract of terms of appointment / re-appointment including payment of remuneration between the Company and Mr. Ravi Bhushan Bhardwaj, Mr. Pranav Bhardwaj and Mr. Surendra Kumar Gupta, respectively pursuant to Section 302 of the Companies Act, 1956.

Mr. Ravi Bhushan Bhardwaj, Mr. Pranav Bhardwaj and Mr. Surendra Kumar Gupta (being the appointee and/or beneficiary) and Mr. P. B. Bhardwaj (being the relative), may be deemed to be concerned or interested in the aforesaid resolution/s. None of the other Directors, Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the aforesaid resolution/s.

Item No. 12 & 13

Pursuant to Section 180 and other applicable provisions, if any, of the Companies Act, 2013, the Board of Directors of the Company cannot, except with the consent of the members in General Meeting, borrow moneys (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) in excess of the aggregate of paid-up Capital and the free Reserves of the Company, that is to say, reserves not set apart for any specific purpose.

In order to finance the capital expenditure for the Company's ongoing and upcoming projects, it is expected to borrow from Banks substantial sum or sums of moneys, the aggregate of which is expected to exceed the requisite limits.

In view of above, the approval of the members of the Company is being sought as Special Resolution under Section 180 of the Companies Act, 2013 to authorise the Board of Directors to borrow moneys to the extent of ₹ 1,000 Crores (₹ One Thousand Crores) excluding temporary loans.

The aforesaid borrowings by the Company are required to be secured by creating legal / equitable mortgages / hypothecations / charges on all or part of the undertakings including movables and immovable properties of the Company and assets of all kinds, both present and future, in favour of the various Bank/s etc as set out in the said Resolution.

It is, therefore, necessary for the members to pass the Special Resolution under Section 180 of the Companies Act, 2013 before creation of any such mortgage, hypothecation or charge on the properties of the Company, and for that purpose, to authorise the Board of Directors of the Company.

Save as above, none of the Directors, Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the said Resolutions. The Board of Directors of the Company recommends the acceptance of the aforesaid Special Resolutions by the members in the interest of the Company.

Item No. 14

On recommendations of the Audit Committee, the Board of Directors of the Company at its meeting held on 21st May 2014 appointed M/s G R Paliwal & Company, Cost Accountant, Nagpur as the Cost Auditors of the Company for the financial year 2014 - 2015 to audit cost records of the Company at a remuneration of ₹ 150,000 (₹ One Lac Fifty Thousand Only) plus service tax as applicable and reimbursement of actual out of pocket expenses.

Pursuant to Section 148(3) of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014, the remuneration as recommended by the Board of Directors, is required to be subsequently fixed by the shareholders / members of the Company.

None of the Directors, Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the said Resolution. The Board of Directors of the Company recommends the resolution for ratification of the members in the interest of the Company.

Item No. 15

The Company has executed Share Subscription Agreement with Daido Steel Co. Ltd., Japan (Daido) for issue and allotment of 1,80,21,945 equity shares on preferential basis, which is ten percent (10%) of post issue share capital of the Company. The share holding of Daido shall be maintained as minimum ten percent (10%) of post issue share capital of the Company at any point of time.

Since, the existing provisions 12(2) of Articles of Association does not permit this condition, the Company needs to amend the provisions of Article 12(2) of the Articles of Association in pursuance to the Companies Act, 2013.

Accordingly, the Board of Directors have recommended to the members for their approval, the amendment to the Articles of Association of the Company by inserting a clause for pre-emption right in favour of Daido.

Persuant to the provisions of the Companies Act, 2013, an amendment to Articles of Association of the Company requires the approval of the members by way of special resolution.

None of the Directors, Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the said Resolution. The Board of Directors of the Company recommends the acceptance of the aforesaid special resolution by the members in the interest of the Company.

By Order of the Board

Nagpur
5th August 2014

CS Pranab Panigrahi
Company Secretary

DIRECTORS' REPORT

To

The Shareholders,

The Board of Directors hereby present the 28th Annual Report together with the Audited Financial Statements for the year ended 31st March 2014. During the year under review, the Steel Industry as well as Automobile and Auto component sectors continued to remain in the market with sluggish demand. Further, the high input costs have adversely affected the profitability resulting into lesser margin. However, with the continuous efforts by the Company's Management towards strict cost reduction and better financial / working capital management, has helped to improve its overall performance in order to survive in the difficult market conditions.

1. FINANCIAL RESULTS

Summarised financial results for the year are as follows :

(₹ in Lacs)

Sr. No.	Particulars	For the financial year ended	
		31 st March 2014	31 st March 2013
a)	Total Income	159,090	157,713
b)	Total Expenditure	143,841	145,085
c)	Gross Profit	15,249	12,628
d)	Finance Cost	7,299	8,233
e)	Profit before Depreciation	7,950	4,395
f)	Depreciation	6,118	5,645
g)	Profit / (Loss) before Tax	1,832	(1,250)

2. FINANCE

Your Company has ended the financial year with a profit after tax of ₹ 2,168 Lacs. After taking into account the brought forward profit of ₹ 31,681 Lacs, your Company has carried forward an amount of ₹ 33,849 Lacs.

3. DIVIDEND

The Company is in need of more funds through internal accruals to cope with the terms and conditions of the lending banks financing ongoing capital projects under expansion programmes, which will enable future growth of the Company. As such, Board of Directors do not recommend Dividend on the Equity Shares of the Company for the Financial Year 2013-2014.

4. MARKET SCENARIO

During the year under review, no substantial increase of demand was seen in Automobile and Auto Component Industries. The profitability of the steel industry have been affected due to high input cost of basic raw materials viz Iron Ore and Coal and also due to Government policies on these basic raw materials. However, **SUNFLAG STEEL** is continuing to develop new high value grades of alloy steel to cater the needs of other domestic as well as international markets than its present market. The current market scenario is expected to be favorable to Steel Industries after slow down in the previous year/s.

5. OPERATIONS

i. During the financial year under review :

- The total production for Direct Reduction Plant (I + II) was 114,026 MT as against 118,030 MT of the previous financial year.
 - The total production of 296,702 MT in Steel Melt Shop as against 269,152 MT of the previous financial year.
 - The total production of Rolled products was 296,564 MT as against 273,019 MT of the previous financial year.
 - The total production of Mini Hot Metal / Pig Iron was 219,980 MT as against 193,200 MT of the previous financial year.
 - The total production of Sinter Plant was 339,301 MT as against 340,389 MT of the previous financial year.
- The power plant generated 1,573.13 Lacs kWh as compared to 1,601.03 Lacs kWh of the previous financial year.
 - The total coal production at Belgaon Coal Block is 148,000 as against 248,350 MT of the previous financial year.

6. PROJECTS**Project under Construction :**

The Company has undertaken to commission Online Inspection system. The project consists of Ultrasonic Testing Machine and Roll Straighteners together with hot rolled black bar handling equipment. This facility is proposed to be installed at finished product unit to verify the material for defect free. This will eliminate the customer rejections on quality issues. Also, **SUNFLAG STEEL** will continue to retain major auto giants.

Subsidiary Companies :

Sunflag Power Limited : Requisite approvals are being sought for the implementation of Hydro Power Project at Hanol Tuini in the state of Uttarakhand.

Sunflag Special Steels Limited : The management is exploring the business opportunities for the Company.

Khappa Coal Company Private Limited : The Ministry of Coal, Government of India pursuant to its order bearing no. 13016/56/2008-CA-I dated 6th January 2014, conveyed its decision to de-allocate the Khappa & Extension Coal Block in the State of Maharashtra.

Sunflag Iron and Steel Company Limited, thereafter filed a writ petition before the High Court of Judicature at Bombay, Nagpur Bench against the order of de-allocation. The High Court, through an order dated 24th January 2014, has granted an ad-interim relief that "no coercive steps be taken against the petitioner".

Joint Venture Companies (JVC) :

Madanpur (North) Coal Company Private Limited : The Ministry of Coal, Government of India, pursuant to its order bearing no. 13016/76/2006-CA-I (Part-I) dated 17th February 2014, conveyed its decision to de-allocate the Madanpur (North) Coal Block in the State of Chhattisgarh.

Madanpur (North) Coal Company Private Limited, thereafter filed a writ petition against the order of de-allocation before Delhi High Court at New Delhi. The High Court of Delhi has passed an interim order dated 17th February 2014 directing that "since the coal block is stated to have been de-allocated by the Government, the respondent shall maintain *status quo* till the next date of hearing and no further steps shall be taken by the Government to re-allocate the coal block nor shall any third party interest be created therein till further orders".

C T Mining Private Limited : The Ministry of Coal, Government of India, pursuant to its order bearing no. 38011/4/2006-CA-I dated 22nd November 2012, conveyed its decision to de-allocate the Choritand-Taliya Coal Block in the State of Jharkhand.

Sunflag Iron and Steel Company Limited, thereafter filed a writ petition against the order of de-allocation before the High Court of Jharkhand at Ranchi. The High Court of Jharkhand has passed an interim order in 12th December 2012 that "no coercive steps be taken against the petitioners pursuant to the impugned order".

Gujarat State Mining and Resources Corporation Limited : In absence of allocation of coal block to the JVC, the proposed integrated coke oven project in the state of Gujarat is under active consideration of the Management.

7. DEMATERIALISATION OF SHARES

As on 31st March 2014, there were approximately 891 lacs equity shares dematerialised through depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited, which represents about **54.916%** of the total paid-up capital of the Company.

8. LISTING OF SHARES

The equity shares of your Company continued to be listed with / traded on the Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE). The listing fees have been paid to both Stock Exchanges (BSE & NSE) for the financial year 2013-2014.

9. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to energy conservation, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annex to this report.

10. SUBSIDIARY COMPANIES

In pursuance of general circular issued by the Ministry of Corporate Affairs, Government of India and on compliance of terms and condition for availing the general exemption U/s. 212(8) of the Companies Act, 1956, the audited Financial Statements of the subsidiary companies are not attached with the annual report of the Company. The audited Financial Statements of these subsidiary companies are available for inspection at the Registered Office of the Company. Any shareholder interested in obtaining a copy of accounts of subsidiary company may write to the Company Secretary of the Company.

11. DIRECTORS

- i. IDBI Bank Limited has withdrawn nomination of Mr. B.W. Ramteke from the Board and instead appointed Mr. Sonam Bodh (Deputy General Manager-CBG, IDBI Bank Limited, Mumbai), effective 24th October 2013. The Board places on record its appreciation for Mr. B.W. Ramteke's valuable services and wide contributions made during his tenure of Directorship of the Company.
- ii. Pursuant to Section 152 of Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014, Mr. P.B. Bhardwaj, Non-executive Chairman retire by rotation and, being eligible, offered himself for re-appointment.
- iii. Pursuant to Section 152 of Companies Act, 2013, read with Companies (Appointment and Qualification of Directors) Rules, 2014, Mr. Ravi Bhushan Bhardwaj, Vice-Chairman and Managing Director retire by rotation and, being eligible, offered himself for re-appointment.
- iv. Pursuant to Section 149, 152, Schedule IV of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and pursuant to Listing Agreement/s, Dr. E R C Shekar, Mr. S Gajendran and CA Jayesh M Parmar, Non-executive, Independent Directors, in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing their candidature for office of the Director have been recommended for appointment as Non-executive, Independent Director for a fixed term of consecutive three (3) years i.e. from the conclusion of 28th Annual General Meeting up to the conclusion of 31st Annual General Meeting of the Company in the calendar year 2017.
- v. Pursuant to Section 149, 152, Schedule IV of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and pursuant to Listing Agreement/s, Mr Kumar Jitendra Singh has been appointed as an Additional

Director (Non-executive, Independent) of the Company effective 5th August 2014 and his term is expiring at the conclusion of ensuing Annual General Meeting. The Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for office of the Director have been recommended for appointment as Non-executive, Independent Director for a fixed term of consecutive three (3) years i.e. from the conclusion of 28th Annual General Meeting up to the conclusion of 31st Annual General Meeting of the Company in the calendar year 2017.

- vi. Subject to approval of the Central Government, the Board of Directors recommends for approval of the Members, payment of remuneration over and above minimum remuneration as provided under Schedule XIII to the Companies Act, 1956 and waiver of excess remuneration paid during the financial year 2013-2014 to the managerial personnel/s of the Company.
- vii. Except the above, there is no change in the composition of Board of Directors during the period under review.

12. INDUSTRIAL RELATIONS

During the year under review, industrial relations remained cordial. Employees' competencies and skills were enhanced by exposing them to several internal and external training programmes. Various measures were taken to improve motivation level of employees. Additional efforts are continued to be implemented with a view to obtain commitment and loyalty towards the organisation.

13. PERSONNEL / PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this report. However, as permitted by Section 219(1)(b)(iv) of the Companies Act, 1956, the report and accounts are being sent to all shareholders excluding the statement of particulars of employees under Section 217(2A) of the Companies Act, 1956. Any shareholder interested in obtaining a copy of this statement may write to the Company Secretary at the Registered Office of the Company.

14. TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND

The dividend declared by the Company which remains unpaid / unclaimed for a period of seven (7) years is required to be transferred to the Investor Education & Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

As such, the dividend for the financial year 2005-2006 declared at Twentieth (20th) Annual General Meeting held on 28th September 2006 and remaining unpaid / unclaimed for Seven (7) years amounting to ₹ 1,592,685/- had been transferred to the credit of IEPF Account on 27th September 2013. The members are requested to claim their unpaid / unclaimed dividends, if any.

15. AUDITOR'S REPORT

The observations made by the Auditors in their report are self-explanatory and have also been further amplified in the Notes to the Accounts.

16. AUDITORS

- i. M/s. Patel, Shah & Joshi, Chartered Accountants, Mumbai - the Statutory Auditors of the Company are eligible and recommended for re-appointment as the Statutory auditors till the conclusion of the next Annual General Meeting.

The Statutory Auditors have furnished a Certificate of their eligibility for re-appointment under Section 139 of the Companies Act, 2013 and Rules and Regulations made thereunder and are not disqualified for such appointment within the meaning of Section 139 and Section 141 of the Companies Act, 2013.

- ii. M/s. G. R. Paliwal & Company, Cost Accountants, Nagpur has been appointed by the Board of Directors of the Company on the recommendations of the Audit Committee, as the Cost Auditors of the Company for the financial year 2014-2015.

The Cost Auditors have furnished a Certificate of their eligibility for appointment pursuant to Sub-section 3(g) of Section 141 read with Sub-section (5) of Section 148 of the Companies Act, 2013, Certificate for independence and arms length relationship with the Company and are not disqualified for such appointment within the meaning of Section 141(3) of the Companies Act, 2013.

The Board recommends his remuneration to members for ratification at the 28th Annual General Meeting of the members of the Company.

17. AUDIT COMMITTEE

The Audit Committee of the Board is under Chairmanship of Dr. E. R. C. Shekar, Non-executive, Independent Director of the Company and consists of CA Jayesh Madhavji Parmar & Mr. S. Gajendran, Non-executive, Independent Directors and Mr. B. W. Ramteke (Upto 24th October 2013) and Mr. Sonam Bodh (effective 11th November 2013), Nominee Director of IDBI Bank Limited, as the Members, as a practice of good Corporate Governance.

18. CORPORATE GOVERNANCE REPORT

The Company is committed to maintain the highest standards of corporate governance and adhere to the corporate governance requirements set out by SEBI. The Company has also implemented several best corporate governance practices as prevalent globally.

Your Directors are pleased to report that your Company has complied with the SEBI Guidelines on Corporate Governance as of 31st March 2014 relating to Clause 49 of the Listing Agreement with concerned Stock Exchange(s). A Certificate from Statutory Auditors – M/s Patel, Shah & Joshi, Chartered Accountants, confirming compliance with conditions as stipulated under Clause 49 is annexed to the Corporate Governance Report.

19. CODES OF CONDUCT OF BUSINESS PRINCIPLES & ETHICS AND PREVENTION OF INSIDER TRADING

Your Directors are pleased to report that your Company has complied with the :

- i. Code of Conduct of Business Principles and Conduct; and
- ii. Prevention of Insider Trading in Sunflag securities by the designated persons / officers (insider)

20. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors confirms :

- i. that in the preparation of the Annual Financial Statements, the applicable Accounting Standards had been followed along with proper explanation, relating to material departures;
- ii. that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that financial year;
- iii. that the Directors had taken proper and sufficient care for the maintenance of adequate Accounting records in accordance with the provisions of this Act for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the Directors had prepared the Annual Financial Statements on a going concern basis.

21. ACKNOWLEDGEMENT

The Directors acknowledge with thanks co-operation and assistance received by the Company from the Members, Central & State Government and Banks. The Directors also record their appreciation of the dedication of all the employees of the Company for their support and commitment to ensure that the Company continues to grow.

For and on behalf of the Board

Nagpur

5th August 2014

Ravi Bhushan Bhardwaj

Vice-Chairman & Managing Director

**COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988
ANNEX TO THE DIRECTORS' REPORT**

CONSERVATION OF ENERGY

The following measures were taken during the year under review for conservation of energy :

- i. Installation of additional Recuperator, furnace volume reduction for optimum heat utilisation, in house modification of burner for better flame and efficiency to save fuel consumption in Blooming Mill
- ii. Installation of stand by low capacity air compressors for air usage during mill shut down in order to replace use of high capacity compressors
- iii. Optimisation of material handling system in order to reduce one shift operation.
- iv. Synchronisation of pump operation and ESP damper opening control.

FORM - A**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY****A) POWER AND FUEL CONSUMPTION (STEEL PLANT)**

S.No.	Particulars	2013-2014	2012-2013
1	Electricity purchased [Units (kWh)]	145,062,200	133,355,570
	Total Amount (₹ in lacs)	9,527	8,766
	Rate/Unit (₹ /kWh)	6.568	6.573
2	Production of Rolled Products (MT)	296,564	273,019
	Electricity purchased (kWh/MT)	489.14	488.448
3	Fuel Oil like Furnace Oil/LSHS/LDO etc. Quantity (K.Ltrs.)	12,588	15,033
	Total Amount (₹ in lacs)	5,593	5,965
	Average Rate (₹/KL)	44,434	39,680

B) CONSUMPTION PER UNIT OF PRODUCTION

S. No.	Particulars	2013-2014		2012-2013	
		DRI	STEEL	DRI	STEEL
1	Production (MT)	114,026	296,564	118,030	273,019
2	Electricity (kWh/MT)	142.86	889.83	143.22	909.90
3	Fuel (Ltr/MT)	0.474	42.26	1.23	54.53

C) DETAILS OF CAPTIVE POWER GENERATION

S.No.	Particulars	2013-2014	2012-2013
1	Production (kWh)	157,313,000	160,103,000
2	Captive Consumption (CPP)	18,603,700	18,243,720
3	Captive Consumption (Steel)	135,118,300	131,968,280
4	Wheeled back power for banking	3,591,000	9,891,000

FORM - B**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO RESEARCH & DEVELOPMENT,
TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO****A) RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

- i. New grades developed as import substitution

Benefits :

- i. To develop new customers and market, both domestic as well as international
ii. Market / Customer Development for critical auto components

Future Plan :

Installation of auto inspection line for round Bars, consisting of NDT/Ultrasonic Testing Machine

EXPENDITURE ON RESEARCH & DEVELOPMENT

S. No.	Particulars	2013-2014	2012-2013
1	Capital (₹ in lacs)	-	-
2	Recurring (₹ in lacs)	97.50	59.00
3	Total (₹ in lacs)	97.50	59.00
4	Total R & D Expenditure as a percentage of net turnover	0.061%	0.037%

B) FOREIGN EXCHANGE EARNINGS AND OUTGO

₹ in Lacs

S. No.	Particulars	2013-2014	2012-2013
1	Earnings : Export of goods	8,026	10,854
2	Out Go : a) CIF value of imports	4,491	8,372
	b) Others including Technical Services	181	227

BRIEF PROFILE OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT**Mr. P. B. Bhardwaj**

Mr. P. B. Bhardwaj, 77, Non-executive Chairman, is from the renowned Industrial family. He was instrumental in setting up the state of the art integrated Steel Plant of Sunflag Iron and Steel Company Limited at Warthi, Bhandara Road, Bhandara in the state of Maharashtra and is associated with the Company since its inception in the year 1984. He has more than 50 years of rich and varied experience in various fields of steel, textiles, knitting etc. He is Chairman of Sunflag Iron and Steel Company Limited, Haryana Television Limited and Divit Textiles (P) Limited. He does not hold any shares in Sunflag Iron and Steel Company Limited.

Mr. Ravi Bhushan Bhardwaj

Mr. Ravi Bhushan Bhardwaj, 71, hails from a renowned family of industrialists and an industrial entrepreneur himself. He has over forty-nine (49) years of experience in various industries and particularly, Steel and Textile industry. He is associated with the Company since its inception and working as the Vice-Chairman & Managing Director since year 1998.

Subject to the superintendence, control and direction of the Board of Directors, Mr. Ravi Bhushan Bhardwaj is in overall in-charge of running the business affairs of the Company including finance, commercial, technical, legal, liaison with the Investors and Corporate Affairs of the Company. As a Vice-Chairman & Managing Director, he has successfully led the Company by his unstinted efforts and wide contributions which resulted into a turnaround overall performance. The Company has made tremendous growth under his leadership.

He is holding directorship in other companies viz. Supra Corporation Limited, Sunflag Power Limited, Sunflag Special Steels Limited and Haryana Television Limited. He is holding 700,000 (0.043%) equity shares of Sunflag Iron and Steel Company Limited.

Dr. E.R.C. Shekar

Dr. E.R.C. Shekar, 82, graduated in the Metallurgical Engineering and awarded Doctorate in that field. He was Managing Director of Steel Authority of India Limited (SAIL). He has gained nearly five decades of experience in steel making and marketing. He is associated with Sunflag since 1991 as Non-executive, Independent Director. He is Chairman of the Audit Committee, Remuneration Committee and Shareholders' / Investors' Grievance Committee of the Board and also a member of Share Transfer Committee of the Board. He is holding directorship in other companies viz. Sunflag Power Limited, Sunflag Special Steels Limited, Khappa Coal Company Private Limited, Nava Bharat Ventures Limited and Synchrosys Technologies Private Limited. He is holding 2,000 (0.001%) equity shares of Sunflag Iron and Steel Company Limited.

Mr. S. Gajendran

Mr. S. Gajendran, 70, graduated from Madras University as Electrical Engineer, is a Member of Institution of Engineers. On completing his graduation, he started his career with Bharat Earth Movers Limited, Bangalore in 1969. After, he joined Tamilnadu Electricity Board in 1970 and served the Board in various capacities in rural areas and Chennai. He then joined IDBI in 1979 as Deputy Manager. He served IDBI, Chennai in various capacities and was handling projects appraisal, follow-up of industrial units. During this period, he was also associated with evaluation studies of various State Level Institutions in Southern Region. In 1992, he was transferred to Head Office where he was in-charge of select Industrial houses viz., Ispat, Essar, Lloyds, Sunflag. During this period, he had specialised in project Finance for Steel, Cement and other Infrastructure Projects. He had a unique distinction of being the leader of study team of Financial Institutions / Investment Institution to evaluate the new technology called "COREX" used for Steel making. He was also in charge of Indirect Finance Department, Administration & Premises Department and Human Resources Department as Chief General Manager during 1997-2000. During 2000-2002 he was in-charge of Southern Zonal Office Chennai (Tamilnadu, Andhra, Karnataka, Kerala and Pondicherry). Then, he was elevated as Executive Director and posted as Director in-charge of Jawaharlal Nehru Institute for Development Banking (Division of IDBI). He retired from IDBI services in year 2004.

He served as a Nominee Director of IDBI on the Boards of various assistant Industrial concerns and State owned Corporations. He was associated with Sunflag as IDBI Nominee during the period 1996 to 2000. He is now associated with Sunflag effective 16th June 2008 as Non-executive, Independent Director. Presently, he is a member of Audit Committee, Remuneration Committee and Shareholders' / Investors' Grievance Committee of the Board. He is holding directorship in other companies viz. Mynah Industries Limited, Vijay Home Appliances Limited and Metkore Alloys & Industries Limited. He does not hold any shares in Sunflag Iron and Steel Company Limited.

CA Jayesh M Parmar

CA Jayesh M Parmar, 49, a Fellow Member of the Institute of the Chartered Accountants of India (the ICAI), in Practice as a Chartered Accountant, a Partner with M/s. Kanu Doshi Associates, Chartered Accountants, Mumbai since year 1993. In the course of Practice, he dealt with number of clients including corporate, manufacturing and service sector industry on various subjects like International Taxation, Acquisition and Mergers, Valuation of Business and Shares, Restructuring of Business, Due Diligence Audits, Cross border transactions, Entry level Strategy, Offshore Company formation, Government Approvals for foreign investments and having wide knowledge in Capital Market. He is a member of Audit Committee and Remuneration Committee of the Board. He is holding directorship in other companies viz. KDA Corporate Advisors Private Limited, Averina International Resorts Private Limited, Leminos Laboratories Private Limited and Radiant Bio Clinical Research Private Limited. He does not hold any shares in Sunflag Iron and Steel Company Limited.

Mr. Kumar Jitendra Singh

Mr. Kumar Jitendra Singh, 62, S/o Lt Shri C.N. Singh, is B. Sc. Engineering (Mechanical) from Bihar College of Engineering and pursued Bachelor of Law from Ranchi University. He was awarded fellowship in research from CSIR in 1976. His last position held was Chairman cum Managing Director (CMD) of MOIL Limited from 16th March 2009 to 31st October 2012 before retiring. Prior to this, he was CMD of Bharat Refractories Limited from 11th February 2005 to 15th March 2009 and General Manager with additional charge of CMD with overall in-charge of operations, productions, maintenance, finance and personnel from 1st February 2004 to 10th May 2005. He has more than 30 years of experience in varied industries such as maintenance of Steel Plant, project management / equipment procurement for steel plant, refractory industry / refractory application & management in Steel Plants, metal & mining industry etc. He has distinguished carrier, wherein he has accomplished many achievements. Mr. Singh holds Directorship in The Orissa Minerals Development Company Limited. He does not hold any shares in Sunflag Iron and Steel Company Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

Sunflag Iron and Steel Company Limited (**SUNFLAG STEEL**) had set up a 'state of the art' integrated Steel plant at Warthi, Bhandara Road to produce high quality Special Steel with manufacturing facilities like Sponge Iron Plant, Mini Blast Furnace, Sinter Plant, Captive Power Plant and Rolling Mills.

SUNFLAG STEEL has established itself as a major global force. With the modern complex pulsating with world class technology, expert human resources and a commitment to excellence, **SUNFLAG STEEL** has become a reputed supplier in Flat Bars, Round Bars, Bright Bars and Wire Rods of Alloy Steel, Spring Steel and Stainless Steel and captured better position in these market segments. **SUNFLAG STEEL** is also embarking on an export thrust and is regularly supplying to various customers in South East Asian, African, Middle East and South American countries.

Further, due to implementation of Blooming Mill, **SUNFLAG STEEL** can cater to foreign as well as indigenous customers of their needs of Rolled Products for higher sections and thus offering a better product mix. The Blooming Mill will yield better quality of higher size rolled products and Bloom / Ingots due to better compression ratio and more specifically used in the critical applications like crank shaft quality and it can be supplied to Original Equipment Manufactures (**OEM**).

GLOBAL ECONOMY

Global economic prospects have not much improved in the financial year 2013-2014 and the economy continued to remain sluggish. But, overall growth prospects for advanced economies is no better than the outcome of financial year 2012-2013.

The slowdown in the emerging market and developing economics continued during financial year 2013-2014. With consumer demand resilient, macroeconomic policy on hold, and exports reviving, most of the economies in Asia and sub-Saharan Africa and many economies in Latin America and the Commonwealth of Independent States are now seeing higher growth. However, there is expected a slight improvement in the emerging market and developing economies during financial year 2014-2015, with little bit improved consumer demand.

The economies in the Middle East and North Africa continue to struggle with difficult internal transitions. And a couple of economies in South America are facing high inflation and increasing exchange market pressure.

INDIAN ECONOMY

The subdued and sluggish industrial growth continued for the financial year 2013-2014 also due to weak domestic as well as global demand, weak supply linkages, high import costs and sluggish investment activities.

Slowdown in Indian economy is largely due to global factors, as also because of domestic factors like tightening of monetary policy, high inflation and slower investment and industrial activities.

The major points of concern during the fiscal 2013-2014 are as follows :

- Overall growth in the Index of Industrial Production (IIP) was negative 0.1 per cent in current fiscal as compared to 0.9 per cent in 2012-2013.
- There is not much improvement in growth of the core industries comprising of crude oil, petroleum refinery products, coal, electricity, cement, steel, natural gas and fertilizers and remained sluggish during the current fiscal.
- Growth in the manufacturing sector also disappointed due to high inflation.
- India Ratings & Research has said that India's Gross Domestic Product (GDP) is likely to grow at 5.6% in 2014-2015 against the projected growth of 5% in the current fiscal.

INDIAN STEEL, AUTOMOBILE AND AUTO COMPONENT INDUSTRY

In India, the Steel industry plays a significant role in the economic growth. India has acquired a central position in the global steel map with its giant steel mills, acquisition of global scale capacities players, continuous modernisation and up-gradation of old plants, improving energy efficiency and backward integration into global raw material sources. However, the subdued growth of core industries has remained a drag on industrial production, more particularly, the Policy uncertainties in area such as iron ore and coal have adversely affected the output of Steel and Power industries.

The industry has faced with stiff challenges due to rising inflationary pressures and deteriorating global growth conditions. The multiple hikes in interest rates by the central bank also impacted the industry's growth in rate sensitive key user industries.

During the year under review, no substantial increase of demand was seen in Automobile and Auto Component Industries and the Steel Industry as well as Automobile and Auto component sectors continued to remain in the market with sluggish demand. The profitability of the industry has been affected due to high input cost of basic raw materials viz Iron Ore and Coal and also due to Government policies on these basic raw materials. However, **SUNFLAG STEEL** is continuing to develop new high value grades of alloy steel to cater the needs of other domestic as well as international markets than its present market and with the continuous efforts by the Company's Management towards strict cost reduction and better financial / working capital management, has helped to improve its overall performance in order to survive in the difficult market conditions. The current market scenario is expected to be favourable to Steel Industries after slow down in the past previous year/s.

MATERIAL DEVELOPMENT

SUNFLAG STEEL was not able to maintain its profitability mainly due to marginal rise in selling prices of its products versus abnormal rise in the cost of inputs such as iron ore, pig iron and coke and largely due to overall decelerated global and Indian economic growth.

In order to achieve effective cost reduction and improvement in productivity, activity of total productive maintenance (TPM) continued to be implemented by the Company during the year under review.

OPPORTUNITIES

SUNFLAG STEEL see better opportunities in the years to come due to continuous developments of new grades of high alloy steel as well wire rod. Further, venturing into the self dependency of raw material will help in decreasing in the cost of production and enhancing the profitability. This has even proved advantageous during the recessionary period which is very good sign for the Company.

THREATS

The global slowdown as well as rising and fluctuating prices of raw materials has adversely affected the output prices thereby causing hardship to the customers. The availability of the quality raw materials viz Iron Ore, Coal, LAM Coke is the cause of concern for the industry. As such, there is no threat to other than those mentioned above.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has in place adequate internal control systems and procedures commensurate with the size and nature of business. These procedures are designed to ensure :

- a) that all assets and resources are used efficiently and are adequately protected;
- b) that all the internal policies and statutory guidelines are complied with; and
- c) the accuracy and timing of financial reports and management information is maintained.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES

Industrial relations remained cordial during the year. Employees' competencies and skills were enhanced by exposing them to several internal and external training programmes. Additional efforts continued to be implemented with a view to obtain commitment and loyalty towards the organisation.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward-looking statements' within the meaning applicable to securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include economic conditions affecting demand / supply and price conditions in the domestic and overseas markets, changes in the Government regulations, tax laws and other statutes and other incidental factors.

CORPORATE GOVERNANCE REPORT

Your Company has already implemented the Code of Corporate Governance as prescribed by SEBI in terms of amended Clause 49 of the Listing Agreement with the Stock Exchange(s). As per the amended / revised Clause 49 of Listing Agreement, your Company has approved '**SISCO Code of Business Principles and Conduct**' for Board members as well as members of Senior Management and the same are posted on the Company's website also. The Company is also following the '**SISCO Code for Prevention of Insider Trading**' as per SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended.

A - MANDATORY REQUIREMENTS

1) SUNFLAG PHILOSOPHY ON CORPORATE GOVERNANCE

The Board of Directors and Management of Sunflag Iron and Steel Company Limited commit themselves to :

- i. Strive hard towards enhancement of shareholders value through
 - sound business decisions,
 - prudent financial management, and
 - high standard of ethics throughout the organisation.
- ii. Ensure transparency and professionalism in all decisions and transactions of the Company.
- iii. Achieve excellence in Corporate Governance by
 - conforming to and exceeding wherever possible, the prevalent mandatory guidelines on Corporate Governance.
 - regularly reviewing the Board processes and management systems for further improvement.
- iv. Ensure safety, health and environment management by making it an integral part of the Company's business strategy and to actively promote awareness of safety, health and environment issues throughout the Company and to our business partners.
- v. Implement, maintain and continuously improve an environment management system.
- vi. Achieve excellence in all activities by implementing Total Productive Maintenance (TPM) with the involvement of all employees to reduce cost, increase productivity and improve quality continuously with the aim of achieving "**Zero Failure, Zero Defect and Zero Accident**".

2) BOARD OF DIRECTORS

a) **Composition** : The Board of Directors of the Company as of 31st March 2014 consisted of :

Non-Executive Directors	Executive Directors
<u>Promoter Group</u> Mr. P. B. Bhardwaj	<u>Promoter Group</u> Mr. Ravi Bhushan Bhardwaj Mr. Pranav Bhardwaj
<u>Non-Promoter Group</u> Dr. E.R.C. Shekar, Independent Mr. S. Gajendran, Independent CA Jayesh M. Parmar, Independent Mr. Sonam Bodh (Nominee - IDBI Bank Limited)	<u>Non-Promoter Group</u> Mr. Surendra Kumar Gupta

Note :

During the financial year under review, IDBI Bank Limited withdrawn nomination of Mr. B.W. Ramteke and in his place nominated Mr. Sonam Bodh, as their Nominee Director on the Board effective 24th October 2013.

[Brief Profile of the Directors seeking appointment / re-appointment is given at the end of Directors' Report]

b) Attendance at the Board Meetings; last Annual General Meeting and details of memberships of Directors in other Boards.

- Five (5) meetings of the Board were held on 18.04.2013, 30.05.2013, 03.08.2013 and 11.11.2013 and 28.01.2014 during the financial year under review.
- Last Annual General Meeting was held on 25.09.2013.

Sr. No.	Name of Director	Attendance at Board Meetings	Attendance at 26 th AGM	Membership in other Companies	Committee Membership
1	Mr. P. B. Bhardwaj	2	Yes	1	1
2	Mr. Ravi Bhardwaj	5	Yes	4	2
3	Mr. Pranav Bhardwaj	3	Yes	4	2
4	Dr. E. R. C. Shekar	5	Yes	3	4
5	Mr. B.W. Ramteke (#)	1	--	--	2
6	Mr. Sonam Bodh (#)	1	--	1	2
7	Mr. S. Gajendran	5	--	3	3
8	CA Jayesh M. Parmar	2	--	--	2
9	Mr. Surendra Kumar Gupta	4	Yes	4	2

Membership in other companies meant companies other than foreign companies and private limited companies

(#) During the financial year under review, IDBI Bank Limited withdrawn nomination of Mr. B.W. Ramteke and in his place nominated Mr. Sonam Bodh, as their Nominee Director on the Board effective 24th October 2013.

3) AUDIT COMMITTEE**a) Constitution :**

Dr. E.R.C. Shekar is the Chairman of the Committee. The terms of reference covers all aspects stipulated by the SEBI guidelines as specified in Clause 49 of the Listing Agreement with Stock Exchanges. The terms of reference also fully conform to the requirements of Section 292 A of the Companies Act, 1956.

b) The composition of the Audit Committee is as follows :

Chairman : Dr. E. R. C. Shekar, Non-executive, Independent Director

Members : Mr. S. Gajendran and CA Jayesh M. Parmar (Non-executive, Independent Directors) and Mr. B.W. Ramteke (Nominee – IDBI Bank Limited) (up to 24th October 2013); Mr. Sonam Bodh (Nominee – IDBI Bank Limited) (Effective 11th November 2013)

Secretary : CS Mukesh D. Parakh, Company Secretary

c) Meetings and Attendance :

Four (4) meetings of the Audit Committee were held on 30.05.2013, 03.08.2013, 11.11.2013 and 28.01.2014 during the financial year.

Attendance :

Name of Director	Dr. E.R.C. Shekar	Mr. B.W. Ramteke	Mr. Sonam Bodh	Mr. S. Gajendran	CA Jayesh M. Parmar
No. of Meetings Attended	4	--	--	4	2

- The Audit Committee held discussions with the Statutory Auditors on the audit of the quarterly Accounts, the yearly audit plan, matters relating to compliance of Accounting Standards & Policies, their observations arising from the Audit of the Company's Accounts and other related matters.
- The Audit Committee during their four (4) meetings reviewed with the Management and the Auditors (both external and internal) all issues which are required to be reviewed by the Audit Committee pursuant to the Listing Agreement with the Stock Exchanges as also the Companies Act, 1956. The Audit Committee has also reviewed the observations of the Internal and Statutory auditors in relation to all areas of operations of the company as also the internal control systems. The Audit Committee has also reviewed the actions taken by the Company on various observations and queries of the auditors.

4) REMUNERATION COMMITTEE**a) Remuneration Committee consists of Independent Directors viz.**

Chairman : Dr. E. R. C. Shekar, Non-executive, Independent Director.

Members : Mr. S. Gajendran and CA Jayesh M. Parmar, (Non-executive, Independent Directors) and Mr. B.W. Ramteke (Nominee – IDBI Bank Limited) (up to 24th October 2013); Mr. Sonam Bodh (Nominee – IDBI Bank Limited) (Effective 11th November 2013)

Secretary : CS Mukesh D. Parakh, Company Secretary

b) Meeting and Attendance

A meeting of Remuneration Committee was held on 30.05.2013 during the financial year.

Attendance :

Name of Director	Dr. E.R.C. Shekar	Mr. B.W. Ramteke	Mr. Sonam Bodh	Mr. S. Gajendran	CA Jayesh M. Parmar
Attendance at Meeting	Yes	--	--	Yes	--

- c) The Committee looks after appointment / re-appointment and finalisation of the annual increments payable to the Executive Directors within the prescribed limits of the Companies Act, 1956.

i. For Executive Director(s) :

The total remuneration of Executive Directors consists of :

- a fixed component – consisting of salary and perquisites; the perquisites and benefits are in line with Company's Rules.
- Commission @2% on net profits paid to each Managing Director and Joint Managing Director respectively.
- No commission is paid to Whole-time Director of the Company.

ii. For Non-Executive Director(s) :

Sitting Fees - Sitting Fees in accordance with Clause 10-B of the Companies (Central Government's General Rules & Forms) Rules 2003, @ ₹ 7,500/- and @ ₹ 3,000/- per Meeting of the Board and Committee thereof, as the case may be, respectively, have been paid together with reimbursement of actual travel and out-of-pocket expenses incurred for attending such meetings.

Commission to Non-executive Director/s :

The members at its 25th Annual General Meeting held on 23rd September 2011 has approved the payment of remuneration by way of commission @1% of the Net Profits to Non-executive Director/s or some or any of them in such amounts or proportions and in such manner and in all respects as may be decided and directed by the Board of Directors of the Company.

In turn, the Board of Directors of the Company has resolved the distribution of payment of remuneration by way of commission @1% of the Net Profits i.e. ₹ 2,096,150/- to Non-executive Director/s as follows :

Dr. E R C Shekar	: ₹ 100,000
Mr. S Gajendran	: ₹ 100,000
CA Jayesh M Parmar	: ₹ 100,000
Mr. Sonam Bodh	: ₹ 100,000 (Amount payable to IDBI Bank Limited)

and the balance amount of ₹ 1,696,150/- be payable to Mr. P.B. Bhardwaj, Non-Executive Chairman of the Company.

- d) **The Details of Sitting Fees, Remuneration and Commission paid to all the Directors during the financial year 2013-2014 are as under :**

Amount in ₹

Name	Designation	Sitting Fees	Remuneration and Commission	Commission for Financial Year 2012-13	Total Amount
Mr. P.B. Bhardwaj	Non-executive Chairman	--	--	--	--
Mr. Ravi Bhushan Bhardwaj	Vice-Chairman & Mg. Director	--	11,244,802	--	11,244,802
Mr. Pranav Bhardwaj	Joint Managing Director	--	10,720,767	--	10,720,767
Dr. E.R.C. Shekar	Non-executive, Independent Director	52,500	--	--	52,500
Mr. B.W. Ramteke *	Nominee Director (IDBI Bank)	7,500	--	--	7,500
Mr. Sonam Bodh #	Nominee Director (IDBI Bank)	7,500	--	--	7,500
Mr. S. Gajendran	Non-executive, Independent Director	52,500	--	--	52,500
CA Jayesh M Parmar	Non-executive, Independent Director	21,000	--	--	21,000
Mr. Surendra Kumar Gupta	Whole-time Director designated as Director & CEO	--	6,942,255	--	6,942,255

* Up to 24.10.2013

Effective 24.10.2013

No sitting fees paid to Non-executive Chairman and Executive Director(s) of the Company.

e) The details of proposed Commission payable to all the Directors in respect of financial year 2013 - 2014 are as under:

Name	Designation	Proposed Commission for Financial Year 2013-2014 (₹)
Mr P.B. Bhardwaj	Non-executive Chairman	1,696,150
Mr Ravi Bhushan Bhardwaj	Vice-Chairman & Managing Director	--
Mr Pranav Bhardwaj	Joint Managing Director	--
Dr E R C Shekar	Non-executive, Independent Director	100,000
Mr B W Ramteke *	Nominee Director (IDBI Bank) }	** 100,000
Mr Sonam Bodh #	Nominee Director (IDBI Bank) }	
Mr S Gajendran	Non-executive, Independent Director	100,000
CA Jayesh M Parmar	Non-executive, Independent Director	100,000
Mr Surendra Kumar Gupta	Whole-time Director designated as Director & CEO	--

* Up to 24.10.2013

Effective 24.10.2013

** Commission payable to IDBI Bank Limited

5) SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

Objective :

Especially to look after grievances of shareholders and investors Complaints like dematerialisation / rematerialisation of shares; transfer of shares, transmission of shares, non-receipt of share certificates and/or balance sheet, dividend(s) etc. and timely redressal of their grievance thereto.

- The Shareholders' / Investors' Grievance Committee is consisting of Dr. E.R.C. Shekar as Chairman with Mr. Ravi Bhushan Bhardwaj, Mr. Pranav Bhardwaj, Mr. S. Gajendran and Mr. Surendra Kumar Gupta, as the committee members while CS Mukesh D. Parakh, Secretary to the Committee.
- During the financial year, the Shareholders' / Investors' Grievance Committee had three (3) meetings and reviewed:
 - the system of handling with and responding to complaints received from the Shareholders and Investors.
 - the complaints received from Shareholders / Investors through Stock Exchanges, SEBI, Depositories viz. NSDL & CDSL and responses thereto.
- All Complaints as of 31st March 2014 have been attended to, suitably replied / resolved and redressed accordingly.
- The Securities and Exchange Board of India (SEBI) vide its Circular bearing reference No. CIR/MIRSD/8/2012 dated 5th July 2012, in view to expedite the share transfer process in the interest of investors and in consultation with Stock Exchanges, has reduced the time-line for registration of transfer of Equity Shares by the Listed Companies to fifteen (15) days.
- In view of above, Board considered and granted the authorisation (sub-delegation) to CS Mukesh D. Parakh, Company Secretary of the Company and / or CA R. Muralidhar, Executive Director (Finance) to approve all the transfer / transmission / transposition / deletion of name / rematerialisation of shares / issue of duplicate shares/ consolidation & splitting of shares and ratify dematerialisation of shares on weekly basis to comply with the directions issued by the SEBI.
- The Share Transfer Committee consists of five (5) members, viz. two (2) Non-executive Directors and three (3) Executive Directors. The Board has authorised Share Transfer Committee to ratify all the approvals of all routine transfers / transmission / rematerialisation of shares and ratifications for dematerialisation of shares carried out by the Company Secretary / Executive Director (Finance) of the Company on quarterly basis.
- As on 31st March 2014, there were no request for transfer of shares pending at the end of the quarter / year.
- As per the Clause 47(f), the Company has created a designated e-mail ID for the Investor Grievances / Complaints as investor@sunflagsteel.com. The required information has already been sent to concerned Stock Exchanges and also displayed at Company's website www.sunflagsteel.com.
- The Securities and Exchange Board of India (SEBI) vide its Circular reference CIR/MRD/DP/10/2013 dated 21st March 2013 has directed the Listed Companies for the usage of electronics modes for making cash payments to the investors and further asked to maintain the proper Bank Mandate / ECS Records of the investors. In view of this, those shareholders who have not yet furnished / updated their Bank / ECS particulars, may kindly register the same with the Company / RTA, if shares are held in physical mode and with their Depository Participant (DP), if the shares are held in demat mode.

6) GENERAL BODY MEETINGS**a) Details of last three Annual General Meetings (AGM) :**

Sr. No.	Year	Location	Date	Time
1	25 th AGM - 2011	Indian Medical Association's J. R. Shaw Auditorium, North Ambazari Road, Nagpur - 440010	23.09.2011	15:00 Hrs.
2	26 th AGM - 2012		25.09.2012	15:00 Hrs.
3	27 th AGM - 2013		25.09.2013	15:00 Hrs.

b) Some Special Resolutions were passed at the aforesaid meetings. There has been no use of Postal Ballot so far.

7) DISCLOSURES**a) Related Party Disclosures :**

Related Party	Relationship
Sunflag Power Limited Sunflag Special Steels Limited Khappa Coal Company Private Limited	Subsidiary Companies
Haryana Television Limited	Associate Enterprise
Sunflag Limited, Channel Island, UK	Enterprise which have significant influence
Mr. P. B. Bhardwaj Mr. Ravi Bhushan Bhardwaj Mr. Pranav Bhardwaj Mr. Surendra Kumar Gupta	Key Managerial Personnel (KMP)
Mr. Suhrit Bhardwaj Ridge Farm Developers Private Limited	Beneficiary to Key Managerial Personnel
Madanpur (North) Coal Company Private Limited C T Mining Private Limited Gujarat State Mining and Resources Corporation Limited	Joint Venture Companies

b) Transactions with the related parties :

Sr. No.	Particulars	Amount (₹)
a)	Subsidiary Companies : Unsecured Loan	1,200,854
b)	Associate Enterprises : Rent Paid	4,496,929
	Expenses	712,426
c)	Beneficiary : Rent Paid	2,022,480
d)	Key Managerial Personnel : Remuneration and Commission	30,603,974

c) Compliance with Regulations :

The Company has complied with the requirement of regulatory authorities on capital markets. There have been no instances of non-compliance by the Company on any matters related to the capital markets, nor have any penalty / strictures been imposed on the Company by the Stock Exchanges, SEBI or any other statutory authorities on such matters, for the last three years.

8) MEANS OF COMMUNICATION

- a) The quarterly financial results are being furnished to Stock Exchanges and published in Financial Express / Times of India in English and Maharashtra Times in Marathi. The quarterly results are also displayed on the Company's notice Board as well as uploaded on the Company's website www.sunflagsteel.com.
- b) Management Discussion and Analysis forms part of this Annual Report.

9) GENERAL SHAREHOLDER INFORMATION

a)	Twenty-eighth (28 th) Annual General Meeting	Friday, the 26 th Day of September 2014 at 3.00 P.M.
b)	Book closure dates	From Saturday, the 6 th day of September 2014 to Friday, the 26 th September 2014 (both days inclusive)
c)	Financial Calender i. Unaudited Results for the Quarter ending on 30.06.2014 ii. Unaudited Results for the Quarter ending on 30.09.2014 iii. Unaudited Results for the Quarter ending on 31.12.2014 iv. Audited Results for the Quarter / year ending on 31.03.2015	Tentative Schedule July / August 2014 October / November 2014 January / February 2015 May 2015
d)	Listing of Equity Shares For the year 2013-2014, the Company's Equity Shares were listed with two (2) Stock Exchanges viz. BSE & NSE	Bombay Stock Exchange Limited (BSE) The National Stock Exchange of India Limited (NSE)
e)	Equity Shares - Stock Codes : Trading Symbol at Stock Exchanges Demat ISI Number in NSDL & CDSIL	500404 (BSE) SUNFLAG (NSE) INE947A01014 - Sunflag Iron - Equity

f) Stock Market Data

The high and low prices recorded on the Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE) with their respective Indices are as under :

Month	Share Price of Sunflag Steel				BSE SENSEX		S & P CNX NIFTY	
	BSE		NSE					
	High (₹)	Low (₹)	High (₹)	Low (₹)	High	Low	High	Low
April 2013	22.50	19.35	23.95	19.40	19623	18114	5962	5477
May 2013	21.80	19.65	21.40	19.80	20444	19451	6229	5911
June 2013	23.10	19.75	23.70	19.80	19860	18467	6011	5566
July 2013	20.65	15.10	22.80	15.10	20351	19127	6093	5676
August 2013	19.00	14.10	19.10	14.00	19569	17449	5809	5119
September 2013	18.80	16.10	19.00	16.05	20740	18166	6143	5319
October 2013	17.70	16.10	17.70	15.20	21205	19265	6309	5701
November 2013	19.10	14.10	18.95	14.20	21322	20138	6343	5972
December 2013	16.25	13.90	16.40	13.10	21484	20569	6415	6130
January 2014	17.70	15.45	17.70	15.40	21410	20344	6358	6027
February 2014	21.40	16.00	21.35	15.80	21141	19963	6283	5933
March 2014	22.00	18.35	22.80	18.10	22467	20921	6730	6212

(Source : Official website of Bombay Stock Exchange Limited (BSE) & The National Stock Exchange of India Limited (NSE))

g) Registrar & Share Transfer Agent :

Effective 31st March 2003, **M/s Bigshare Services Private Limited, E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400072** have been acting as the Registrar & Share Transfer Agent. All the Shareholders / Investors related Services, subject to approval of the Company either through Board / Committee of the Board or Managing Director / Company Secretary, are done by the said Registrar and Share Transfer Agent for and on behalf of the Company.

h) i) Distribution of Shareholding as on 31st March 2014 :

Shareholding of nominal value of		Shareholders		Value of Shares	
₹	₹	Number	%	Amount (₹)	%
Upto 5000		60,863	84.48	113,475,470	7.00
5001	10000	6,405	8.89	52,434,690	3.23
10001	20000	2,628	3.65	40,519,720	2.50
20001	30000	743	1.03	19,138,940	1.18
30001	40000	306	0.42	11,205,400	0.69
40001	50000	324	0.45	15,633,300	0.96
50001	100000	388	0.54	30,185,280	1.86
100001	161975030	391	0.54	1,339,382,230	82.58
Total		72,048	100.00	1,621,975,030	100.00

ii) Pattern of Shareholdings as on 31st March 2014 :

SN	Category	No. of Holders	No. of Shares	%
1	Promoters / Promotor Group - Foreign	2	78,470,980	48.38
2	Promoters / Promotor Group - Indian	3	9,945,496	6.13
3	Non Resident Indians / FIIs	208	578,795	0.36
4	Financial Institutions	7	81,900	0.05
5	Bodies Corporate	709	11,381,783	7.02
6	Banks (Nationalised / Others)	15	48,970	0.03
7	Mutual Funds / Trust	13	48,105	0.03
8	Clearing Members / Corporations	86	150,706	0.09
9	Indian Public / Directors	71,005	61,490,768	37.91
	Total	72,048	162,197,503	100.00

i) Dematerialisation of Shares and Trading at Stock Exchanges (Liquidity) :

Shares of the Company are compulsorily traded in electronic form only. Out of the shares held by Indian Public and Institutional Investors, etc., more than **54.916%** of the shares have already been stand dematerialised, (Foreign Promoter's shareholding is presently held in physical form).

The Equity Shares of the Company were actively traded on the Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE) and hence have good liquidity.

j) Plant Location : Sunflag Iron and Steel Company Limited

Works: P.O.: Bhandara Road, Warthi, BHANDARA - 441905 (Maharashtra)

Phone Nos : 07184-285551 to 285555

ADDRESS FOR CORRESPONDENCE OF SHAREHOLDERS / INVESTORS	
For all matters relating to equity shares be sent to :	For all matters relating to Annual Reports / Dividend / Grievances :
Bigshare Services Private Limited E-2/3, Ansa Industrial Estate, Saki Vihar Road Saki Naka, Andheri (East), MUMBAI - 400072 Phone : 022-4043 0200 / 2847 0652 / 53 / 3474 Fax : 022-28475207 E-mail : investor@bigshareonline.com; Website : http://www.bigshareonline.com	Company Secretary Sunflag Iron and Steel Company Limited 33, Mount Road, Sadar, Nagpur - 440001 Phone : 0712-2524 661 / 2520 356 / 57 / 58 Fax : 0712-2520 360 E-Mail : investor@sunflagsteel.com Website : http://www.sunflagsteel.com

B - NON-MANDATORY REQUIREMENTS

1. Chairman's Office :

In accordance with the Clause 49 of the Listing Agreement with the Stock Exchanges, Mr. P.B. Bhardwaj, Non-executive Chairman has been provided a leased accommodation at rent of @ ₹ 1.00 Lac per month, at Company's expenses in performance of his duties.

2. Remuneration Committee :

The Company has constituted the Remuneration Committee and the requisite details are included in the Corporate Governance Report.

3. Shareholders' Rights :

The financial results are not furnished to the individual Shareholders as they are furnished to the Stock Exchanges and also published through the newspapers (Financial Express / Times of India in English and Maharashtra Times in Marathi)

4. Postal Ballot :

The Company has had no occasion to exercise the postal ballot so far.

Report on Corporate Governance

This chapter of the Annual Report together with the information given under "Management Discussion and Analysis" constitutes a detailed Compliance Report on Corporate Governance during the financial year under review.

CEO/CFO Certificate on Corporate Governance

The Company has also obtained a Certificate from the CEO / CFO of the Company regarding compliance stipulation of Corporate Governance as stipulated in Clause 49 of Listing Agreement with the Stock Exchanges.

Auditors' Certificate on Corporate Governance

The Company has obtained a Certificate from the Statutory Auditors of the Company regarding compliance stipulation of Corporate Governance as stipulated in Clause 49 of Listing Agreement with the Stock Exchanges and the same is appended hereunder.

STATUTORY AUDITORS' CERTIFICATE - CORPORATE GOVERNANCE

To,

The Board of Directors / The Members
Sunflag Iron and Steel Company Limited
33, Mount Road, Sadar, Nagpur - 440001

We have examined the compliance of conditions of Corporate Governance by **Sunflag Iron and Steel Company Limited** ('the Company') for the financial year ended 31st March 2014, as stipulated in Clause 49 of Listing Agreement with the Stock Exchange/s.

The Compliance of conditions of Corporate Governance is the responsibility of the Company's Management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

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

**For PATEL, SHAH & JOSHI
CHARTERED ACCOUNTANTS**

**JAYANT I. MEHTA
PARTNER
Membership Number - 42630**

**Nagpur
5th August 2014**

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To,

The Members of
Sunflag Iron and Steel Company Limited
33, Mount Road, Sadar, Nagpur - 440 001

Report on the Financial Statements

We have audited the accompanying financial statements of **SUNFLAG IRON AND STEEL COMPANY LIMITED** (the "Company"), which comprise the Balance Sheet as at 31st March 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that 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 Section 211(3C) of the Companies Act, 1956 (the "Act") and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and the 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

- a) in the case of the Balance sheet, of the state of affairs of the Company as at 31st March 2014;
- b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- 1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2. As required by Section 227(3) of the Act, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.
 - e) On the basis of the written representations received from the Directors as on 31st March 2014 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March 2014 from being appointed as a Director in terms of Section 274(1)(g) of the Act.

For PATEL, SHAH & JOSHI
CHARTERED ACCOUNTANTS
Firm Regn. No. 107768W

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Nagpur
21st May 2014

ANNEXURE TO INDEPENDENT AUDITOR'S REPORT**[Referred to in Paragraph 1 under the heading****“Report on Other Legal and Regulatory Requirements” of our report of even date]**

- i. In respect of Company's fixed assets:
- The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
 - A major proportion of the assets have been physically verified by the management in accordance with a phased program of verification adopted by the Company. In our opinion, the frequency of verification is reasonable, having regard to the size of the Company and the nature of its assets. As informed to us, no material discrepancy has been noticed on such verification.
 - In our opinion, and according to the information and explanation given to us, no substantial part of its fixed assets has been disposed off during the year.
- ii. In respect of its inventories :
- We are informed that during the year, the management has physically verified the inventories. In case of material lying with third parties, certificates confirming stock have been received in respect of a substantial portion of stock held. In our opinion, the frequency of verification is reasonable.
 - According to the information and explanations given to us, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
 - The Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventories as compared to the book records.
- iii. a) According to the information and explanations given to us, the Company has, during the year, granted loans and advances to the Companies covered in the register maintained under Section 301 of the Companies Act 1956, as per details hereunder:

Amount in ₹

Name of Company	Nature of Loans and Advances	During the Year	Maximum / Year end Balance
Sunflag Power Limited (Subsidiary Company)	Interest free Unsecured Loan	1,200,554	94,467,415
Khappa Coal Company Private Limited (Subsidiary / Joint Venture Company)	Interest free Unsecured Loan	NIL	73,709,550
Madanpur (North) Coal Company Private Limited	Share Application Money	529,500	529,500
Gujarat State Mining and Resources Corpn. Ltd. (Joint Venture Company)	Interest free Unsecured Loan	NIL	246,820

- There is no stipulation for the repayment of principal and the interest.
 - According to the information and explanations given to us, the Company has, during the year, not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4 (iii) (e), (f) and (g) of the Order are not applicable.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v. According to the information and explanation given to us, during the year, there were no transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
- vi. According to the information and explanations given to us, the Company has not accepted any deposit from the public. Therefore, the provisions of Clause (vi) of paragraph 4 of the Order are not applicable to the Company.
- vii. In our opinion, the Company has an internal audit division, which is commensurate with size and the nature of its business.
- viii. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- ix. a) According to the information and explanations given to us and the records of the Company examined by us, the Company has been generally depositing undisputed statutory dues including Provident Fund, Employees' State Insurance dues, Income Tax, Investor Education and Protection Fund, Sales Tax, Wealth Tax, Customs Duty, Service Tax, Excise Duty, Cess and other statutory dues applicable to it with the appropriate authorities.

- b) We are informed that there are no undisputed statutory dues as at the year end, outstanding for a period of more than six months from the date they became payable.
- c) According to the records of the Company, the details of disputed dues of Income Tax, Sales Tax and Excise Duty & Cess are enclosed in **Annexure A**.
- x. The Company does not have accumulated losses at the end of the financial year 31st March 2014. Further, the Company has not incurred cash losses during the financial year ended 31st March 2014 and in the immediately preceding financial year ended 31st March 2013.
- xi. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks and debenture holders.
- xii. In our opinion and according to the explanations given to us and based on the information available, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The Company is not a Chit Fund / Nidhi / Mutual Benefit Fund / Society to which the provisions of special statute relating to Chit Fund are applicable.
- xiv. As the Company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4(xiv) of the Order is not applicable.
- xv. According to the information and explanations given to us, the Company has not given any guarantee during the year for loans taken by others from banks or financial institutions.
- xvi. In our opinion, the term loans have been applied for the purpose for which they were raised.
- xvii. According to the information and explanations given to us and on an overall examination the Balance Sheet of the Company, we are of the opinion that during the year short-term funds have not been used to finance long-term investments.
- xviii. The Company has not made preferential allotment of shares during the year.
- xix. The Company has not issued debentures during the year.
- xx. The Company has not raised money by way public issue during the year.
- xxi. On the basis of our examination and according to the information and explanation given to us, no material fraud on or by the Company has been noticed or reported.

**For PATEL, SHAH & JOSHI
CHARTERED ACCOUNTANTS
Firm Regn. No. 107768W**

**CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630**

**Nagpur
21st May 2014**

Annexure - A

Statement of disputed statutory dues and annexure to report as at 31st March 2014				
Particulars of Statutory Dues	Amount (₹ in Lacs)	Period to which the amount related	Forum where dispute is pending	Whether paid or unpaid
<u>Excise Duty</u>				
Deptt.'s show cause	27	2009 - 2010	Commissioner, Central Excise	Not
Departmental appeal (penalty)	38	2013 - 2014	Tax Appellate Tribunal	Deposited
Total	65			
<u>Sales Tax</u>				
Company's appeal	2,659	2005 - 2006 to 2009 - 2010	High Court/ Supreme Court (Although the Company has filed writ petition but has paid this amount under protest)	Deposited under protest
Total	2,659			
<u>Income Tax</u>				
Company's appeals	592	2005 - 2006	Income Tax Appellate Tribunal	Deposited
	188	2006 - 2007	Income Tax Appellate Tribunal	Deposited
	309	2007 - 2008	Income Tax Appellate Tribunal	Deposited
	235	2008 - 2009	Income Tax Appellate Tribunal	Deposited
	214	2009 - 2010	Commissioner of Income Tax (Appeal)	Deposited
Total	1,538			

**SUNFLAG IRON AND STEEL COMPANY LIMITED, NAGPUR
BALANCE SHEET AS AT 31st MARCH 2014**

Particulars	Note No.	As at 31.03.2014 (₹ in Lacs)	As at 31.03.2013 (₹ in Lacs)
A. EQUITY AND LIABILITIES			
1 Shareholders' funds			
a) Share Capital	3	16,220	16,220
b) Reserves and Surplus	4	34,105	31,937
c) Money received against share warrants		-	-
2 Share application money pending allotment		-	-
3 Non-current Liabilities			
a) Long-term Borrowings	5	22,342	27,725
b) Deferred Tax Liabilities (Net)	6	4,860	5,580
c) Other Long Term Liabilities	7	922	1,306
d) Long-term Provisions	8	1,389	1,389
4 Current Liabilities			
a) Short-term Borrowings	9	16,904	14,502
b) Trade Payables	10	20,770	24,068
c) Other Current Liabilities	11	8,474	8,268
d) Short-term Provisions	12	4,382	4,762
TOTAL EQUITY AND LIABILITIES		130,368	135,757
B. ASSETS			
1 Non-current Assets			
a) Fixed Assets			
i. Tangible Assets	13	58,390	61,780
ii. Intangible Assets		-	-
iii. Capital work-in-progress		1,189	3,270
iv. Intangible Assets under Development		-	-
b) Non-current Investments	14	767	767
c) Deferred Tax Assets (net)		-	-
d) Long-term Loans and Advances	15	2,799	2,953
e) Other Non-current Assets		-	-
2 Current Assets			
a) Current Investments		-	-
b) Inventories	16	33,066	32,693
c) Trade Receivables	17	20,773	15,562
d) Cash and Bank Balances	18	5,066	5,340
e) Short-term Loans and Advances	19	8,126	13,255
f) Other Current Assets	20	192	137
TOTAL ASSETS		130,368	135,757
Corporate information and Significant accounting policies and Notes forming part of Financial Statements	1 & 2		

As per our attached report of even date

For PATEL, SHAH & JOSHI
Chartered Accountants

RAVI BHUSHAN BHARDWAJ
VICE CHAIRMAN & MANAGING DIRECTOR

SURENDRA KUMAR GUPTA
DIRECTOR & CEO

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

CA R. MURALIDHAR
EXECUTIVE DIRECTOR (FINANCE) & CFO

DR. E.R.C. SHEKAR

Nagpur
21st May 2014

CS MUKESH D. PARAKH
COMPANY SECRETARY

S. GAJENDRAN
DIRECTORS

SUNFLAG IRON AND STEEL COMPANY LIMITED, NAGPUR
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH 2014

Particulars	Note No.	Year Ended 31.03.2014 (₹ in Lacs)	Year Ended 31.03.2013 (₹ in Lacs)
1. Revenue from Operations	21	176,766	174,102
Less : Excise Duty		(18,224)	(17,171)
Net Revenue from operations		158,542	156,931
2. Other Income	22	548	782
3. Total Revenue (1 + 2)		159,090	157,713
4. Expenses :			
Cost of Materials Consumed	23 (a)	93,248	94,386
Other Manufacturing Expenses	23 (b)	36,614	34,681
Purchases of Stock-in-Trade		-	-
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	24	(303)	1,683
Employee Benefits Expense	25	7,506	7,586
Finance Costs	26	7,299	8,233
Depreciation and Amortisation Expense	13	6,118	5,645
Other Expenses	27	6,776	6,749
Total Expenses		157,258	158,963
5. Profit / (Loss) before exceptional and extraordinary items and tax		1,832	(1,250)
6. Tax Expense :			
a) Current tax expense for current year		384	-
b) Current tax expense relating to prior years		-	-
c) Deferred tax	6	(720)	-
7. Profit / (Loss) for the period from continuing operations		2,168	(1,250)
8. Earnings per equity share (Amount in ₹) :	28		
1) Basic		1.34	(0.77)
2) Diluted		1.34	(0.77)
Corporate information and Significant accounting policies and Notes forming part of Financial Statements	1 & 2		

As per our attached report of even date

For PATEL, SHAH & JOSHI
Chartered Accountants

RAVI BHUSHAN BHARDWAJ
VICE CHAIRMAN & MANAGING DIRECTOR

SURENDRA KUMAR GUPTA
DIRECTOR & CEO

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Nagpur
21st May 2014

CS MUKESH D. PARAKH
COMPANY SECRETARY

S. GAJENDRAN
DIRECTORS

SUNFLAG IRON AND STEEL COMPANY LIMITED, NAGPUR
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2014

Particulars	For the year ended 31.03.2014 (₹ in Lacs)		For the year ended 31.03.2013 (₹ in Lacs)	
A. Cash flow from operating activities				
Net Profit / (Loss) before extraordinary items and tax		1,832		(1,250)
<u>Adjustments for :</u>				
Depreciation and amortisation	6,118		5,645	
(Profit) / loss on sale / write off of assets	-		-	
Finance costs	7,299		8,233	
		13,417		13,878
Operating profit / (loss) before working capital changes		15,249		12,628
<u>Changes in working capital :</u>				
<u>Adjustments for (increase) / decrease in operating assets :</u>				
Inventories	(373)		6,490	
Trade receivables	(5,211)		(602)	
Short-term loans and advances	5,129		(1,914)	
Long-term loans and advances	155		2,581	
Other current assets	(55)		289	
<u>Adjustments for increase / (decrease) in operating liabilities :</u>				
Trade payables	(3,299)		4,866	
Other current liabilities	206		(624)	
Short-term provisions	(380)		199	
Other long-term liabilities	(384)		(355)	
Long-term provisions	-		336	
		(4,212)		11,266
Cash flow from extraordinary items		-		-
Cash generated from operations		11,037		23,894
Net income tax (paid) / refunds		(384)		-
Net cash flow from / (used in) operating activities (A)		10,653		23,894
B. Cash flow from investing activities				
Capital expenditure on fixed assets, including capital advances	(649)		(5,377)	
Proceeds from sale of fixed assets	2		-	
Long-term investments in Joint-ventures	-		(2)	
Net cash flow from / (used in) investing activities (B)		(647)		(5,379)

Particulars	For the year ended 31.03.2014 (₹ in Lacs)		For the year ended 31.03.2013 (₹ in Lacs)	
C. Cash flow from financing activities				
Proceeds from long-term borrowings	2,088		2,149	
Repayment of long-term borrowings	(6,918)		(7,939)	
Net increase / (decrease) in working capital borrowings	2,402		(3,762)	
Repayment of unsecured Deferred Sales Tax Loan	(553)		(658)	
Finance cost	(7,299)		(8,233)	
Dividends paid	-		-	
Tax on dividend	-		-	
Cash flow from extraordinary items	-		-	
Net cash flow from / (used in) financing activities (C)		(10,280)		(18,443)
Net increase/(decrease) in Cash and cash equivalents (A+B+C)		(274)		72
Cash and cash equivalents at the beginning of the year		5,340		5,268
Effect of exchange differences on restatement of foreign currency		-		-
Cash and cash equivalents				
Cash and cash equivalents at the end of the year (Refer Note 18)		5,066		5,340
Refer Corporate information and Significant accounting policies				

As per our attached report of even date

For PATEL, SHAH & JOSHI
Chartered Accountants

RAVI BHUSHAN BHARDWAJ
VICE CHAIRMAN & MANAGING DIRECTOR

SURENDRA KUMAR GUPTA
DIRECTOR & CEO

CA JAYANT I. MEHTA
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Membership Number - 42630

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DR. E.R.C. SHEKAR

Nagpur
21st May 2014

CS MUKESH D. PARAKH
COMPANY SECRETARY

S. GAJENDRAN

DIRECTORS

Notes forming part of the Financial Statements for the year ended 31st March 2014

1. Corporate information

Sunflag Iron and Steel Company Limited was incorporated in 1984 and engaged in the business of manufacturing and sale of Special Steel Rolled 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) Rules, 2006 (as amended).

2.1 Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention.

2.2 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

2.3 Inventories

- a) Raw materials : Valued at weighted average cost
- b) Consumables, stores & spares : At or below cost
- c) Finished and Semi finished goods produced and purchased by the Company : Carried at lower of cost or net realisable value
- d) Work in process : At cost
- e) Any other saleable products of the manufacturing process are considered as finished goods and these are valued at the lower of the estimated net realisable value or cost

2.4 Cash and cash equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

2.5 Cash flow statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

2.6 Tangible fixed assets

Fixed assets are carried at cost less accumulated depreciation and impairment losses, if any. The cost of fixed assets includes interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use and other incidental expenses incurred up to that date. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance. Assets are valued net of CENVAT claimed.

Capital work-in-progress :

Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

2.7 Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

2.8 Depreciation and amortisation

Depreciation has been provided on the straight-line method as per the rates prescribed in Schedule XIV to the Companies Act, 1956 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as under. In respect of additions / deletions made during the year, depreciation is provided on a *pro-rata* basis.

- a) Assets under Plant, Machinery and related buildings have been depreciated over a period of 14 years
- b) Leasehold land is amortised over the duration of the lease
- c) No depreciation has been provided on the freehold land and Capital Work-in Progress
- d) Office Equipment costing less than Rupees one Lac is charged to revenue in the year of purchase
- e) Depreciation on Heavy and Light Vehicles are provided on Written Down Value method
- f) Intangible assets are amortised over their estimated useful life

2.9 Revenue recognition**a) Sale of goods**

Sales comprises sale of goods and services, but net of sales returns. In order to comply with the "Accounting Standards Interpretation-14" issued by the Institute of Chartered Accountants of India, gross turnover includes both Sales Tax and Excise Duty. Net turnover excludes Excise Duty. The Sales Tax paid is shown as part of other manufacturing expenses.

b) Other income

- i. Interest income is accounted on accrual basis.
- ii. Government Incentives Scheme is recognised when there is reasonable assurance that the Company will comply with the terms and conditions attached to them. Accordingly subsidy under such scheme is recognised on the basis of actual / applied / receipt of approval letter from the Government Authority.
- iii. Export benefits are accounted for in the year of exports based on eligibility and when there is no uncertainty in receiving the same.

2.10 Foreign currency transactions and translations**a) Initial recognition**

Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

b) Measurement of foreign currency monetary items at the Balance Sheet date

Foreign currency monetary items (other than derivative contracts) of the Company outstanding at the Balance Sheet date are restated at the year-end rates.

c) Treatment of exchange differences

Exchange differences arising on settlement / restatement of short-term foreign currency monetary assets and liabilities of the Company are recognised as income or expense in the Statement of Profit and Loss.

2.11 Investments

Long-term investments (excluding investment in properties), are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost or fair value.

2.12 Employee benefits**Long term benefits**

- a) The Company has taken group gratuity policy with the Life Insurance Corporation of India (LIC) for future payment of gratuity. The gratuity liability is determined based on an actuarial valuation performed by LIC.
- b) Liability towards superannuation is funded in accordance with the scheme with LIC.
- c) Contribution to Provident Fund are accrued as per the provisions of the Employees Provident Funds and Miscellaneous Provisions Act, 1952. Contributions payable to the Employees Provident Fund in respect of the Company are charged to the Statement of Profit and Loss. The Company pays contribution to a recognised Provident Fund.

Short term benefits

Leave salary payable in respect of earned leave has been provided for according to the service rules of the Company.

2.13 Borrowing costs

Borrowing costs include interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset upto the date of capitalisation of such asset is added to the cost of the assets.

2.14 Leases

For assets acquired under operating lease, rentals payable are charged to the Statement of Profit and Loss.

2.15 Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

2.16 Taxes on income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

2.17 Research and development expenses

Revenue expenditure pertaining to research and development is charged to the Statement of Profit and Loss.

2.18 Unamortised expenses

Preliminary expenses and other deferred revenue expenditure including share issue expenses are amortised over a period of five years.

2.19 Joint Venture operations

The accounts of the Company reflect its share of the Assets, Liabilities, Income and Expenditure of the Joint Venture Operations which are accounted on the basis of the audited accounts of the Joint Ventures on line-by-line basis with similar items in the Company's accounts to the extent of the participating interest of the Company as per the Joint Venture Agreements.

2.20 Impairment of assets

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

2.21 Provisions and contingencies

A provision is recognised when the Company has a present obligation as a result of past events 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 (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes.

2.22 Insurance claims

Insurance claims are accounted for on the basis of claims admitted / expected to be admitted and to the extent that there is no uncertainty in receiving the claims.

2.23 Service tax input credit

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainty in availing / utilising the credits.

2.24 Excise & Custom Duty

Customs Duty payable on imported items are accounted for when cleared from the bonded warehouse. Excise Duty payable on year end stock of finished goods lying in stock at factory is provided for.

3. SHARE CAPITAL

Particulars	As at 31.03.2014		As at 31.03.2013	
	Number	Amount	Number	Amount
<u>Authorised</u>		(₹ in Lacs)		(₹ in Lacs)
10% Cumulative Preference Shares of ₹ 100/- each	4,000,000	4,000	4,000,000	4,000
Equity Shares of ₹ 10/- each	165,000,000	16,500	165,000,000	16,500
Total		20,500		20,500
<u>Issued</u>				
Equity Shares of ₹ 10/- each	162,197,503	16,220	162,197,503	16,220
<u>Subscribed & Fully Paid up Equity Shares</u>				
Equity Shares of ₹ 10/- each fully paid	162,197,503	16,220	162,197,503	16,220

a) Terms / Voting Rights attached to the Equity Shares

The paid up capital of the Company consists of only equity shares of ₹ 10/- each. Every equity shareholder is entitled to one vote per share.

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

b) Details of Shareholders holding more than 5% shares in the Company

Name of Shareholder	As at 31.03.2014		As at 31.03.2013	
	Number of Shares held	% of Holding	Number of Shares held	% of Holding
Sunflag Limited, Channel Islands, UK	65,253,582	40.23%	65,253,582	40.23%
Mr. Suhrit Ravi Bhardwaj	13,217,398	8.15%	13,217,398	8.15%
M/s. Supra Corporation Limited	8,333,356	5.14%	8,333,356	5.14%

4. RESERVES & SURPLUS

(₹ in Lacs)

Particulars	As at 31.03.2014	As at 31.03.2013
a) Capital Reserves		
Opening Balance	25	25
(+) Current Year Transfer	-	-
(-) Written Back in Current Year	-	-
Closing Balance (a)	<u>25</u>	<u>25</u>
b) Other Reserves		
General Reserves		
Opening Balance	231	231
(+) Current Year Transfer	-	-
(-) Written Back in Current Year	-	-
Closing Balance (b)	<u>231</u>	<u>231</u>
c) Surplus / (Deficit) in Statement of Profit and Loss		
Opening Balance	31,681	32,931
(+) Net Profit / (Net Loss) for the current year	2,168	(1,250)
(+) Transfer from Reserves	-	-
(-) Proposed Dividends	-	-
(-) Dividend Tax	-	-
(-) Transfer to Reserves	-	-
Closing Balance (c)	<u>33,849</u>	<u>31,681</u>
Total (a+b+c)	34,105	31,937

5. LONG TERM BORROWINGS

Particulars	As at 31.03.2014	As at 31.03.2013	Maturity Profile (Secured Long Term)	Term Loans from Banks
a) Secured Long Term Borrowings			1 - 2 year	6,780
Term Loans - From Banks	15,257	20,086	2 - 3 year	6,618
Total Secured Long Term Borrowings	<u>15,257</u>	<u>20,086</u>	3 - 4 year	1,371
b) Unsecured Long Term Borrowings			Beyond 4 years	488
From Promoters (Interest Free)@	1,375	1,375	Maturity Profile (Unsecured Loan)	Interest Free Sales Tax Loan
Other Loans and Advances #			1 - 2 year	556
- Interest Free Sales Tax Loan	5,710	6,264	2 - 3 year	580
Other Long Term Borrowings (Unsecured)	<u>7,085</u>	<u>7,639</u>	3 - 4 year	721
Total Long Term Borrowings (a + b)	<u>22,342</u>	<u>27,725</u>	Beyond 4 years	3,853

- i. Term Loans from Banks are secured by a first mortgage of all the Company's immovable properties, both present and future ranking *pari passu interse* and a first charge by way of hypothecation of all the Company's movables subject to prior charges created in favour of Company's bankers on inventories, book debts and other movables for securing the borrowings for working capital requirement.
- ii. Term loan of ₹ 40 Crores borrowed from State Bank of India and State Bank of Bikaner & Jaipur are further secured by Personal Guarantee of Shri Ravi Bhushan Bhardwaj, Vice Chairman & Managing Director.
- iii. The Company has not defaulted in either repayment of principle or interest during the year.
- @ The Unsecured loans comprising interest free loans given by Promoters. There is no stipulation as to the repayment hence there is no default in repayment during the period.
- # The Unsecured loan comprising interest free Sales Tax Loan. The repayment of the Sales Tax Loan is made as per the schedule and there is no default in repayment during the period.

6. DEFERRED TAXATION

(₹ in Lacs)

Particulars	Balance as on 01.04.2013	Arising during the year	Balance as on 31.03.2014
a) Deferred Tax Liabilities			
On account of timing difference in Depreciation	5,921	1,190	7,111
Others	-	-	-
Total (a)	<u>5,921</u>	<u>1,190</u>	<u>7,111</u>
b) Deferred Tax Assets			
Disallowances	341	130	471
Accumulated Losses	-	1,780	1,780
Total (b)	<u>341</u>	<u>1,910</u>	<u>2,251</u>
Deferred Tax Liability / (Asset) (a - b)	<u>5,580</u>	<u>(720)</u>	<u>4,860</u>

Total deferred tax Liabilities for the current year amounts to ₹ 1,190 (₹ 999) Lacs and deferred tax Assets for the current year works out to ₹ 1,910 (₹ 1,666) Lacs resulting into net deferred tax assets of ₹ 720 (₹ 667) Lacs. The same is recognised in the current year.

	As at 31.03.14	As at 31.03.13		As at 31.03.14	As at 31.03.13
	(₹ in Lacs)	(₹ in Lacs)		(₹ in Lacs)	(₹ in Lacs)
7. OTHER LONG TERM LIABILITIES			10. TRADE PAYABLES		
a) Trade Payables	775	1,175	a) Acceptances	9,692	4,808
b) Others - Security Deposit			b) Other than Acceptances	11,078	19,260
i. Refundable	3	3	Total	<u>20,770</u>	<u>24,068</u>
ii. Contractors #	144	124			
iii. Employees LPG	-	4	11. OTHER CURRENT LIABILITIES		
Total (a+b)	<u>922</u>	<u>1,306</u>	a) Current maturities of long-term debt (Payable within a year)		
			i. Term Loan from Banks	7,481	7,285
			ii. Unsecured Interest free Sales Tax Loan	553	617
			b) Interest accrued but not due on borrowings	122	119
Note : # Deposit recovered from contractors continue to remain over one year.			c) Unclaimed dividends	94	111
8. LONG TERM PROVISIONS			d) TDS Payable	29	26
a) Provision for employee benefits			e) Payable to others	-	27
Employees Benefit including Leave Encashment	488	488	f) Advance received from Customers	13	6
b) Provision for Contingencies	901	901	g) Other Payables	182	77
Total (a+b)	<u>1,389</u>	<u>1,389</u>	Total	<u>8,474</u>	<u>8,268</u>
9. SHORT TERM BORROWINGS					
Secured :			12. SHORT TERM PROVISIONS		
Loans repayable on demand			a) Provision for employee benefits		
Borrowings for Working Capital from banks	16,904	14,502	Salary & Reimbursements	355	200
Total	<u>16,904</u>	<u>14,502</u>	b) Others		
			Power	-	16
i. Working Capital Borrowings are secured by way of hypothecation of inventories and book debts and further secured by way of second charge ranking <i>pari passu</i> over the fixed assets, both present and future, subject to prior charges created by the Company in favour of banks for securing term loans. Working capital borrowings are further secured by the personal guarantee of Shri Ravi Bhushan Bhardwaj, Vice Chairman & Managing Director of the Company.			Excise Duty Payable on Finished Goods Stock	2,792	2,574
ii. The Company has not defaulted in either repayment of principle or interest during the year.			Selling Expenses	869	927
			Managerial Commission	21	-
			Other Expenses	345	1,045
			Total	<u>4,382</u>	<u>4,762</u>

13. FIXED ASSETS

PARTICULARS	Gross Block			Accumulated Depreciation				Net Block		(₹ in Lacs)
	Balance as at 01.04.2013	Additions/ (Disposals)	Balance as at 31.03.2014	Balance as at 01.04.2013	Depreciation Charge for the year	On disposals	Balance as at 31.03.2014	Balance as at 31.03.2014	Balance as at 31.03.2013	
A Tangible Assets										
a) Freehold Land	372	-	372	-	-	-	-	372		372
b) Leasehold Land	84	5	89	24	1	-	25	64		60
c) Buildings										
Factory Buildings	20,474	354	20,828	9,804	1,157	-	10,961	9,867		10,670
Non Factory Building	192	-	192	79	3	-	82	110		113
Office Building	458	-	458	165	20	-	185	273		293
Township	630	-	630	225	10	-	235	395		405
Welfare Buildings	86	-	86	28	1	-	29	57		58
Boundary Wall & Fencing	87	-	87	18	1	-	19	68		69
Approach Roads	253	-	253	95	9	-	104	149		158
d) Railway Siding	375	-	375	351	1	-	352	23		24
e) Plant and Equipment	101,307	2,354	103,661	53,146	4,813	-	57,959	45,702		48,161
f) Furniture and Fixtures	224	-	224	184	4	-	188	36		40
g) Vehicles	294	(9)	285	245	12	(7)	250	35		49
h) Office equipment	409	-	409	337	7	-	344	65		72
i) Development of Mines	1,562	17	1,579	326	79	-	405	1,174		1,236
Total (A)	126,807	2,721	129,528	65,027	6,118	(7)	71,138	58,390		61,780
B Intangible Assets										
C Capital Work in Progress										
	-	-	-	-	-	-	-	-		-
	3,270	(2,081)	1,189	-	-	-	-	1,189		3,270
Total (B + C)	3,270	(2,081)	1,189	-	-	-	-	1,189		3,270
D Intangible Assets under Development										
	-	-	-	-	-	-	-	-		-
Total (A+B+C+D)	130,077	640	130,717	65,027	6,118	(7)	71,138	59,579		65,050

14. NON-CURRENT INVESTMENTS

(₹ in Lacs)

Particulars	As at 31.03.2014	As at 31.03.2013
Non Trade Investment in Equity instruments	767	767
Less : Provision for diminution in the value of Investments	-	-
Total	767	767
Aggregate amount of unquoted investments	767	767

Details of Non Trade Investments in Equity

Name of Body Corporate	No. of Shares		Extent of Holding (%)		Amount (₹ Lacs)	
	31.03.14	31.03.13	31.03.14	31.03.13	31.03.14	31.03.13
Investment in Equity Instruments (At Cost, Unquoted & Fully Paid)						
<u>Subsidiary</u>						
Sunflag Special Steels Limited	49,940	49,940	99.88	99.88	5	5
Sunflag Power Limited	49,940	49,940	99.88	99.88	5	5
Khappa Coal Company Private Limited	3,163,500	3,163,500	63.27	63.27	316	316
<u>Joint Ventures</u>						
Madanpur (North) Coal Company Pvt Ltd	1,210,188	1,210,188	11.73	11.73	121	121
C T Mining Private Limited	3,180,000	3,180,000	31.80	31.80	318	318
Gujarat State Mining and Resources Corporation Limited	24,500	24,500	49.00	49.00	2	2
<u>Others</u>						
India Bulls CSEB Bhayathan Power Ltd.	74	74	-	-	-	-
Total					767	767

As at 31.03.14 As at 31.03.13
(₹ in Lacs)

As at 31.03.14 As at 31.03.13
(₹ in Lacs)

15. LONG TERM LOANS AND ADVANCES**a) Capital Advances**

Secured, considered good	-	-
Unsecured, considered good	101	291
	101	291

b) Security Deposits

Secured, considered good	-	-
Unsecured, considered good	960	942
	960	942

c) Loans and advances to related parties [refer Note 27.12]

Secured, considered good	-	-
Unsecured, considered good	1,738	1,720
	1,738	1,720

Total (a+b+c) **2,799** **2,953**

16. INVENTORIES

a) Raw Materials & components (Valued at weighted average cost)	6,450	5,961
Goods-in transit	-	283
	6,450	6,244
b) Work-in-progress (Valued at cost)	4,839	6,690
c) Finished goods (Valued at lower of cost or Net realisable value)	20,678	18,524
d) Consumables, Stores and Spares (Valued at weighted average cost)	1,099	1,235
e) Others	-	-
Total (a+b+c+d+e)	33,066	32,693

	As at 31.03.14	As at 31.03.13	Notes forming part of Statement of Profit and Loss for the year ended 31 st March 2014	
	(₹ in Lacs)			
17. TRADE RECEIVABLES				For the year ended 31.03.14 31.03.13 (₹ in Lacs)
a) Trade receivables outstanding for a period less than six months from the date they are due for payment				
Unsecured-considered good	19,805	14,635		
Less: Provision for doubtful debts	-	-		
Total (a)	19,805	14,635		
b) Trade receivables outstanding for a period exceeding six months from the date they are due for payment				
Unsecured-considered good	968	927		
Less: Provision for doubtful debts	-	-		
Total (b)	968	927		
Total (a+b)	20,773	15,562		
18. CASH AND BANK BALANCES				
a) Cash and Cash Equivalents				
i. Cash on hand	5	6		
ii. Balances in Current Accounts	926	910		
Total (a)	931	916		
b) Other Bank Balances				
i. Margin Money Deposit against LC & BG	4,041	4,313		
ii. On Dividend A/c - Unclaimed	94	111		
Total (b)	4,135	4,424		
Total (a+b)	5,066	5,340		
19. SHORT-TERM LOANS AND ADVANCES				
Trade Advances - Vendors	5,394	10,034		
Advances to Employees	58	23		
Prepaid Expenses	134	50		
Balances with Statutory / Government Authorities				
- Excise Duty	540	632		
- Sales Tax (VAT)	-	-		
- Income Tax	1,668	1,688		
- Claims Receivable	332	828		
Total	8,126	13,255		
20. OTHER CURRENT ASSETS				
a) Accruals - Interest accrued on Deposits	129	110		
b) Others				
i. Export incentives Receivable	59	23		
ii. Railway Claims	4	4		
Total (a+b)	192	137		
			21. REVENUE FROM OPERATIONS	
			Sale of Manufactured Goods	176,537 173,639
			Sale of Others	- -
			Duty Drawback and Export Incentives	229 463
				176,766 174,102
			Less : Excise duty	18,224 17,171
			Total	158,542 156,931
			22. OTHER INCOME	
			Interest Income (in case of a company other than a finance company)	405 470
			Net gain / (loss) on sale of investments	- -
			Other non-operating income (net of expenses directly attributable to such income)	143 312
			Total	548 782
			23.a) Cost of Raw Material and Components Consumed	
			Inventory at the beginning of the year	7,479 12,286
			Add : Purchases	93,318 89,579
			Less: Inventory at the end of the year	7,549 7,479
			Total Raw Material Consumption (a)	93,248 94,386
			23.b) Other Manufacturing Expenses	
			Consumption of Fuel	5,596 5,967
			Consumption of Power (Net of Captive consumption)	9,742 8,985
			Sales Tax (Net of Incentive under Mega Project)	6,864 5,742
			Frieght & Forwarding	8,170 7,778
			Other Works Overhead	6,242 6,209
			Total Other Manufacturing Expenses (b)	36,614 34,681
			Total Expenses (a + b)	129,862 129,067

	For the year ended		For the year ended	
	31.03.14	31.03.13	31.03.14	31.03.13
	(₹ in Lacs)		(₹ in Lacs)	
Details of Raw Material & Components Consumed			25. Employee Benefit Expenses (@)	
Iron Ore & Iron Ore Fines	28,241	31,152	Salaries, Wages and Bonus	6,341
Coal & Coal Fines #	2,301	3,206	Contribution to Provident and other Funds	702
Coke	24,382	24,462	Staff Welfare Expenses	463
Sponge Iron	-	-	Total	7,506
Scrap & HBI	1,033	2,801		
Ferro Alloys	18,245	16,317	26. Finance Cost	
Fluxes, Minerals & Additives	8,513	6,608	Interest Expense	6,115
Electrodes	1,650	1,478	Other borrowing costs	1,439
Others	8,883	8,362	Applicable net gain / (loss) on foreign currency transactions and translation	(255)
Total	93,248	94,386	Total	7,299
Details of Inventory				
Raw Material & Components			27. Other Expenses	
Iron Ore & Iron Ore Fines	1,637	505	27.1 Administration & Selling Expenses	
Coal & Coal Fines	1,005	2,919	Travelling Expenses	297
Coke	1,260	538	Insurance Charges	204
Scrap & HBI	119	32	Rent, Rates and Taxes	238
Ferro Alloys	1,188	1,307	Repairs and Maintenance	94
Fluxes, Minerals & Additives	837	272	Printing and Stationary	23
Electrodes	101	153	Postage and Telephones	66
Goods in Transit	-	283	Admin Expenses	406
Others	1,402	1,470	Legal and Professional Expenses	417
Total	7,549	7,479	Payment to Auditors (Refer Details below)	18
24. (Increase) / Decrease in Inventories			Commission	141
At the end of the year			Discounts	4,697
Finished goods	20,678	18,524	Other Selling Overheads	175
Work-in-progress	4,839	6,690	Total	6,776
Total	25,517	25,214		
At the beginning of the year			27.2 Payment to Auditors	
Finished goods	18,524	19,624	Audit Fees	14
Work-in-progress	6,690	7,273	Out of Pocket Expenses	2
Total	25,214	26,897	Cost Audit Fees	1
Net (increase) / decrease	(303)	1,683	Stock Audit Fees	1
			Total	18

Net of consumption of Coal from Captive Mines.

@ Employee benefits includes Directors remuneration. As there are inadequate profits during the Financial year, the remuneration payable to managerial personnel is governed by Schedule XIII to the Companies Act, 1956. However, the Company is seeking approval of Central Government for the waiver of excess remuneration paid during the year.

27.3 Contingent liabilities and commitments (to the extent not provided for)

(₹ in Lacs)

Particulars	For the year Ended	
	31.03.2014	31.03.2013
i. Contingent liabilities		
a) Unexpired Letter of Credit	6,102	10,801
b) Guarantees issued by Company's Bankers on behalf of the Company	3,275	2,692
c) Bonds / Undertakings given by the Company under Duty Exemption Scheme to the Custom Authorities	2,598	2,598
d) Bills Discounted	7,170	6,400
e) Excise Duty & Custom Duty against which Company has preferred an Appeal	65	100
f) Income Tax Liability - Disputed but paid	1,538	1,074
g) Income Tax Liability - Disputed but not paid	-	739
h) Corporate Guarantee issued to Banks on behalf of Subsidiaries	400	400
ii. Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for :- Tangible Assets	882	507

27.4 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

Based on the data available with the Company, there were no dues to Micro, Small and Medium Enterprises as on 31st March 2014 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.

27.5 Disclosure as per Clause 32 of the Listing Agreements with the Stock Exchanges

Loans and advances in the nature of loans given to subsidiaries, associates and others and investment in shares of the Company by such Companies.

Name of Company	Relationship	Amount Outstanding as at 31 st March 2014	Maximum balance Outstanding during the year
Sunflag Power Limited	Subsidiary	946 (933)	946 (933)
Khappa Coal Company Private Limited	Subsidiary	737 (737)	737 (737)
Gujarat State Mining & Resources Corporation Limited	Joint Venture	2 (2)	2 (2)

Note: Figures in bracket relate to the previous year

		For the year ended		27.9 Details of consumption of imported and indigenous items		
		31.03.14	31.03.13	(₹ in Lacs)		%
		(₹ in Lacs)				
27.6 Value of imports calculated on CIF basis :				Imported		
	Raw Materials			Raw Materials	4,857	5.21
					(8,602)	(7.79)
	Raw Materials	4,275	7,904	Components & Spare Parts	283	0.30
	Spare Parts & Components	216	336		(215)	(0.57)
Capital Goods	-	132				
				Total	5,140	5.51
					(8,817)	(8.36)
27.7 Expenditure in foreign currency :				Indigenous		
Technical Services	138	138		Raw Materials	86,988	93.29
Subscription & Membership Fees	8	2			(84,380)	(90.89)
Foreign Travelling	18	40		Components & Spare Parts	1,121	1.20
Other matters	17	47			(1,189)	(0.75)
27.8 Earnings in foreign exchange :				Total	88,109	94.49
Export of goods calculated on FOB basis	8,026	10,854			(85,569)	(91.64)

Note: Figures / percentages in brackets relates to the previous year

27.10 Segment information

The Company's business activity primarily falls within a single business segment i.e., Iron & Steel business, however, the Company also generate power from its Captive Plant, which is entirely consumed in Iron & Steel Manufacturing Unit and no sale to third party has been made. The details of such consumed units are shown below. Hence there are no additional disclosures to be made under Accounting Standard (AS) 17, other than those already provided in the financial statements.

Particulars	For the year ended	
	31.03.2014	31.03.2013
Units consumed (kWh'000)	135,118	141,859
Value (₹ in Lacs)	9,331	10,140

27.11 Employee benefit plans

In view of the mandatory applicability of the revised Accounting Standard on Employee Benefits (AS 15 Revised) to the Company, effective 1st January 2007, the additional charges are paid and charged to the statement of Profit & Loss according to the provisions of AS-15 (Revised) as under :

- Employees Provident Fund, the company has made good the shortfall of interest on fund ₹ 9.00 lacs (previous year ₹ Nil)

Further, the following table sets out plan for the Employees Benefits as required under Accounting Standard 15 (Revised)

(₹ in Lacs)

Particulars	Gratuity		Provident Fund		Superannuation	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Statement showing changes in Present Value of obligation :						
Present value of obligations at the beginning of the year	1,030	928	4,020	3,609	1,778	1,610
Interest Cost	94	91	342	306	170	141
Current Service Cost	105	82	768	719	212	201
Benefits paid	(96)	(71)	(735)	(614)	(185)	(174)
Actuarial Loss on Obligations	-	-	-	-	-	-
Present value of obligations as at the end of the year	1,133	1,030	4,395	4,020	1,975	1,778
Table showing changes in the fair value of Plan Assets :						
Fair value of Plan Assets at the beginning of year	1,030	928	4,020	3,609	1,778	1,610
Expected return on Plan Assets	94	91	333	306	170	141
Contributions	115	92	768	719	212	201
Benefits paid	(96)	(71)	(735)	(614)	(185)	(174)
Actuarial Gain / (Loss) on Plan Assets	-	-	-	-	-	-
Fair value of Plan Assets at the end of the year	1,143	1,040	4,386	4,020	1,975	1,778
Funded Status	(10)	(10)	9	-	-	-
Excess of Actual over estimated return on Plan Assets						
Actuarial Gain / (Loss) recognised :						
Actuarial Gain / (Loss) for the year - Obligation	-	-	-	-	-	-
Actuarial Gain / (Loss) for the year - Plan Assets	(10)	(10)	9	-	-	-
Total Loss for the year	-	-	-	-	-	-
Actuarial Gain / (Loss) recognised in the year	(10)	(10)	9	-	-	-
Amounts to be recognised in the Balance Sheet :						
Present value of obligations as at the end of the year	1,133	1,030	4,395	4,020	1,975	1,778
Fair value of Plan Assets as at the end of the year	1,143	1,040	4,386	4,020	1,975	1,778
Funded Status	(10)	(10)	9	-	-	-
Net Asset / (Liability) Recognised in the Balance Sheet	10	10	(9)	-	-	-
Expenses Recognised in the statement of Profit and Loss Account :						
Current Service Cost	105	82	342	306	-	-
Interest Cost	-	-	-	-	-	-
Expected Return on Plan Assets	-	-	333	306	-	-
Net Actuarial (Gain) / Loss Recognised in the Statement of Profit & Loss	(10)	(10)	-	-	-	-
Expenses Recognised in Statement of Profit & Loss	115	92	9	-	-	-

(₹ in Lacs)						
Particulars	Gratuity		Provident Fund		Superannuation	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Actuarial Assumptions :						
Discount Rate	8.85%	9.40%	8.75%	9.50%	-	-
Salary Escalation	5.00%	5.00%	5.00%	5.00%	-	-
Investment Details (%) :						
GOI Securities	-	-	52%	46%	-	-
State Government Securities	-	-	17%	22%	-	-
Approved Marketable Securities	-	-	-	-	-	-
Bonds / Debentures etc	-	-	31%	32%	-	-
Loans	-	-	-	-	-	-
Equity	-	-	-	-	-	-
Liquid fund / Money Market Instrument	-	-	-	-	-	-
Total	-	-	100%	100%	-	-

- a) The investment details of Gratuity funds are as per the Scheme of Life Insurance Corporation of India (LIC).
- b) The investment details of Superannuation funds are as per the Scheme of Life Insurance Corporation of India (LIC) under two plans. Even though these plans are still continuing, Company has stopped making contribution towards One plan i.e., Superannuation Scheme of Workers w.e.f. 01.04.1995 on payment of bonus in the year 1995 as per the terms and conditions of Rules framed at the time of subscribing to the designated policy of LIC. Company was liable as per terms and conditions of the Trust deed to pay contributions only till applicability of provisions of payment of Bonus Act.

27.12 Related Party Disclosure (as identified by the Management)

(₹ in Lacs)

Related party	Account	Transactions Year ended		Outstanding As on	
		31.03.14	31.03.13	31.03.14	31.03.13
Subsidiaries					
Sunflag Power Limited	Unsecured Loan	12	17	946	933
Khappa Coal Company Pvt. Limited	Advance Paid	-	737	737	737
Associate Enterprises					
Haryana Televisions Limited	Rent	32	32	28	28
Ridge Farm Developers (P) Limited	Rent	13	13	10	10
	Expenses	7	7	-	-
Key Managerial Personnel					
Mr. P.B. Bhardwaj	Commission	17	Nil	-	-
Mr. Ravi Bhushan Bhardwaj	Remuneration &	112	112	-	-
Mr. Pranav Bhardwaj	Commission	107	98	-	-
Mr. Surendra Kumar Gupta	Remuneration	69	69	-	-
Relative to Key Managerial Personnel					
Mr. Suhrit Bhardwaj	Rent Paid	20	13	-	-
	Refundable Security Deposit	-	10	10	10
Joint Ventures					
Madanpur (North) Coal Company Private Limited	Share Capital	Nil	Nil	Nil	Nil
	Share Application Money	5	Nil	5	-
Gujarat State Mining and Resources Corporation Limited	Interest Free Unsecured Loan	Nil	Nil	2	2
Total				1,738	1,720

28. EARNINGS PER SHARE

Basic Earnings per Share	Year Ended 31.03.2014	Year Ended 31.03.2013
Profit / (Loss) after Tax (₹ in Lacs) from continuing operations	2,168	(1,250)
Number of Equity Shares (Outstanding at the end of the year)	162,197,503	162,197,503
Basic Earnings ₹ per Share	1.34	(0.77)

Since there is no fresh issue or Bonus issue and also the absence of any other type of Share Capital Outstanding at the end of the year, the Diluted EPS and Basic EPS are same.

29. INTEREST IN JOINT VENTURES

The Company has interests in the following jointly controlled entities:

(₹ in Lacs)

Name of Company	% of Shareholding	Amount of Interest based on accounts for the year ended 31.03.2014					
		Assets	Liabilities	Income	Expenditure	Contingent liabilities	Capital commitments
Madanpur (North) Coal Company Private Limited	11.73 (11.73)	126 (122)	126 (122)	--	--	389 (389)	--
C T Mining Private Limited	31.80 (31.80)	327 (326)	327 (326)	--	--	489 (489)	--
Gujarat State Mining and Resources Corporation Limited	49.00 (49.00)	-- (4)	-- (4)	--	(4) --	--	--

Note: Figures in brackets relate to the previous year

30. During the year, the Company has received letters from Ministry of Coal, Government of India for de-allocation of coal blocks allotted to the Company along with other Joint Venture partners as below :

- i) Khappa & Khappa Extension coal block in the state of Maharashtra. The Company has filed a writ petition with Nagpur Bench of Bombay High Court, praying for setting aside the said de-allocation. On such petition the Bombay High Court has passed interim orders restraining the Central Government from taking coercive steps till further orders.
- ii) Choritand Taliya coking coal block in the state of Jharkhand. The Company appealed to High Court of Jharkhand at Ranchi, and received an interim order, directing the Ministry of Coal, Government of India, not to take any coercive steps against the Company till further order.
- iii) Madanpur (North) Coal Block in the State of Chhattisgarh, allocated to the Company with seven other allocatees. The allocatees have incorporated a JVC viz. Madanpur (North) Coal Company Private Limited. The JVC has filed a petition in the Delhi High Court against the de-allocation of the Coal Block. The Honorable Delhi High Court issued an interim order directing the Ministry of Coal, Government of India to maintain status-quo till further order by the court.

Since the matter is now sub-judice before the respective Hon'ble High Courts, the Company has neither provided for any contingencies nor recognised any amount towards diminution in the value of the investments made in the Subsidiary / JVCs and accordingly, the financial statements have been prepared on going concern basis.

31. Previous years figures have been rearranged or regrouped wherever necessary to conform to current year's classification. The line items which are either not applicable or were NIL for both the years are omitted in presentation.

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES
AND STATEMENT OF FINANCIAL INFORMATION OF SUBSIDIARY & JOINT VENTURE COMPANIES**

Sr. No.	Particulars	Sunflag Power Limited		Sunflag Special Steels Limited		Khappa Coal Company Private Limited	
1	Financial year ended	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
2	Shares of subsidiary held by the Company on the above date :						
	a) Number	49940	49940	49940	49940	3163500	3163500
	Face value	₹ 10 each	₹ 10 each	₹ 10 each	₹ 10 each	₹ 10 each	₹ 10 each
	b) Extent of holding	99.88%	99.88%	99.88%	99.88%	63.27%	63.27%
3	Net aggregate Amount of profits / (losses) dealt with in the accounts of the Company for the year ended	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
4	Board of Directors as on 21.05.2014	Mr. Ravi Bhushan Bhardwaj Mr. Pranav Bhardwaj Dr. E. R. C. Shekar		Mr. Ravi Bhushan Bhardwaj Dr. E. R. C. Shekar Mr. Surendra Kumar Gupta		Mr. Surendra Kumar Gupta Dr. E.R.C. Shekar Mr. R. Muralidhar Mr. S. N. Singh Mr. U.R.Raju Mr. T. Venkatesan	

FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES AS AT 31st MARCH 2014

(₹ in Lacs)

Particulars	Sunflag Power Limited	Sunflag Special Steels Limited	Khappa Coal Company Private Limited
Share of Sunflag Iron and Steel Company Limited	99.88%	99.88%	63.27%
Paid-up Share Capital	5.00	5.00	500.00
Interest Free Unsecured Loan	944.67	--	1165.00
Reserves & Surplus	--	--	--
Other Current Liabilities	0.44	--	--
Total Assets	950.11	4.19	1,665.66
Total Liabilities	950.11	4.19	1,665.66
Details of Investments	--	--	--
Turnover	--	--	--
Profit / (Loss) Before Taxation	--	(0.006)	--
Provision for Taxation	--	--	--
Profit / (Loss) After Taxation	--	(0.006)	--
Proposed Dividend	--	--	--

FINANCIAL INFORMATION OF JOINT VENTURE COMPANIES AS AT 31st MARCH 2014

Particulars	Madanpur (North) Coal Company Private Limited	C T Mining Private Limited	Gujarat State Mining and Resources Corporation Limited
Share of Sunflag Iron and Steel Company Limited	11.7318%	31.80%	49.00%
Paid-up Share Capital	1,031.54	1,000.00	5.00
Short Term Borrowings	--	--	3.47
Reserves & Surplus	--	--	(8.35)
Total Assets	1,074.53	1,029.47	0.76
Total Liabilities	1,074.53	1,029.47	0.76
Details of Investments	--	--	--
Turnover	--	--	--
Profit / (Loss) Before Taxation	--	--	(0.65)
Provision for Taxation	--	--	--
Profit / (Loss) After Taxation	--	--	(0.65)
Proposed Dividend	--	--	--

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To

The Board of Directors,
Sunflag Iron and Steel Company Limited
 33, Mount Road, Sadar, Nagpur - 440 001

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **SUNFLAG IRON AND STEEL COMPANY LIMITED** (the "Company") and its subsidiaries and joint ventures which together are referred as "the Group" which comprise the Consolidated Balance Sheet as at 31st March 2014, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these Consolidated financial statements that give a true and fair view of the Consolidated financial position, Consolidated financial performance and Consolidated cash flows of the Company / Group in accordance with the Accounting standards referred to in section 211(3C) of the Companies Act, 1956 (the "Act") and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the Consolidated financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the Consolidated financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on considerations of the report of the other auditors on the financial statements / Consolidated financial statements of the Subsidiaries and Joint Ventures, the Consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India :

- in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March 2014;
- in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
- in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Report on Other Legal & Regulatory Requirements

We did not audit the financial statements / Consolidated financial statements of certain Joint Ventures whose financial statements / Consolidated financial statements reflect total assets of ₹ 2,104.76 Lacs and accordingly our share in total assets of ₹ 453.79 lacs is included in the Consolidated financial statements as at 31st March 2014, total revenues of ₹ Nil and net loss of ₹ 0.32 Lacs and net cash flows amounting to ₹ 511.28 Lacs and accordingly our share in the net Cash Flows is ₹ 125.21 Lacs for the year ended on that date. These financial statements / Consolidated financial statements have been audited by other auditors whose reports have been furnished to us and our opinion on the Consolidated financial statements to the extent they have been derived from such financial statements is based solely on the reports of the other auditors.

For PATEL, SHAH & JOSHI
CHARTERED ACCOUNTANTS
 Firm Regn. No. 107768W

CA JAYANT I. MEHTA
PARTNER
 Membership Number - 42630

Nagpur
21st May 2014

SUNFLAG IRON AND STEEL COMPANY LIMITED, ITS SUBSIDIARIES AND JOINT VENTURES
CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2014 (₹ in Lacs)

Particulars	Note No.	As at 31.03.2014	As at 31.03.2013
A. EQUITY AND LIABILITIES			
1 Shareholders' funds			
a) Share Capital	3	16,661	16,661
b) Reserves and Surplus	4	34,101	31,936
c) Money received against share warrants		-	-
d) Proportionate Consolidation Elimination		(441)	(441)
2 Share application money pending allotment		5	-
3 Minority Interest		184	184
4 Non-current Liabilities			
a) Long-term Borrowings	5	22,771	28,154
b) Deferred Tax Liabilities (Net)	6	4,860	5,580
c) Other Long Term Liabilities	7	922	1,306
d) Long-term Provisions	8	1,389	1,389
5 Current Liabilities			
a) Short-term Borrowings	9	16,904	14,502
b) Trade Payables	10	20,776	24,075
c) Other Current Liabilities	11	8,474	8,268
d) Short-term Provisions	12	4,384	4,764
TOTAL EQUITY AND LIABILITIES		130,990	136,378
B. ASSETS			
1 Non-current Assets			
a) Fixed Assets			
i. Tangible Assets	13	58,624	62,019
ii. Intangible Assets		-	-
iii. Capital work-in-progress		3,748	5,789
iv. Intangible Assets under development		-	-
b) Non-current Investments	14	441	441
Proportionate Consolidation Elimination		(441)	(441)
c) Deferred Tax Assets (net)		-	-
d) Long-term Loans and Advances	15	1,119	1,284
e) Other Non-current Assets		27	31
2 Current Assets			
a) Current Investments		-	-
b) Inventories	16	33,066	32,693
c) Trade Receivables	17	20,773	15,562
d) Cash and Bank Balances	18	5,287	5,576
e) Short-term Loans and Advances	19	8,148	13,280
f) Other Current Assets	20	198	144
TOTAL ASSETS		130,990	136,378

Significant accounting policies and Notes forming part of Financial Statements 1 & 2

As per our attached report of even date

For PATEL, SHAH & JOSHI
Chartered Accountants

RAVI BHUSHAN BHARDWAJ
VICE CHAIRMAN & MANAGING DIRECTOR

SURENDRA KUMAR GUPTA
DIRECTOR & CEO

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

CA R. MURALIDHAR
EXECUTIVE DIRECTOR (FINANCE) & CFO

DR. E.R.C. SHEKAR

Nagpur
21st May 2014

CS MUKESH D. PARAKH
COMPANY SECRETARY

S. GAJENDRAN
DIRECTORS

**SUNFLAG IRON AND STEEL COMPANY LIMITED, ITS SUBSIDIARIES AND JOINT VENTURES
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH 2014**

Particulars	Note No.	Year Ended 31.03.2014 (₹ in Lacs)	Year Ended 31.03.2013 (₹ in Lacs)
1. Revenue from Operations	21	176,766	174,102
Less : Excise Duty		(18,224)	(17,171)
		158,542	156,931
2. Other Income	22	548	782
3. Total Revenue (1 + 2)		159,090	157,713
4. Expenses :			
Cost of Materials Consumed	23 (a)	93,248	94,386
Other Manufacturing Expenses	23 (b)	36,614	34,681
Purchases of Stock-in-Trade		-	-
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	24	(303)	1,683
Employee benefits expense	25	7,506	7,586
Finance Costs	26	7,299	8,233
Depreciation and amortisation expense	13	6,118	5,645
Other expenses	27	6,776	6,749
Total expenses		157,258	158,963
5. Profit / (Loss) before exceptional and extraordinary items and tax		1,832	(1,250)
6. Tax Expense :			
a) Current tax expense for current year		384	-
b) Current tax expense relating to prior years		-	-
c) Deferred tax	6	(720)	-
7. Profit / (Loss) for the period from continuing operations		2,168	(1,250)
8. Earnings per equity share (Amount in ₹) :	28		
1) Basic		1.34	(0.77)
2) Diluted		1.34	(0.77)
Significant accounting policies and Notes forming part of Financial Statements	1 & 2		

As per our attached report of even date

For PATEL, SHAH & JOSHI
Chartered AccountantsRAVI BHUSHAN BHARDWAJ
VICE CHAIRMAN & MANAGING DIRECTORSURENDRA KUMAR GUPTA
DIRECTOR & CEOCA JAYANT I. MEHTA
PARTNER
Membership Number - 42630CA R. MURALIDHAR
EXECUTIVE DIRECTOR (FINANCE) & CFO

DR. E.R.C. SHEKAR

Nagpur
21st May 2014CS MUKESH D. PARAKH
COMPANY SECRETARY

S. GAJENDRAN

DIRECTORS

**SUNFLAG IRON AND STEEL COMPANY LIMITED, ITS SUBSIDIARIES AND JOINT VENTURES
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2014**

Particulars	For the year ended 31.03.2014 (₹ in Lacs)		For the year ended 31.03.2013 (₹ in Lacs)	
A. Cash flow from operating activities				
Net Profit / (Loss) before extraordinary items and tax		1,832		(1,250)
<i>Adjustments for :</i>				
Depreciation and amortisation	6,118		5,645	
(Profit)/loss on sale/write off of assets	-		-	
Finance costs	7,299		8,233	
		13,417		13,878
Operating profit/(loss) before working capital changes		15,249		12,628
<i>Changes in working capital :</i>				
<i>Adjustments for (increase)/decrease in operating assets :</i>				
Inventories	(373)		6,491	
Trade receivables	(5,211)		(602)	
Short-term loans and advances	5,131		(1,924)	
Long-term loans and advances	166		2,599	
Other current assets	(53)		297	
Other Non-Current assets	5			
<i>Adjustments for increase / (decrease) in operating liabilities :</i>				
Trade payables	(3,299)		4,867	
Other current liabilities	205		(622)	
Short-term provisions	(380)		196	
Other long-term liabilities	(384)		(354)	
Long-term provisions	-		337	
		(4,193)		11,285
Cash flow from extraordinary items		-		-
Cash generated from operations		11,056		23,913
Net income tax (paid) / refunds		(384)		
Net cash flow from / (used in) operating activities (A)		10,672		23,913
B. Cash flow from investing activities				
Capital expenditure on fixed assets, including capital advances	(683)		(5,439)	
Proceeds from sale of fixed assets	2		-	
Long-term investments in ;	-		-	
- Joint ventures	-		-	
Net cash flow from / (used in) investing activities (B)		(681)		(5,439)

Particulars	For the year ended 31.03.2014 (₹ in Lacs)		For the year ended 31.03.2013 (₹ in Lacs)	
C. Cash flow from financing activities				
Proceeds from long-term borrowings	2,088		2,149	
Repayment of long-term borrowings	(6,918)		(7,939)	
Net increase / (decrease) in working capital borrowings	2,402		(3,794)	
Repayment of unsecured Deferred Sales Tax Loan	(553)		(658)	
Finance cost	(7,299)		(8,233)	
Dividends paid	-		-	
Tax on dividend	-		-	
Cash flow from extraordinary items	-		-	
Net cash flow from/(used in) financing activities (C)		(10,280)		(18,475)
Net increase/(decrease) in Cash and cash equivalents (A+B+C)		(289)		(1)
Cash and cash equivalents at the beginning of the year		5,576		5,577
Effect of exchange differences on restatement of foreign currency		-		-
Cash and cash equivalents at the end of the year (Refer Note 18)		5,287		5,576
Refer Significant accounting policies and Notes				

As per our attached report of even date

For PATEL, SHAH & JOSHI
Chartered Accountants

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Nagpur
21st May 2014

RAVI BHUSHAN BHARDWAJ
VICE CHAIRMAN & MANAGING DIRECTOR

CA R. MURALIDHAR
EXECUTIVE DIRECTOR (FINANCE) & CFO

CS MUKESH D. PARAKH
COMPANY SECRETARY

SURENDRA KUMAR GUPTA
DIRECTOR & CEO

DR. E.R.C. SHEKAR

S. GAJENDRAN

DIRECTORS

Sunflag Iron and Steel Company Limited, its Subsidiaries and Joint Ventures**Notes forming part of the Consolidated Financial Statements for the year ended 31st March 2014****1. PRINCIPLES OF CONSOLIDATION :**

- The consolidated financial statements relate to the Sunflag Iron and Steel Company Limited, ("the Company") its majority owned subsidiary Companies and joint ventures which together constitute "The Group" as on 31st March 2014. The consolidated financial statements have been prepared on the following basis :
- The Financial Statements of the Company, its subsidiary Companies and jointly controlled entities are combined on line by line basis by adding together like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard on "Consolidated Financial Statement" AS-21 read with Accounting Standard "Financial Reporting of Interest in Joint Ventures" (AS-27) issued by the Institute of Chartered Accountants of India.
- The Financial Statements of the subsidiaries and jointly controlled entities used in the consolidation are drawn upto the same reporting date as that of the Company i.e. 31st March 2014.
- Minority interest in the net assets of consolidated subsidiaries consist of :-
 - the amount of equity attributable to minorities at the date on which the investment in a subsidiary is made,
 - the minorities' share of movements in equity since the date the parent subsidiary relationship came into existence.
- As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate Financial Statements.
- The list of subsidiary Companies and jointly controlled entities, which are included in the consolidation and the Company's holdings therein are as under :

Name of Company	Ownership in % either directly or through Subsidiaries	
	2013-2014	2012-2013
i. Subsidiary Companies		
- Sunflag Special Steels Limited	99.88	99.88
- Sunflag Power Limited	99.88	99.88
- Khappa Coal Company Private Limited	63.27	63.27
ii. Jointly Controlled Entities		
- Madanpur (North) Coal Company Private Limited	11.7318	11.7318
- C T Mining Private Limited	31.80	31.80
- Gujarat State Mining & Resources Corporation Limited	49.00	49.00

- Other Significant Accounting Policies are set out under "Corporate information and Significant Accounting Policies" as given in the Company's separate financial statements.

3. SHARE CAPITAL

Particulars	As at 31.03.2014		As at 31.03.2013	
	Number	Amount (₹ in Lacs)	Number	Amount (₹ in Lacs)
Authorised				
10% Cumulative Preference Shares of ₹ 100/- each	4,000,000	4,000	4,000,000	4,000
Equity Shares of ₹ 10/- each	165,000,000	16,500	165,000,000	16,500
Total		20,500		20,500
Issued				
Equity Shares of ₹ 10/- each	162,197,503	17,171	162,197,503	17,171
Subscribed & Fully Paid up Equity Shares				
Equity Shares of ₹ 10/- each fully paid	162,197,503	17,171	162,197,503	17,171
Consolidation Elimination		(510)		(510)
Total	162,197,503	16,661	162,197,503	16,661

a) Terms / Voting Rights attached to the Equity Shares

The paid up capital of the Company consists of only equity shares of ₹ 10/- each. Every equity share holder is entitled to one vote per share.

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

b) Details of Shareholders holding more than 5% shares in the Company

Name of Shareholder	As at 31.03.2014		As at 31.03.2013	
	Number of Shares held	% of Holding	Number of Shares held	% of Holding
Sunflag Limited, Channel Islands, UK	65,253,582	40.23%	65,253,582	40.23%
Mr. Suhrit Ravi Bhardwaj	13,217,398	8.15%	13,217,398	8.15%
M/s. Supra Corporation Limited	8,333,356	5.14%	8,333,356	5.14%

4. RESERVES & SURPLUS

Particulars	As at 31.03.2014	As at 31.03.2013
	(₹ in Lacs)	
a) Capital Reserves		
Opening Balance	25	25
(+) Current Year Transfer	-	-
(-) Written Back in Current Year	-	-
Closing Balance (a)	25	25
b) Other Reserves		
General Reserves		
Opening Balance	231	231
(+) Current Year Transfer	-	-
(-) Written Back in Current Year	-	-
Closing Balance (b)	231	231
c) Surplus / (Deficit) in Statement of Profit and Loss		
Opening Balance	31,680	32,927
(+) Net Profit / (Net Loss) for the current year	2,168	(1,250)
(+) Transfer from Reserves	(3)	-
(-) Transfer to Reserves	-	3
Closing Balance (c)	33,845	31,680
Total (a+b+c)	34,101	31,936

5. LONG TERM BORROWINGS

a) Secured Long Term Borrowings		
Term Loans - From Banks	15,257	20,086
Total Long Term Borrowings (a)	15,257	20,086
b) Unsecured Long Term Borrowings		
From Promoters (Interest Free) [@]	1,804	1,804
Other loans and advances #		
- Interest free Sales Tax Loan	5,710	6,264
Total Long Term Borrowings (b)	7,514	8,068
Total Long Term Borrowings (a+b)	22,771	28,154

Maturity Profile (Secured Long Term)	Term Loans from Banks
1 - 2 year	6,780
2 - 3 year	6,618
3 - 4 year	1,371
Beyond 4 years	488
Maturity Profile (Unsecured Loan)	Interest Free Sales Tax Loan
1 - 2 year	556
2 - 3 year	580
3 - 4 year	721
Beyond 4 years	3,853

i. Term Loans from Banks are secured by a first mortgage of all the Company's immovable properties, both present and future ranking *pari passu interse* and a first charge by way of hypothecation of all the Company's movables subject to prior charges created in favour of Company's bankers on inventories, book debts and other movables for securing the borrowings for working capital requirement.

ii. Term loan of ₹ 40 Crores borrowed from State Bank of India and State Bank of Bikaner & Jaipur are further secured by Personal Guarantee of Shri Ravi Bhushan Bhardwaj, Vice Chairman & Managing Director of the Company.

iii. The Company has not defaulted in either repayment of principle or interest during the year.

@ The Unsecured loans comprising interest free loans given by Promoters. There is no stipulation as to the repayment hence there is no default in repayment during the period.

The Unsecured loans comprising interest free Sales Tax Loan. The repayment of the Sales Tax Loan is made as per the schedule and there is no default in repayment during the period.

6. DEFERRED TAXATION

(₹ in Lacs)

Particulars	Balance as on 01.04.2013	Arising during the year	Balance as on 31.03.2014
a) Deferred Tax Liabilities			
On account of timing difference in Depreciation	5,921	1,190	7,111
Others	-	-	-
Total (a)	<u>5,921</u>	<u>1,190</u>	<u>7,111</u>
b) Deferred Tax Assets			
Disallowances	341	130	471
Accumulated Losses	-	1,780	1,780
Total (b)	<u>341</u>	<u>1,910</u>	<u>2,251</u>
Deferred Tax Liability / (Asset) (a – b)	<u>5,580</u>	<u>(720)</u>	<u>4,860</u>

Total deferred tax Liabilities for the current year amounts to ₹ 1,190 (₹ 999) Lacs and deferred tax Assets for the current year works out to ₹ 1,910 (₹ 1,666) Lacs resulting into net deferred tax assets of ₹ 720 (₹ 667) Lacs. The same is recognised in the current year.

Particulars	As at 31.03.14 (₹ in Lacs)	As at 31.03.13 (₹ in Lacs)	Particulars	As at 31.03.14 (₹ in Lacs)	As at 31.03.13 (₹ in Lacs)
7. OTHER LONG TERM LIABILITIES			10. TRADE PAYABLES		
a) Trade Payables	775	1,175	a) Acceptances	9,692	4,808
b) Others - Security Deposit			b) Other than Acceptances	11,084	19,267
i. Refundable	3	3	Total	<u>20,776</u>	<u>24,075</u>
ii. Contractors #	144	124			
iii. Employees LPG	-	4	11. OTHER CURRENT LIABILITIES		
Total (a+b)	<u>922</u>	<u>1,306</u>	a) Current maturities of long-term debt (Payable within a year)		
Note : # Deposit recovered from contractors continue to remain over one year.			i. Term Loan from Banks	7,481	7,285
8. LONG TERM PROVISIONS			ii. Unsecured Interest free Sales Tax Loan	553	617
a) Provision for employee benefits			b) Interest accrued but not due on borrowings	122	119
Employees Benefit including Leave Encashment	488	488	c) Unclaimed dividends	94	111
b) Provision for Contingencies	901	901	d) TDS Payable	29	26
Total (a+b)	<u>1,389</u>	<u>1,389</u>	e) Payable to others	-	27
9. SHORT TERM BORROWINGS			f) Advance received from Customers	13	6
Secured :			g) Other Payables	182	77
Loans repayable on demand			Total	<u>8,474</u>	<u>8,268</u>
Borrowings for Working Capital from banks	16,904	14,502			
Total	<u>16,904</u>	<u>14,502</u>	12. SHORT TERM PROVISIONS		
i. Working Capital Borrowings are secured by way of hypothecation of inventories and book debts and further secured by way of second charge ranking <i>pari passu</i> over the fixed assets both present and future, subject to prior charges created by the Company in favour of banks for securing term loans. Working capital borrowings are further secured by the personal guarantee of Shri Ravi Bhushan Bhardwaj, Vice Chairman & Managing Director of the Company.			a) Provision for employee benefits		
ii. The Company has not defaulted in either repayment of principle or interest during the year.			Salary & Reimbursements	356	202
			b) Others		
			Power	-	16
			Excise Duty Payable on Finished Goods Stock	2,792	2,574
			Selling Expenses	869	927
			Managerial Commission	21	-
			Other Expenses	346	1,045
			Total	<u>4,384</u>	<u>4,764</u>

13. FIXED ASSETS

PARTICULARS	(₹ in Lacs)									
	Gross Block			Accumulated Depreciation			Net Block			
	Balance as at 01.04.2013	Additions/ (Disposals)	Balance as at 31.03.2014	Balance as at 01.04.2013	Depreciation Charge for the year	On disposals	Balance as at 31.03.2014	Balance as at 31.03.2014	Balance as at 31.03.2013	
A Tangible Assets										
a) Freehold Land	588	-	588	-	-	-	-	588	588	
b) Leasehold Land	84	5	89	24	1	-	25	64	60	
c) Buildings										
Factory Buildings	20,474	354	20,828	9,804	1,157	-	10,961	9,867	10,670	
Non Factory Building	192	-	192	79	3	-	82	110	113	
Office Building	458	-	458	165	20	-	185	273	293	
Township	630	-	630	225	10	-	235	395	405	
Welfare Buildings	86	-	86	28	1	-	29	57	58	
Boundary Wall & Fencing	87	-	87	18	1	-	19	68	69	
Approach Roads	253	-	253	95	9	-	104	149	158	
d) Railway Siding	375	-	375	351	1	-	352	23	24	
e) Plant and Equipment	101,310	2,355	103,665	53,147	4,813	-	57,960	45,705	48,163	
f) Furniture and Fixtures	227	-	227	184	5	-	189	38	43	
g) Vehicles	319	(9)	310	252	17	(7)	262	48	67	
h) Office equipment	409	-	409	337	7	-	344	65	72	
i) Development of Mines	1,562	17	1,579	326	79	-	405	1,174	1,236	
Total (A)	127,054	2,722	129,776	65,035	6,124	(7)	71,152	58,624	62,019	
B Intangible Assets										
C Capital Work in Progress										
	-	-	-	-	-	-	-	-	-	
Total (B + C)	5,789	(2,041)	3,748	-	-	-	-	3,748	5,789	
D Intangible Assets under Development										
	5,789	(2,041)	3,748	-	-	-	-	3,748	5,789	
Total (A+B+C+D)	-	-	-	-	-	-	-	-	-	
	132,843	681	133,524	65,035	6,124	(7)	71,152	62,372	67,808	

14. NON-CURRENT INVESTMENTS

(₹ in Lacs)

Particulars	As at 31.03.2014	As at 31.03.2013
Non Trade Investment in Equity instruments	441	441
Less : Provision for diminution in the value of Investments	-	-
Total	441	441
Aggregate amount of unquoted investments	441	441

Details of Non Trade Investments in Equity

Name of Body Corporate	No. of Shares		Extent of Holding (%)		Amount (₹ Lacs)	
	31.03.14	31.03.13	31.03.14	31.03.13	31.03.14	31.03.13
Investment in Equity Instrument (At Cost, Unquoted & Fully Paid)						
<u>Joint Ventures</u>						
Madanpur (North) Coal Company Pvt Ltd	1,210,188	1,210,188	11.73	11.73	121	121
C T Mining Private Limited	3,180,000	3,180,000	31.80	31.80	318	318
Gujarat State Mining and Resources Corporation Limited	24,500	24,500	49.00	49.00	2	2
<u>Others</u>						
India Bulls CSEB Bhayyathan Power Ltd.	74	74			-	-
Total					441	441

As at 31.03.14 As at 31.03.13
(₹ in Lacs)

As at 31.03.14 As at 31.03.13
(₹ in Lacs)

15. LONG TERM LOANS AND ADVANCES**a) Capital Advances**

Secured, considered good	-	-
Unsecured, considered good	103	293
	103	293

b) Security Deposits

Secured, considered good	-	-
Unsecured, considered good	960	942
	960	942

c) Loans and advances to related parties [refer Note 27.12]

Unsecured, considered good	56	49
	56	49
Total (a+b+c)	1,119	1,284

16. INVENTORIES

a) Raw Materials & components (Valued at weighted average cost)	6,450	5,961
Goods-in transit	-	283
Total (a)	6,450	6,244
b) Work-in-progress (Valued at cost)	4,839	6,690
c) Finished goods (Valued at lower of cost or Net realisable value)	20,678	18,524
d) Consumables, Stores and Spares (Valued at weighted average cost)	1,099	1,235
e) Others	-	-
Total (a+b+c+d+e)	33,066	32,693

	As at 31.03.14 (₹ in Lacs)	As at 31.03.13 (₹ in Lacs)	Notes forming part of Consolidated Statement of Profit and Loss for the year ended 31st March 2014	
17. TRADE RECEIVABLES				For the year ended 31.03.14 31.03.13 (₹ in Lacs)
a) Trade receivables outstanding for a period less than six months from the date they are due for payment			21. REVENUE FROM OPERATIONS	
Unsecured-considered good	19,805	14,635	Sale of Manufactured Goods	176,537 173,639
Less: Provision for doubtful debts	-	-	Sale of Others	- -
Total (a)	19,805	14,635	Duty Drawback and Export Incentives	229 463
b) Trade receivables outstanding for a period exceeding six months from the date they are due for payment				176,766 174,102
Unsecured-considered good	968	927	Less: Excise duty	18,224 17,171
Less: Provision for doubtful debts	-	-	Total	158,542 156,931
Total (b)	968	927	22. OTHER INCOME	
Total (a+b)	20,773	15,562	Interest Income (in case of a company other than a finance company)	405 470
18. CASH AND BANK BALANCES			Net gain / (loss) on sale of investments	- -
a) Cash and Cash Equivalents			Other non-operating income (net of expenses directly attributable to such income)	143 312
i. Cash on hand	8	10	Total	548 782
ii. Balances in Current Accounts	945	933	23.a) Cost of Raw Material and Components Consumed	
iii. Fixed Deposits	109	121	Inventory at the beginning of the year	7,479 12,286
Total (a)	1,062	1,064	Add: Purchases	93,318 89,579
b) Other Bank Balances			Less: Inventory at the end of the year	7,549 7,479
i. Margin Money Deposit against LC & BG	4,131	4,401	Total Raw Material Consumption (a)	93,248 94,386
ii. On Dividend A/c - Unclaimed	94	111	23.b) Other Manufacturing Expenses	
Total (b)	4,225	4,512	Consumption of Fuel	5,596 5,967
Total (a+b)	5,287	5,576	Consumption of Power (Net of Captive consumption)	9,742 8,985
19. SHORT-TERM LOANS AND ADVANCES			Sales Tax (Net of Incentive under Mega Project)	6,864 5,742
Trade Advances - Vendors	5,418	10,058	Frieght & Forwarding	8,170 7,778
Loans & Advances to Employees	58	24	Other Works Overhead	6,242 6,209
Prepaid Expenses	134	50	Total Other manufacturing Expenses (b)	36,614 34,681
Balances with Statutory / Government Authorities			Total Expenses (a + b)	129,862 129,067
- Excise Duty	540	632		
- Sales Tax (VAT)	-	-		
- Income Tax	1,667	1,688		
- Claims Receivable	331	828		
Total	8,148	13,280		
20. OTHER CURRENT ASSETS				
a) Accruals - Interest accrued on Deposits	135	117		
b) Others				
i. Export incentives Receivable	59	23		
ii. Railway Claims	4	4		
Total (a+b)	198	144		

	For the year ended		For the year ended	
	31.03.14	31.03.13	31.03.14	31.03.13
	(₹ in Lacs)		(₹ in Lacs)	
Details of Raw Material & Components Consumed			25. Employee Benefit Expenses (@)	
Iron Ore & Iron Ore Fines	28,241	31,152	Salaries, Wages and Bonus	6,341 6,497
Coal & Coal Fines #	2,301	3,206	Contribution to Provident and other Funds	702 634
Coke	24,382	24,462	Staff Welfare Expenses	463 455
Sponge Iron	-	-	Total	7,506 7,586
Scrap & HBI	1,033	2,801	26. Finance Cost	
Ferro Alloys	18,245	16,317	Interest Expense	6,115 7,242
Fluxes, Minerals & Additives	8,513	6,608	Other borrowing costs	1,439 1,099
Electrodes	1,650	1,478	Applicable net gain / (loss) on foreign currency transactions and translation	(255) (108)
Others	8,883	8,362	Total	7,299 8,233
Total	93,248	94,386	27. Other Expenses	
Details of Inventory			27.1 Administration & Selling Expenses	
Raw Material & Components			Travelling Expenses	297 311
Iron Ore & Iron Ore Fines	1,637	505	Insurance Charges	204 222
Coal & Coal Fines	1,005	2,919	Rent, Rates and Taxes	238 298
Coke	1,260	538	Repairs and Maintenance	94 65
Scrap & HBI	119	32	Printing and Stationary	23 26
Ferro Alloys	1,188	1,307	Postage and Telephones	66 82
Fluxes, Minerals & Additives	837	272	Admin Expenses	406 373
Electrodes	101	153	Legal and Professional Expenses	417 309
Goods in Transit	-	283	Payment to Auditors	18 14
Others	1,402	1,470	(Refer Details below)	
Total	7,549	7,479	Commission	141 84
24. (Increase) / Decrease in Inventories			Discounts	4,697 4,851
At the end of the year			Other Selling Overheads	175 114
Finished goods	20,678	18,524	Total	6,776 6,749
Work-in-progress	4,839	6,690	27.2 Payment to Auditors	
Total	25,517	25,214	Audit Fees	14 11
At the beginning of the year			Out of Pocket Expenses	2 2
Finished goods	18,524	19,624	Cost Audit Fees	1 1
Work-in-progress	6,690	7,273	Stock Audit Fees	1 -
Total	25,214	26,897	Total	18 14
Net (increase) / decrease	(303)	1,683		

Net of consumption of Coal from Captive Mines.

@ Employee benefits includes Directors remuneration. As there are inadequate profits during the Financial year, the remuneration payable to managerial personnel is governed by Schedule XIII to the Companies Act, 1956. However, the Company is seeking approval of Central Government for the waiver of excess remuneration paid during the year.

27.3 Contingent liabilities and commitments (to the extent not provided for)

(₹ in Lacs)

Particulars	For the year Ended	
	31.03.2014	31.03.2013
i. Contingent Liabilities		
a) Unexpired Letter of Credit	6,102	10,801
b) Guarantees issued by Company's Bankers on behalf of the Company	4,153	3,569
c) Bonds / Undertakings given by the Company under Duty Exemption Scheme to the Custom Authorities	2,598	2,598
d) Bills Discounted	7,170	6,400
e) Excise Duty & Custom Duty against which Company has preferred an Appeal	65	100
f) Income Tax Liability - Disputed but paid	1,538	1,074
g) Income Tax Liability - Disputed but not paid	-	739
ii. Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for :- Tangible Assets	882	507

27.4 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

Based on the data available with the Company, there were no dues to Micro, Small and Medium Enterprises as on 31st March 2014 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.

27.5 Disclosure as per Clause 32 of the Listing Agreements with the Stock Exchanges

Loans and advances in the nature of loans given to subsidiaries, associates and others and investment in shares of the Company by such companies.

Name of Company	Relationship	Amount Outstanding as at 31 st March 2014	Maximum balance Outstanding during the year
Sunflag Power Limited	Subsidiary	945 (933)	945 (933)
Khappa Coal Company Private Limited	Subsidiary	737 (737)	737 (737)
Gujarat State Mining & Resources Corporation Limited	Joint Venture	2 (1)	2 (1)

Note: Figures in bracket relate to the previous year.

For the year ended
31.03.14 31.03.13
(₹ in Lacs)

27.6 Value of imports calculated on CIF basis :

Raw Materials	4,275	7,904
Spare Parts & Components	216	336
Capital goods	-	132

27.7 Expenditure in foreign currency :

Technical Services	138	138
Subscription & Membership Fees	8	2
Foreign Travelling	18	40
Other matters	17	47

27.8 Earnings in foreign exchange :

Export of goods calculated on FOB basis	8,026	10,854
---	-------	--------

27.9 Details of consumption of imported and indigenous items

	(₹ in Lacs)	%
Imported		
Raw Materials	4,857 (8,602)	5.21 (7.79)
Components & Spare Parts	283 (215)	0.30 (0.57)
Total	5,140 (8,817)	5.51 (8.36)
Indigenous		
Raw Materials	86,989 (84,379)	93.29 (90.89)
Components & Spare Parts	1,121 (1,189)	1.20 (0.75)
Total	88,110 (85,568)	94.49 (91.64)

Note: Figures / percentage in bracket relate to the previous year.

27.10 Segment information

The Company's business activity primarily falls within a single business segment i.e., Iron & Steel business, however, the Company also generate power from its Captive Plant, which is entirely consumed in Iron & Steel Manufacturing Unit and no sale to third party has been made. The details of such consumed units are shown below. Hence there are no additional disclosures to be made under Accounting Standard (AS) 17, other than those already provided in the financial statements.

Particulars	For the year ended	
	31.03.2014	31.03.2013
Units consumed (kWh'000)	135,118	141,859
Value (₹ in Lacs)	9,331	10,140

27.11 Employee benefit plans

In view of the mandatory applicability of the revised Accounting Standard on Employee Benefits (AS 15 Revised) to the Company, effective 1st January 2007, the additional charges are paid and charged to the statement of Profit & Loss according to the provisions of AS-15 (Revised) as under :

- Employees Provident Fund, the company has made good the shortfall of interest on fund ₹ 9.00 lacs (previous year ₹ Nil)

Further, the following table sets out plan for the Employees Benefits as required under Accounting Standard 15 (Revised) (₹ in Lacs)

Particulars	Gratuity		Provident Fund		Superannuation	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Statement showing changes in Present Value of obligation :						
Present value of obligations at the beginning of the year	1,030	928	4,020	3,609	1,778	1,610
Interest Cost	94	91	342	306	170	141
Current Service Cost	105	82	768	719	212	201
Benefits paid	(96)	(71)	(735)	(614)	(185)	(174)
Actuarial Loss on Obligations	-	-	-	-	-	-
Present value of obligations as at the end of the year	1,133	1,030	4,395	4,020	1,975	1,778
Table showing changes in the fair value of Plan Assets :						
Fair value of Plan Assets at the beginning of year	1,030	928	4,020	3,609	1,778	1,610
Expected return on Plan Assets	94	91	333	306	170	141
Contributions	115	92	768	719	212	201
Benefits paid	(96)	(71)	(735)	(614)	(185)	(174)
Actuarial Gain / (Loss) on Plan Assets	-	-	-	-	-	-
Fair value of Plan Assets at the end of the year	1,143	1,040	4,386	4,020	1,975	1,778
Funded Status	(10)	(10)	9	-	-	-
Excess of Actual over estimated return on Plan Assets						
Actuarial Gain / (Loss) recognised :						
Actuarial Gain / (Loss) for the year - Obligation	-	-	-	-	-	-
Actuarial Gain / (Loss) for the year - Plan Assets	(10)	(10)	9	-	-	-
Total Loss for the year	-	-	-	-	-	-
Actuarial Gain / (Loss) recognised in the year	(10)	(10)	9	-	-	-
Amounts to be recognised in the Balance Sheet :						
Present value of obligations as at the end of the year	1,133	1,030	4,395	4,020	1,975	1,778
Fair value of Plan Assets as at the end of the year	1,143	1,040	4,386	4,020	1,975	1,778
Funded Status	(10)	(10)	9	-	-	-
Net Asset / (Liability) Recognised in the Balance Sheet	10	10	(9)	-	-	-
Expenses Recognised in the statement of Profit and Loss Account :						
Current Service Cost	105	82	342	306	-	-
Interest Cost	-	-	-	-	-	-
Expected Return on Plan Assets	-	-	333	306	-	-
Net Actuarial (Gain) / Loss Recognised in the Statement of Profit & Loss	(10)	(10)	-	-	-	-
Expenses Recognised in Statement of Profit & Loss	115	92	9	-	-	-

(₹ in Lacs)						
Particulars	Gratuity		Provident Fund		Superannuation	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Actuarial Assumptions :						
Discount Rate	8.85%	9.40%	8.75%	9.50%	-	-
Salary Escalation	5.00%	5.00%	5.00%	5.00%	-	-
Investment Details (%) :						
GOI Securities	-	-	52%	46%	-	-
State Government Securities	-	-	17%	22%	-	-
Approved Marketable Securities	-	-	-	-	-	-
Bonds / Debentures etc	-	-	31%	32%	-	-
Loans	-	-	-	-	-	-
Equity	-	-	-	-	-	-
Liquid fund / Money Market Instrument	-	-	-	-	-	-
Total	-	-	100%	100%	-	-

- a) The investment details of Gratuity funds are as per the Scheme of Life Insurance Corporation of India (LIC).
- b) The investment details of Superannuation funds are as per the Scheme of Life Insurance Corporation of India (LIC) under two plans. Even though these plans are still continuing, Company has stopped making contribution towards One plan i.e., Superannuation Scheme of Workers w.e.f. 01.04.1995 on payment of bonus in the year 1995 as per the terms and conditions of Rules framed at the time of subscribing to the designated policy of LIC. Company was liable as per terms and conditions of the Trust deed to pay contributions only till applicability of provisions of payment of Bonus Act.

27.12 Related Party Disclosure (as identified by the Management)

(₹ in Lacs)

Related party	Account	Transaction year ended		Outstanding As on	
		31.03.14	31.03.13	31.03.14	31.03.13
Associate Enterprises					
Haryana Televisions Limited	Rent	32	32	28	28
Ridge Farm Developers (P) Limited	Rent	13	13	10	10
	Expenses	7	7	-	-
Key Managerial Personnel					
Mr. P.B. Bhardwaj	Commission	17	Nil	-	-
Mr. Ravi Bhushan Bhardwaj } Mr. Pranav Bhardwaj	Remuneration & Commission	112	112	-	-
Mr. Surendra Kumar Gupta	Remuneration	107	98	-	-
		69	69	-	-
Relative to Key Managerial Personnel					
Mr. Suhrit Bhardwaj	Rent Paid	20	13	-	-
	Refundable Security Deposit	-	10	10	10
Joint Ventures					
Madanpur (North) Coal Company Private Limited	Share Capital	Nil	Nil	Nil	Nil
	Share Application Money	5	Nil	6	-
Gujarat State Mining and Resources Corporation Limited	Interest Free Unsecured Loan	Nil	Nil	2	1
Total				56	49

28. EARNINGS PER SHARE

Basic Earnings per Share	Year Ended	
	31.03.2014	31.03.2013
Continuing Operations		
Profit / (Loss) after Tax (₹ in Lacs)	2,168	(1,250)
Number of Equity Shares (Outstanding at the end of the year)	162,197,503	162,197,503
Basic Earnings ₹ per Share	1.34	(0.77)

Since there is no fresh issue or Bonus issue and also the absence of any other type of Share Capital Outstanding at the end of the year, the Diluted EPS and Basic EPS are same.

29. INTEREST IN JOINT VENTURES

The Company has interest in the following jointly controlled entities:

Name of Company	% of shareholding	Amount of Interest based on accounts for the year ended 31.03.2014					
		Assets	Liabilities	Income	Expenditure	Contingent liabilities	Capital commitments
Madanpur (North) Coal Company Private Limited	11.73 (11.73)	126 (122)	126 (122)	--	--	389 (389)	--
C T Mining Private Limited	31.80 (31.80)	327 (326)	327 (326)	--	--	489 (489)	--
Gujarat State Mining and Resources Corporation Limited	49.00 (49.00)	-- (4)	-- (4)	--	(4) --	--	--

Note: Figures in brackets relate to the previous year

30. During the year, the Company has received letters from Ministry of Coal, Government of India for de-allocation of coal blocks allotted to the Company along with other Joint Venture partners as below :

- i) Khappa & Khappa Extension coal block in the state of Maharashtra. The Company has filed a writ petition with Nagpur Bench of Bombay High Court, praying for setting aside the said de-allocation. On such petition the Bombay High Court has passed interim orders restraining the Central Government from taking coercive steps till further orders.
- ii) Choritand Taliya coking coal block in the state of Jharkhand. The Company appealed to High Court of Jharkhand at Ranchi, and received an interim order, directing the Ministry of Coal, Government of India, not to take any coercive steps against the Company till further order.
- iii) Madanpur (North) Coal Block in the State of Chhattisgarh, allocated to the Company with seven other allocatees. The allocatees have incorporated a JVC viz. Madanpur (North) Coal Company Private Limited. The JVC has filed a petition in the Delhi High Court against the de-allocation of the Coal Block. The Honorable Delhi High Court issued an interim order directing the Ministry of Coal, Government of India to maintain status-quo till further order by the court.

Since the matter is now sub-judice before the respective Hon'ble High Courts, the Company has neither provided for any contingencies nor recognised any amount towards diminution in the value of the investments made in the Subsidiary / JVCs and accordingly, the financial statements have been prepared on going concern basis.

31. Previous years figures have been rearranged or regrouped wherever necessary to conform to current year's classification. The line items which are either not applicable or were NIL for both the years are omitted in presentation.

PROXY FORM

[Pursuant to Section 105 (6) of the Companies Act, 2013 and rule 19 (3) of the Companies (Management and Administration) Rules, 2014]

SUNFLAG IRON AND STEEL COMPANY LIMITED**REGISTERED OFFICE : 33, MOUNT ROAD, SADAR, NAGPUR - 440001****Corporate Identification Number (CIN) – L 27100 MH 1984 PLC 034003**

Tel No. + 91 712 2524661 / 2520356-7-8, Fax No. + 91 712 2520360, E-Mail ID : investor@sunflagsteel.com, Website : www.sunflagsteel.com

28th Annual General Meeting - Friday, the 26th September 2014 at 3.00 p.m.Name of the Member(s) : Registered Address : Email ID : DPID Reg. Folio No. CLID No. of Shares

I / We, being the member(s) ofshares of the above named Company, hereby appoint :

1. Name :Email :

Address :

..... Signature :

or failing him / her

2. Name :Email :

Address :

..... Signature :

or failing him / her

3. Name :Email :

Address :

..... Signature :

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the Annual General Meeting of the Company, to be held on Friday, the 26th September, 2014 at 3.00 p.m. at the Indian Medical Association's J R Shaw Auditorium, North Ambazari Road, Nagpur – 440010 and at any adjournment thereof in respect of such resolution as are indicated below :

Sr. No.	Resolution	Vote (Optional) (Refer Note 2)		
		For	Against	Abstain
<u>Ordinary Business</u>				
1	Adoption of Financial Statements (Standalone & Consolidated) viz. Balance Sheet, Statement of Profit and Loss, Cash Flow Statements, Report of the Board of Directors and Auditors for the Year ended 31 st March 2014			
2	Appointment of a Director in place of Mr. P. B. Bhardwaj, who retires by rotation and being eligible, offers himself for re-appointment			
3	Appointment of a Director in place of Mr. Ravi Bhushan Bhardwaj, who retires by rotation and being eligible, offers himself for re-appointment			
4	Re-appointment of M/s Patel, Shah & Joshi, Chartered Accountants, Mumbai as the Statutory Auditors of the Company			
<u>Special Business</u>				
5	Appointment of Dr. E. R. C. Shekar as a Non-Executive, Independent Director of the Company for a fixed term of continuous period of three (3) years			
6	Appointment of Mr. S. Gajendran as a Non-Executive, Independent Director of the Company for a fixed term of continuous period of three (3) years			
7	Appointment of CA Jayesh M. Parmar as a Non-Executive, Independent Director of the Company for a fixed term of continuous period of three (3) years			
8	Appointment of Mr. Kumar Jitendra Singh as a Non-Executive, Independent Director of the Company for a fixed term of continuous period of three (3) years			
9	Approve the payment of existing remuneration as minimum remuneration and waiver of excess remuneration paid to Mr. Ravi Bhushan Bhardwaj, Vice-Chairman & Managing Director of the Company			
10	Approve the payment of existing remuneration as minimum remuneration and waiver of excess remuneration paid to Mr. Pranav Bhardwaj, Joint Managing Director of the Company			
11	Approve the payment of existing remuneration as minimum remuneration and waiver of excess remuneration paid to Mr. Surendra Kumar Gupta, Whole-time Director, designated as Director & CEO of the Company			
12	Authorisation to Board of Directors for Borrowing Powers : Increase in Borrowing Limits			
13	Authorisation to Board of Directors for creation of Charges / Mortgage / Hypothecations in favour of Banks as Security against Loan / Financial Assistance			
14	Approval / Ratification of Appointment and fixation of Remuneration to M/s G. R. Paliwal & Company, Cost Account, Nagpur as Cost Auditors of the Company for the Financial Year 2014-2015			
15	Amendments to Article of Association of the Company : pre-emption right in favour of Daido Steel Co. Ltd., Japan			

Signed thisday of2014

Signature of shareholder

Affix Revenue Stamp

.....
Signature of first proxy holder.....
Signature of second proxy holder.....
Signature of third proxy holder**Notes :**

1. This form of proxy, in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of meeting.
2. It is optional to indicate your preference. If you leave the for, against or abstain column blank against any or all resolutions, your proxy will be entitled to vote in the manner as he / she may deem appropriate.

ATTENDANCE SLIP**SUNFLAG IRON AND STEEL COMPANY LIMITED****REGISTERED OFFICE : 33, MOUNT ROAD, SADAR, NAGPUR - 440001****Corporate Identification Number (CIN) – L 27100 MH 1984 PLC 034003****28th Annual General Meeting on Friday, the 26th September 2014 at 3.00 p.m.**

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

Joint Shareholders may obtain additional Slips on request.

NAME & ADDRESS OF THE SHAREHOLDER(S)

DPID	
------	--

Reg. Folio No.	
----------------	--

CLID	
------	--

No. of Shares	
---------------	--

I hereby record my presence at the 28th Annual General Meeting of the Company held at Indian Medical Association's J.R. Shaw Auditorium, North Ambazari Road, Nagpur - 440010 on Friday, the 26th September 2014 at 3.00 p.m.

SIGNATURE OF THE SHAREHOLDER OR THE PROXY ATTENDING THE MEETING

If Shareholder, Please Sign here

.....

If Proxy, Please Sign here

.....

Note : Your copy of Annual Report may please be brought alongwith you to the meeting hall

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Registered Office : 33, Mount Road, Sadar

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