



SUNFLAG IRON & STEEL CO. LTD.
TWENTYSIXTH ANNUAL REPORT
2011 - 2012

SUNFLAG IRON AND STEEL COMPANY LIMITED

BOARD OF DIRECTORS	Mr. P. B. BHARDWAJ (Chairman) Mr. RAVI BHUSHAN BHARDWAJ (Vice Chairman & Managing Director) Mr. PRANAV BHARDWAJ (Joint Managing Director) Dr. E. R. C. SHEKAR Mr. S. GAJENDRAN CA JAYESH M. PARMAR Mr. B.W. RAMTEKE (Effective 28 th May 2012) } Mr. NARESH GWALANI (Upto 28 th May 2012) } Nominee - IDBI Bank Limited Mr. SURENDRAKUMAR GUPTA (Whole-time Director)
CHIEF FINANCIAL OFFICER	CA R. MURALIDHAR, Executive Director (Finance)
COMPANY SECRETARY	CS MUKESH D. PARAKH
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

NOTICE

NOTICE is hereby given that the Twenty-sixth (26th) Annual General Meeting of the Members of **Sunflag Iron and Steel Company Limited** will be held on **Tuesday, the 25th Day of September 2012 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 Accounts of the Company for the financial year ended 31st March 2012, the Balance Sheet as at that date and Statement of Profit & Loss for the financial year ended 31st March 2012, together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Dr. E.R.C. Shekar, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act 1956, 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

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

Re-appointment of Mr. Surendra Kumar Gupta as the Whole-time Director of the Company

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310, 311 and all other applicable provisions, if any, read with Schedule XIII of the Companies Act 1956, Article 160 to 163 of the Articles of Association of the Company and subject to such other permissions / approvals, if any, the re-appointment of Mr. Surendra Kumar Gupta as the Whole-time Director, designated as the Director & CEO of the Company for a further period of five (5) years effective 30th July 2012, on the terms & conditions including remuneration as specified in the explanatory statement annexed to the Notice, with a liberty / authority to the Committee / Board to alter, vary or modify from time to time, be and is hereby approved.

FURTHER RESOLVED THAT the Committee and / or Board of Directors, be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

By Order of the Board

Nagpur
27th July 2012

CS Mukesh D. Parakh
Company Secretary

NOTES :

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

1. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business under Item No. 4 is 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 1st Day of September 2012 to Tuesday, the 25th Day of September 2012** (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 at page 60, duly filled in, for attending the meeting.
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5. DEMATERIALISATION OF SHARES

This is to inform that about 54.702% of the total equity shares have already been dematerialised as of 31st March 2012. The Shareholders who have not dematerialised their equity shareholding may opt the same accordingly.

6. REGISTRAR AND 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. 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 addresses, so far, are requested to register their e-mail addresses with the Company, Registrar and Share Transfer Agent or Depository Participant (DP), as the case may be.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**ITEM NO. 04 :**

Mr. Surendra Kumar Gupta, (64), qualified as B.E. (Mechanical) & holding Diploma in Business Management, working with the Company since year 1992, having more than 34 years of overall experience in Steel & Steel making industry, was appointed as the Whole-time Director for a period of five (5) years effective 30th July 2007. Accordingly, the term of appointment of Mr. Surendra Kumar Gupta as the Whole-time Director of the Company expiring on 29th July 2012.

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.

Keeping in view his unstinted efforts and wide contributions made in the progress of the Company, the 'Remuneration Committee' of the Board at its meeting held on 29th May 2012, considered and recommended to the Board / Members, the re-appointment of Mr. Surendra Kumar Gupta as the Whole-time Director, designated as Director & CEO, of the Company including fixation of remuneration payable thereof.

The Board of Directors at its meeting held on 27th July 2012, approved his re-appointment as the Whole-time Director, designated as Director & CEO, of the Company for a further period of five (5) years effective 30th July 2012, subject to consent of members at the ensuing Annual General Meeting of the Company and requisite permissions / approvals, if any.

The Board of Directors having considered his qualifications, experience and responsibilities recommended the remuneration, allowances and perquisites for approval of members as stated below :

- i. Remuneration (Basic Salary) of ₹ 260,000/- (₹ Two lacs sixty thousand) per month, with suitable annual increase, as may be determined by the Committee / Board from time to time.
- ii. Perquisites and benefits as per the Company rules as applicable from time to time.

The re-appointment of and remuneration, perquisites / benefits payable to Mr. Surendra Kumar Gupta is well within the ceiling as laid down under Section 198, 269 and 309 read with Schedule XIII of the Companies Act, 1956 and with an authority to the Committee / Board to modify / alter the terms of re-appointment or impose any other terms of re-appointment and conditions as it may deem fit and proper, from time to time.

This explanation may be treated as an abstract of terms of re-appointment between Mr. Surendra Kumar Gupta and the Company pursuant to Section 302 of the Companies Act, 1956.

Except the appointee, none of the Directors are in any way concerned or interested in the resolution.

Bpy Order of the Board

Nagpur
27th July 2012

CS Mukesh D. Parakh
Company Secretary

DIRECTORS' REPORT

To,

The Members of Sunflag Iron and Steel Company Limited,

The Board of Directors hereby present the 26th Annual Report together with the Audited Statement of Accounts for the financial year ended 31st March 2012. During the year under review, the Steel Industry as well as Automobile and Auto component sectors witnessed stagnant demand and the high input costs have reduced the profits considerably. The unstinted efforts by the Company's Management continued for strict cost reduction and better financial / working capital management helped to maintain 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 2012	31 st March 2011
a)	Total Income	162,346	154,967
b)	Total Expenditure	149,782	138,177
c)	Gross Profit	12,564	16,790
d)	Interest	5,305	3,744
e)	Profit before Depreciation	7,259	13,046
f)	Depreciation	4,244	3,964
g)	Profit before Tax	3,015	9,082

2. FINANCE

Your Company has ended the financial year with a profit after tax of ₹ 1,937 Lacs. After taking into account the brought forward profit of ₹ 30,994 Lacs, your Company has carried forward an amount of ₹ 32,931 Lacs.

3. DIVIDEND

Due to the reduced profits and the decrease in the cash accruals, there is an increased pressure on the cash flows. Also, due to the additional borrowings made for implementing the capital projects under expansion, there is an increase in the commitments towards repayments to the lending banks. As such, Board of Directors feel appropriate not to recommend any dividend for the Financial Year 2011-2012.

4. MARKET SCENARIO

SUNFLAG STEEL is continuing to develop new high value grades of alloy steel to cater to the needs of domestic as well as international markets. During the financial year under review, the growth in the net turnover is about 5% as compared to previous financial year.

5. OPERATIONS

i. During the year under review :

- A new Direct Reduction Plant (DRP-II) was commissioned on 24th June 2011. The total production of Direct Reduction Plant (I+II) was 142,444 MT as against 92,774 MT of the previous year.
- The total production was 302,532 MT in Steel Melt Shop as against 304,936 MT of the previous year.
- The total production of Rolled products was 303,732 MT as against 311,131 MT of the previous year. (These production includes outside conversion of 7,624 MT of the current year and 19,219 MT of the previous year).
- The total production of Hot Metal / Pig Iron was 205,089 MT as against 193,992 MT of the previous year.
- The total production of Sinter Plant was 339,900 MT as against 333,201 MT of the previous year.

ii. The power plant generated 1,714.21 Lacs kWh as compared to 1,276.20 Lacs kWh of the previous year.

iii. The total coal production at Belgaon Coal Block was 159,905 MT as against 114,000 MT of the previous year.

6. PROJECTS**Steel Plant :**

The Company has commissioned its Direct Reduction Plant (DRP-II) with a capacity of 350 TPD together with WHRGS boiler to generate 8 MW power for captive consumption. Besides, the commercial production of Blooming Mill was commissioned on 1st April 2012.

These new projects will add wider product range, value addition and more competitive products and in particular, achieve economy in the cost of production.

Subsidiary Companies :

Sunflag Power Limited : Requisites 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 Company has initiated various ancillary activities and applied for various government approvals in accordance with the schedule itemized in the allocation letter issued by the Ministry of Coal. The Company has procured plots of land for the purpose of incline drivage and other civil construction. The Company is striving harder to pave its way to success and the operations of the Khappa & Extension Coal Block in the state of Maharashtra are expected to start within the scheduled time line.

Joint Venture Companies :

Madanpur (North) Coal Company Private Limited : Various approvals / clearances are being sought from the concerned authorities for effective implementation of the Madanpur (North) Coal project in the state of Chhattisgarh.

C T Mining Private Limited : Various approvals / clearances are being sought from the concerned authorities for effective implementation of the Choritand - Taliya Coking Coal project in the state of Jharkhand.

Gujarat State Mining and Resources Corporation Limited : Requisite approval is sought from the concerned authorities for allocation of Coal Block for development of integrated coke oven plant in the state of Gujarat.

7. DEMATERIALISATION OF SHARES

As on 31st March 2012, there were approximately 887 lacs equity shares dematerialised through depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited, which represents about 54.702% 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 2012-2013.

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

The requisite particulars required to be disclosed under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annex to this report.

10. ANNUAL ACCOUNTS OF SUBSIDIARY COMPANIES

In pursuance of General Circular of the Ministry of Corporate Affairs, Government of India and on compliance of terms and conditions for availing the general exemption Under Section 212(8) of the Companies Act, 1956, the Annual Accounts of the Subsidiary Companies, are not attached with the Annual Report of the Company. The Annual Accounts 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 companies may write to the Company Secretary of the Company.

11. DIRECTORS

- i. Pursuant to Article 151 of the Articles of Association of the Company, Dr. E.R.C. Shekar retires by rotation and being eligible, offers himself for re-appointment.
- ii. IDBI Bank Limited has withdrawn nomination of Mr. Naresh J. Gwalani from the Board and instead appointed Mr. B.W. Ramteke (General Manager, Management Information System Department, IDBI Bank Limited, Mumbai) effective 28th May 2012. The Board places on record its appreciation for Mr. Naresh J. Gwalani's valuable services and wide contributions made during his tenure of Directorship of the Company.
- iii. The Board of Directors recommends for approval of the members, the re-appointment of Mr. Surendra Kumar Gupta as the Whole-time Director, designated as Director & CEO, of the Company for a further period of five (5) years effective 30th July 2012.

Except the above, there is no change in the constitution of the 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 remain unpaid / unclaimed for a period of Seven (7) years from the date they became due for payment are required to be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

The Members are requested to claim their unpaid / unclaimed Dividend(s), if any, declared and paid for the financial years 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010 and 2010-2011.

15. AUDITOR'S REPORT

The observations made by the Statutory 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 224(1-B) of the Companies Act, 1956 and are not disqualified for such appointment within the meaning of Section 226 of the Companies Act, 1956.

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 2012-2013.

The Cost Auditors have furnished a Certificate of their eligibility for appointment Under Section 224(1-B) of the Companies Act 1956, Certificate for independence and arms length relationship with the Company and are not disqualified for such appointment within the meaning of Section 226 / 233-B(5) of the Companies Act, 1956.

17. AUDIT COMMITTEE

The Audit Committee of the Board is under Chairmanship of Dr. E. R. C. Shekar, an Independent, Non-executive Director of the Company and consisting of other Independent, Non-executive Directors viz. CA Jayesh Madhavji Parmar, Mr. S. Gajendran and Mr. Naresh Gwalani (up to 28th May 2012) & Mr. B.W. Ramteke (effective 28th May 2012) as the Members, as a practice of good Corporate Governance.

18. CORPORATE GOVERNANCE REPORT

Your Directors are pleased to report that your Company has complied with the SEBI Guidelines on Corporate Governance as of 31st March 2012 relating to Clause 49 of the Listing Agreement with concerned Stock Exchange(s). A Certificate from Statutory Auditors - Messers 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 :

- i. the Code of Conduct of Business Principles and Conduct; and
- ii. the 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 Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departure;
- ii. that the Directors had selected such Accounting Policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit of the Company for that 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 the 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 Accounts 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.

Nagpur
27th July 2012

For and on behalf of the Board
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. V V V F drives provided for 2 x 45 kW ID Fans of FBC Boiler and 52 kW Cooler Motor for Direct Reduction Plant (DRP-I).
- ii. Segregation of lighting and fan circuits for on / off control at Main Receiving Sub-station.
- iii. Utilisation of optimum sized motors for CBS blower and carrying chain conveyor at Rolling Mill.
- iv. Power saving by replacing Hammer Mill with Impact Crusher in Sinter Plant.

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

S.No.	Particulars	2011-2012	2010-2011
1	Electricity purchased [Units (kWh)]	145,441,700	159,365,082
	Total Amount (₹ in lacs)	8,730	8,273
	Rate/Unit (₹ /kWh)	6.002	5.191
2	Production of Rolled Products (MT)*	303,732	311,131
	Electricity purchased (kWh/MT)	478.849	512.212
3	Fuel Oil like Furnace Oil/LSHS/LDO etc. Quantity (K.Ltrs.)	13,999	12,945
	Total Amount (₹ in lacs)	5,239	3,567
	Average Rate (₹/KL)	37,426	27,556

* Includes conversion from outside agencies of 7,624 MT for the financial year 2011-2012 (19,219 MT of financial year 2010-2011)

B) CONSUMPTION PER UNIT OF PRODUCTION

S. No.	Particulars	2011-2012		2010-2011	
		DRI	STEEL	DRI	STEEL
1	Production (MT)	142,444	303,732	92,774	311,131
2	Electricity (kWh/MT)	127.96	891.88	153.60	805.98
3	Fuel (Ltr/MT)	1.664	45.310	1.098	41.27

C) DETAILS OF CAPTIVE POWER GENERATION

S.No.	Particulars	2011-2012	2010-2011
1	Production (kWh)	171,421,000	127,620,000
2	Captive Consumption (CPP)	18,709,815	17,466,023
3	Captive Consumption (Steel)	143,679,185	105,650,629
4	Wheeled back power for banking	9,032,000	4,503,348

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. Development of new grades and products under Micro Alloy / Boron Steel category for Auto components and Railway suspension applications.
- ii. Installation of Auto Billet Grinding Machine
- iii. Installation of High Speed Straightening Machine
- iv. Changeable lower shell for Electric Arc Furnace
- v. Replacement of stand assembly for stand No.1 to 4 in Rolling Mill

Benefits :

- i. Improvement in Billet Grinding quality / productivity
- ii. Increase in the Straightening productivity of Black Bars and Bright Bars
- iii. Market / Customer Development for critical auto components

Future Plan :

The Company is in the process of increasing the product range and accordingly, installing a Blooming Mill to cater higher size Alloy Steel Rolled products to its existing customers as well as developing new customers and markets.

EXPENDITURE ON RESEARCH & DEVELOPMENT

S.No.	Particulars	2011-2012	2010-2011
1	Capital (₹ in lacs)	339	308
2	Recurring (₹ in lacs)	437	401
3	Total (₹ in lacs)	776	709
4	Total R & D Expenditure as a percentage of net turnover	0.48%	0.46%

B) FOREIGN EXCHANGE EARNINGS AND OUTGO

₹ in Lacs

S.No.	Particulars	2011-2012	2010-2011
1	Earnings : Export of goods	13,559	11,514
2	Out Go : a) CIF value of imports	11,577	17,363
	b) Others including Technical Services	370	277

BRIEF PROFILE OF THE DIRECTOR(S) SEEKING RE-APPOINTMENT**Dr. E.R.C. Shekar**

Dr. E.R.C. Shekar 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 an independent, Non-executive Director. He is Chairman of the Remuneration Committee, Audit Committee and Investors'/ Shareholders' Grievance Committee of the Board and also a member of Share Transfer Committee of the Board. He is also holding the Directorship in Sunflag Power Limited, Sunflag Special Steels Limited, Khappa Coal Company Private Limited, SPA Computers Private Limited and Nava Bharat Ventures Limited. He is holding 2,000 equity shares of Sunflag Iron and Steel Company Limited.

Mr. Surendra Kumar Gupta

Mr. Surendra Kumar Gupta is graduated in Mechanical Engineering (B.E.) and thereafter pursued Diploma in Business Management. Earlier to joining with Sunflag in the year 1992, he was associated with Companies such as Frontier Springs Limited, Coventry Springs Limited, Aravali Scooters and Instrumentation Limited etc. and has handled various responsibilities and positions. He has wide experience of over 34 years in Steel & Steel making industry. After joining Sunflag in 1992 as Chief co-ordinator, he was elevated as General Manager (Marketing) in 1994 and as an Executive Director (Works) in the year 2000 and Executive Director in the year 2003 based at Nagpur. Thereafter, he was appointed as Whole-time Director in July 2007. He is member of Share Transfer Committee and Shareholders' / Investors' Grievance Committee of Board. He holds the other directorship in Sunflag Special Steels Limited, Supra Corporation Limited, Surjagarh Metals & Minerals Limited and Gadchiroli Metals & Minerals Limited and as a Nominee Director on the Board of C T Mining Private Limited, Khappa Coal Company Private Limited and Gujarat State Mining & Resources Corporation Limited. He holds 9,650 equity shares of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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.

GLOBAL AND INDIAN ECONOMIC SCENARIO

FY 2011-2012 was a challenging year. The developments over the last year in major economies of the world have not been encouraging. The global economy, barely a year after recession, witnessed lower economic growth, resulting primarily from the Euro Zone debt crisis and high oil prices, which were fuelled by uncertainties of supply. Rising unrest in the Middle East and North Africa resulted in unprecedented levels of crude oil volatility. There is an apprehension that the process of global economic recovery that began after financial crisis of 2008 is beginning to stall and the sovereign debt crisis in the Euro Zone area may persist for a while. The European economies stagnated and the US witnessed a downgrade in its credit rating, while the growth engines of the global economy, China and India were forced to tighten liquidity to tame rising inflation. In addition, civil unrest in Libya and the tsunami in Japan posed further challenges.

As per the International Monetary Fund (IMF), the global economy is expected to grow by 3.3 per cent in 2012 as compared to 3.8 per cent in 2011. The Gross Domestic Product (GDP) growth in advanced economies declined to 1.6 per cent in 2011 compared to 3.2 per cent in 2010 and is expected to be even lower at 1.2 per cent in 2012.

The road to recovery from the great recession is proving to be long, winding and rocky. After a year of fragile and uneven recovery, growth of the world economy started to decelerate. The slowdown is expected to continue in 2012-2013. The outlook is shrouded in great uncertainty and serious downside risk remains globally. Better outcomes may be expected only through strengthened international policy coordination.

The growth in the India' Gross Domestic Product (GDP) during the current fiscal has been pegged at 6.9%. The GDP growth had decelerated to 6.1% in the third quarter from 6.9% in the second quarter of the current fiscal.

The growth rate of investment in the economy is estimated to have declined significantly; borrowing costs up due to a sharp increase in the interest rates. High borrowing costs and increase in other costs affecting profitability and internal accruals.

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.

STEEL, AUTOMOBILE AND AUTO COMPONENT INDUSTRY

In India, the Steel industry plays a significant role in the economic growth. India is the fifth largest producer at the global front. The major contribution of the steel industry focuses on strengthening the sectors such as infrastructure, constructions, automobile, transportation, industrial applications etc.

Steel prices have recovered from the lows reached in December last year with increased buying activity seen across regions. However, the momentum seems to have lost steam and with the economic conditions in many parts of the world not looking strong, steel capacity utilisation remains below 80%. Seaborne iron ore and coking coal prices have shown resilience at lower levels and are expected to continue in the coming months. In view of this, the extreme mismatch of steel price and raw material costs seen in the previous year is expected to recur in the current year, although the margins for steelmakers worldwide continue to remain under pressure. This represents below 80% of the pre-crisis demand levels. Chinese steel demand growth is expected to be moderate as the government pursues economic restructuring.

As such, steel demand in China is projected to grow by 4% every year in the next two years. Indian steel demand growth is expected to remain subdued due to slowdown in investments and delayed start-up of industrial projects.

There has been a diversification in the product mix of the steel industry in India towards sophisticated value steel used in the automotive sector, heavy machinery and infrastructure. In 2011, the industry was 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.

The Automobile sector posted poor volumes, largely on the expected line, amid slowdown in economic activity and negative consumer sentiments fuelled by higher inflation and increasing cost of ownership. The slowdown in demand is now clearly evident across most product segments, which continues to impact overall growth.

MATERIAL DEVELOPMENT

SUNFLAG STEEL has been, though able to increase its turnover during the financial year by about 5% over the previous year, failed 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.

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 is 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 *SUNFLAG STEEL* 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 Clause 49 of the Listing Agreement with the Stock Exchange(s). As per Clause 49 of Listing Agreement, your Company has approved '**SISCO Code of Business Principles and Conduct**' for Board Members as well as Members of the Senior Management and the same are posted on the Company's Website. The Company is also following the '**SISCO Code of Conduct for prevention of Insider Trading**' as per SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended. The detailed compliance report on the Corporate Governance for the year 2011-2012 is as follows :

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 2012 consisted of :

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

Note : During the financial year under review, Mr. Kailash Chander Vijh and Mr. Suhrit Bhardwaj were appointed as an Additional Director/s of the Company effective 27th July 2011 and ceased to be Director/s of the Company effective 23rd September 2011.

[Brief Profile of the Director/s seeking re-appointment are given at the end of Directors' Report.]

b) Attendance at the Board Meetings during the financial year, twenty-fifth (25th) Annual General Meeting and details of memberships of Directors in other Companies :

- Five (5) Meetings of the Board of Directors were held on 25th May 2011, 27th May 2011, 27th July 2011, 22nd October 2011 and 31st January 2012 during the financial year under review.
- Twenty-fifth (25th) Annual General Meeting (AGM) was held on 23rd September 2011.

Sr. No.	Name of Director	Attendance at Board Meetings	Attendance at 25 th AGM	Membership in other Companies	Committee Membership
1	Mr. P. B. Bhardwaj	2	Yes	2	1
2	Mr. Ravi Bhushan Bhardwaj	5	Yes	4	2
3	Mr. Pranav Bhardwaj	4	Yes	4	2
4	Dr. E. R. C. Shekar	3	Yes	3	4
5	Mr. Naresh Gwalani	1	No	--	2
6	Mr. S. Gajendran	3	No	1	3
7	CA Jayesh M. Parmar	2	No	1	2
8	Mr. Surendra Kumar Gupta	5	Yes	5	2

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

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 current terms of reference also fully conform to the requirements of Section 292A of the Companies Act, 1956.

b) The composition of the Audit Committee consisting of following Independent Members :

Chairman : Dr. E. R. C. Shekar
Members : CA Jayesh M. Parmar, Mr. S. Gajendran and Mr. Naresh Gwalani
Secretary : CS Mukesh D. Parakh, Company Secretary

c) Meetings and Attendance :

Four (4) meetings of the Audit Committee were held on 27th May 2011, 27th July 2011, 22nd October 2011 and 27th January 2012 during the financial year.

Attendance :

Name of Director	Dr. E.R.C. Shekar	CA Jayesh M. Parmar	Mr. S. Gajendran	Mr. Naresh Gwalani
Attendance at Meetings	4	2	4	2

- The Audit Committee held discussions with the Statutory Auditors on the audit of the quarterly / half-yearly accounts, the yearly audit plan, matters relating to compliance of Accounting Standards and 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) The composition of the Remuneration Committee consisting of following Independent Members :**

Chairman : Dr. E. R. C. Shekar
Members : Mr. Naresh Gwalani, Mr. S. Gajendran and CA Jayesh M. Parmar
Secretary : CS Mukesh D. Parakh, Company Secretary

b) Meeting and Attendance

Two (2) Meetings of the Remuneration Committee were held on 27th May 2011 and 27th July 2011 during the financial year.

Attendance :

Name of Director	Dr. E.R.C. Shekar	Mr. Naresh Gwalani	Mr. S. Gajendran	CA Jayesh M. Parmar
Attendance at Meeting	2	1	2	1

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, subject to the Shareholders' Approval, consists of :

- A fixed component - consisting of salary and perquisites; the perquisites and benefits are in line with the Company's Rules.
- Commission @ 2% on Net Profits paid to each Managing Director and Joint Managing Director respectively.
- No commission is paid to the 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/- (@ ₹ 5,000/- per meeting prior to 27th July 2011) and @ ₹ 3,000/- (@ ₹ 2,000/- per meeting prior to 27th July 2011) 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 - 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. ₹ 3,456,370/- 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. Naresh Gwalani	: ₹ 100,000/- (Amount Payable to IDBI Bank Limited)

and that balance amount of ₹ 3,056,370/- be payable to Mr. P.B. Bhardwaj, Non-Executive Chairman of the Company.

Accordingly, the commission payable to Non-executive Director/s of the Company amounting to ₹ 3,456,370/- has been provided for the financial year 2011-2012.

d) The Details of Sitting Fees, Remuneration and Commission paid to all the Directors during the financial year 2011-2012 are as under :

Amount in ₹

Name	Designation	Sitting Fees	Remuneration and Perquisites	Commission for Financial Year 2010-11	Total Amount
Mr. P.B. Bhardwaj	Chairman	--	--	9,784,730	9,784,730
Mr. Ravi Bhushan Bhardwaj	Vice Chairman & Mg. Director	--	10,454,294	19,569,460	30,023,754
Mr. Pranav Bhardwaj	Joint Managing Director	--	8,927,622	19,569,460	28,497,082
Dr. E.R.C. Shekar	Director	36,000	--	--	36,000
Mr. Naresh Gwalani	Nominee Director (IDBI Bank)	16,500	--	--	16,500
Mr. S Gajendran	Director	36,000	--	--	36,000
CA Jayesh M Parmar	Director	19,500	--	--	19,500
Mr. Surendra Kumar Gupta	Whole-time Director	--	6,132,500	--	6,132,500

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

e) The details of Commission payable to all the Directors in respect of the financial year 2011-2012 are as under:

Amount in ₹

Name	Designation	Commission for Financial Year 2011-2012
Mr. P.B. Bhardwaj	Chairman	3,056,370
Mr. Ravi Bhushan Bhardwaj	Vice Chairman & Managing Director	4,524,650
Mr. Pranav Bhardwaj	Joint Managing Director	4,524,650
Dr. E.R.C Shekar	Director	100,000
Mr. Naresh Gwalani	Nominee Director (IDBI Bank)	100,000
Mr. S. Gajendran	Director	100,000
CA Jayesh M Parmar	Director	100,000
Mr. Surendra Kumar Gupta	Whole-time Director	--

- Mr. Naresh Gwalani, being a Nominee Director of IDBI Bank Limited, amount towards Sitting Fees and Commission is payable to IDBI Bank Limited, Mumbai as per terms of nomination / appointment.
- As per terms of appointment including remuneration payable, a Commission @2% of Net Profits is payable to Managing Director and Joint Managing Director, respectively. For the financial year 2011-2012, Commission @2% of Net Profits calculated as per provisions of Section 349 / 350 of the Companies Act, 1956 works out to be ₹ 6,912,740/- for Managing Director and Joint Managing Director, respectively. However, to comply with the provisions of Section 198 / 309 of the Companies Act, 1956, Commission is restricted to ₹ 4,524,650/- for Managing Director and Joint Managing Director, respectively.

5) SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

Objective : Especially to look after Shareholders and Investors complaints like dematerialisation / rematerialisation of shares, transfer / transmission of shares, non-receipt of share certificates / Annual Report / Dividend, etc. and timely redressal of their grievances.

- The Shareholders / Investors' Grievance Committee is consisting of Dr. E. R. C. Shekar as the Chairman, 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 Committee had four (4) Meetings and reviewed regularly :
 - 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 & CDSIL and responses thereof.
- All complaints as of 31st March 2012 have been attended to, suitably replied / resolved and redressed accordingly.
- The authority relating to share transfers has been delegated to the Share Transfer Committee which consists of five (5) Members, viz. two (2) Non-executive Directors and three (3) Executive Directors. The Board has authorised the Share Transfer Committee to approve all routine transfer / transmission and rematerialisation of shares and ratify dematerialisation of shares, carried out by the Registrar & Share Transfer Agent. Presently, the request for transfer / transmission of shares, etc. are effected within 15 to 30 days.
- As per 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 been sent to the concerned Stock Exchanges and also displayed at the Company's Website.

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

Sr. No.	Year	Location	Date	Time
1	23 rd AGM - 2009	Indian Medical Association's J. R. Shaw Auditorium, North Ambazari Road, Nagpur - 440010	25.09.2009	15:00 Hrs.
2	24 th AGM - 2010		23.09.2010	15:00 Hrs.
3	25 th AGM - 2011		23.09.2011	15:00 Hrs.

- Some Special Resolutions were passed at the aforesaid meetings. However, no matter which requires Postal Ballot has been placed.

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

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

b) Transactions with the related parties:

Sr. No.	Particulars	₹ in Lacs
a)	Subsidiary Companies : Share Application Money	73
	Unsecured Loan	41
b)	Joint Venture Companies : Share Capital	4
	Share Application Money	2
	Unsecured Loan	1
c)	Associate Enterprises : Rent Paid	30
d)	Beneficiary : Rent Paid	13
	Other Expenses	4
e)	Key Managerial Personnel : Remuneration and Commission	377

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

- The quarterly financial results are being published in Business Standard / Financial Express / Times of India / Indian Express in English and Loksatta / Sakal in Marathi. The quarterly results are also displayed on the Company's Notice Board / Website.
- Management Discussion and Analysis forms part of this Annual Report.

9) GENERAL SHAREHOLDER INFORMATION

a)	Twenty-sixth (26 th) Annual General Meeting	Tuesday, the 25 th Day of September 2012 at 3.00 P.M.
b)	Book closure dates	From Saturday, the 1 st Day of September 2012 to Tuesday, the 25 th Day of September 2012 (both days inclusive)
c)	Financial Calender i. Unaudited Results for the Quarter ending on 30.06.2012 ii. Unaudited Results for the Quarter ending on 30.09.2012 iii. Unaudited Results for the quarter ending 31.12.2012 iv. Audited Results for the year / quarter ending 31.03.2013	<u>Tentative Schedule</u> July / August 2012 October / November 2012 January / February 2013 May 2013
d)	Listing of Equity Shares For the year 2011-2012, 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 2011	32.70	27.30	32.70	27.25	19811	18976	5944	5693
May 2011	30.35	27.05	30.20	26.90	19254	17786	5775	5329
June 2011	28.70	23.10	29.00	23.55	18873	17314	5658	5196
July 2011	33.20	24.75	33.20	24.65	19132	18132	5740	5454
August 2011	31.15	25.25	29.90	25.55	18440	15766	5552	4720
September 2011	31.30	24.75	31.00	24.90	17212	15801	5169	4759
October 2011	26.95	23.05	26.00	22.35	17908	15745	5400	4728
November 2011	28.50	22.20	28.90	22.30	17702	15479	5326	4639
December 2011	25.95	19.10	26.40	18.55	17004	15136	5050	4623
January 2012	25.20	21.05	27.00	21.05	17259	15358	5217	4588
February 2012	27.80	23.00	27.75	22.85	18524	17062	5630	5159
March 2012	26.20	22.50	26.40	22.40	18041	16921	5499	5136

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) a) Distribution of Shareholding as on 31st March 2012 :

Shareholding of nominal value of		Shareholders		Value of Shares	
₹	₹	Number	%	Amount (₹)	%
Upto 5000		65,436	83.65	123,389,290	7.61
5001	10000	7,239	9.25	59,609,250	3.68
10001	20000	2,986	3.82	46,296,560	2.85
20001	30000	883	1.13	22,883,360	1.41
30001	40000	341	0.44	12,548,890	0.77
40001	50000	399	0.51	19,307,080	1.19
50001	100000	484	0.62	37,032,470	2.28
100001 & above		456	0.58	1,300,908,130	80.21
Total		78,224	100.00	1,621,975,030	100.00

b) Pattern of Shareholdings as on 31st March 2012 :

SN	Category	No. of Holders	No. of Shares	%
1	Promoters / Group - Foreign	2	78,470,980	48.37
2	Promoters / Group - Indian	3	9,945,496	6.13
3	Non Resident Indians / FIIs	236	676,632	0.42
4	Financial Institutions	3	41,200	0.03
5	Bodies Corporate	842	13,609,922	8.39
6	Banks (Nationalised / Others)	17	49,450	0.03
7	Mutual Funds / Trust	13	48,300	0.03
8	Indian Public / Directors	77,071	59,329,142	36.58
9	Clearing Members / Corporations	37	26,381	0.02
	Total	78,224	162,197,503	100.00

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

The Equity Shares of the Company are compulsorily traded in electronic form only. Out of the total equity shares in the capital of the Company about 54.702% of the Equity 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; 2847 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 for a period of eleven months @ monthly rent of ₹ 1.00 Lac, 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 quarterly results / half yearly results are not being furnished to the individual shareholders as they are furnished to the Stock Exchanges and published through the newspapers.

The statement of quarterly results / half yearly results are being published in Newspapers. (Business Standard / Financial Express / Times of India / Indian Express in English and Loksatta / Sakal 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.

AUDITORS' CERTIFICATE - CORPORATE GOVERNANCE

We have examined the compliance of conditions of Corporate Governance by Sunflag Iron and Steel Company Limited for the financial year ended 31st March 2012 as stipulated in Clause 49 of the Listing Agreement, of the said Company with Stock Exchange(s).

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

In our opinion and to the best of our information and according to the explanations given to us and based on 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 the Clause 49 of the Listing Agreement.

We state that in respect of investor grievances received during the financial year ended 31st March 2012, no investor grievances were remaining unattended / pending against the Company for a period exceeding one month as per the records maintained by the Shareholders / Investors Grievance Committee of the Company.

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

For PATEL, SHAH & JOSHI
CHARTERED ACCOUNTANTS

JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Nagpur
27th July 2012

AUDITOR'S REPORT

To,

The Members of
Sunflag Iron and Steel Company Limited
Nagpur

1. We have audited the attached Balance Sheet of **SUNFLAG IRON AND STEEL COMPANY LIMITED** as at 31st March 2012, Statement of Profit and Loss for the year ended on that date and Cash Flow Statement for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies' (Auditor's Report) Order, 2003 ("CARO") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and according to the information and explanation given to us during the course of the audit and on the basis of such checks as we consider appropriate, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - iv. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - v. On the basis of written representations received from the directors as on 31st March 2012 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2012;
 - b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Nagpur
29th May 2012

ANNEXURE TO THE AUDITOR'S REPORT**Referred to in paragraph (3) of our Report of even date on the accounts of
SUNFLAG IRON AND STEEL COMPANY LIMITED for the financial year ended 31st March 2012**

- i. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
b) A major proportion of the assets have been physically verified by the management in accordance with a phased programme 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.
c) According to the information and explanations given to us, the Company has not disposed off substantial part of its fixed assets during the year.
- ii. a) 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.
b) 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.
c) According to the information and explanations given to us, the Company has maintained proper records of inventories. Discrepancies noticed on verification between physical stocks and the book records were not material.
- 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 (transferred to Advance Share Application Money)	7,349,386	91,528,292
Khappa Coal Company Private Limited (Subsidiary / Joint Venture Company)	Interest free Unsecured Loan	4,112,550	73,709,550
Gujarat State Mining and Resources Corpn. Ltd. (Joint Venture Company)	Interest free Unsecured Loan	100,000	246,820

- b) There is no stipulation for the repayment of Principal and the Interest.
c) 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, paragraph 4 (iii) (e) (f) (g) of the Order is not applicable.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with size of the Company and the nature of its business with regards to the purchase of inventory, fixed assets and sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control.
- 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 deposits from the public during the year; hence paragraph 4 (vi) of the Order is not applicable.
- 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 records maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that, *prima facie*, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records.
- 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 2012. Further, the Company has not incurred cash losses during the financial year ended 31st March 2012 and in the immediately preceding financial year ended 31st March 2011.
- xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks.
- xii. According to information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 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 report 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
29th May 2012**

Annexure - A

Statement of disputed statutory dues and annexure to report as at 31st March 2012				
Particulars of Statutory Dues	Amount (₹ in Lacs)	Period to which the amount related	Forum where dispute is pending	Whether paid or unpaid
Excise Duty				
Deptt.'s show cause	55	2008 - 2009	Commissioner, Central Excise	Not Deposited
	29	2009 - 2010	Commissioner, Central Excise	
Departmental appeal*	2	1994 - 1996	Tax Appellate Tribunal	
Deptt.'s show cause	14	1994 - 1995	Commissioner of Customs	
Total	100			
Sales Tax				
Company's appeal	2,659	2005 - 2006 to 2009 - 2010	High Court (Although the Company has filed writ petition but has paid this amount under protest)	Deposited under protest
Total	2,659			
Income Tax				
Company's appeals	592	2005 - 2006	Commissioner of Income Tax (Appeal)	Deposited
	134	2006 - 2007	Commissioner of Income Tax (Appeal)	Deposited
	55	2006 - 2007	Commissioner of Income Tax (Appeal)	Deposited
	309	2007 - 2008	Commissioner of Income Tax (Appeal)	Deposited
	235	2008 - 2009	Commissioner of Income Tax (Appeal)	Deposited
Total	1,325			

* Pertains to MODVAT Credit

**SUNFLAG IRON AND STEEL COMPANY LIMITED, NAGPUR
BALANCE SHEET AS AT 31st MARCH 2012**

Particulars	Note No.	As at 31.03.2012 (₹ in Lacs)	As at 31.03.2011 (₹ in Lacs)
A. EQUITY AND LIABILITIES			
1 Shareholders' funds			
a) Share Capital	3	16,220	16,220
b) Reserves and Surplus	4	33,187	31,250
c) Money received against share warrants		-	-
2 Share application money pending allotment		-	-
3 Non-current Liabilities			
a) Long-term Borrowings	5	34,847	27,138
b) Deferred Tax Liabilities (Net)	6	5,580	4,881
c) Other Long Term Liabilities	7	1,660	2,790
d) Long-term Provisions	8	3,758	6,102
4 Current Liabilities			
a) Short-term Borrowings	9	18,264	11,027
b) Trade Payables	10	19,202	5,483
c) Other Current Liabilities	11	8,219	6,163
d) Short-term Provisions	12	7,492	6,055
TOTAL EQUITY AND LIABILITIES		148,429	117,109
B. ASSETS			
1 Non-current Assets			
a) Fixed assets	13		
i. Tangible assets		41,693	34,497
ii. Intangible assets		-	-
iii. Capital work-in-progress		23,625	18,932
iv. Intangible assets under development		-	-
b) Non-current Investments	14	765	758
c) Deferred tax assets (net)		-	-
d) Long-term loans and advances	15	8,676	8,629
e) Other non-current assets		-	-
2 Current Assets			
a) Current Investments		-	-
b) Inventories	16	39,184	29,903
c) Trade Receivables	17	14,960	14,095
d) Cash and Bank Balances	18	5,268	3,455
e) Short-term Loans and Advances	19	13,833	6,762
f) Other Current Assets	20	425	78
TOTAL ASSETS		148,429	117,109
Corporate information and Significant accounting policies and Notes forming part of Financial Statements	1 & 2		
<i>As per our report attached</i>			
For PATEL, SHAH & JOSHI <i>Chartered Accountants</i>	P. B. BHARDWAJ <i>CHAIRMAN</i>	DR. E.R.C. SHEKAR	
	RAVI BHUSHAN BHARDWAJ <i>VICE CHAIRMAN & MANAGING DIRECTOR</i>	S. GAJENDRAN	
CA JAYANT I. MEHTA <i>PARTNER</i> Membership Number - 42630	PRANAV BHARDWAJ <i>JOINT MANAGING DIRECTOR</i>	B. W. RAMTEKE	
	CA R. MURALIDHAR <i>EXECUTIVE DIRECTOR (FINANCE)</i>	CA JAYESH M. PARMAR	
Nagpur 29 th May 2012	CS MUKESH D. PARAKH <i>COMPANY SECRETARY</i>	SURENDRA KUMAR GUPTA <i>DIRECTORS</i>	

**SUNFLAG IRON AND STEEL COMPANY LIMITED, NAGPUR
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH 2012**

Particulars	Note No.	Year Ended 31.03.2012 (₹ in Lacs)	Year Ended 31.03.2011 (₹ in Lacs)
1. Revenue from Operations	21	177,886	168,977
Less : Excise Duty		<u>(16,068)</u>	<u>(14,570)</u>
		161,818	154,407
2. Other Income	22	528	560
3. Total Revenue (1 + 2)		<u>162,346</u>	<u>154,967</u>
4. Expenses :			
Cost of Materials Consumed	23 (a)	112,264	98,622
Other Manufacturing Expenses	23 (b)	32,281	27,552
Purchases of Stock-in-Trade		-	-
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	24	(8,189)	(1,229)
Employee benefits expense	25	7,164	6,602
Finance Costs	26	5,305	3,744
Depreciation and amortisation expense	13	4,244	3,964
Other expenses	27	6,262	6,630
Total expenses		<u>159,331</u>	<u>145,885</u>
5. Profit before exceptional and extraordinary items and tax		3,015	9,082
6. Tax Expense :			
a) Current tax expense for current year		560	2,146
b) Current tax expense relating to prior years		(181)	22
c) Deferred tax	6	699	(139)
7. Profit for the period from continuing operations		<u>1,937</u>	<u>7,053</u>
8. Earnings per equity share (Amount in ₹) :	28		
1) Basic		1.19	4.35
2) Diluted		1.19	4.35
Corporate information and Significant accounting policies and Notes forming part of Financial Statements	1 & 2		

As per our report attached
For PATEL, SHAH & JOSHI
Chartered Accountants

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Nagpur
29th May 2012

P. B. BHARDWAJ
CHAIRMAN
RAVI BHUSHAN BHARDWAJ
VICE CHAIRMAN & MANAGING DIRECTOR
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SURENDRA KUMAR GUPTA
DIRECTORS

**SUNFLAG IRON AND STEEL COMPANY LIMITED, NAGPUR
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2012**

Particulars	For the year ended 31.03.2012 (₹ in Lacs)		For the year ended 31.03.2011 (₹ in Lacs)	
A. Cash flow from operating activities				
Net Profit / (Loss) before extraordinary items and tax		3,015		9,082
<i>Adjustments for :</i>				
Depreciation and amortisation	4,244		3,964	
(Profit) / loss on sale / write off of assets	21		12	
Finance costs	5,305		3,744	
		9,570		7,720
Operating profit / (loss) before working capital changes		12,585		16,802
<i>Changes in working capital :</i>				
<i>Adjustments for (increase) / decrease in operating assets :</i>				
Inventories	(9,281)		(4,414)	
Trade receivables	(865)		(1,921)	
Short-term loans and advances	(6,270)		-	
Long-term loans and advances	(47)		4,525	
Other current assets	(347)		(256)	
<i>Adjustments for increase / (decrease) in operating liabilities :</i>				
Trade payables	13,719			
Other current liabilities	(30)		735	
Short-term provisions	2,376			
Other long-term liabilities	(1,130)			
Long-term provisions	(2,723)			
		(4,598)		(1,331)
Cash flow from extraordinary items		-		-
Cash generated from operations		7,987		15,471
Net income tax (paid) / refunds		(801)		(2,835)
Net cash flow from / (used in) operating activities (A)		7,186		12,636
B. Cash flow from investing activities				
Capital expenditure on fixed assets, including capital advances	(16,184)		(18,292)	
Proceeds from sale of fixed assets	31		14	
Long-term investments in Joint-ventures	(7)		(2)	
Net cash flow from / (used in) investing activities (B)		(16,160)		(18,280)

Particulars	For the year ended 31.03.2012 (₹ in Lacs)		For the year ended 31.03.2011 (₹ in Lacs)	
C. Cash flow from financing activities				
Proceeds from long-term borrowings	14,932		13,569	
Repayment of long-term borrowings	(4,468)		(5,247)	
Net increase / (decrease) in working capital borrowings	7,237		7,088	
Repayment of unsecured Deferred Sales Tax Loan	(670)		(4,585)	
Finance cost	(5,305)		(3,744)	
Dividends paid	(811)		(811)	
Tax on dividend	(128)		(135)	
Cash flow from extraordinary items	-		-	
Net cash flow from / (used in) financing activities (C)		10,787		6,135
Net increase/(decrease) in Cash and cash equivalents (A+B+C)		1,813		491
Cash and cash equivalents at the beginning of the year		3,455		2,964
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)		5,268		3,455
Refer Corporate information and Significant accounting policies				

As per our report attached
For PATEL, SHAH & JOSHI
Chartered Accountants

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Nagpur
29th May 2012

P. B. BHARDWAJ
CHAIRMAN
RAVI BHUSHAN BHARDWAJ
VICE CHAIRMAN & MANAGING DIRECTOR
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B. W. RAMTEKE
CA JAYESH M. PARMAR
SURENDRA KUMAR GUPTA
DIRECTORS

Notes forming part of the Financial Statements for the year ended 31st March 2012**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.

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

(₹ in Lacs)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Number	Amount	Number	Amount
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	16,220	162,197,503	16,220
Subscribed & Fully Paid up Equity Shares				
Equity Shares of ₹ 10/- each fully paid	162,197,503	16,220	162,197,503	16,220
	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 31.03.2012		As at 31.03.2011	
	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%	10,667,398	6.58%
M/s. Supra Corporation Limited	8,333,356	5.14%	8,333,356	5.14%

4. RESERVES & SURPLUS

(₹ in Lacs)

Particulars	As at 31.03.2012	As at 31.03.2011
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	30,994	24,884
(+) Net Profit / (Net Loss) for the current year	1,937	7,053
(+) Transfer from Reserves	-	-
(-) Proposed Dividends	-	811
(-) Dividend Tax	-	132
(-) Transfer to Reserves	-	-
Closing Balance (c)	32,931	30,994
Total (a+b+c)	33,187	31,250

5. LONG TERM BORROWINGS

A - Secured Long Term Borrowings			Maturity Profile (Secured Long Term)	Term Loans from Banks
Particulars	As at 31.03.2012	As at 31.03.2011		
Term loans			0 - 1 year	6,570
- From Banks	26,591	17,943	1 - 2 year	6,947
Secured Long Term Borrowing	26,591	17,943	2 - 3 year	6,303
			Beyond 3 years	13,341
B - Unsecured Long Term Borrowings			Maturity Profile (Unsecured Loan)	Interest Free Sales Tax Loan
From Promoters (Interest Free)@	1,375	1,375	0 - 1 year	658
Other loans and advances # Interest free Sales Tax Loan	6,881	7,820	1 - 2 year	617
Unsecured Long Term Borrowings	8,256	9,195	2 - 3 year	553
Total Long Term Borrowings (A + B)	34,847	27,138	Beyond 3 years	5,711

a) 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 first charge by way of hypothecation of all 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.

b) The Company has not defaulted in either repayment of principal 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 01.04.2011	Arising during the year	Balance as on 31.03.2012
A. Deferred Tax Liabilities			
On account of timing difference in Depreciation	5,294	627	5,921
Others	-	-	-
Total (A)	<u>5,294</u>	<u>627</u>	<u>5,921</u>
B. Deferred Tax Assets			
Disallowances	341	-	341
Provisions for Doubtful debts	72	(72)	-
Total (B)	<u>413</u>	<u>(72)</u>	<u>341</u>
Deferred Tax Liability / (Asset) (A-B)	<u>4,881</u>	<u>699</u>	<u>5,580</u>

	As at 31.03.12	As at 31.03.11		As at 31.03.12	As at 31.03.11
7. OTHER LONG TERM LIABILITIES			10. TRADE PAYABLES		
a) Trade Payables	1,568	2,722	a) Acceptances	10,223	3,120
b) Others - Security Deposit			b) Other than Acceptances	8,979	2,363
i. Refundable	3	3	Total	<u>19,202</u>	<u>5,483</u>
ii. Contractors #	86	62	11. OTHER CURRENT LIABILITIES		
iii. Employees LPG	3	3	a) Current maturities of long-term debt (Payable within a year)		
Total (a+b)	<u>1,660</u>	<u>2,790</u>	i. Term Loan from Banks	6,570	4,754
Note : # Deposit recovered from contractors continue to remain over one year.			ii. Unsecured Interest free Sales Tax Loan	658	670
8. LONG TERM PROVISIONS			b) Interest accrued but not due on borrowings	154	119
a) Provision for employee benefits			c) Unclaimed dividends	112	93
Employees Benefit including	151	151	d) TDS Payable	37	42
Leave Encashment			e) Payable to others	106	-
b) Provision for Taxation			f) Advance received from Customers	233	5
Income Tax	2,706	5,050	g) Other Payables	349	480
c) Provision for Contingencies	901	901	Total	<u>8,219</u>	<u>6,163</u>
Total (a+b+c)	<u>3,758</u>	<u>6,102</u>	12. SHORT TERM PROVISIONS		
9. SHORT TERM BORROWINGS			a) Provision for employee benefits		
Secured :			Salary & Reimbursements	217	276
Loans repayable on demand			Contribution to PF	-	51
Borrowings for Working Capital from banks	18,264	11,027	b) Provision for Taxes		
Total	<u>18,264</u>	<u>11,027</u>	Income Tax	2,904	1,104
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 loan. Working capital borrowings are further secured by the personal guarantee of Shri Ravi Bhushan Bhardwaj, Vice Chairman & Managing Director.			Fringe Benefit Tax	24	24
ii. The Company has not defaulted in either repayment of principal or interest during the year.			c) Others		
			Dividend Payable	-	811
			Dividend Tax	-	128
			Power	322	202
			Excise Duty Payable on Finished Goods Stock	2,720	1,574
			Selling Expenses	543	860
			Managerial Commission	125	489
			Other Expenses	637	536
			Total	<u>7,492</u>	<u>6,055</u>

13. FIXED ASSETS (₹ in Lacs)

PARTICULARS	Gross Block		Accumulated Depreciation			Net Block	
	Balance as at 01.04.2011	Balance as at 31.03.2012 Additions/ (Disposals)	Balance as at 01.04.2011	Depreciation Charge for the year	On disposals	Balance as at 31.03.2012	Balance as at 31.03.2012
A Tangible Assets							
a) Freehold Land	324	48	-	-	-	372	324
b) Leasehold Land	84	-	22	1	-	61	62
c) Buildings							
Factory Buildings	14,735	1,619	7,822	902	-	7,630	6,913
Non Factory Building	192	-	73	3	-	116	119
Office Building	458	-	125	20	-	313	333
Township	630	-	205	10	-	415	425
Welfare Buildings	86	-	25	1	-	60	61
Boundary Wall & Fencing	87	-	16	1	-	70	71
Approach Roads	253	-	79	8	-	166	174
Railway Siding	375	-	348	2	-	25	27
d) Plant and Equipment	69,939	9,753	45,555	3,186	(9)	30,960	24,384
e) Furniture and Fixtures	220	4	178	3	-	43	42
f) Vehicles	328	(12)	244	21	(18)	69	84
g) Office equipment	409	-	321	8	-	80	88
h) Development of Mines	1,562	-	172	77	-	1,313	1,390
Total (A)	89,682	11,412	55,185	4,243	(27)	41,693	34,497
B Intangible Assets	-	-	-	-	-	-	-
C Capital Work in Progress	18,932	4,693	-	-	-	23,625	18,932
Total (B + C)	18,932	4,693	-	-	-	23,625	18,932
D Intangible assets under Development	-	-	-	-	-	-	-
Total (A+B+C+D)	108,614	16,105	55,185	4,243	(27)	65,318	53,429

14. NON-CURRENT INVESTMENTS

(₹ in Lacs)

Particulars	As at 31.03.2012	As at 31.03.2011
Non Trade Investment in Equity instruments	765	758
Less : Provision for diminution in the value of Investments	-	-
Total	765	758
Agreerate amount of unquoted investments	765	758

Details of Non Trade Investments in Equity

Name of Body Corporate	No. of Shares		Extent of Holding (%)		Amount (₹ Lacs)	
	31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11
Investment in Equity Instrument (At Cost, Unquoted & Fully Paid)						
Subsidiary						
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
Joint Ventures						
Madanpur (North) Coal Company Pvt Ltd	1,189,188	1,118,859	11.73	11.73	119	112
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
Others						
India Bulls CSEB Bhaiyathan Power Ltd.	74	74			-	-
Total					765	758

	As at 31.03.12 (₹ in Lacs)	As at 31.03.11 (₹ in Lacs)		As at 31.03.12 (₹ in Lacs)	As at 31.03.11 (₹ in Lacs)
15. LONG TERM LOANS AND ADVANCES			16. INVENTORIES		
a) Capital Advances			a) Raw Materials & components	9,808	10,627
Secured, considered good	224	802	(Valued at weighted average cost)		
Unsecured, considered good	2,733	2	Goods-in transit	895	367
	2,957	804		10,703	10,994
b) Security Deposits			b) Work-in-progress	7,079	3,623
Secured, considered good	-	-	(Valued at cost)		
Unsecured, considered good	882	837	c) Finished goods	19,624	14,891
	882	837	(Valued at lower of cost or Net realisable value)		
c) Loans and advances to related parties [refer Note. 27.13]			d) Consumables, Stores and Spares	1,778	395
Secured, considered good	-	-	(Valued at weighted average cost)		
Unsecured, considered good	1,695	1,573	e) Others	-	-
	1,695	1,573			
d) Other loans and advances			Total	39,184	29,903
Advance Tax Paid	3,142	5,415			
Unsecured, considered good					
Total	8,676	8,629			

	As at 31.03.12 (₹ in Lacs)	As at 31.03.11 (₹ in Lacs)	As at 31.03.12 (₹ in Lacs)	As at 31.03.11 (₹ in Lacs)
17. TRADE RECEIVABLES				
a) Trade receivables outstanding for a period less than six months from the date they are due for payment				
Secured, considered good	-	-		
Unsecured, considered good	14,089	13,456		
Unsecured, considered doubtful	-	-		
	<u>14,089</u>	<u>13,456</u>		
Less: Provision for doubtful debts	-	-		
Total (a)	<u>14,089</u>	<u>13,456</u>		
b) Trade receivables outstanding for a period exceeding six months from the date they are due for payment				
Secured, considered good	-	-		
Unsecured, considered good	871	639		
Unsecured, considered doubtful	-	223		
	<u>871</u>	<u>862</u>		
Less: Provision for doubtful debts	-	223		
Total (b)	<u>871</u>	<u>639</u>		
Total (a+b)	<u>14,960</u>	<u>14,095</u>		
18. CASH AND BANK BALANCES				
a) Cash and Cash Equivalents				
i. Cash on hand	6	32		
ii. Balances in Current Accounts	1,280	420		
Total (a)	<u>1,286</u>	<u>452</u>		
b) Other Bank Balances				
i. Margin Money Deposit against LC & BG			3,870	2,910
ii. On Dividend A/c - Unclaimed			112	93
Total (b)			<u>3,982</u>	<u>3,003</u>
Total (a+b)			<u>5,268</u>	<u>3,455</u>
19. Short-term loans and advances				
a) Loans and advances to related parties			-	-
b) Others				
Trade Advances - Vendors			7,572	2,050
Loans to Employees			41	96
Prepaid Expenses			87	84
Balances with Statutory / Government Authorities				
- Excise Duty			907	1,139
- Sales Tax (VAT)			-	161
- Income Tax			4,293	2,091
- Claims Receivable			933	1,141
Total (a+b)			<u>13,833</u>	<u>6,762</u>
20. OTHER CURRENT ASSETS				
a) Accruals - Interest accrued on Deposits			103	50
b) Others				
i. Export incentives Receivable			322	-
ii. Railway Claims			-	28
Total (a+b)			<u>425</u>	<u>78</u>

Notes forming part of Statement of Profit and Loss for the year ended 31st March 2012

	For the year ended 31.03.12 31.03.11 (₹ in Lacs)		For the year ended 31.03.12 31.03.11 (₹ in Lacs)	
21. REVENUE FROM OPERATIONS				
Sale of Manufactured Goods	177,184	168,567		
Sale of Others	24	1		
Duty Drawback and Export Incentives	678	409		
	<u>177,886</u>	<u>168,977</u>		
Less: Excise duty	16,068	14,570		
Total	<u>161,818</u>	<u>154,407</u>		
22. OTHER INCOME				
Interest Income (in case of a company other than a finance company)			269	206
Net gain / (loss) on sale of investments			-	-
Other non-operating income (net of expenses directly attributable to such income)			259	354
Total			<u>528</u>	<u>560</u>

	For the year ended		For the year ended	
	31.03.12	31.03.11	31.03.12	31.03.11
	(₹ in Lacs)		(₹ in Lacs)	
23.a) Cost of Raw Material and Components Consumed				
Inventory at the beginning of the year	11,389	8,204		
Add: Purchases	113,356	101,807		
Less: Inventory at the end of the year	12,481	11,389		
Total Raw Material Consumption (a)	112,264	98,622		
23.b) Other Manufacturing Expenses				
Consumption of Fuel	5,243	3,570		
Consumption of Power (Net of Captive consumption)	8,856	8,270		
Sales Tax (Net of Incentive under Mega Project)	6,264	4,204		
Freight & Forwarding	5,877	5,742		
Other Works Overhead	6,041	5,766		
Total Other manufacturing Expenses (b)	32,281	27,552		
Total Expenses (a + b)	144,545	126,174		
Details of Raw Material & Components Consumed				
Iron Ore & Iron Ore Fines	38,606	25,188		
Coal & Coal Fines #	6,101	3,565		
Coke	27,875	27,568		
Sponge Iron	1,273	6,203		
Scrap & HBI	642	386		
Ferro Alloys	18,798	19,537		
Fluxes, Minerals & Additives	7,232	4,512		
Electrodes	1,799	1,526		
Others	9,938	10,137		
Total	112,264	98,622		
Details of Inventory Raw Material & Components				
Iron Ore & Iron Ore Fines	3,508	3,279		
Coal & Coal Fines #	2,538	1,344		
Coke	1,413	4,107		
Scrap & HBI	151	14		
Ferro Alloys	1,278	1,347		
Fluxes, Minerals & Additives	352	195		
Electrodes	205	117		
Goods in Transit	895	367		
Others	2,141	619		
Total	12,481	11,389		
# Includes Coal from Captive Mines				
24. (Increase) / Decrease in Inventories				
At the end of the year				
Finished goods	19,624	14,891		
Work-in-progress	7,079	3,623		
Total	26,703	18,514		
At the beginning of the year				
Finished goods	14,891	12,866		
Work-in-progress	3,623	4,419		
Total	18,514	17,285		
Net (increase) / decrease	(8,189)	(1,229)		
25. Employee Benefit Expenses				
Salaries, Wages and Bonus	6,042	5,580		
Contribution to Provident and other Funds	567	553		
Staff Welfare Expenses	555	469		
Total	7,164	6,602		
26. Finance Cost				
Interest Expense	4,060	3,321		
Other borrowing costs	1,495	443		
Applicable net gain / (loss) on foreign currency transactions and translation	(250)	(20)		
Total	5,305	3,744		
27. Other Expenses				
27.1 Administration & Selling Expenses				
Travelling Expenses	354	357		
Insurance Charges	211	189		
Rent, Rates and Taxes	240	238		
Repairs and Maintenance	108	108		
Printing and Stationary	28	29		
Postage and Telephones	78	96		
Admin Expenses	419	336		
Legal and Professional Expenses	317	337		
Payment to Auditors (Refer Details below)	13	13		
Commission	69	120		
Discounts	4,215	4,629		
Other Selling Overheads	210	178		
Total	6,262	6,630		
27.2 Payments to Auditor				
Audit Fees	10	9		
Auditors Out of Pocket Expenses	2	2		
Cost Audit Fees	1	1		
Stock Audit Fees	-	1		
Audit Fees - Others	-	-		
Total	13	13		

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

(₹ in Lacs)

Particulars	For the year Ended	
	31.03.2012	31.03.2011
i. Contingent liabilities		
a) Unexpired Letter of Credit	6,740	5,034
b) Guarantees issued by Company's Bankers on behalf of the Company	2,666	1,800
c) Bonds / Under Takings given by the Company under Duty Exemption Scheme to the Custom Authorities	2,782	3,408
d) Bills Discounted	3,367	2,935
e) Excise Duty & Custom Duty against which Company has preferred an Appeal	100	103
f) Sales Tax Liability against which Company has preferred an Appeal	-	-
g) Income Tax Liability eventhough paid against which Company has preferred an Appeal	1,324	364
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	3,765	11,913

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 2012 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 2012	Maximum balance Outstanding during the year
Khappa Coal Company Private Limited	Subsidiary	737 (696)	737 (696)
Gujarat State Mining & Resources Corporation Limited	Joint Venture	1 (1)	1 (1)

Note: Figures in bracket relate to the previous year.

	For the year ended	
	31.03.12	31.03.11
	(₹ in Lacs)	
27.6 Value of imports calculated on CIF basis :		
Raw materials	9,360	12,956
Spare parts & Components	507	262
Capital goods	1,710	4,145

27.7 Expenditure in foreign currency :

Technical Services	277	118
Subscription & Membership Fees	9	2
Foreign Travelling	36	17
Other matters	48	140

27.8 Earnings in foreign exchange :

Export of goods calculated on FOB basis	13,559	11,514
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27.9 Details of consumption of imported and indigenous items

	(₹ in Lacs)	%
Imported		
Raw materials	8,669	7.72
	(13,186)	(13.37)
Components & Spare Parts	634	0.56
	(279)	(0.28)
Total	9,303	8.29
	(13,465)	(13.65)
Indigenous		
Raw materials	102,132	90.97
	(79,268)	(80.38)
Components & Spare Parts	829	0.74
	(5,889)	(5.97)
Total	102,961	91.71
	(85,157)	(86.35)

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

27.10 Amounts remitted in foreign currency during the year on account of dividend ##

Particulars	For the year ended	
	31.03.2012	31.03.2011
Amount of dividend remitted in foreign currency	\$ 666533.01	\$ 723592.62
Total number of non-resident shareholder (to whom the dividends were remitted in foreign currency)	1	1
Total number of shares held by them on which dividend was due	65253582	65253582
Year to which the dividend relates	2010-2011	2009-2010

The company pays dividend for the shares held by one of the promoters viz. Sunflag Limited, UK in USD and to others in Indian Rupees. The details of Dividend paid to promoters in Foreign Currency are given here above.

27.11 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	
	31.03.2012	31.03.2011
Units consumed (kWh'000)	143,679	105,651
Value (₹ in Lacs)	9,324	5,823

27.12 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 statement of Profit and Loss according to the provisions of AS 15 (Revised) as under :

- Employee Provident Fund, the Company has made good the shortfall of interest on fund ₹ Nil (Previous Year ₹ 0.51 lacs)

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	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Statement showing changes in Present Value of obligation :						
Present value of obligations at the beginning of the year	823	688	3,003	2,480	1,390	1,222
Interest Cost	81	71	256	246	121	110
Current Service Cost	77	73	679	555	179	144
Benefits paid	(54)	(70)	(329)	(278)	(80)	(86)
Actuarial Loss on Obligations	1	61	-	-	-	-
Present value of obligations as at the end of the year	928	823	3,609	3,003	1,610	1,390
Table showing changes in the fair value of plan assets :						
Fair value of Plan Assets at the beginning of year	823	681	3,003	2,480	1,390	1,222
Expected return on Plan Assets	81	71	256	194	128	112
Contributions	95	75	679	555	172	142
Benefits paid	(54)	(70)	(329)	(278)	(80)	(86)
Actuarial Gain / (Loss) on Plan Assets	-	-	-	-	-	-
Fair value of Plan Assets at the end of the year	945	756	3,609	2,952	1,610	1,390
Funded Status	(17)	67	-	51	-	-
Excess of Actual over estimated return on Plan Assets						

Particulars	(₹ in Lacs)					
	Gratuity		Provident Fund		Superannuation	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Actuarial Gain / (Loss) recognised :						
Actuarial Gain / (Loss) for the year - Obligation	1	61	-	-	-	-
Actuarial Gain / (Loss) for the year - Plan Assets	(17)	67	-	-	-	-
Total Loss for the year	-	-	-	-	-	-
Actuarial Gain / (Loss) recognised in the year	(16)	128	-	-	-	-
Amounts to be recognised in the Balance Sheet :						
Present value of obligations as at the end of the year	928	823	3,609	3,003	1,610	1,390
Fair value of Plan Assets as at the end of the year	945	756	3,609	2,952	1,610	1,390
Funded Status	(17)	67	-	51	-	-
Net Asset / (Liability) Recognised in the Balance Sheet	(17)	67	-	51	-	-
Expenses Recognised in the statement of Profit and Loss Account :						
Current Service Cost	77	73	256	246	-	-
Interest Cost	-	-	-	-	-	-
Expected Return on Plan Assets	-	-	256	194	-	-
Net Actuarial (Gain) / Loss Recognised in the Statement of Profit & Loss	(16)	128	-	-	-	-
Expenses Recognised in Statement of Profit & Loss	95	75	-	51	-	-
Actuarial Assumptions :						
Discount Rate	9.40%	9.30%	9.50%	9.50%	-	-
Salary Escalation	5.00%	5.00%	5.00%	5.00%	-	-
Investment Details (%) :						
GOI Securities	-	-	42%	46%	-	-
State Government Securities	-	-	24%	22%	-	-
Approved Marketable Securities	-	-	-	-	-	-
Bonds / Debentures etc	-	-	34%	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.

27.13 Related Party Disclosure (as identified by the Management)

(₹ in Lacs)

Related party	Account	Transactions Year ended		Outstanding As on	
		31.03.12	31.03.11	31.03.12	31.03.11
Subsidiaries					
Sunflag Power Limited	Share Application Money	73	47	915	842
Khappa Coal Company Pvt. Limited	Advance Paid	41	-	737	696
Associate Enterprises					
Haryana Televisions Limited	Rent	30	26	28	20
Ridge Farm Developers (P) Limited	Rent	13	13	10	10
	Expenses	4	4	-	-
Key Managerial Personnel					
Mr. P.B. Bhardwaj	Commission	31	98	-	-
Mr. Ravi Bhushan Bhardwaj	Remuneration & Commission	150	282	(46)	(15)
Mr. Pranav Bhardwaj		135	264	(61)	(8)
Mr. Surendra Kumar Gupta	Remuneration	61	48	-	-
Joint Ventures					
Madanpur (North) Coal Company Private Limited	Share Capital	4	-	-	-
	Share Application Money	2	4	2	4
Gujarat State Mining and Resources Corporation Limited	Interest Free Unsecured Loan	1	1	2	1
Total				1,587	1,550

28. EARNINGS PER SHARE

Basic Earnings per Share	Year Ended 31.03.2012	Year Ended 31.03.2011
Profit / (Loss) after Tax (₹ in Lacs)	1,937	7,053
Number of Equity Shares (Outstanding at the end of the year)	162,197,503	162,197,503
Basic Earnings ₹ per Share	1.19	4.35

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:

(₹ in Lacs)

Name of Company	% of Shareholding	Amount of Interest based on accounts for the year ended 31.03.2012					
		Assets	Liabilities	Income	Expenditure	Contingent liabilities	Capital commitments
Madanpur (North) Coal Company Private Limited	11.73 (11.73)	121 (116)	121 (116)	-- --	-- --	389 (389)	-- --
C T Mining Private Limited	31.80 (31.80)	355 (320)	355 (320)	-- --	-- --	489 (489)	-- --
Gujarat State Mining and Resources Corporation Limited	49.00 (49.00)	1 (3)	1 (3)	-- --	(4) --	-- --	-- --

Note: Figures in brackets relate to the the previous year

30. Previous years figures have been rearranged or regrouped wherever necessary to conform to current year's classification. The amounts have been reclassified as per Revised Schedule VI and line items which are either not applicable or are NIL for both the years are omitted in presentation.

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANIES**

Sr. No.	Name of the Subsidiary	Sunflag Power Limited	Sunflag Special Steels Limited	Khappa Coal Company Private Limited
1	Financial year ended	31.03.2012	31.03.2012	31.03.2012
2	Shares of the subsidiary held by the Company on the above date : (a) Number Face value (b) Extent of holding	49940 (49940) ₹ 10 each (₹ 10 each) 99.88% (99.88%)	49940 (49940) ₹ 10 each (₹ 10 each) 99.88% (99.88%)	3163500 (3163500) ₹ 10 each (₹ 10 each) 63.27% (63.27%)
3	Net aggregate amount of profits/(losses) dealt with in the accounts of the Company for the year ended 31.03.2012	Not Applicable	Not Applicable	Not Applicable
4	Net aggregate amount of profits/(losses) dealt with in the accounts of the Company for the previous year ended 31.03.2011	Not Applicable	Not Applicable	Not Applicable
5	Board of Directors	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. V. K. Agarwal Mr. V. P. Sharma Mr. Vipin Agarwal

Note : Figures in the brackets are in respect of the previous financial year.

SUNFLAG IRON AND STEEL COMPANY LIMITED**Financial information of Subsidiary Companies As At 31st March 2012**

(₹ 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	5	500
Share Application Money	915	--	--
Reserves & Surplus	--	--	--
Total Assets	920	5	1,672
Total Liabilities	920	5	1,672
Details of Investments	--	--	--
Turnover	--	--	--
Profit Before Taxation	--	(1)	--
Provision for Taxation	--	--	--
Profit After Taxation	--	(1)	--
Proposed Dividend	--	--	--

Financial information of Joint Venture Companies As At 31st March 2012

Particulars	Madanpur (North) Coal Company Private Limited	CT 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	1,014	1,000	5
Share Application Money	12	--	--
Reserves & Surplus	--	--	--
Total Assets	1,031	1,118	2
Total Liabilities	1,031	1,118	2
Details of Investments	--	--	--
Turnover	--	--	--
Profit Before Taxation	--	--	(7)
Provision for Taxation	--	--	--
Profit After Taxation	--	--	(7)
Proposed Dividend	--	--	--

**SUNFLAG IRON AND STEEL COMPANY LIMITED, ITS SUBSIDIARIES AND JOINT VENTURES
AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS
For the Financial Year ended 31st March 2012**

To

The Board of Directors,

Sunflag Iron and Steel Company Limited

Nagpur

1. We have audited the attached Consolidated Balance Sheet of **SUNFLAG IRON AND STEEL COMPANY LIMITED** ("the Company") and its Subsidiaries and Joint Ventures which together referred as the "the Group" as at 31st March 2012 and Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement of the group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of joint venture entities whose financial statements reflect total assets of ₹ 478 Lacs. These financial statements have been audited by other auditors whose reports, and audited financial statements as approved by the management of the joint venture entities have been furnished to us and our opinion, in so far as they relate to the amounts included in respective of these entities, is based solely on the report of the other auditors and such approved financial results.
4. Further to our remarks above, we report that :
 - a) the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard - 21, (Consolidated Financial Statements) and Accounting Standard - 27 (Financial Reporting of interest in Joint Ventures) issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company, its subsidiaries and joint ventures included in these consolidated financial statements.
 - b) on the basis of the information and explanations given to us and on the consideration of the separate audit reports of other auditors and audited financial statements of the Group, in our opinion, the Consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India :
 - i. in the case of Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at 31st March 2012;
 - ii. in the case of Consolidated Statement of Profit and Loss, of the consolidated results of operations of the Group for the year ended on that date; and
 - iii. in the case of Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

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

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

**Nagpur
29th May 2012**

**SUNFLAG IRON AND STEEL COMPANY LIMITED, ITS SUBSIDIARIES AND JOINT VENTURES
CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2012**

Particulars	Note No.	As at 31/03/2012			As at 31/03/2011 Consolidated
		Sunflag & Subsidiaries	Joint Venture	Consolidated	
A. EQUITY AND LIABILITIES					
(₹ in Lacs)					
1 Shareholders' funds					
a) Share Capital	2	16,220	439	16,659	16,652
b) Reserves and Surplus	3	33,186	(3)	33,183	31,250
c) Money received against share warrants		-	-	-	-
d) Proportionate Consolidation Elimination		-	-	(439)	(432)
2 Share application money pending allotment		-	1	1	4
3 Minority interest		184	-	184	184
4 Non-current Liabilities					
a) Long-term borrowings	4	35,275	-	35,275	27,542
b) Deferred Tax liabilities (Net)	5	5,580	-	5,580	4,881
c) Other Long Term liabilities	6	1,660	-	1,660	2,790
d) Long-term provisions	7	3,758	-	3,758	6,102
5 Current Liabilities					
a) Short-term borrowings	8	18,264	32	18,296	11,027
b) Trade payables	9	19,202	-	19,202	5,483
c) Other current liabilities	10	8,219	6	8,225	6,163
d) Short-term provisions	11	7,499	3	7,502	6,068
TOTAL EQUITY AND LIABILITIES		149,047	478	149,086	117,714
B. ASSETS					
1 Non-current Assets					
a) Fixed assets	12				
i. Tangible assets		41,901	34	41,935	34,520
ii. Intangible assets		-	-	-	-
iii. Capital work-in-progress		25,819	251	26,070	21,306
iv. Intangible assets under development		-	-	-	-
b) Non-current Investments	13	439	-	439	432
Proportionate Consolidation Elimination		-	-	(439)	(432)
c) Deferred tax assets (net)		-	-	-	-
d) Long-term loans and advances	14	7,025	3	7,028	7,091
e) Other non-current assets	15	35	4	39	25
2 Current Assets					
a) Current Investments		-	-	-	-
b) Inventories	16	39,184	-	39,184	29,903
c) Trade receivables	17	14,960	-	14,960	14,095
d) Cash and Bank Balances	18	5,405	172	5,577	3,885
e) Short-term loans and advances	19	13,852	-	13,852	6,806
f) Other current assets	20	427	14	441	83
TOTAL ASSETS		149,047	478	149,086	117,714
Significant accounting policies and Notes forming part of Financial Statements	1				
<i>As per our report attached</i> For PATEL, SHAH & JOSHI <i>Chartered Accountants</i>		P. B. BHARDWAJ <i>CHAIRMAN</i> RAVI BHUSHAN BHARDWAJ <i>VICE CHAIRMAN & MANAGING DIRECTOR</i> PRANAV BHARDWAJ <i>JOINT MANAGING DIRECTOR</i> CA R. MURALIDHAR <i>EXECUTIVE DIRECTOR (FINANCE)</i> CS MUKESH D. PARAKH <i>COMPANY SECRETARY</i>	DR. E.R.C. SHEKAR S. GAJENDRAN B. W. RAMTEKE CA JAYESH M. PARMAR SURENDRA KUMAR GUPTA <i>DIRECTORS</i>		
CA JAYANT I. MEHTA <i>PARTNER</i> Membership Number - 42630 Nagpur 29 th May 2012					

**SUNFLAG IRON AND STEEL COMPANY LIMITED, ITS SUBSIDIARIES AND JOINT VENTURES
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2012**

Particulars	Note No.	Year ended 31.03.2012			Year ended 31.03.2011
		Sunflag & Subsidiaries	Joint Ventures	Consolidated	Consolidated
(₹ in Lacs)					
I. Revenue from operations	21	177,886	-	177,886	168,977
Less : Excise Duty		(16,068)	-	(16,068)	(14,570)
		161,818	-	161,818	154,407
II. Other Income	22	528	-	528	560
III. Total Revenue (I + II)		162,346	-	162,346	154,967
IV. Expenses					
Cost of materials consumed	23(a)	112,264	-	112,264	98,622
Other Manufacturing Expenses	23(b)	32,281	-	32,281	27,552
Purchases of Stock-in-Trade		-	-	-	-
Changes in inventories of finished goods work-in-progress and Stock-in-Trade	24	(8,189)	-	(8,189)	(1,229)
Employee benefits expense	25	7,164	-	7,164	6,602
Finance costs	26	5,305	-	5,305	3,744
Depreciation and amortisation expense	12	4,244	-	4,244	3,964
Other expenses	27	6,263	3	6,266	6,630
Total expenses		159,332	3	159,335	145,885
V. Profit before exceptional and extraordinary items and tax		3,014	(3)	3,011	9,082
VI. Tax Expense :					
a) Current tax expense for current year		560	-	560	2,146
b) Current tax expense relating to prior years		(181)	-	(181)	22
c) Deferred tax	6	699	-	699	(139)
VII. Profit (Loss) for the period from continuing operations		1,936	(3)	1,933	7,053
Amount in ₹					
VIII. Earning per equity share :	28				
1) Basic		1.19	-	1.19	4.35
2) Diluted		1.19	-	1.19	4.35
Significant Accounting policies and Notes forming part of Financial Statements	1				
<i>As per our report attached For PATEL, SHAH & JOSHI Chartered Accountants</i>		P. B. BHARDWAJ CHAIRMAN RAVI BHUSHAN BHARDWAJ VICE CHAIRMAN & MANAGING DIRECTOR PRANAV BHARDWAJ JOINT MANAGING DIRECTOR CA R. MURALIDHAR EXECUTIVE DIRECTOR (FINANCE) CS MUKESH D. PARAKH COMPANY SECRETARY		DR. E.R.C. SHEKAR S. GAJENDRAN B. W. RAMTEKE CA JAYESH M. PARMAR SURENDRA KUMAR GUPTA DIRECTORS	
CA JAYANT I. MEHTA PARTNER Membership Number - 42630 Nagpur 29 th May 2012					

**SUNFLAG IRON AND STEEL COMPANY LIMITED, ITS SUBSIDIARIES AND JOINT VENTURES
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012**

Particulars	Year ended 31 st March 2012			Year ended 31.03.2011
	Sunflag & Subsidiaries	Joint Ventures	Consolidated	Consolidated
	(₹ in Lacs)			
A. Cash flow from operating activities				
Net Profit / (Loss) before extraordinary items and tax	3,014	(3)	3,011	9,082
<i>Adjustments for :</i>				
Depreciation and amortisation	4,244	-	4,244	3,964
(Profit) / loss on sale / write off of assets	21	-	21	12
Finance costs	5,305	-	5,305	3,744
Operating profit / (loss) before working capital changes	12,584	(3)	12,581	16,802
<i>Changes in working capital :</i>				
<i>Adjustments for (increase) decrease in operating assets :</i>				
Inventories	(9,281)	-	(9,281)	(4,414)
Trade receivables	(865)	-	(865)	(1,921)
Short-term loans and advances	(6,275)	29	(6,246)	-
Long-term loans and advances	66	(3)	63	4,556
Other current assets	(343)	(14)	(357)	(256)
Other non-current assets	(18)	4	(14)	1
<i>Adjustments for increase/(decrease) in operating liabilities :</i>				
Trade payables	13,720	-	13,720	-
Other current liabilities	(30)	6	(24)	740
Short-term provisions	2,378	(6)	2,372	-
Other long-term liabilities	(1,130)	-	(1,130)	-
Long-term provisions	(2,723)	-	(2,723)	-
	(4,501)	16	(4,485)	(1,294)
Cash flow from extraordinary items	-	-	-	-
Cash generated from operations	8,083	13	8,096	15,508
Net income tax (paid) / refunds	(801)	-	(801)	(2,835)
Net cash flow from / (used in) operating activities (A)	7,282	13	7,295	12,673
B. Cash flow from investing activities				
Capital expenditure on fixed assets, including capital advances	(16,434)	(40)	(16,474)	(18,385)
Proceeds from sale of fixed assets	31	-	31	14
Long - term investments in;				
- Joint ventures	(7)	-	(7)	(2)
Net cash flow from / (used in) investing activities (B)	(16,410)	(40)	(16,450)	(18,373)

Particulars	Year ended 31 st March 2012			Year ended 31.03.2011 Consolidated
	Sunflag & Subsidiaries	Joint Ventures	Consolidated	
	(₹ in Lacs)			
C. Cash flow from financing activities				
Proceeds from issue of equity shares	-	7	7	6
Share application money received / (Adjusted)	-	(3)	(3)	-
Proceeds from long-term borrowings	14,932	-	14,932	13,569
Repayment of long-term borrowings	(4,468)	-	(4,468)	(5,247)
Net increase / (decrease) in working capital borrowings	7,237	-	7,237	7,088
Proceeds from other short-term borrowings	24	32	56	-
Repayment of unsecured Deferred Sales Tax Loan	(670)	-	(670)	(4,585)
Finance cost	(5,305)	-	(5,305)	(3,744)
Dividends paid	(811)	-	(811)	(811)
Tax on dividend	(128)	-	(128)	(135)
Net cash flow from / (used in) financing activities (C)	10,811	36	10,847	6,141
Net increase/(decrease) in Cash and cash equivalents (A+B+C)	1,683	9	1,692	441
Cash and cash equivalents at the beginning of the year	3,722	163	3,885	3,444
Effect of exchange differences on restatement of foreign currency	-	-	-	-
Cash and cash equivalents at the end of the year (Refer Note 18)	5,405	172	5,577	3,885
Refer Corporate information and Significant accounting policies				

As per our report attached
For PATEL, SHAH & JOSHI
Chartered Accountants

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Nagpur
29th May 2012

P. B. BHARDWAJ
CHAIRMAN
RAVI BHUSHAN BHARDWAJ
VICE CHAIRMAN & MANAGING DIRECTOR
PRANAV BHARDWAJ
JOINT MANAGING DIRECTOR
CA R. MURALIDHAR
EXECUTIVE DIRECTOR (FINANCE)
CS MUKESH D. PARAKH
COMPANY SECRETARY

DR. E.R.C. SHEKAR
S. GAJENDRAN
B. W. RAMTEKE
CA JAYESH M. PARMAR
SURENDRA KUMAR GUPTA
DIRECTORS

Consolidated Financial Statement of Sunflag Iron and Steel Company Limited
Significant Accounting Policies of Consolidated Financial Statements

1. PRINCIPLES OF CONSOLIDATION :

- a) 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 2012. The consolidated financial statements have been prepared on the following basis :
- b) 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.
- c) 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 2012.
- d) 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.
- e) 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.
- f) 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	
	2011-2012	2010-2011
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	31.8	31.8
- Gujarat State Mining & Resources Corporation Limited	49.0	49.0

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

Notes forming part of Consolidated Balance Sheet

2. SHARE CAPITAL	As at 31.03.2012			As at 31.03.2011 Consolidated
	Sunflag & Subsidiaries	Joint Ventures	Consolidated	
AUTHORISED :	(₹ in Lacs)			
165,000,000 Equity Shares of ₹ 10/- each	16,500	-	16,500	16,500
4,000,000 10% Cumulative Convertible Preference Shares of ₹ 100/- each	4,000	-	4,000	4,000
	20,500	-	20,500	20,500
ISSUED, SUBSCRIBED & FULLY PAID UP				
162,197,503 Equity Shares of ₹ 10/- each (162,197,503)	16,220	439	16,659	16,652
Consolidation Elimination			(439)	(432)
	16,220	439	16,220	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 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 Equity shares held by the Shareholders.

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

Name of Shareholder	31.03.2012		31.03.2012		31.03.2012		31.03.2011	
	Sunflag & Subsidiaries		Joint Ventures		Consolidated		Consolidated	
	No of Shares held	% of Holding	No. of Shares held	% of Holding	No of Shares held	% of Holding	No. of Shares held	% of Holding
Sunflag Limited, Channel Islands, UK	65,253,582	40.23%	-	-	65,253,582	40.23%	65,253,582	40.23%
Mr. Suhrit Ravi Bhardwaj	13,217,398	8.15%	-	-	13,217,398	8.15%	10,667,398	6.58%
M/s Supra Corporation Limited	8,333,356	5.14%	-	-	8,333,356	5.14%	8,333,356	5.14%

(₹ in Lacs)

3. RESERVES AND SURPLUS	Year ended 31 st March 2012			Year ended 31.03.2011
	Sunflag & Subsidiaries	Joint Ventures	Consolidated	Consolidated
a) Capital Reserves				
Opening Balance	25	-	25	25
(+) Current Year Transfer	-	-	-	-
(-) Written Back in Current Year	-	-	-	-
Closing Balance (a)	25	-	25	25
b) Other Reserves : General Reserves				
Opening Balance	231	-	231	231
(+) Current Year Transfer	-	-	-	-
(-) Written Back in Current Year	-	-	-	-
Closing Balance (b)	231	-	231	231
c) Surplus / Deficit) in Statement of Profit and Loss				
Opening Balance	30,994	-	30,994	24,884
(+) Net Profit / (Net Loss) for the current year	1,936	(3)	1,933	7,053
(+) Transfer from Reserves	-	-	-	-
(-) Proposed Dividends	-	-	-	811
(-) Dividend Tax	-	-	-	132
(-) Transfer to Reserves	-	-	-	-
Closing Balance (c)	32,930	(3)	32,927	30,994
Total (a+b+c)	33,186	(3)	33,183	31,250
4. LONG TERM BORROWINGS				
a) Secured				
Term loans - From Banks	26,591	-	26,591	17,943
Total Long Term Borrowings (Secured) (a)	26,591	-	26,591	17,943
b) Unsecured				
i. From Promoters (Interest Free) @	1,375	-	1,375	1,375
ii. From Dalmia Cement (Bharat) Limited	428	-	428	404
iii. Interest Free Sales Tax Loan #	6,881	-	6,881	7,820
Total Long Term Borrowings (Unsecured) (b)	8,684	-	8,684	9,599
Total Long Term Borrowings (a+b)	35,275	-	35,275	27,542

Maturity Profile (Secured Long Term)	0-1 year	1-2 year	2-3 year	Beyond 3 years
Term loan from banks (₹ in Lacs)	6,570	6,947	6,303	13,341

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 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. The Company has not defaulted in either repayment of principal or interest during the year (₹ in Lacs)

Maturity Profile (Unsecured Long Term)	0-1 year	1-2 year	2-3 year	Beyond 3 years
Unsecured Interest Free Sales Tax Loan	658	617	553	5,711

@ The Unsecured loans comprising interest free loans given by Promotors. 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.

(₹ in Lacs)

5. DEFERRED TAXATION	Balance as on 01.04.2011	Arising during the year	Balance as on 31.03.2012
A. Deferred Tax Liabilities			
On account of timing difference in Depreciation	5,294	627	5,921
Others	-	-	-
	<u>5,294</u>	<u>627</u>	<u>5,921</u>
B. Deferred Tax Assets			
Disallowances	341	-	341
Provisions for Doubtful debts	72	(72)	-
	<u>413</u>	<u>(72)</u>	<u>341</u>
Deferred Tax Liability / (Asset) (A-B)	<u>4,881</u>	<u>699</u>	<u>5,580</u>

6. OTHER LONG TERM LIABILITIES	Year ended 31st March 2012			Year ended 31.03.2011 Consolidated
	Sunflag & Subsidiaries	Joint Ventures	Consolidated	
a) Trade Payables	1,568	-	1,568	2,722
b) Others : Security Deposit				
i. Refundable	3	-	3	3
ii. Contractors #	86	-	86	62
iii. Employees LPG	3	-	3	3
Total (a+b)	<u>1,660</u>	<u>-</u>	<u>1,660</u>	<u>2,790</u>

Note : # Deposit recovered from contractors continue to remain over one year.

7. LONG TERM PROVISIONS				
a) Provisions for employee benefits				
Employees Benefit including Leave Encashment	151	-	151	151
b) Provision for Taxation				
Income Tax	2,706	-	2,706	5,050
c) Provision for Contingencies				
	901	-	901	901
Total (a+b+c)	<u>3,758</u>	<u>-</u>	<u>3,758</u>	<u>6,102</u>

(₹ in Lacs)				
8. SHORT TERM BORROWINGS	Year ended 31 st March 2012			Year ended
	Sunflag & Subsidiaries	Joint Ventures	Consolidated	31.03.2011 Consolidated
Secured				
Loans repayable on demand				
Borrowings for Working Capital from banks	18,264	-	18,264	11,027
Unsecured Short Term Borrowing from Promoters	-	32	32	-
Total	<u>18,264</u>	<u>32</u>	<u>18,296</u>	<u>11,027</u>
<p>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 loan. Working capital borrowings are further secured by the personal guarantee of Shri Ravi Bhushan Bhardwaj, Vice Chairman & Managing Director.</p> <p>ii. The Company has not defaulted in either repayment of principal or interest during the year.</p>				
9. TRADE PAYABLES				
Trade Payables				
a) Acceptances	10,223	-	10,223	3,120
b) Other than Acceptances	8,979	-	8,979	2,363
Total	<u>19,202</u>	<u>-</u>	<u>19,202</u>	<u>5,483</u>
10. OTHER CURRENT LIABILITIES				
a) Current maturities of long-term debt (Payable within a year)				
i. Term loan from Banks	6,570	-	6,570	4,754
ii. Unsecured Interest free Sales Tax Loan	658	-	658	670
b) Interest accrued but not due on borrowings	154	-	154	119
c) Unclaimed dividends	112	-	112	93
d) TDS Payable	37	-	37	42
e) Payable to others	106	-	106	-
f) Advance received from Customers	233	-	233	5
g) Other payables	349	6	355	480
Total	<u>8,219</u>	<u>6</u>	<u>8,225</u>	<u>6,163</u>
11. SHORT TERM PROVISIONS				
a) Provision for employee benefits				
Salary & Reimbursements	218	1	219	276
Contribution to PF	-	-	-	51
b) Provision for Tax				
Income Tax	2,909	2	2,911	1,113
Fringe Benefit Tax	24	-	24	24
c) Others				
Dividend Payable	-	-	-	811
Dividend Tax	-	-	-	128
Power	322	-	322	202
Excise Duty Payable on Finished Goods Stock	2,720	-	2,720	1,574
Selling Expenses	543	-	543	860
Managerial Commission	125	-	125	489
Other Expenses	638	-	638	540
Total	<u>7,499</u>	<u>3</u>	<u>7,502</u>	<u>6,068</u>

(₹ in Lacs)

Sr. No.	Particulars	GROSS BLOCK			ACCUMULATED DEPRECIATION			NET BLOCK	
		As on 31 st March 2012		Previous year 31.03.2011	As on 31 st March 2012		Previous year 31.03.2011	Consolidated	
		Sunflag & Subsidiaries	Joint Ventures	Consolidated	Sunflag & Subsidiaries	Joint Ventures	Consolidated	As At 31.03.2012	As At 31.03.2011
A	Tangible Assets								
	a) Freehold Land	553	33	586	341	-	-	586	341
	b) Leasehold Land	84	-	84	84	-	22	61	62
	c) Buildings								
	Factory Buildings.	16,354	-	16,354	14,735	-	7,822	7,630	6,913
	Non Factory Building	192	-	192	192	-	73	116	119
	Office Building	458	-	458	458	-	125	313	333
	Township	630	-	630	630	-	205	415	425
	Welfare Buildings	86	-	86	86	-	25	60	61
	Boundary Wall & Fencing	87	-	87	87	-	16	70	71
	Approach Roads	253	-	253	253	-	77	166	176
	Railway Siding	375	-	375	375	-	348	25	27
	d) Plant and Equipment	79,693	1	79,694	69,944	-	48,732	30,962	24,387
	e) Furniture and Fixtures	227	-	227	223	-	182	45	43
	f) Vehicles	341	1	342	328	1	249	93	84
	g) Office equipment	409	-	409	409	-	329	80	88
	i) Development of Mines	1,562	-	1,562	1,562	-	249	1,313	1,390
	Total (A)	101,304	35	101,339	89,707	1	59,403	41,935	34,520
B	Capital Work in Progress	25,819	251	26,070	-	-	-	26,070	21,306
	Total (B)	25,819	251	26,070	-	-	-	26,070	21,306
	Total (A+B)	127,123	286	127,409	89,707	1	59,403	68,005	55,826

(₹ in Lacs)

13. NON - CURRENT INVESTMENTS	Year ended 31 st March 2012			Year ended 31.03.2011
	Sunflag & Subsidiaries	Joint Ventures	Consolidated	Consolidated
Non Trade Investment in Equity instruments	439	-	439	432
Proportionate Consolidation Elimination	-	-	(439)	(432)
Total	439	-	-	-
Aggregate amount of unquoted investments	439	-	439	432

Details of Non Trade Investments in Equity

Name of Body Corporate	No. of Shares		Extent of Holding (%)		Amount (₹ Lacs)	
	31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11
Investment in Equity Instruments (At Cost, Unquoted & Fully Paid)	-	-	-	-	-	-
Joint Ventures						
a) Madanpur (North) Coal Company Private Limited	1,189,188	1,118,859	11.73	11.73	119	112
b) C T Mining Private Limited	3,180,000	3,180,000	31.80	31.80	318	318
c) Gujarat State Mining and Resources Corporation Limited	24,500	24,500	49.00	49.00	2	2
Total					439	432

14. LONG TERM LOANS AND ADVANCES	Year ended 31 st March 2012			Year ended 31.03.2011
	Sunflag & Subsidiaries	Joint Ventures	Consolidated	Consolidated
a) Capital Advances				
Secured, considered good	224	-	224	802
Unsecured, considered good	2,734	2	2,736	2
	2,958	2	2,960	804
b) Security Deposits				
Secured, considered good	-	-	-	-
Unsecured, considered good	882	-	882	837
	882	-	882	837
c) Loan and advances to related parties [refer Note 27.13]				
Unsecured, considered good	43	-	43	29
	43	-	43	29
d) Other loans and advances (specify nature)				
Advance Tax Paid Unsecured Considered Good	3,142	1	3,143	5,421
Total	7,025	3	7,028	7,091
15. OTHER NON CURRENT ASSETS				
Unsecured Considered Good				
Unamortised Expenses not written-off	35	4	39	25
Total	35	4	39	25

				(₹ in Lacs)
	Year ended 31 st March 2012			Year ended 31.03.2011 Consolidated
	Sunflag & Subsidiaries	Joint Ventures	Consolidated	
16. INVENTORIES				
a) Raw Material and components (Valued at weighted average cost)	9,808	-	9,808	10,627
Goods-in-transit	895	-	895	367
Total (a)	10,703	-	10,703	10,994
b) Work-in-progress (Valued at cost)	7,079	-	7,079	3,623
c) Finished goods (Valued at lower of cost or Net realisable value)	19,624	-	19,624	14,891
d) Consumables, Stores and spares (Valued at weighted average cost)	1,778	-	1,778	395
Total (a+b+c+d)	39,184	-	39,184	29,903
17. TRADE RECEIVABLES				
a) Trade receivables outstanding for a period less than six months from the date they are due for payment				
Secured - considered good	-	-	-	-
Unsecured - considered good	14,089	-	14,089	13,456
Unsecured - considered doubtful	-	-	-	-
	14,089	-	14,089	13,456
Less : Provision for doubtful debts	-	-	-	-
Total (a)	14,089	-	14,089	13,456
b) Trade receivables outstanding for a period exceeding six months from the date they are due for payment				
Secured - considered good	-	-	-	-
Unsecured - considered good	871	-	871	639
Unsecured - considered doubtful	-	-	-	223
	871	-	871	862
Less : Provision for doubtful debts	-	-	-	223
Total (b)	871	-	871	639
Total (a+b)	14,960	-	14,960	14,095
18. CASH AND BANK BALANCES				
a) Cash and Cash Equivalents				
i. Cash on hand	7	-	7	34
ii. Balances in Current Accounts	1,327	33	1,360	489
iii. Fixed Deposits	50	-	50	205
Total (a)	1,384	33	1,417	728
b) Other Bank Balances				
i. Margin Money Deposit against LC & BG	3,909	139	4,048	3,064
ii. On Dividend A/c - Unclaimed	112	-	112	93
Total (b)	4,021	139	4,160	3,157
Total (a+b)	5,405	172	5,577	3,885

(₹ in Lacs)				
19. SHORT-TERM LOANS AND ADVANCES	Year ended 31 st March 2012			Year ended
	Sunflag & Subsidiaries	Joint Ventures	Consolidated	31.03.2011 Consolidated
a) Loans and advances to related parties	-	-	-	-
b) Others				
Trade Advances - Vendors	7,572	-	7,572	2,091
Loans to Employees	41	-	41	96
Prepaid Expenses	87	-	87	84
Balances with Statutory / Govt. Authorities				
- Excise Duty	907	-	907	1,139
- Sales Tax (VAT)	-	-	-	161
- Income Tax	4,297	-	4,297	2,094
Claims Receivable	933	-	933	1,141
Miscellaneous	15	-	15	-
Total (a + b)	13,852	-	13,852	6,806
20. OTHER CURRENT ASSETS				
a) Accruals - Interest accrued on Deposits	105	14	119	55
b) Others				
i. Export incentives Receivable	322	-	322	-
ii. Railway Claims	-	-	-	28
Total (a + b)	427	14	441	83

Notes Forming part of Consolidated Statement of Profit and Loss for the year ended 31st March 2012

21. REVENUE FROM OPERATIONS				
Sale of Manufactured Goods	177,184	-	177,184	168,567
Sale of Others	24	-	24	1
Duty Drawback & Export Incentives	678	-	678	409
	<u>177,886</u>	<u>-</u>	<u>177,886</u>	<u>168,977</u>
Less : Excise duty	16,068	-	16,068	14,570
Total	161,818	-	161,818	154,407
22. OTHER INCOME				
Interest Income (in case of a company other than a finance company)	269	-	269	206
Net gain / (loss) on sale of investments	-	-	-	-
Other non-operating income (net of expenses directly attributable to such income)	259	-	259	354
Total	528	-	528	560
23.a) Cost of Raw Material and Components Consumed				
Inventory at the beginning of the year	11,389	-	11,389	8,203
Add: Purchases	113,356	-	113,356	101,808
Less : Inventory at the end of the year	12,481	-	12,481	11,389
Total Raw Material Consumption (a)	112,264	-	112,264	98,622

(₹ in Lacs)				
23.b) Other Manufacturing Expenses	Year ended 31 st March 2012			Year ended
	Sunflag & Subsidiaries	Joint Ventures	Consolidated	31.03.2011 Consolidated
Consumption of Fuel	5,243	-	5,243	3,570
Consumption of Power (Net of Captive consumption)	8,856	-	8,856	8,270
Sales Tax (Net of Incentive under Mega Project)	6,264	-	6,264	4,204
Frieght & Forwarding	5,877	-	5,877	5,742
Other Works Overhead	6,041	-	6,041	5,766
Total Other Manufacturing Expenses (b)	32,281	-	32,281	27,552
Total Expenses (a+b)	144,545	-	144,545	126,174
Details of Raw material & Components Consumed				
Iron Ore & Iron Ore Fines	38,606	-	38,606	25,188
Coal & Coal Fines #	6,101	-	6,101	3,565
Coke	27,875	-	27,875	27,568
Sponge Iron	1,273	-	1,273	6,203
Scrap & HBI	642	-	642	386
Ferro Alloys	18,798	-	18,798	19,537
Fluxes, Minerals & Additives	7,232	-	7,232	4,512
Electrodes	1,799	-	1,799	1,526
Others	9,938	-	9,938	10,137
Total	112,264	-	112,264	98,622
Details of Inventory - Raw Material & Components				
Iron Ore & Iron Ore Fines	3,508	-	3,508	3,279
Coal & Coal Fines #	2,538	-	2,538	1,344
Coke	1,413	-	1,413	4,107
Scrap & HBI	151	-	151	14
Ferro Alloys	1,278	-	1,278	1,347
Fluxes, Minerals & Additives	352	-	352	195
Electrodes	205	-	205	117
Goods in Transit	895	-	895	367
Others	2,141	-	2,141	619
Total	12,481	-	12,481	11,389
# includes Coal from Captive Mines				
24. (INCREASE) / DECREASE IN INVENTORIES				
Inventories at the end of the year				
- Finished goods	19,624	-	19,624	14,891
- Work-in-progress	7,079	-	7,079	3,623
Total	26,703	-	26,703	18,514
Inventories at the beginning of the year				
- Finished goods	14,891	-	14,891	12,866
- Work-in-progress	3,623	-	3,623	4,419
Total	18,514	-	18,514	17,285
Net (increase) / decrease	(8,189)	-	(8,189)	(1,229)
25. EMPLOYEE BENEFIT EXPENSES				
Salaries, Wages and Bonus	6,042	-	6,042	5,580
Contribution to Provident and other Funds	567	-	567	553
Staff Welfare Expenses	555	-	555	469
Total	7,164	-	7,164	6,602

(₹ in Lacs)				
	Year ended 31 st March 2012			Year ended
	Sunflag & Subsidiaries	Joint Ventures	Consolidated	31.03.2011 Consolidated
26. FINANCE COST				
Interest Expense	4,060	-	4,060	3,321
Other borrowing costs	1,495	-	1,495	443
Applicable net gain / loss on foreign currency transactions and translation	(250)	-	(250)	(20)
Total	5,305	-	5,305	3,744
27. OTHER ADMN & GENERAL EXPENSES				
27.1 Other Expenses				
Travelling Expenses	354	-	354	357
Insurance Charges	211	-	211	189
Rent, Rates and Taxes	240	-	240	238
Repairs & Maintenance	108	-	108	108
Printing & Stationary	28	-	28	29
Postage & Telephones	78	-	78	96
Admin Expenses	419	-	419	336
Legal & Professional Expenses	317	-	317	337
Payment to Auditors (Refer Details below)	13	-	13	13
Commission	69	-	69	120
Discounts	4,215	-	4,215	4,629
Other Selling Overheads	210	-	210	178
Unamortised prior period expenses	1	3	4	-
Total	6,263	3	6,266	6,630
27.2 Payments to Auditor				
Audit Fees	10	-	10	9
Auditors Out of Pocket Expenses	2	-	2	2
Cost Audit Fees	1	-	1	1
Stock Audit Fees	-	-	-	1
Audit Fees - Others	-	-	-	-
Total	13	-	13	13
27.3 Contingent liabilities and commitments (to the extent not provided for)				
i. Contingent liabilities				
a) Unexpired Letter of Credit	6,740	-	6,740	5,034
b) Guarantees issued by Company's Bankers on behalf of the Company	3,056	878	3,934	2,190
c) Bonds / Undertakings given by the Company under Duty Exemption Scheme to the Custom Authorities	2,782	-	2,782	3,408
d) Bills Discounted	3,367	-	3,367	2,935
e) Excise Duty & Custom Duty against which Company has preferred an Appeal	100	-	100	103
f) Sales Tax Liability against which Company has preferred an Appeal	-	-	-	-
g) Income Tax Liability eventhough paid against which Company has preferred an Appeal	1,324	-	1,324	364
ii. Commitments				
a) Estimated amount of contracts remaining to be executed on capital account and not provided for : - Tangible Assets	3,765	-	3,765	11,913

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 2012 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:

(₹ in Lacs)

Name of Company	Relationship	Amount Outstanding as at 31 st March 2012	Maximum balance Outstanding during the year
Khappa Coal Company Private Limited	Subsidiary	737 (696)	737 (696)
Gujarat State Mining & Resources Corporation Limited	Joint Venture	1 (1)	1 (1)

Note : Figures in bracket relate to the previous year

(₹ in Lacs)

	Year ended 31 st March 2012			Year ended 31.03.2011
	Sunflag & Subsidiaries	Joint Ventures	Consolidated	Consolidated
27.6 Value of imports calculated on CIF basis				
Raw materials	9,360	-	9,360	12,956
Spare parts & Components	507	-	507	262
Capital goods	1,710	-	1,710	4,145
27.7 Expenditure in foreign currency				
Technical Services	277	-	277	118
Subscription & Membership Fees	9	-	9	2
Foreign Travelling	36	-	36	17
Other matters	48	-	48	140
27.8 Details of consumption of imported and indigenous items	(₹ in Lacs)			%
a) Imported				
Raw materials	8,669 (13,186)	-	8,669 (13,186)	7.72 (13.37)
Components & Spare Parts	634 (279)	-	634 (279)	0.56 (0.28)
Total (a)	<u>9,303</u> (13,465)	-	<u>9,303</u> (13,465)	<u>8.29</u> (13.65)
b) Indigenous				
Raw materials	102,132 (79,268)	-	102,132 (79,268)	90.97 (80.38)
Components & Spare Parts	829 (5,889)	-	829 (5,889)	0.74 (5.97)
Total (b)	<u>102,961</u> (85,157)	-	<u>102,961</u> (85,157)	<u>91.71</u> (86.35)
Total (a+b)	<u>112,264</u> (98,622)	-	<u>112,264</u> (98,622)	<u>100.00</u> (100.00)
27.9 Earnings in foreign exchange	(₹ in Lacs)			
Export of goods calculated on FOB basis	13,559	-	13,559	11,514

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

27.10 Amounts remitted in foreign currency during the year on account of dividend ##

Particulars	For the year ended	
	31.03.2012	31.03.2011
Amount of dividend remitted in foreign currency	\$ 666533.01	\$ 723592.62
Total number of non-resident shareholder (to whom the dividends were remitted in foreign currency)	1	1
Total number of shares held by them on which dividend was due	65253582	65253582
Year to which the dividend relates	2010-2011	2009-2010

The company pays dividend for the shares held by one of the promoters viz. Sunflag Limited, UK in USD and to others in Indian Rupees. The details of Dividend paid to promoters in Foreign Currency are given hereinabove.

27.11 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	
	31.03.2012	31.03.2011
Units consumed (kWh'000)	143,679	105,651
Value (₹ in Lacs)	9,324	5,823

27.12 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 statement of Profit and Loss according to the provisions of AS 15 (Revised) as under :

- Employee Provident Fund, the Company has made good the shortfall of interest on fund ₹ Nil (Previous Year ₹ 0.51 lacs)

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	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Statement showing changes in Present Value of obligation :						
Present value of obligations at the beginning of the year	823	688	3,003	2,480	1,390	1,222
Interest Cost	81	71	256	246	121	110
Current Service Cost	77	73	679	555	179	144
Benefits paid	(54)	(70)	(329)	(278)	(80)	(86)
Actuarial Loss on Obligations	1	61	-	-	-	-
Present value of obligations as at the end of the year	928	823	3,609	3,003	1,610	1,390
Table showing changes in the fair value of plan assets :						
Fair value of Plan Assets at the beginning of year	823	681	3,003	2,480	1,390	1,222
Expected return on Plan Assets	81	71	256	194	128	112
Contributions	95	75	679	555	172	142
Benefits paid	(54)	(70)	(329)	(278)	(80)	(86)
Actuarial Gain / (Loss) on Plan Assets	-	-	-	-	-	-
Fair value of Plan Assets at the end of the year	945	756	3,609	2,952	1,610	1,390
Funded Status	(17)	67	-	51	-	-
Excess of Actual over estimated return on Plan Assets						

Particulars	(₹ in Lacs)					
	Gratuity		Provident Fund		Superannuation	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Actuarial Gain / (Loss) recognised :						
Actuarial Gain / (Loss) for the year - Obligation	1	61	-	-	-	-
Actuarial Gain / (Loss) for the year - Plan Assets	(17)	67	-	-	-	-
Total Loss for the year	-	-	-	-	-	-
Actuarial Gain / (Loss) recognised in the year	(16)	128	-	-	-	-
Amounts to be recognised in the Balance Sheet :						
Present value of obligations as at the end of the year	928	823	3,609	3,003	1,610	1,390
Fair value of Plan Assets as at the end of the year	945	756	3,609	2,952	1,610	1,390
Funded Status	(17)	67	-	51	-	-
Net Asset / (Liability) Recognised in the Balance Sheet	(17)	67	-	51	-	-
Expenses Recognised in the statement of Profit and Loss Account :						
Current Service Cost	77	73	256	246	-	-
Interest Cost	-	-	-	-	-	-
Expected Return on Plan Assets	-	-	256	194	-	-
Net Actuarial (Gain) / Loss Recognised in the Statement of Profit & Loss	(16)	128	-	-	-	-
Expenses Recognised in Statement of Profit & Loss	95	75	-	51	-	-
Actuarial Assumptions :						
Discount Rate	9.40%	9.30%	9.50%	9.50%	-	-
Salary Escalation	5.00%	5.00%	5.00%	5.00%	-	-
Investment Details (%) :						
GOI Securities	-	-	42%	46%	-	-
State Government Securities	-	-	24%	22%	-	-
Approved Marketable Securities	-	-	-	-	-	-
Bonds / Debentures etc	-	-	34%	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.

27.13 Related Party Disclosure (as identified by the Management)

(₹ in Lacs)

Related party	Account	Transaction year ended		Outstanding As on	
		31.03.12	31.03.11	31.03.12	31.03.11
Associate Enterprises					
Haryana Televisions Limited	Rent	30	26	28	20
Ridge Farm Developers (P) Limited	Rent	13	13	10	10
	Expenses	4	4	-	-
Key Managerial Personnel					
Mr. P.B. Bhardwaj	Commission	31	98	-	-
Mr. Ravi Bhushan Bhardwaj	Remuneration & Commission	150	282	(46)	(15)
Mr. Pranav Bhardwaj		135	264	(61)	(8)
Mr. Surendra Kumar Gupta	Remuneration	61	48	-	-
Joint Ventures					
Madanpur (North) Coal Company Private Limited	Share Capital	4	-	-	-
	Share Application Money	2	4	2	4
Gujarat State Mining and Resources Corporation Limited	Interest Free Unsecured Loan	1	1	2	1
Total				(65)	12

28. EARNINGS PER SHARE

Basic Earnings per Share	Year Ended	
	31.03.2012	31.03.2011
Profit / (Loss) after Tax (₹ in Lacs)	1,936	7,053
Number of Equity Shares (Outstanding at the end of the year)	162,197,503	162,197,503
Basic Earnings ₹ per Share	1.19	4.35

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 31.03.2012					
		Assets	Liabilities	Income	Expenditure	Contingent liabilities	Capital commitments
Madanpur (North) Coal Company Private Limited	11.73 (11.73)	121 (116)	121 (116)	-- --	-- --	389 (389)	-- --
C T Mining Private Limited	31.80 (31.80)	355 (320)	355 (320)	-- --	-- --	489 (489)	-- --
Gujarat State Mining and Resources Corporation Limited	49.00 (49.00)	1 (3)	1 (3)	-- --	(4) --	-- --	-- --

Note: Figures in brackets relate to the the previous year

30. Previous years figures have been rearranged or regrouped wherever necessary to conform to current year's classification. The amounts have been reclassified as per Revised Schedule VI and line items which are either not applicable or are NIL for both the years are omitted in presentation.

If Shares held in demat Mode

DPID	
CLID	
No. of Shares	

PROXY FORM

SUNFLAG IRON & STEEL CO. LTD.
Registered Office : 33, Mount Road,
Sadar, Nagpur - 440001

If Shares held in Physical Mode

Reg. Folio No.	
No. of Shares	

I/We of
 being a member/members of SUNFLAG IRON AND STEEL COMPANY LIMITED hereby appoint
 of or failing him/her of
 as my/our proxy to vote for me/us on my/our behalf at the 26th Annual General Meeting of the Company to be held
 on Tuesday, the 25th September 2012 at 3.00 p.m. and at any adjournment thereof.

Signed this day of..... 2012.

Affix 1.00 Re. Revenue Stamp

(Signature of the Shareholder(s))

**NOTE : THE PROXY FORM COMPLETED AND STAMPED MUST REACH THE REGISTERED OFFICE OF THE
 COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE AFORESAID MEETING.**

ATTENDANCE SLIP

SUNFLAG IRON AND STEEL COMPANY LIMITED
Registered Office : 33, Mount Road, Sadar, Nagpur - 440001

26th Annual General Meeting held on Tuesday, the 25th September 2012 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	
CLID	

Reg. Folio No.	
No. of Shares	

I hereby record my presence at the 26th Annual General Meeting of the Company held at Indian Medical Association's
 J.R. Shaw Auditorium, North Ambazari Road, Nagpur - 440010 on Tuesday, the 25th September 2012 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

Please tear off here