



SUNFLAG IRON & STEEL CO. LTD.
TWENTY SEVENTH ANNUAL REPORT
2012 - 2013

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 CAJAYESH M. PARMAR Mr. B.W. RAMTEKE (Nominee - IDBI Bank Limited) Mr. SURENDRA KUMAR GUPTA (Director & CEO)
CHIEF FINANCIAL OFFICER	CA R. MURALIDHAR, Executive Director (Finance)
COMPANY SECRETARY	CS MUKESH D. PARAKH
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

CONTENTS

Particulars	Page No.	Particulars	Page No.
Notice of Annual General Meeting	1	Statement U/s. 212 relating to Subsidiary Companies and Statement of Financial Information of Subsidiary & Joint Venture Companies	43
Directors' Report	7		
Management Discussion & Analysis	12	Consolidated Accounts & Reports	
Corporate Governance Report	14	Independent Auditors' Report	44
Independent Auditors' Report	22	Balance Sheet	45
Balance Sheet	25	Statement of Profit and Loss	46
Statement of Profit and Loss	26	Cash Flow Statement	47
Cash Flow Statement	27	Accounting Policies and Notes forming part of financial statements	49
Accounting Policies and Notes forming part of financial statements	29	Proxy Form / Attendance Slip	60

SUNFLAG IRON AND STEEL COMPANY LIMITED
REGISTERED OFFICE : 33, MOUNT ROAD, SADAR, NAGPUR - 440001

NOTICE

NOTICE is hereby given that the **Twenty-seventh (27th)** Annual General Meeting of the Members of **Sunflag Iron and Steel Company Limited** will be held on **Wednesday, the 25th Day of September 2013 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 2013, the Balance Sheet as at that date and Statement of Profit and Loss for the financial year ended 31st March 2013, together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. S. Gajendran, 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 a Special Resolution :
"RESOLVED THAT in accordance with the provisions of Section 198, 269, 309, 310 & 311 and other applicable provisions, if any, of the Companies Act, 1956 ('the Act') read with Schedule XIII to the Act and/or subject to the approval of the Central Government, the Company do hereby approves the payment of existing remuneration, as set out in the explanatory statement annexed hereto, to Mr. Ravi Bhushan Bhardwaj as the Vice Chairman & Managing Director of the Company, as minimum remuneration, for the period from 1st April 2012 till 13th November 2013 in view of the Company having no profit during the financial year ended 31st March 2013, with liberty to the Board of Directors including any Committee thereof to revise, amend, alter, vary and implement the terms and conditions of remuneration in such manner and as may be permitted in accordance with the provisions of the Companies Act, 1956 read with Schedule XIII and/or any modifications / amendments thereof.
FURTHER RESOLVED THAT the Committee and/or Board of Directors be and is hereby authorised to do and perform all such acts, deeds, matter and things as may be considered desirable or expedient to give effect to this resolution."
 5. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution :
"RESOLVED THAT in accordance with the provisions of Section 198, 269, 309, 310 & 311 and other applicable provisions, if any, of the Companies Act, 1956 ('the Act') read with Schedule XIII to the Act and/or subject to the approval of the Central Government, the Company do hereby approves the payment of existing remuneration, as set out in the explanatory statement annexed hereto, to Mr. Pranav Bhardwaj as the Joint Managing Director of the Company, as minimum remuneration, for the period from 1st April 2012 till 31st March 2015 in view of the Company having no profit during the financial year ended 31st March 2013, with liberty to the Board of Directors including any Committee thereof to revise, amend, alter, vary and implement the terms and conditions of remuneration in such manner and as may be permitted in accordance with the provisions of the Companies Act, 1956 read with Schedule XIII and/or any modifications / amendments thereof.
FURTHER RESOLVED THAT the Committee and/or Board of Directors be and is hereby authorised to do and perform all such acts, deeds, matter and things as may be considered desirable or expedient to give effect to this resolution."
 6. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution :
"RESOLVED THAT in accordance with the provisions of Section 198, 269, 309, 310 & 311 and other applicable provisions, if any, of the Companies Act, 1956 ('the Act') read with Schedule XIII to the Act and/or subject to the approval of the Central Government, the Company do hereby approves the payment of existing remuneration, as set out in the explanatory statement annexed hereto, to Mr. Surendra Kumar Gupta as the Whole-time Director, designated as Director & CEO of the Company, as minimum remuneration, for the period from 1st April 2012 till 31st March 2015 in view of the Company having no profit during the financial year ended 31st March 2013, with liberty to the Board of Directors including any Committee thereof to revise, amend, alter, vary and implement the terms and conditions of remuneration in such manner and as may be permitted in accordance with the provisions of the Companies Act, 1956 read with Schedule XIII and/or any modifications / amendments thereof.
FURTHER RESOLVED THAT the Committee and/or Board of Directors be and is hereby authorised to do and perform all such acts, deeds, matter and things as may be considered desirable or expedient to give effect to this resolution."
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7. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution :
- “RESOLVED THAT in accordance with the provisions of Section 198, 269, 309, 310 & 311 and other applicable provisions, if any, of the Companies Act, 1956 (‘the Act’) read with Schedule XIII to the Act and/or subject to the approval of the Central Government, the Company do hereby approves the re-appointment of Mr. Ravi Bhushan Bhardwaj as the Vice Chairman & Managing Director of the Company, for a further period of three (3) years effective 14th November 2013 on the terms and conditions including payment of existing remuneration as minimum remuneration as set out in the explanatory statement annexed hereto, with liberty to the Board of Directors including any Committee thereof to revise, amend, alter, vary and implement the terms and conditions of re-appointment including payment of remuneration in such manner and as may be permitted in accordance with the provisions of the Companies Act, 1956 read with Schedule XIII and/or any modifications / amendments thereof.

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

By Order of the Board

Nagpur
3rd August 2013

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 (48) 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, 5, 6 & 7 are annexed hereto and form part of the Notice.
2. The Register of Members and Share Transfer Books of the Company will remain closed from **Saturday, the 7th Day of September 2013 to Wednesday, the 25th Day of September 2013** (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.
5. **DEMATERIALIZATION OF SHARES**
This is to inform that about 54.854% of the total Equity Shares have already been dematerialised as of 31st March 2013. The Shareholders who have not dematerialised their Equity Shareholding may opt the same accordingly.
6. **REGISTRAR & SHARE TRANSFER AGENT**
M/s. Bigshare Services Private Limited, E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai – 400072 have been appointed by the Company as the Registrar and Share Transfer Agent effective 31st March 2003. Therefore, Depository Participants / Shareholders / Investors of the Company are advised to send all documents / correspondence such as requests for Dematerialisation of Shares, Transfer of Shares, Change of Address, Registration of e-mail id, Change of Bank Mandate / NECS and other Shares related documents to M/s Bigshare Services Private Limited at the above mentioned address only.
7. **CHANGE OF INFORMATION / BANK MANDATE**
The Members / Shareholders holding Equity Shares in physical form are requested to notify / update any Change in their Address, Bank Mandate e.g. Name of Bank, Branch Address, Account Number and MICR / IFS Code to the Registrar and Share Transfer Agent and / or the Company or to their respective Depository Participants (DP), if the Shares are held in Demat mode.
8. **TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND**
The dividend declared by the Company which remains unpaid / unclaimed for a period of seven (7) years is required to be transferred to the Investor Education & Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act 1956.
As such, the dividend for the financial year 2005-2006 declared at Twentieth (20th) Annual General Meeting held on 28th September 2006 remaining unpaid / unclaimed is due for transfer to Investor Education and Protection Fund on 27th September 2013.
The members are requested to claim their unpaid / unclaimed dividend, if any, declared and paid for the financial year 2005-2006 together with, for the financial year/s 2006-2007, 2007-2008, 2008-2009, 2009-2010 & 2010-2011.
9. **GREEN INITIATIVE**
As a responsible corporate citizen, your Company welcomes and supports the ‘Green Initiative’ taken by the Ministry of Corporate Affairs, Government of India. We strongly urge you to support this ‘Green Initiative’ by opting for electronic mode of communication and making the world a cleaner, greener and healthier place to live.
The members who have not registered their e-mail address, so far, are requested to register their e-mail address with the Company, Registrar and Share Transfer Agent or Depository Participant (DP), as the case may be.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**ITEM NOS. 4, 5, 6 & 7 :**

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

During the past period/s, managerial remuneration was well within the limits as specified in the Companies Act, 1956 as the Company had adequate profits. However, the current market scenario is not favourable to Steel industry as well as Automobile and Auto component sectors due to general slow down in Indian and Global economy coupled with policies of Government. The high input cost of basic raw materials, lower sales realisation, higher finance (interest) cost and depreciation in view of additional capital investments for newly commissioned projects, all has reduced the profits considerably resulting into the losses.

As such, Special resolution/s has to be passed at a general meeting of the Company for (i) payment of such remuneration till the existing tenure of appointment / re-appointment, but not exceeding three (3) years and waiver of excess remuneration paid during the financial year 2012-2013 to all the managerial personnel/s of the Company, and (ii) re-appointment of Mr. Ravi Bhushan Bhardwaj as the Vice-Chairman & Managing Director of the Company for a further period of three (3) years on the terms and conditions including payment of existing remuneration, as minimum remuneration, subject to approval of the Central Government.

The Board of Directors at its meeting held on 30th May 2013 has, pursuant to the recommendations / approval of Remuneration Committee, approved the aforesaid resolution/s and accordingly, the same are recommended for approval by the Members of the Company, subject to approval of the Central Government.

The details of existing remuneration payable as minimum remuneration, subject to the approval of the Central Government, to the concerned managerial personnel of the Company, in the event of loss or absence / inadequacy of profits, till their respective tenure, are as follows :

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

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

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

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

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

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

Mr. Pranav Bhardwaj (Joint Managing Director)

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

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

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

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

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

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

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

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

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

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

1 Nature of Industry : The Company is having a 'state of the art' integrated Steel plant to manufacture high quality Special Steel Rolled products with manufacturing facilities like Sponge Iron Plant, Mini Blast Furnace, Sinter Plant, Captive Power Plant and Blooming Mill.

2 Date or expected date of commencement of commercial production : Existing Company, Incorporated on 12th September 1984 and commenced commercial operations in the year 1988.

3 In case of new Companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus : Existing Company, Hence Not Applicable

4 Financial performance based on given indicators :

Amount in ₹ Lacs

Particulars	For the Financial Year		
	2012-2013	2011-2012	2010-2011
Net Sales / Income from operations	156,931	161,818	154,407
Other Income	782	528	560
Total Expenditure	145,085	149,782	138,177
Finance Costs	8,233	5,305	3,744
Depreciation	5,645	4,244	3,964
Tax Expenses	0	1,078	2,029
Net Profit / (Loss)	(1,250)	1,937	7,053

5 Export performance and net foreign exchange collaborations :

Amount in ₹ Lacs

Export performance (FOB Basis)			
Financial Year	2012-2013	2011-2012	2010-2011
(Amount in ₹ Lacs)	10,854	13,559	11,514
Net foreign exchange collaborations	NIL, Hence Not Applicable		

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

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

1 Background details : Mr. Ravi Bhushan Bhardwaj (aged about 70 years) hails from a renowned family of industrialists and an industrial entrepreneur himself. He has over forty-eight (48) years of experience in various industries and particularly, Steel and Textile industry. He is associated with the Company since its inception and working as the Vice-Chairman & Managing Director since year 1998.

2 Past remuneration : Basic Salary of ₹ 480,000/- (₹ Four lacs eighty thousand) per month plus Commission @2% of net profits and Perquisites as more specifically described in the explanatory statement.

3 Recognition or awards : Not Applicable

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

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- 5 **Remuneration proposed** : Basic Salary of ₹ 480,000/- (₹ Four lacs eighty thousand) per month plus Commission @2% of net profits and Perquisites as more specifically described in the explanatory statement.
 - 6 **Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w. r. t. the country of his origin)** : The proposed remuneration is comparable with the remuneration drawn by the peers and is necessitated due to complexities of business.
 - 7 **Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any** : Mr. Ravi Bhushan Bhardwaj is a part of Promoter and Promoter Group, holding 700,000 equity shares constituting 0.43% of the paid-up capital of the Company. Apart from receiving remuneration as stated above and dividend as a member of the Company, he does not receive any emoluments from the Company. Except Mr. P. B. Bhardwaj, Non-executive Chairman and Mr. Pranav Bhardwaj, Joint Managing Director, no other managerial personnel / director have any relationship with Mr. Ravi Bhushan Bhardwaj.

B. Mr. Pranav Bhardwaj (Joint Managing Director)

- 1 **Background details** : Mr. Pranav Bhardwaj (aged about 39 years) hails from a renowned family of industrialists and an industrial entrepreneur himself. He is a dynamic new generation industrialist. He has graduated as B. Sc. majoring in Chemistry and Business Management (Joint Honors Degree) from the world renowned Imperial College of London. He has over eighteen (18) years of experience in Steel and Textile industry. He is associated with the Company since year 1995.
- 2 **Past remuneration** : Basic Salary of ₹ 420,000/- (₹ Four lacs twenty thousand) per month plus Commission @2% of net profits and Perquisites as more specifically described in the explanatory statement.
- 3 **Recognition or awards** : (i) Vice-Chairman of Alloy Steel Producers of India (ASPA) since 2009; (ii) Managing Committee Member of The Associated Chamber of Commerce & Industry of India (ASSOCHEM) during the period 2009-2010.
- 4 **Job profile and his suitability** : Subject to the superintendence, control and direction of the Board of Directors, Mr. Pranav Bhardwaj is in overall in-charge of running the business affairs of the Company including production, planning and control, maintenance and service, quality control, purchase, marketing, customer satisfaction and human resource management. He is instrumental in product development and export sales. The Company has made tremendous growth under his leadership.
- 5 **Remuneration proposed** : Basic Salary of ₹ 420,000/- (₹ Four lacs twenty thousand) per month plus Commission @2% of net profits and Perquisites as more specifically described in the explanatory statement.
- 6 **Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w. r. t. the country of his origin)** : The proposed remuneration is comparable with the remuneration drawn by the peers and is necessitated due to complexities of business.
- 7 **Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any** : Mr. Pranav Bhardwaj is a part of Promoter and Promoter Group, holding 912,140 equity shares constituting 0.56% of the paid-up capital of the Company. Apart from receiving remuneration as stated above and dividend as a member of the Company, he does not receive any emoluments from the Company. Except Mr. P. B. Bhardwaj, Non-executive Chairman and Mr. Ravi Bhushan Bhardwaj, Vice-Chairman & Managing Director, no other managerial personnel / director have any relationship with Mr. Pranav Bhardwaj.

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

- 1 **Background details** : Mr. Surendra Kumar Gupta (aged about 65 years), qualified as B. E. (Mechanical) & holding Diploma in Business Management, working with the Company since Year 1992, having more than 35 years of overall experience in Steel and steel making industry. Earlier to Sunflag Steel, he was associated with Frontier Springs Limited, Coventry Springs Limited, Aravali Scooters and Instrumentation Limited and has held / handled various responsibilities and positions.
 - 2 **Past remuneration** : Basic Salary of ₹ 260,000/- (₹ Two lacs sixty thousand) per month and Perquisites / benefits, as per the Company rules as applicable from time to time and more specifically described in the explanatory statement.
 - 3 **Recognition or awards** : Not Applicable
 - 4 **Job profile and his suitability** : Mr. Surendra Kumar Gupta is presently looking after and responsible for the overall operations of the Company's Steel Plant at Warthi, Bhandara Road in the state of Maharashtra and also various Mining activities of the Company. Mr. Surendra Kumar Gupta has the requisite qualification, experience and expertise suitable for the present position.
 - 5 **Remuneration proposed** : Basic Salary of ₹ 260,000/- (₹ Two lacs sixty thousand) per month and Perquisites / benefits, as per the Company rules as applicable from time to time and more specifically described in the explanatory statement.
 - 6 **Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w. r. t. the country of his origin)** : The proposed remuneration is comparable with the remuneration drawn by the peers and is necessitated due to complexities of business.
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- 7 Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any :** Mr. Surendra Kumar Gupta, holding 9,650 equity shares constituting 0.006% of the paid-up capital of the Company. Apart from receiving remuneration as stated above and dividend as a member of the Company, he does not receive any emoluments from the Company. None of the managerial personnel / director have any relationship with Mr. Surendra Kumar Gupta.

III. OTHER INFORMATION

- 1 Reason for loss or inadequate profits :** *SUNFLAG STEEL* sales consist of mainly supply of Special Steel to OEMs of Automotive and Auto ancillaries. During the financial year 2012-2013, both Steel and Auto segment were under recession owing to the general slow down in the Indian and Global economy. Further, there was a tremendous increase in the major input costs viz. Iron Ore, Coal, LAM coke, whereas there was no corresponding increase in the sales realisation resulting in reduction of margins / profits. In addition to this, there was additional burden of interest on fresh Capex and depreciation on the newly commissioned projects viz. Blooming Mill, wherein there were no top line additions to revenue due to the sluggish market condition. This has resulted in marginal loss of ₹ 1,250 Lacs for the financial year 2012-2013.
- 2 Steps taken or proposed to be taken for improvements :** Presently, *SUNFLAG STEEL* had initiated lot of cost reduction measures in all areas of operations, finance, administration, etc and already experiencing the results of it. The first half-year (H-1) of FY 2013-2014 is expected to show marginal profits and any further improvement in the market conditions / economy in general, the Company will bounce back with good financial results as the additional capacities built in will help to increase capacity utilisation to maximum extent possible.
- 3 Expected increase in productivity and profits in measurable terms :** It is difficult at this stage to quantify the effect of the measures taken / being taken by the Company to improve the overall performance in financial terms – productivity and profits of the Company. The steel industry is cyclical and swift changes in demand-supply dis-equilibrium cause volatile changes. The Company's new projects will add new grades, wider product range, value additions, more competitive products and also venturing into the self dependency of raw material will help in achieving economy in the cost of production. As such, efforts will continue to be made to recover as much of the adverse impact from the market to the extent practicable.

IV. DISCLOSURES

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

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

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

Mr. Ravi Bhushan Bhardwaj, Mr. Pranav Bhardwaj and Mr. Surendra Kumar Gupta (being the appointee and/or beneficiary) and Mr. P. B. Bhardwaj (being the relative), may be deemed to be concerned or interested in the aforesaid resolution/s. None of the other Director/s are in any way concerned or interested in the aforesaid resolution/s.

Nagpur
3rd August 2013

By Order of the Board
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 Twenty-seventh (27th) Annual Report together with the audited accounts for the financial year ended 31st March 2013. During the year under review, the Steel industry as well as Automobile and Auto component sectors witnessed stagnant demand. At **SUNFLAG STEEL**, the high input cost of basic raw materials coupled with lower sales realisation have reduced the profits considerably resulting into the losses. Still, the unstinted efforts by the Company's management continued for strict cost reduction and better financial / working capital management helped to restrict its overall performance in order to sustain minimum damage 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 2013	31 st March 2012
a)	Total Income	157,713	162,346
b)	Total Expenditure	145,085	149,782
c)	Gross Profit	12,628	12,564
d)	Finance Cost	8,233	5,305
e)	Profit before Depreciation	4,395	7,259
f)	Depreciation	5,645	4,244
g)	Profit / (Loss) before Tax	(1,250)	3,015

2. FINANCE

During the financial year under review, the net turnover is lower by about 3% as compared to corresponding previous financial year. Your Company has ended the financial year with a loss after tax of ₹ 1,250 Lacs. After taking into account the brought forward profit of ₹ 32,931 Lacs, your Company has carried forward an amount of ₹ 31,681 Lacs.

3. DIVIDEND

Due to losses incurred and further decrease in the cash accruals, there is an increased pressure on the cash flows in the financial year under review. 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, the Board of Directors feels appropriate not to recommend any dividend for the financial year 2012-2013.

4. MARKET SCENARIO

The current market scenario is not favourable to Steel Industry as well as Automobile and Auto component sectors due to general slow down in Indian and Global economy coupled with policies of Government. However, **SUNFLAG STEEL** is continuing to develop new high value grades of alloy steel to cater the needs of domestic as well as international markets.

5. OPERATIONS

i. During the financial year under review :

- The total production for Direct Reduction Plant (I + II) was 118,030 MT as against 142,444 MT of the previous financial year.
 - The total production of 269,152 MT in Steel Melt Shop as against 302,532 MT of the previous financial year.
 - The total production of Rolled products at BSM & ASM was 273,019 MT as against 303,732 MT of the previous financial year. (Previous year production includes outside conversion of 7,624 MT).
 - The total production of Hot Metal / Pig Iron was 189,640 MT as against 205,089 MT of the previous financial year.
 - The total production of Sinter Plant was 340,389 MT as against 339,900 MT of the previous financial year.
 - The total production of Blooming Mill was 30,206 MT including semis. The production for the previous year nil as it was commissioned in the financial year under review.
- The power plant generated 1,601.03 Lacs kWh as compared to 1,714.21 Lacs kWh of the previous financial year.
 - The total coal production at Belgaon Coal Block is 248,350 as against 159,905 MT of the previous financial year.

6. PROJECTS**Steel Plant :**

The Company has commissioned commercial production of Blooming Mill during the financial year. Additionally, the Company is in the process of installation of Variable Reduction Mill (VRM) which will give close dimension, tolerance and good surface finish. Also, the Company is in process of installation of Bar Conditioning system.

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

Also, the Company had installed Fume Extraction System in its Steel Melt Shop area as a measure of reducing the pollution.

Subsidiary Companies :

Sunflag Power Limited : Requisite approvals are being sought and underway for implementation of Hydro Power Project at Hanol Tuini in the state of Uttarakhand. Recent disaster in the state of Uttarakhand may delay the progress of implementation of Company's Hydro Power Project at Hanol Tuini.

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

Khappa Coal Company Private Limited : The Company has initiated various activities well in time and is striving harder to pave its way to success. The activities to be initiated by the Company are almost over and different matters are pending with various departments of Government of Maharashtra and Government of India. The operations of the Khappa & Extension Coal Block will depend on delay in execution of project approvals and clearances, for which regular follow up action is being taken by the Company.

Joint Venture Companies :

Madanpur (North) Coal Company Private Limited : Earlier, the project was declared as 'No Go Area' which was later withdrawn by the Ministry of Environment & Forest, Government of India for the purpose of forest clearances. As such, 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 : The Ministry of Coal, Government of India vide its order dated 22nd November 2012 de-allocated the Coal Block allocated to the Joint Venture Company. The said joint venture company together with the promoter companies viz., M/s Sunflag Iron & Steel Company Limited and M/s Rungta Mines Limited have separately filed Writ Petition/s before the Hon'ble High Court of Jharkhand at Ranchi and got stay order on 12th December 2012. The matter is now sub-judice before the Hon'ble High Court of Jharkhand at Ranchi.

Gujarat State Mining and Resources Corporation Limited : The management efforts are underway for getting allocation of coal block for development of integrated coke oven plant in the state of Gujarat.

7. DEMATERIALISATION OF SHARES

As on 31st March 2013, there were 88,971,299 equity shares (which represents **54.854%** of the total paid-up capital of the Company) dematerialised through depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited.

8. LISTING OF SHARES

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

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

The 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. SUBSIDIARY COMPANIES

In pursuance of general circular issued by the Ministry of Corporate Affairs, Government of India and on compliance of terms and condition for availing the general exemption U/s. 212(8) of the Companies Act 1956, the audited accounts of the subsidiary companies are not attached with the annual report of the Company. The audited 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 company may write to the Company Secretary of the Company.

11. DIRECTORS

- i. Pursuant to Article 151 of the Articles of Association of the Company, Mr. S. Gajendran retires by rotation and, being eligible, offered himself for re-appointment.
- ii. Subject to approval of the Central Government, the Board of Directors recommends for approval of the Members, viz.,
 - a) payment of remuneration over and above minimum remuneration as provided under Schedule XIII till the existing tenure of appointment / re-appointment, but not exceeding three (3) years, and waiver of excess remuneration paid during the financial year 2012-2013 to the managerial personnel/s of the Company
 - b) the re-appointment of and payment of existing remuneration to Mr. Ravi Bhushan Bhardwaj as the Vice-Chairman & Managing Director of the Company for a further period of three (3) years effective 14th November 2013.

Except the above, there is no change in the composition of Board of Directors during the period under review.

12. INDUSTRIAL RELATIONS

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

13. PERSONNEL / PARTICULARS OF EMPLOYEES

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

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

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

As such, the dividend for the financial year 2005-2006 declared at 20th Annual General Meeting held on 28th September 2006 remaining unpaid / unclaimed is due for transfer to Investor Education and Protection Fund on 27th September 2013.

The members are requested to claim their unpaid / unclaimed dividend, if any, declared and paid for the financial year 2005-2006 together with for the financial years 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 U/s. 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 2013-2014.

The cost auditors have furnished a Certificate of their eligibility for appointment U/s. 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 / 233B(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. Mr. S Gajendran, CA Jayesh Madhavji Parmar and IDBI Nominee - Mr. Naresh Gwalani (till 28th May 2012) & Mr. B. W. Ramteke (effective 29th 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 2013 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 the aforesaid clause 49 is annexed to this 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 :

1. the code of conduct of business principles and conduct; and
2. 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 had 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 judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that year;
- iii. That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. That the Directors had prepared the annual accounts on a going concern basis.

21. ACKNOWLEDGEMENT

The Directors acknowledge with thanks co-operation and assistance received by the Company from the shareholders, central and state government, financial institutions 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
3rd August 2013

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 :

- Increased usage of Oxygen in BSM Reheating Furnace to save fuel.
- Usage of waste gas generated in Mini Blast Furnace in Re-heating Furnace of Blooming Mill to save fuel.
- Addition of economiser coils in HRSG I Boiler to improve heat recovery.

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

S.No.	Particulars	2012-2013	2011-2012
1	Electricity purchased [Units (kWh)]	133,355,570	145,441,700
	Total Amount (₹ in lacs)	8,766	8,730
	Rate/Unit (₹ /kWh)	6.573	6.002
2	Production of Rolled Products (MT)	273,019	303,732*
	Electricity purchased (kWh/MT)	488.448	478.849
3	Fuel Oil like Furnace Oil/LSHS/LDO etc. Quantity (K.Ltrs.)	15,033	13,999
	Total Amount (₹ in lacs)	5,965	5,239
	Average Rate (₹/KL)	39,680	37,426

* Previous year production includes outside conversion of 7,624 MT

B) CONSUMPTION PER UNIT OF PRODUCTION

S. No.	Particulars	2012-2013		2011-2012	
		DRI	STEEL	DRI	STEEL
1	Production (MT)	118,030	273,019	142,444	303,732
2	Electricity (kWh/MT)	143.22	909.90	127.96	891.88
3	Fuel (Ltr/MT)	1.23	54.53	1.664	45.310

C) DETAILS OF CAPTIVE POWER GENERATION

S.No.	Particulars	2012-2013	2011-2012
1	Production (kWh)	160,103,000	171,421,000
2	Captive Consumption (CPP)	18,243,720	18,709,815
3	Captive Consumption (Steel)	131,968,280	143,679,185
4	Wheeled back power for banking	9,891,000	9,032,000

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

- i. Development of new grades and products under Micro Alloy / Boron Steel category for Auto components and Railway suspension applications.
- ii. Installation of Secondary Fume Extraction System in Steel Melt Shop for clean environment
- iii. Development of new grades for wider product range

Benefits :

- i. Commitment towards clean and better environment
- ii. Market / Customer Development for critical auto components

Future Plan :

The Company is in the process of installation of Variable Reduction Mill (VRM), which will give close dimension tolerance and good surface finish. Also, the Company is in process of installation of Bar Conditioning System.

EXPENDITURE ON RESEARCH & DEVELOPMENT

S.No.	Particulars	2012-2013	2011-2012
1	Capital (₹ in lacs)	-	339
2	Recurring (₹ in lacs)	59	437
3	Total (₹ in lacs)	59	776
4	Total R & D Expenditure as a percentage of net turnover	0.037%	0.48%

B) FOREIGN EXCHANGE EARNINGS AND OUTGO

₹ in Lacs

S.No.	Particulars	2012-2013	2011-2012
1	Earnings : Export of goods	10,854	13,559
2	Out Go : a) CIF value of imports	8,372	11,577
	b) Others including Technical Services	227	370

BRIEF PROFILE OF DIRECTOR SEEKING RE-APPOINTMENT**Mr. S. Gajendran**

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

He served as a Nominee Director of IDBI on the Boards of various assistant Industrial concerns and State owned Corporations. He was associated with Sunflag as IDBI Nominee during the period 1996 to 2000. He is now associated with Sunflag effective 16th June 2008 as an Independent, Non-Executive Director. Presently, he is a member of Audit Committee, Remuneration Committee and Investors' / Shareholders' Grievance Committee of the Board. He is also holding the Directorship in Mynah Industries Limited, Vijay Home Appliances Limited and Metkore Alloys & Industries Ltd.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

GLOBAL ECONOMY

- i. Global economic prospects have not much improved again and the road to recovery in the advanced economies will remain bumpy.
- ii. Though the financial market rally has been helping economic recovery by improving funding conditions and supporting confidence, but growth prospects appear broadly unchanged.
- iii. In the euro area, better conditions for periphery sovereigns are not yet passing through to companies and households, because banks are still hobbled by poor profitability and low capital, constraining the supply of credit.
- iv. In advanced economies, real GDP is projected to contract relative to 2012, by about ¼ percent of GDP. Japan, by contrast, will see a fiscal and monetary-stimulus-driven rebound, with real GDP growth reaching 1½ percent.
- v. Overall, the annual growth for advanced economies in 2013 is no better than the outcome for 2012.
- vi. There was a noticeable slowdown in the emerging market and developing economies during 2012. With consumer demand resilient, macroeconomic policy on hold, and exports reviving, most of the economies in Asia and sub-Saharan Africa and many economies in Latin America and the Commonwealth of Independent States are now seeing higher growth.
- vii. The economies in the Middle East and North Africa continue to struggle with difficult internal transitions. And a couple of economies in South America are facing high inflation and increasing exchange market pressure.

INDIAN ECONOMY

Industrial growth has remained subdued since July 2011 due to weak global demand, weak supply linkages, high import costs and sluggish investment activities.

India is expected to record 6.1 per cent Gross Domestic Product (GDP) growth in the current fiscal 2013-2014. The growth is expected to increase further to 6.7 per cent in 2014-2015, according to the World Bank's latest India Development Update, a bi-annual report on the Indian economy. While, Prime Minister's Economic Advisory Panel expects the economic growth to increase to 6.4 per cent in 2013-2014 from 5.0 per cent during 2012-2013 (as compared to 6.2 per cent in 2011-2012), on back of improvement in performance of agriculture and manufacturing sectors. However, the growth rate in the first three quarters of the current fiscal is 5.0 per cent.

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

The major points of concern during the fiscal 2012-2013 are as follows :

1. Overall growth in the Index of Industrial Production (IIP) was 0.9 per cent as compared to 3.5 per cent in 2011-2012
2. Eight core industries (comprising of crude oil, petroleum refinery products, coal, electricity, cement, steel, natural gas and fertilizers) registered 2.6 per cent growth as compared to 5.2 per cent during 2011-2012
3. Growth in the manufacturing sector disappointed coming in at 1.0 per cent in FY2013, a 15 year low. It has decelerated for the third straight year from 11.3 per cent in FY2010.

INDIAN STEEL, AUTOMOBILE AND AUTO COMPONENT INDUSTRY

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

Currently, ranked the world's fourth largest crude steel capacity, India is expected to become second largest producer of crude steel in the world by 2015-2016. India is also the world's largest producer of sponge iron with a host of coal based units located in its mineral rich states.

Indian crude steel production is estimated to grow at a compounded annual growth rate (CAGR) of around 10.0 percent whereas the finished steel consumption is estimated to grow at a CAGR of around 12.0 per cent during financial years 2012-2014.

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

Domestic automakers continued with their poor run in April - May 2013 also, broadly on the expected line, due to slowdown in economic activity and negative consumer sentiments. The slowdown continues to be prominent in the medium and heavy commercial vehicle (MHCV), passenger car and two-wheeler segments. The utility vehicle (UV) and light commercial vehicle (LCV) segments, which so far had remained insulated from the slowdown, too have started witnessing demand pressures. Going ahead, it is expected that volume growth to remain sluggish in 1HFY2014 due to high inventory levels and weak consumer sentiments. Nonetheless, we expect volumes to recover in 2HFY2014 on the back of further easing of interest rates, festival demand and also due to favorable base effect.

MATERIAL DEVELOPMENT

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

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

OPPORTUNITIES

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

THREATS

The global slowdown as well as rising and fluctuating prices of raw materials 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 other than those mentioned above.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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

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

MATERIAL DEVELOPMENT IN HUMAN RESOURCES

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

CAUTIONARY STATEMENT

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

CORPORATE GOVERNANCE REPORT

Your Company has already implemented the Code of Corporate Governance as prescribed by SEBI in terms of amended Clause 49 of the Listing Agreement with the Stock Exchange(s). As per the amended 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 financial year 2012-2013 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 2013 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. S. Gajendran CA Jayesh M. Parmar Mr. B.W. Ramteke (Nominee - IDBI Bank Limited)</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, IDBI Bank Limited withdrawn nomination of Mr. Naresh Gwalani and in his place nominated Mr. B. W. Ramteke, as their Nominee Director on the Board effective 28th May 2012.

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

b) Attendance at the Board Meetings during the financial year, twenty-sixth (26th) Annual General Meeting and details of memberships of Directors in other Companies :

- Four (4) meetings of the Board were held on 29th May 2012, 27th July 2012, 9th November 2012 and 15th February 2013 during the financial year under review.
- Twenty-Sixth (26th) Annual General Meeting was held on 25th September 2012

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	1	Yes	1	1
2	Mr. Ravi Bhushan Bhardwaj	4	Yes	4	2
3	Mr. Pranav Bhardwaj	2	Yes	4	2
4	Dr. E. R. C. Shekar	4	Yes	3	4
5	Mr. S. Gajendran	4	--	3	3
6	CA Jayesh M. Parmar	4	--	1	2
7	Mr. B.W. Ramteke	4	--	--	2
8	Mr. Surendra Kumar Gupta	4	Yes	4	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 292 A of the Companies Act, 1956.

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

Chairman : Dr. E. R. C. Shekar

Members : Mr. S Gajendran, CA Jayesh M Parmar and Nominee – IDBI Bank Limited viz., Mr. Naresh Gwalani (upto 28th May 2012) & Mr. B W Ramteke (effective 29th May 2012)

Secretary : CS Mukesh D. Parakh, Company Secretary

c) Meetings and Attendance :

Four (4) meetings of the Audit Committee were held on 29th May 2012, 27th July 2012, 9th November 2012 and 15th February 2013 during the financial year.

Attendance :

Name of Director	Dr. E.R.C. Shekar	Mr. S. Gajendran	CA Jayesh M. Parmar	Mr. B.W. Ramteke
Attendance at Meetings	4	4	4	3

- 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. S Gajendran, CA Jayesh M Parmar and Nominee – IDBI Bank Limited viz., Mr. Naresh Gwalani (upto 28th May 2012) & Mr. B W Ramteke (effective 29th May 2012)

Secretary : CS Mukesh D. Parakh, Company Secretary

b) Meeting and Attendance

A meeting of Remuneration Committee was held on 29th May 2012 during the financial year.

Attendance :

Name of Director	Dr. E.R.C. Shekar	Mr. S. Gajendran	CA Jayesh M. Parmar	Mr. B.W. Ramteke
Attendance at Meeting	Yes	Yes	Yes	No

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% of Net Profits paid to each Managing Director and Joint Managing Director respectively (*Due to absence / inadequacy of profits, No commission is paid / payable for the financial year under review*)
- No Commission is paid to the Director & CEO (Whole Time Director) of the Company.

Due to absence / inadequacy of profits during the financial year under review, the remuneration payable to the Executive Director/s (Managerial Personnel/s) is governed by Schedule XIII to the Companies Act, 1956. However, the Company is seeking approval of the Central Government for waiver of excess remuneration paid during the financial year under review.

ii. For Non-Executive Director(s) :

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

Commission - 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.

However, due to absence / inadequacy of profits, No commission is paid / payable to the Non-executive Director/s of the Company for the financial year 2012-2013.

d) The Details of Sitting Fees, Remuneration and Commission paid to all the Directors during the financial year 2012-2013 are as under :

Amount in ₹

Name	Designation	Sitting Fees	Remuneration and Perquisites	Commission for Financial Year 2011-12	Total Amount
Mr. P.B. Bhardwaj	Chairman	--	--	3,056,370	3,056,370
Mr. Ravi Bhushan Bhardwaj	Vice Chairman & Mg. Director	--	11,288,376	4,524,650	15,813,026
Mr. Pranav Bhardwaj	Joint Managing Director	--	9,778,029	4,524,650	14,302,679
Dr. E.R.C. Shekar	Director	45,000	--	100,000	145,000
Mr. S. Gajendran	Director	45,000	--	100,000	145,000
CA Jayesh M Parmar	Director	45,000	--	100,000	145,000
Mr. Naresh Gwalani	Nominee Director (IDBI Bank)	--	--	100,000	100,000
Mr. B.W. Ramteke	Nominee Director (IDBI Bank)	39,000	--	--	39,000
Mr. Surendra Kumar Gupta	Director & CEO	--	6,909,575	--	6,909,575
Total		174,000	27,975,980	12,505,670	40,655,650

Notes :

Mr. B W Ramteke and Mr. Naresh Gwalani, being the Nominee Director/s of IDBI Bank Limited, amount towards Sitting Fees and / or 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 grievances of Shareholders and Investors Complaints like dematerialisation / rematerialisation of shares; transfer of shares, transmission of shares, non-receipt of share certificates, balance sheet etc. and timely redressal of their grievances.

- a. 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.
- b. During the financial year, the Committee had three (3) meetings and reviewed regularly :
 - i) the system of handling with and responding to complaints received from the Shareholders and Investors
 - ii) the complaints received from Shareholders / investors through Stock Exchanges, SEBI, Depositories viz. NSDL & CDSIL and responses thereof
- c. All Complaints as of 31st March, 2013 have been attended to, suitably replied / resolved and redressed accordingly.
- d. The Securities and Exchange Board of India (SEBI) vide its Circular bearing reference No. CIR/MIRSD/8/2012 dated 5th July 2012, in view to expedite the share transfer process in the interest of investors and in consultation with Stock Exchanges, has reduced the time-line for registration of transfer of Equity Shares by the Listed Companies to fifteen (15) days.
- e. In view of above, Board considered and granted the authorisation (sub-delegation) to CS Mukesh D Parakh, Company Secretary of the Company and / or CA R. Muralidhar, Executive Director (Finance) to approve all the transfer / transmission / transposition / deletion of name / rematerialisation of shares / issue of duplicate shares / consolidation & splitting of shares and ratify dematerialisation of shares on weekly basis to comply with the directions issued by the SEBI.
- f. The Share Transfer Committee consists of five members, viz. two non-executive Directors and three Executive Directors. The Board has authorised Share Transfer Committee to ratify all the approvals of all transfers / transmission / rematerialisation of shares and ratifications for dematerialisation of shares carried out by the Company Secretary / Executive Director (Finance) of the Company on quarterly basis.
- g. As on 31st March 2013, there were no request for transfer of shares pending at the end of the quarter / year.
- h. As per the Clause 47(f), the Company has created a designated e-mail ID for the Investor Grievances / Complaints as investor@sunflagsteel.com. The required information has already been sent to concerned Stock Exchanges and also displayed at company's website www.sunflagsteel.com.
- i. The Securities and Exchange Board of India (SEBI) vide its Circular reference CIR/MRD/DP/10/2013 dated 21.03.2013 has directed the Listed Companies for the usage of electronics modes for making cash payments to the investors and further asked to maintain the proper Bank Mandate / ECS Records of the investors.

In view of this, those shareholders who have not yet furnished / updated their Bank / ECS particulars, may kindly register the same with the Company / RTA, if shares are held in physical mode and with their Depository Participant (DP), if the shares are held in demat mode.

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

Sr. No.	Year	Location	Date	Time
1	24 th AGM - 2010	Indian Medical Association's J. R. Shaw Auditorium, North Ambazari Road, Nagpur - 440010	23.09.2010	15:00 Hrs.
2	25 th AGM - 2011		23.09.2011	15:00 Hrs.
3	26 th AGM - 2012		25.09.2012	15:00 Hrs.

b) Some Ordinary / 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)
Mr. Suhrit Bhardwaj Ridge Farm Developers Private Limited	Beneficiary to Key Managerial Personnel

b) Transactions with the related parties :

Sr. No.	Particulars	₹ in Lacs
a)	Subsidiary Companies : Unsecured Loan	17
b)	Associate Enterprises : Rent Paid	32
d)	Beneficiary : Rent Paid	26
	Security Deposit / Other Expenses	17
e)	Key Managerial Personnel : Remuneration and Commission	279

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

8) MEANS OF COMMUNICATION

a) The quarterly financial results are being published in Financial Express / Times of India in English and Maharashtra Times / Loksatta in Marathi. The quarterly results are also displayed on the Company's Notice Board as well as uploaded on the Company's website : www.sunflagsteel.com.

b) Management Discussion and Analysis forms part of this Annual Report.

9) GENERAL SHAREHOLDER INFORMATION

a)	Twenty-seventh (27 th) Annual General Meeting	Wednesday, the 25 th Day of September 2013 at 3.00 P.M.
b)	Book closure dates	From Saturday, the 7 th Day of September 2013 to Wednesday, the 25 th Day of September 2013 (both days inclusive)
c)	Financial Calender i. Unaudited Results for the Quarter ending on 30.06.2013 ii. Unaudited Results for the Quarter ending on 30.09.2013 iii. Unaudited Results for the quarter ending on 31.12.2013 iv. Audited Results for the quarter / year ending on 31.03.2014	<u>Tentative Schedule</u> July / August 2013 October / November 2013 January / February 2014 May 2014
d)	Listing of Equity Shares For the year 2012-2013, 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 2012	26.60	23.30	29.40	23.25	17664	17010	5379	5154
May 2012	27.20	22.40	24.80	22.10	17432	15810	5280	4789
June 2012	24.40	21.10	24.40	21.15	17448	15749	5286	4770
July 2012	25.00	20.95	24.95	20.95	17631	16598	5349	5032
August 2012	22.00	19.00	22.00	19.05	17973	17027	5449	5165
September 2012	22.50	19.10	22.15	18.85	18870	17251	5735	5216
October 2012	26.85	20.10	27.20	20.00	19137	18393	5815	4888
November 2012	23.35	20.50	23.25	20.15	19373	18256	5885	5548
December 2012	25.00	20.70	25.10	21.00	19612	19149	5965	5823
January 2013	28.80	22.30	28.50	22.25	20204	19509	6112	5935
February 2013	23.60	20.80	23.60	20.95	19967	18794	6053	5672
March 2013	21.90	19.30	22.00	19.20	19755	18568	5971	5605

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

g) Registrar & Share Transfer Agent :

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

h) a) Distribution of Shareholding as on 31st March 2013 :

Shareholding of nominal value of		Shareholders		Value of Shares	
₹	₹	Number	%	Amount (₹)	%
Upto 5000		63,157	84.07	118,425,620	7.30
5001	10000	6,850	9.12	56,267,710	3.47
10001	20000	2,794	3.72	43,192,010	2.66
20001	30000	800	1.06	20,564,020	1.27
30001	40000	327	0.44	12,008,030	0.74
40001	50000	342	0.46	16,541,090	1.02
50001	100000	434	0.58	33,604,200	2.07
100001 & above		418	0.55	1,321,372,350	81.47
Total		75,122	100.00	1,621,975,030	100.00

b) Pattern of Shareholdings as on 31st March 2013 :

S/N	Category	No. of Holders	No. of Shares	%
1	Promoters / Group - Foreign	2	78,470,980	48.38
2	Promoters / Group - Indian	3	9,945,496	6.13
3	Non Resident Indians / FII's	219	591,909	0.36
4	Financial Institutions	3	41,200	0.03
5	Bodies Corporate	780	12,176,405	7.51
6	Banks (Nationalised / Others)	16	49,070	0.03
7	Mutual Funds / Trust	15	48,905	0.03
8	Indian Public / Directors	74,047	60,590,604	37.36
9	Clearing Members / Corporations	37	282,934	0.17
Total		75,122	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, more than **54.854%** 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 / 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 viz., Financial Express / Times of India in English and Maharashtra Times / Loksatta in Marathi.

4. Postal Ballot :

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

Report on Corporate Governance

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

CEO/CFO Certificate on Corporate Governance

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

Auditors' Certificate on Corporate Governance

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

STATUTORY AUDITORS' CERTIFICATE - CORPORATE GOVERNANCE

To,

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

We have examined the compliance of conditions of Corporate Governance by **Sunflag Iron and Steel Company Limited** ('the Company') for the financial year ended 31st March 2013, as stipulated in Clause 49 of Listing Agreement with the Stock Exchange/s.

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

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

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

For PATEL, SHAH & JOSHI
CHARTERED ACCOUNTANTS

JAYANT I. MEHTA
PARTNER

Membership Number - 42630

Nagpur
3rd August 2013

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As required by Section 227(3) of the Act, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.
 - e) On the basis of the written representations received from the Directors as on 31st March 2013 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March 2013 from being appointed as a Director in terms of Section 274(1)(g) of the Act.

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

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Nagpur
30th May 2013

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

- i. In respect of Company's fixed assets:
- The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
 - A major proportion of the assets have been physically verified by the management in accordance with a phased program of verification adopted by the Company. In our opinion, the frequency of verification is reasonable, having regard to the size of the Company and the nature of its assets. As informed to us, no material discrepancy has been noticed on such verification.
 - In our opinion, the Company has not disposed off a substantial part of its fixed assets during the year and the going concern status of the Company is not affected.
- ii. In respect of its inventories :
- We are informed that during the year, the management has physically verified the inventories. In case of material lying with third parties, certificates confirming stock have been received in respect of a substantial portion of stock held. In our opinion, the frequency of verification is reasonable.
 - According to the information and explanations given to us, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
 - The Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventories as compared to the book records.
- iii. a) According to the information and explanations given to us, the Company has, during the year, granted loans and advances to the Companies covered in the register maintained under Section 301 of the Companies Act 1956, as per details hereunder:

Amount in ₹

Name of Company	Nature of Loans and Advances	During the Year	Maximum / Year end Balance
Sunflag Power Limited (Subsidiary Company)	Interest free Unsecured Loan	1,738,570	93,266,862
Khappa Coal Company Private Limited (Subsidiary / Joint Venture Company)	Interest free Unsecured Loan	NIL	73,709,550
Gujarat State Mining and Resources Corpn. Ltd. (Joint Venture Company)	Interest free Unsecured Loan	NIL	246,820

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

- c) According to the records of the Company, the details of disputed dues of Income Tax, Sales Tax and Excise Duty & Cess are enclosed in **Annexure A**.
- x. The Company does not have accumulated losses at the end of the financial year 31st March 2013. Further, the Company has not incurred cash losses during the financial year ended 31st March 2013 and in the immediately preceding financial year ended 31st March 2012.
- xi. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks and debenture holders.
- xii. In our opinion and according to the explanations given to us and based on the information available, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The Company is not a Chit Fund / Nidhi / Mutual Benefit Fund / Society to which the provisions of special statute relating to Chit Fund are applicable.
- xiv. As the Company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4(xiv) of the Order is not applicable.
- xv. According to the information and explanations given to us, the Company has not given any guarantee during the year for loans taken by others from banks or financial institutions.
- xvi. In our opinion, the term loans have been applied for the purpose for which they were raised.
- xvii. According to the information and explanations given to us and on an overall examination the Balance Sheet of the Company, we are of the opinion that during the year short-term funds have not been used to finance long-term investments.
- xviii. The Company has not made preferential allotment of shares during the year.
- xix. The Company has not issued debentures during the year.
- xx. The Company has not raised money by way public issue during the year.
- xxi. On the basis of our examination and according to the information and explanation given to us, no material fraud on or by the Company has been noticed or reported.

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

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Nagpur
30th May 2013

Annexure - A

Statement of disputed statutory dues and annexure to report as at 31 st March 2013				
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	Income Tax Appellate Tribunal (Appeal)	Deposited
	189	2006 - 2007	Income Tax Appellate Tribunal (Appeal)	Deposited
	309	2007 - 2008	Income Tax Appellate Tribunal (Appeal)	Deposited
	235	2008 - 2009	Income Tax Appellate Tribunal (Appeal)	Deposited
	110	2009 - 2010	Commissioner of Income Tax (Appeal)	Deposited
	581	2005 - 2006	Commissioner of Income Tax (Appeal)	Not Deposited
	54	2006 - 2007	Commissioner of Income Tax (Appeal)	Not Deposited
	104	2009 - 2010	Commissioner of Income Tax (Appeal)	Not Deposited
Total	2,174			

* Pertains to MODVAT Credit

**SUNFLAG IRON AND STEEL COMPANY LIMITED, NAGPUR
BALANCE SHEET AS AT 31st MARCH 2013**

Particulars	Note No.	As at 31.03.2013 (₹ in Lacs)	As at 31.03.2012 (₹ in Lacs)
A. EQUITY AND LIABILITIES			
1 Shareholders' funds			
a) Share Capital	3	16,220	16,220
b) Reserves and Surplus	4	31,937	33,187
c) Money received against share warrants		-	-
2 Share application money pending allotment			
		-	-
3 Non-current Liabilities			
a) Long-term Borrowings	5	27,725	34,847
b) Deferred Tax Liabilities (Net)	6	5,580	5,580
c) Other Long Term Liabilities	7	1,306	1,660
d) Long-term Provisions	8	1,389	1,052
4 Current Liabilities			
a) Short-term Borrowings	9	14,502	18,264
b) Trade Payables	10	24,068	19,202
c) Other Current Liabilities	11	8,268	8,219
d) Short-term Provisions	12	4,762	4,564
TOTAL EQUITY AND LIABILITIES		135,757	142,795
B. ASSETS			
1 Non-current Assets			
a) Fixed Assets	13		
i. Tangible Assets		61,780	41,693
ii. Intangible Assets		-	-
iii. Capital work-in-progress		3,270	23,625
iv. Intangible Assets under Development		-	-
b) Non-current Investments	14	767	765
c) Deferred Tax Assets (net)		-	-
d) Long-term Loans and Advances	15	2,953	5,534
e) Other Non-current Assets		-	-
2 Current Assets			
a) Current Investments		-	-
b) Inventories	16	32,693	39,184
c) Trade Receivables	17	15,562	14,960
d) Cash and Bank Balances	18	5,340	5,268
e) Short-term Loans and Advances	19	13,255	11,341
f) Other Current Assets	20	137	425
TOTAL ASSETS		135,757	142,795

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

As per our attached report of even date

For PATEL, SHAH & JOSHI
Chartered Accountants

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Nagpur
30th May 2013

RAVI BHUSHAN BHARDWAJ
VICE CHAIRMAN & MANAGING DIRECTOR

PRANAV BHARDWAJ
JOINT MANAGING DIRECTOR

CA R. MURALIDHAR
EXECUTIVE DIRECTOR (FINANCE)

CS MUKESH D. PARAKH
COMPANY SECRETARY

SURENDRA KUMAR GUPTA
DIRECTOR & CEO

DR. E.R.C. SHEKAR

S. GAJENDRAN

DIRECTORS

SUNFLAG IRON AND STEEL COMPANY LIMITED, NAGPUR
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH 2013

Particulars	Note No.	Year Ended 31.03.2013 (₹ in Lacs)	Year Ended 31.03.2012 (₹ in Lacs)
1. Revenue from Operations	21	174,102	177,886
Less : Excise Duty		(17,171)	(16,068)
		<u>156,931</u>	<u>161,818</u>
2. Other Income	22	782	528
3. Total Revenue (1 + 2)		<u>157,713</u>	<u>162,346</u>
4. Expenses :			
Cost of Materials Consumed	23 (a)	94,386	111,266
Other Manufacturing Expenses	23 (b)	34,681	32,960
Purchases of Stock-in-Trade		-	-
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	24	1,683	(7,870)
Employee Benefits Expense	25	7,586	7,164
Finance Costs	26	8,233	5,305
Depreciation and Amortisation Expense	13	5,645	4,244
Other Expenses	27	6,749	6,262
Total Expenses		<u>158,963</u>	<u>159,331</u>
5. Profit / (Loss) before exceptional and extraordinary items and tax		(1,250)	3,015
6. Tax Expense :			
a) Current tax expense for current year		-	560
b) Current tax expense relating to prior years		-	(181)
c) Deferred tax	6	-	699
7. Profit / (Loss) for the period from continuing operations		<u>(1,250)</u>	<u>1,937</u>
8. Earnings per equity share (Amount in ₹) :	28		
1) Basic		(0.77)	1.19
2) Diluted		(0.77)	1.19
Corporate information and Significant accounting policies and Notes forming part of Financial Statements	1 & 2		

As per our attached report of even date

For PATEL, SHAH & JOSHI
Chartered Accountants

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Nagpur
30th May 2013

RAVI BHUSHAN BHARDWAJ
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S. GAJENDRAN

DIRECTORS

**SUNFLAG IRON AND STEEL COMPANY LIMITED, NAGPUR
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2013**

Particulars	For the year ended 31.03.2013 (₹ in Lacs)		For the year ended 31.03.2012 (₹ in Lacs)	
A. Cash flow from operating activities				
Net Profit / (Loss) before extraordinary items and tax		(1,250)		3,015
<i>Adjustments for :</i>				
Depreciation and amortisation	5,645		4,244	
(Profit) / loss on sale / write off of assets	-		21	
Finance costs	8,233		5,305	
		13,878		9,570
Operating profit / (loss) before working capital changes		12,628		12,585
<i>Changes in working capital :</i>				
<i>Adjustments for (increase) / decrease in operating assets :</i>				
Inventories	6,490		(9,281)	
Trade receivables	(602)		(865)	
Short-term loans and advances	(1,914)		(7,071)	
Long-term loans and advances	2,581		(47)	
Other current assets	289		(347)	
<i>Adjustments for increase / (decrease) in operating liabilities :</i>				
Trade payables	4,866		13,719	
Other current liabilities	(624)		(30)	
Short-term provisions	199		2,376	
Other long-term liabilities	(355)		(1,130)	
Long-term provisions	336		(2,723)	
		11,266		(5,399)
Cash flow from extraordinary items		-		-
Cash generated from operations		23,894		7,186
Net income tax (paid) / refunds		-		-
Net cash flow from / (used in) operating activities (A)		23,894		7,186
B. Cash flow from investing activities				
Capital expenditure on fixed assets, including capital advances	(5,377)		(16,184)	
Proceeds from sale of fixed assets	-		31	
Long-term investments in Joint-ventures	(2)		(7)	
Net cash flow from / (used in) investing activities (B)		(5,379)		(16,160)

Particulars	For the year ended 31.03.2013 (₹ in Lacs)		For the year ended 31.03.2012 (₹ in Lacs)	
C. Cash flow from financing activities				
Proceeds from long-term borrowings	2,149		14,932	
Repayment of long-term borrowings	(7,939)		(4,468)	
Net increase / (decrease) in working capital borrowings	(3,762)		7,237	
Repayment of unsecured Deferred Sales Tax Loan	(658)		(670)	
Finance cost	(8,233)		(5,305)	
Dividends paid	-		(811)	
Tax on dividend	-		(128)	
Cash flow from extraordinary items	-		-	
Net cash flow from / (used in) financing activities (C)		(18,443)		10,787
Net increase/(decrease) in Cash and cash equivalents (A+B+C)		72		1,813
Cash and cash equivalents at the beginning of the year		5,268		3,455
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)		5,340		5,268
Refer Corporate information and Significant accounting policies				

As per our attached report of even date

For PATEL, SHAH & JOSHI
Chartered Accountants

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Nagpur
30th May 2013

RAVI BHUSHAN BHARDWAJ
VICE CHAIRMAN & MANAGING DIRECTOR

PRANAV BHARDWAJ
JOINT MANAGING DIRECTOR

CA R. MURALIDHAR
EXECUTIVE DIRECTOR (FINANCE)

CS MUKESH D. PARAKH
COMPANY SECRETARY

SURENDRA KUMAR GUPTA
DIRECTOR & CEO

DR. E.R.C. SHEKAR

S. GAJENDRAN

DIRECTORS

Notes forming part of the Financial Statements for the year ended 31st March 2013**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 in properties), are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost or fair value.

2.12 Employee Benefits**Long Term Benefits**

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

Short Term Benefits

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

2.13 Borrowing Costs

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

2.14 Leases

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

2.15 Earnings per share

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

2.16 Taxes on Income

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

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

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

2.17 Research and development expenses

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

2.18 Unamortised Expenses

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

2.19 Joint Venture operations

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

2.20 Impairment of assets

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

2.21 Provisions and contingencies

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes.

2.22 Insurance claims

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

2.23 Service tax input credit

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

2.24 Excise & Custom Duty

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

3. SHARE CAPITAL

Particulars	As at 31.03.2013		As at 31.03.2012	
	Number	Amount (₹ in Lacs)	Number	Amount (₹ in Lacs)
Authorised				
10% Cumulative Preference Shares of ₹ 100/- each	4,000,000	4,000	4,000,000	4,000
Equity Shares of ₹ 10/- each	165,000,000	16,500	165,000,000	16,500
Total		20,500		20,500
Issued				
Equity Shares of ₹ 10/- each	162,197,503	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

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 31.03.2013		As at 31.03.2012	
	Number of Shares held	% of Holding	Number of Shares held	% of Holding
Sunflag Limited, Channel Islands, UK	65,253,582	40.23%	65,253,582	40.23%
Mr. Suhrit Ravi Bhardwaj	13,217,398	8.15%	13,217,398	8.15%
M/s. Supra Corporation Limited	8,333,356	5.14%	8,333,356	5.14%

4. RESERVES & SURPLUS

(₹ in Lacs)

Particulars	As at 31.03.2013	As at 31.03.2012
a) Capital Reserves		
Opening Balance	25	25
(+) Current Year Transfer	-	-
(-) Written Back in Current Year	-	-
Closing Balance (a)	<u>25</u>	<u>25</u>
b) Other Reserves		
General Reserves		
Opening Balance	231	231
(+) Current Year Transfer	-	-
(-) Written Back in Current Year	-	-
Closing Balance (b)	<u>231</u>	<u>231</u>
c) Surplus / (Deficit) in Statement of Profit and Loss		
Opening Balance	32,931	30,994
(+) Net Profit / (Net Loss) for the current year	(1,250)	1,937
(+) Transfer from Reserves	-	-
(-) Transfer to Reserves	-	-
Closing Balance (c)	<u>31,681</u>	<u>32,931</u>
Total (a+b+c)	31,937	33,187

5. LONG TERM BORROWINGS

Particulars	As at 31.03.2013	As at 31.03.2012	Maturity Profile (Secured Long Term)	Term Loans from Banks
a) Secured Long Term Borrowings			1 - 2 year	6,908
Term Loans - From Banks	20,086	26,591	2 - 3 year	6,280
Total Secured Long Term Borrowings	<u>20,086</u>	<u>26,591</u>	3 - 4 year	6,118
b) Unsecured Long Term Borrowings			Beyond 4 years	780
From Promoters (Interest Free) [@]	1,375	1,375	Maturity Profile (Unsecured Loan)	Interest Free Sales Tax Loan
Other Loans and Advances #			1 - 2 year	556
- Interest Free Sales Tax Loan	6,264	6,881	2 - 3 year	580
Total unsecured Long Term Borrowings	<u>7,639</u>	<u>8,256</u>	3 - 4 year	721
Total Long Term Borrowings (a + b)	<u>27,725</u>	<u>34,847</u>	Beyond 4 years	4,407

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

ii. New term loan of ₹ 20 Crores borrowed during the year from State Bank of India is further secured by Personal Guarantee of Shri Ravi Bhushan Bhardwaj, Vice Chairman & Managing Director of the Company.

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

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

[#] The Unsecured 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 01.04.2012	Arising during the year	Balance as on 31.03.2013
a) Deferred Tax Liabilities			
On account of timing difference in Depreciation	5,921	-	5,921
Others	-	-	-
Total (a)	<u>5,921</u>	<u>-</u>	<u>5,921</u>
b) Deferred Tax Assets			
Disallowances	341	-	341
Provisions for Doubtful debts	-	-	-
Total (b)	<u>341</u>	<u>-</u>	<u>341</u>
Deferred Tax Liability / (Asset) (a - b)	<u>5,580</u>	<u>-</u>	<u>5,580</u>

Total deferred tax Assets for the current year amounts to ₹1666.16 Lacs and deferred tax liability for the current year works out to ₹ 998.99 Lacs resulting into net deferred tax assets of ₹ 667.17 Lacs and the same is not recognised as matter of prudence.

	As at 31.03.13	As at 31.03.12
(₹ in Lacs)		
7. OTHER LONG TERM LIABILITIES		
a) Trade Payables	1,175	1,568
b) Others - Security Deposit		
i. Refundable	3	3
ii. Contractors #	124	86
iii. Employees LPG	4	3
Total (a+b)	<u>1,306</u>	<u>1,660</u>

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

8. LONG TERM PROVISIONS

a) Provision for employee benefits		
Employees Benefit including Leave Encashment	488	151
b) Provision for Contingencies	901	901
Total (a+b)	<u>1,389</u>	<u>1,052</u>

9. SHORT TERM BORROWINGS**Secured :****Loans repayable on demand**

Borrowings for Working Capital from banks	14,502	18,264
Total	<u>14,502</u>	<u>18,264</u>

- i. Working Capital Borrowings are secured by way of hypothecation of inventories and book debts and further secured by way of second charge ranking *pari passu* 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 of the Company.
- ii. The Company has not defaulted in either repayment of principle or interest during the year.

10. TRADE PAYABLES

a) Acceptances	4,808	10,223
b) Other than Acceptances	19,260	8,979
Total	<u>24,068</u>	<u>19,202</u>

11. OTHER CURRENT LIABILITIES

a) Current maturities of long-term debt (Payable within a year)		
i. Term Loan from Banks	7,285	6,570
ii. Unsecured Interest free Sales Tax Loan	617	658
b) Interest accrued but not due on borrowings	119	154
c) Unclaimed dividends	111	112
d) TDS Payable	26	37
e) Payable to others	27	106
f) Advance received from Customers	6	233
g) Other Payables	77	349
Total	<u>8,268</u>	<u>8,219</u>

12. SHORT TERM PROVISIONS

a) Provision for employee benefits		
Salary & Reimbursements	200	217
b) Others		
Power	16	322
Excise Duty Payable on Finished Goods Stock	2,574	2,720
Selling Expenses	927	543
Managerial Commission	-	125
Other Expenses	1,045	637
Total	<u>4,762</u>	<u>4,564</u>

13. FIXED ASSETS

PARTICULARS	(₹ in Lacs)					
	Gross Block		Accumulated Depreciation		Net Block	
	Balance as at 01.04.2012	Additions/ (Disposals)	Balance as at 01.04.2012	Depreciation Charge for the year	On disposals	Balance as at 31.03.2013
A Tangible Assets						
a) Freehold Land	372	-	-	-	-	372
b) Leasehold Land	84	-	23	1	-	61
c) Buildings						
Factory Buildings	16,354	4,120	8,724	1,080	-	7,630
Non Factory Building	192	-	76	3	-	116
Office Building	458	-	145	20	-	313
Township	630	-	215	10	-	415
Welfare Buildings	86	-	26	2	-	60
Boundary Wall & Fencing	87	-	17	1	-	70
Approach Roads	253	-	87	8	-	166
d) Railway Siding	375	-	350	1	-	25
e) Plant and Equipment	79,691	21,616	48,732	4,414	-	30,959
f) Furniture and Fixtures	224	-	181	3	-	43
g) Vehicles	317	(23)	247	17	(19)	70
h) Office equipment	409	-	329	8	-	80
i) Development of Mines	1,562	-	249	77	-	1,313
Total (A)	101,094	25,713	59,401	5,645	(19)	41,693
B Intangible Assets	-	-	-	-	-	-
C Capital Work in Progress	23,625	(20,355)	3,270	-	-	23,625
Total (B + C)	23,625	(20,355)	3,270	-	-	23,625
D Intangible Assets under Development	-	-	-	-	-	-
Total (A+B+C+D)	124,719	5,358	59,401	5,645	(19)	65,318

14. NON-CURRENT INVESTMENTS

(₹ in Lacs)

Particulars	As at 31.03.2013	As at 31.03.2012
Non Trade Investment in Equity instruments	767	765
Less : Provision for diminition in the value of Investments	-	-
Total	767	765
Aggregate amount of unquoted investments	767	765

Details of Non Trade Investments in Equity

Name of Body Corporate	No. of Shares		Extent of Holding (%)		Amount (₹ Lacs)	
	31.03.13	31.03.12	31.03.13	31.03.12	31.03.13	31.03.12
Investment in Equity Instruments (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	1,210,188	1,189,188	11.73	11.73	121	119
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					767	765

As at 31.03.13 As at 31.03.12
(₹ in Lacs)

15. LONG TERM LOANS AND ADVANCES

a) Capital Advances		
Secured, considered good	-	224
Unsecured, considered good	291	2,733
	291	2,957
b) Security Deposits		
Secured, considered good	-	-
Unsecured, considered good	942	882
	942	882
c) Loans and advances to related parties [refer Note 27.13]		
Secured, considered good	-	-
Unsecured, considered good	1,720	1,695
	1,720	1,695
Total (a+b+c)	2,953	5,534

16. INVENTORIES

a) Raw Materials & components	6,026	9,678
(Valued at weighted average cost)		
Goods-in transit	218	830
	6,244	10,508
b) Work-in-progress	6,690	7,274
(Valued at cost)		
c) Finished goods	18,524	19,624
(Valued at lower of cost or Net realisable value)		
d) Consumables, Stores and Spares	1,235	1,778
(Valued at weighted average cost)		
e) Others	-	-
Total (a+b+c+d+e)	32,693	39,184

As at 31.03.13 As at 31.03.12
(₹ in Lacs)

	As at 31.03.13	As at 31.03.12	Notes forming part of Statement of Profit and Loss for the year ended 31st March 2013	
	(₹ in Lacs)		For the year ended 31.03.13 31.03.12 (₹ 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	14,635	14,089		
Unsecured-considered doubtful	-	-		
Less: Provision for doubtful debts	-	-		
Total (a)	14,635	14,089		
b) Trade receivables outstanding for a period exceeding six months from the date they are due for payment				
Secured-considered good	-	-		
Unsecured-considered good	927	871		
Unsecured-considered doubtful	-	-		
Less: Provision for doubtful debts	-	-		
Total (b)	927	871		
Total (a+b)	15,562	14,960		
18. CASH AND BANK BALANCES				
a) Cash and Cash Equivalents				
i. Cash on hand	6	6		
ii. Balances in Current Accounts	910	1,280		
Total (a)	916	1,286		
b) Other Bank Balances				
i. Margin Money Deposit against LC & BG	4,313	3,870		
ii. On Dividend A/c - Unclaimed	111	112		
Total (b)	4,424	3,982		
Total (a+b)	5,340	5,268		
19. SHORT-TERM LOANS AND ADVANCES				
Trade Advances - Vendors	10,034	7,572		
Advances to Employees	23	41		
Prepaid Expenses	50	87		
Balances with Statutory / Government Authorities				
- Excise Duty	632	907		
- Sales Tax (VAT)	-	-		
- Income Tax	1,688	1,801		
- Claims Receivable	828	933		
Total	13,255	11,341		
20. OTHER CURRENT ASSETS				
a) Accruals - Interest accrued on Deposits	110	103		
b) Others				
i. Export incentives Receivable	23	322		
ii. Railway Claims	4	-		
Total (a+b)	137	425		
			21. REVENUE FROM OPERATIONS	
			Sale of Manufactured Goods	173,639 177,184
			Sale of Others	- 24
			Duty Drawback and Export Incentives	463 678
			Total	174,102 177,886
			Less: Excise duty	17,171 16,068
			Total	156,931 161,818
			22. OTHER INCOME	
			Interest Income (in case of a company other than a finance company)	470 269
			Net gain / (loss) on sale of investments	- -
			Other non-operating income (net of expenses directly attributable to such income)	312 259
			Total	782 528
			23.a) Cost of Raw Material and Components Consumed	
			Inventory at the beginning of the year	12,286 10,877
			Add: Purchases	89,579 112,675
			Less: Inventory at the end of the year	7,479 12,286
			Total Raw Material Consumption (a)	94,386 111,266
			23.b) Other Manufacturing Expenses	
			Consumption of Fuel	5,967 5,243
			Consumption of Power (Net of Captive consumption)	8,985 8,856
			Sales Tax (Net of Incentive under Mega Project)	5,742 6,264
			Frieght & Forwarding	7,778 6,556
			Other Works Overhead	6,209 6,041
			Total Other manufacturing Expenses (b)	34,681 32,960
			Total Expenses (a + b)	129,067 144,226

	For the year ended		For the year ended	
	31.03.13	31.03.12	31.03.13	31.03.12
	(₹ in Lacs)		(₹ in Lacs)	
Details of Raw Material & Components Consumed				
Iron Ore & Iron Ore Fines	31,152	38,606		
Coal & Coal Fines #	3,206	5,103		
Coke	24,462	27,875		
Sponge Iron	-	1,273		
Scrap & HBI	2,801	642		
Ferro Alloys	16,317	18,798		
Fluxes, Minerals & Additives	6,608	7,232		
Electrodes	1,478	1,799		
Others	8,362	9,938		
Total	94,386	111,266		
Details of Inventory				
Raw Material & Components				
Iron Ore & Iron Ore Fines	505	3,508		
Coal & Coal Fines	2,984	2,408		
Coke	538	1,413		
Scrap & HBI	32	151		
Ferro Alloys	1,307	1,278		
Fluxes, Minerals & Additives	272	352		
Electrodes	153	205		
Goods in Transit	218	830		
Others	1,470	2,141		
Total	7,479	12,286		
24. (Increase) / Decrease in Inventories (@)				
At the end of the year				
Finished goods	18,524	19,624		
Work-in-progress	6,690	7,273		
Total	25,214	26,897		
At the beginning of the year				
Finished goods	19,624	14,891		
Work-in-progress	7,273	4,136		
Total	26,897	19,027		
Net (increase) / decrease	1,683	(7,870)		
25. Employee Benefit Expenses (\$)				
Salaries, Wages and Bonus	6,497	6,042		
Contribution to Provident and other Funds	634	567		
Staff Welfare Expenses	455	555		
Total	7,586	7,164		
26. Finance Cost				
Interest Expense	7,242	4,059		
Other borrowing costs	1,099	1,496		
Applicable net gain / (loss) on foreign currency transactions and translation	(108)	(250)		
Total	8,233	5,305		
27. Other Expenses				
27.1 Administration & Selling Expenses				
Travelling Expenses	311	354		
Insurance Charges	222	211		
Rent, Rates and Taxes	298	240		
Repairs and Maintenance	65	108		
Printing and Stationary	26	28		
Postage and Telephones	82	78		
Admin Expenses	373	419		
Legal and Professional Expenses	309	317		
Payment to Auditors (Refer Details below)	14	13		
Commission	84	69		
Discounts	4,851	4,215		
Other Selling Overheads	114	210		
Total	6,749	6,262		
27.2 Payment to Auditors				
Audit Fees	11	10		
Audit Fees - Others	-	-		
Out of Pocket Expenses	2	2		
Cost Audit Fees	1	1		
Total	14	13		

Net of consumption of Coal from Captive Mines.

@ During the current year, the Company has treated the Coal from Captive Coal Mine as semi finished goods hitherto accounted as raw material. Accordingly the figures have been regrouped wherever necessary.

\$ Employee benefits includes Directors remuneration. As there are no profits during the Financial year, the remuneration payable to managerial personnel is governed by Schedule XIII to the Companies Act, 1956. However, the Company is seeking approval of Central Government for waiver of excess remuneration paid during the year.

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

(₹ in Lacs)

Particulars	For the year Ended	
	31.03.2013	31.03.2012
i. Contingent liabilities		
a) Unexpired Letter of Credit	10,801	6,740
b) Guarantees issued by Company's Bankers on behalf of the Company	2,692	2,666
c) Bonds / Undertakings given by the Company under Duty Exemption Scheme to the Custom Authorities	2,598	2,782
d) Bills Discounted	6,400	3,367
e) Excise Duty & Custom Duty against which Company has preferred an Appeal	100	100
f) Income Tax Liability - Disputed but paid	1,074	1,324
g) Income Tax Liability - Disputed but not paid	739	-
h) Corporate Guarantee issued to Banks on behalf of Subsidiaries	400	400
ii. Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for :- Tangible Assets	507	3,765

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 2013 due for a period of more than 45 days, accordingly, no interest was paid / is payable in terms of the said Act during the year under review.

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 2013	Maximum balance Outstanding during the year
Sunflag Power Limited	Subsidiary	933 (915)	933 (915)
Khappa Coal Company Private Limited	Subsidiary	737 (737)	737 (737)
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		27.9 Details of consumption of imported and indigenous items	
	31.03.13	31.03.12	(₹ in Lacs)	%
27.6 Value of imports calculated on CIF basis :				
Raw Materials	7,904	9,360	Imported	
Spare Parts & Components	336	507	Raw Materials	8,602 (8,669)
Capital Goods	132	1,710	Components & Spare Parts	215 (634)
			Total	9.34 (9,303)
27.7 Expenditure in foreign currency :			Indigenous	
Technical Services	138	277	Raw Materials	84,380 (101,134)
Subscription & Membership Fees	2	9	Components & Spare Parts	1,189 (829)
Foreign Travelling	40	36	Total	90.66 (101,963)
Other matters	47	48		
27.8 Earnings in foreign exchange :				
Export of goods calculated on FOB basis	10,854	13,559		

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	
	31.03.2013	31.03.2012
Amount of dividend remitted in foreign currency	NIL	\$ 666533.01
Total number of non-resident shareholder (to whom the dividends were remitted in foreign currency)	NA	1
Total number of shares held by them on which dividend was due	NA	65,253,582
Year to which the dividend relates	NA	2010 - 2011

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 herein 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	
	31.03.2013	31.03.2012
Units consumed (kWh'000)	141,859	143,679
Value (₹ in Lacs)	10,140	9,324

27.12 Employee benefit plans

There are no additional charges which are required to be paid and/or charged to Statement of Profit and Loss in view of the mandatory applicability of the revised Accounting Standard on Employee Benefits (AS 15 Revised) to the Company, effective 1st January 2007.

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	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Statement showing changes in Present Value of obligation :						
Present value of obligations at the beginning of the year	928	823	3,609	3,003	1,610	1,390
Interest Cost	91	81	306	256	141	121
Current Service Cost	82	77	719	679	201	179
Benefits paid	(71)	(54)	(614)	(329)	(174)	(80)
Actuarial Loss on Obligations	-	1	-	-	-	-
Present value of obligations as at the end of the year	1,030	928	4,020	3,609	1,778	1,610
Table showing changes in the fair value of Plan Assets :						
Fair value of Plan Assets at the beginning of year	928	823	3,609	3,003	1,610	1,390
Expected return on Plan Assets	91	81	306	256	141	128
Contributions	92	95	719	679	201	172
Benefits paid	(71)	(54)	(614)	(329)	(174)	(80)
Actuarial Gain / (Loss) on Plan Assets	-	-	-	-	-	-
Fair value of Plan Assets at the end of the year	1,040	945	4,020	3,609	1,778	1,610
Funded Status	(10)	(17)	-	-	-	-
Excess of Actual over estimated return on Plan Assets						

Particulars	(₹ in Lacs)					
	Gratuity		Provident Fund		Superannuation	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Actuarial Gain / (Loss) recognised :						
Actuarial Gain / (Loss) for the year - Obligation	-	1	-	-	-	-
Actuarial Gain / (Loss) for the year - Plan Assets	(10)	(17)	-	-	-	-
Total Loss for the year	-	-	-	-	-	-
Actuarial Gain / (Loss) recognised in the year	(10)	(16)	-	-	-	-
Amounts to be recognised in the Balance Sheet :						
Present value of obligations as at the end of the year	1,030	928	4,020	3,609	1,778	1,610
Fair value of Plan Assets as at the end of the year	1,040	945	4,020	3,609	1,778	1,610
Funded Status	(10)	(17)	-	-	-	-
Net Asset / (Liability) Recognised in the Balance Sheet	(10)	(17)	-	-	-	-
Expenses Recognised in the statement of Profit and Loss Account :						
Current Service Cost	82	77	306	256	-	-
Interest Cost	-	-	-	-	-	-
Expected Return on Plan Assets	-	-	306	256	-	-
Net Actuarial (Gain) / Loss Recognised in the Statement of Profit & Loss	(10)	(16)	-	-	-	-
Expenses Recognised in Statement of Profit & Loss	92	95	-	-	-	-
Actuarial Assumptions :						
Discount Rate	9.40%	9.40%	8.50%	9.50%	-	-
Salary Escalation	5.00%	5.00%	5.00%	5.00%	-	-
Investment Details (%) :						
GOI Securities	-	-	41%	46%	-	-
State Government Securities	-	-	24%	22%	-	-
Approved Marketable Securities	-	-	-	-	-	-
Bonds / Debentures etc	-	-	35%	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	
		31.03.13	31.03.12	31.03.13	31.03.12
Subsidiaries					
Sunflag Power Limited	Unsecured Loan	17	73	933	915
Khappa Coal Company Pvt. Limited	Advance Paid	-	41	737	737
Associate Enterprises					
Haryana Televisions Limited	Rent	32	30	28	28
Ridge Farm Developers (P) Limited	Rent	13	13	10	10
	Expenses	7	4	-	-
Key Managerial Personnel					
Mr. P.B. Bhardwaj	Commission	-	31	-	-
Mr. Ravi Bhushan Bhardwaj	Remuneration & Commission	112	150	-	-
Mr. Pranav Bhardwaj		98	135	-	-
Mr. Surendra Kumar Gupta	Remuneration	69	61	-	-
Relative to Key Managerial Personnel					
Mr. Suhrit Bhardwaj	Rent Paid	13	-	-	-
	Refundable Security Deposit	10	-	10	-
Joint Ventures					
Madanpur (North) Coal Company Private Limited	Share Capital	-	4	-	-
	Share Application Money	-	2	-	2
Gujarat State Mining and Resources Corporation Limited	Interest Free Unsecured Loan	-	1	2	2
Total				1,720	1,694

28. EARNINGS PER SHARE

Basic Earnings per Share	Year Ended 31.03.2013	Year Ended 31.03.2012
Profit / (Loss) after Tax (₹ in Lacs)	(1,250)	1,937
Number of Equity Shares (Outstanding at the end of the year)	162,197,503	162,197,503
Basic Earnings ₹ per Share	(0.77)	1.19

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

29. INTEREST IN JOINT VENTURES

The Company has interests in the following jointly controlled entities:

(₹ in Lacs)

Name of Company	% of Shareholding	Amount of Interest based on accounts for the year ended 31.03.2013					
		Assets	Liabilities	Income	Expenditure	Contingent liabilities	Capital commitments
Madanpur (North) Coal Company Private Limited	11.73 (11.73)	122 (121)	122 (121)	-- --	-- --	389 (389)	-- --
C T Mining Private Limited	31.80 (31.80)	326 (355)	326 (355)	-- --	-- --	489 (489)	-- --
Gujarat State Mining and Resources Corporation Limited	49.00 (49.00)	4 (1)	4 (1)	-- --	(4) --	-- --	-- --

Note: Figures in brackets relate to 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 were NIL for both the years are omitted in presentation.

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

Sr. No.	Particulars	Sunflag Power Limited		Sunflag Special Steels Limited		Khappa Coal Company Private Limited	
		31.03.2013	31.03.2012	31.03.2013	31.03.2012	31.03.2013	31.03.2012
1	Financial year ended	31.03.2013	31.03.2012	31.03.2013	31.03.2012	31.03.2013	31.03.2012
2	Shares of subsidiary held by the Company on the above date :						
	a) Number	49940	49940	49940	49940	3163500	3163500
	Face value	₹ 10 each	₹ 10 each	₹ 10 each	₹ 10 each	₹ 10 each	₹ 10 each
	b) Extent of holding	99.88%	99.88%	99.88%	99.88%	63.27%	63.27%
3	Net aggregate Amount of profits / (losses) dealt with in the accounts of the Company for the year ended	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
4	Board of Directors as on 30.05.2013	Mr. Ravi Bhushan Bhardwaj Mr. Pranav Bhardwaj Dr. E. R. C. Shekar		Mr. Ravi Bhushan Bhardwaj Dr. E. R. C. Shekar Mr. Surendra Kumar Gupta		Mr. Surendra Kumar Gupta Dr. E.R.C. Shekar Mr. R. Muralidhar Mr. S. N. Singh Mr. V. P. Sharma Mr. T. Venkatesan	

FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES AS AT 31st MARCH 2013

(₹ in Lacs)

Particulars	Sunflag Power Limited	Sunflag Special Steels Limited	Khappa Coal Company Private Limited
Share of Sunflag Iron and Steel Company Limited	99.88%	99.88%	63.27%
Paid-up Share Capital	5.00	5.00	500.00
Interest Free Unsecured Loan	932.67	--	1165.00
Reserves & Surplus	--	--	--
Total Assets	937.67	4.19	1,666.21
Total Liabilities	937.67	4.19	1,666.21
Details of Investments	--	--	--
Turnover	--	--	--
Profit / (Loss) Before Taxation	--	(0.006)	--
Provision for Taxation	--	--	--
Profit / (Loss) After Taxation	--	(0.006)	--
Proposed Dividend	--	--	--

FINANCIAL INFORMATION OF JOINT VENTURE COMPANIES AS AT 31st MARCH 2013

Particulars	Madanpur (North) Coal Company Private Limited	C T Mining Private Limited	Gujarat State Mining and Resources Corporation Limited
Share of Sunflag Iron and Steel Company Limited	11.7318%	31.80%	49.00%
Paid-up Share Capital	1,031.54	1,000.00	5.00
Short Term Borrowings	--	--	3.47
Reserves & Surplus	--	--	(1.18)
Total Assets	1,036.22	1,026.69	7.62
Total Liabilities	1,036.22	1,026.69	7.62
Details of Investments	--	--	--
Turnover	--	--	--
Profit / (Loss) Before Taxation	--	--	(0.52)
Provision for Taxation	--	--	--
Profit / (Loss) After Taxation	--	--	(0.52)
Proposed Dividend	--	--	--

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **SUNFLAG IRON AND STEEL COMPANY LIMITED** (the "Company") and its subsidiaries and joint ventures which together are referred as "the Group" which comprise the Consolidated Balance Sheet as at 31st March 2013, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

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

Report on Other Legal & Regulatory Requirements

We did not audit the financial statement / Consolidated financial statement of certain Joint Ventures whose financial statement / Consolidated financial statement reflect total assets (net) of ₹ 2,070.53 lacs and accordingly our share in total assets of ₹ 451.79 lacs is included in the Consolidated financial statement as at 31st March 2013, total revenues (net) on Nil and net cash flows amounting to ₹ 650 lacs and accordingly our share in the net Cash Flows is ₹ 170 lacs for the year ended on that date. These financial statement / Consolidated financial statements have been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the reports of other auditors.

Our opinion is not qualified in respect of other matters.

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

CA JAYANT I. MEHTA
PARTNER
 Membership Number - 42630

Nagpur
30th May 2013

**SUNFLAG IRON AND STEEL COMPANY LIMITED, ITS SUBSIDIARIES AND JOINT VENTURES
CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2013**

(₹ in Lacs)

Particulars	Note No.	As at 31.03.2013	As at 31.03.2012
A. EQUITY AND LIABILITIES			
1 Shareholders' funds			
a) Share Capital	3	16,661	16,659
b) Reserves and Surplus	4	31,936	33,183
c) Money received against share warrants		-	-
d) Proportionate Consolidation Elimination		(441)	(439)
2 Share application money pending allotment		-	1
3 Minority Interest		184	184
4 Non-current Liabilities			
a) Long-term Borrowings	5	28,153	35,275
b) Deferred Tax Liabilities (Net)	6	5,580	5,580
c) Other Long Term Liabilities	7	1,306	1,660
d) Long-term Provisions	8	1,389	1,052
5 Current Liabilities			
a) Short-term Borrowings	9	14,502	18,296
b) Trade Payables	10	24,069	19,202
c) Other Current Liabilities	11	8,275	8,225
d) Short-term Provisions	12	4,764	4,568
TOTAL EQUITY AND LIABILITIES		136,378	143,446
B. ASSETS			
1 Non-current Assets			
a) Fixed Assets	13		
i. Tangible Assets		62,017	41,935
ii. Intangible Assets		-	-
iii. Capital work-in-progress		5,790	26,079
iv. Intangible Assets under development		-	-
b) Non-current Investments	14	441	439
Proportionate Consolidation Elimination		(441)	(439)
c) Deferred Tax Assets (net)		-	-
d) Long-term Loans and Advances	15	1,285	3,884
e) Other Non-current Assets		31	30
2 Current Assets			
a) Current Investments		-	-
b) Inventories	16	32,693	39,184
c) Trade Receivables	17	15,562	14,960
d) Cash and Bank Balances	18	5,576	5,577
e) Short-term Loans and Advances	19	13,280	11,356
f) Other Current Assets	20	144	441
TOTAL ASSETS		136,378	143,446

Significant accounting policies and Notes forming part of Financial Statements

1 & 2

As per our attached report of even date

For PATEL, SHAH & JOSHI
Chartered Accountants**RAVI BHUSHAN BHARDWAJ**
*VICE CHAIRMAN & MANAGING DIRECTOR***SURENDRA KUMAR GUPTA**
*DIRECTOR & CEO***CA JAYANT I. MEHTA**
PARTNER
Membership Number - 42630**PRANAV BHARDWAJ**
*JOINT MANAGING DIRECTOR***DR. E.R.C. SHEKAR**Nagpur
30th May 2013**CA R. MURALIDHAR**
*EXECUTIVE DIRECTOR (FINANCE)***S. GAJENDRAN****CS MUKESH D. PARAKH**
*COMPANY SECRETARY**DIRECTORS*

**SUNFLAG IRON AND STEEL COMPANY LIMITED, ITS SUBSIDIARIES AND JOINT VENTURES
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH 2013**

Particulars	Note No.	Year Ended 31.03.2013 (₹ in Lacs)	Year Ended 31.03.2012 (₹ in Lacs)
1. Revenue from Operations	21	174,102	177,886
Less : Excise Duty		(17,171)	(16,068)
		<u>156,931</u>	<u>161,818</u>
2. Other Income	22	782	528
3. Total Revenue (1 + 2)		<u>157,713</u>	<u>162,346</u>
4. Expenses :			
Cost of Materials Consumed	23 (a)	94,386	111,266
Other Manufacturing Expenses	23 (b)	34,681	32,960
Purchases of Stock-in-Trade		-	-
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	24	1,683	(7,870)
Employee benefits expense	25	7,586	7,164
Finance Costs	26	8,233	5,305
Depreciation and amortisation expense	13	5,645	4,244
Other expenses	27	6,749	6,266
Total expenses		<u>158,963</u>	<u>159,335</u>
5. Profit / (Loss) before exceptional and extraordinary items and tax		(1,250)	3,011
6. Tax Expense :			
a) Current tax expense for current year		-	560
b) Current tax expense relating to prior years		-	(181)
c) Deferred tax	6	-	699
7. Profit / (Loss) for the period from continuing operations		<u>(1,250)</u>	<u>1,933</u>
8. Earnings per equity share (Amount in ₹) :	28		
1) Basic		(0.77)	1.19
2) Diluted		(0.77)	1.19
Significant accounting policies and Notes forming part of Financial Statements	1 & 2		

As per our attached report of even date

For PATEL, SHAH & JOSHI
Chartered Accountants

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Nagpur
30th May 2013

RAVI BHUSHAN BHARDWAJ
VICE CHAIRMAN & MANAGING DIRECTOR

PRANAV BHARDWAJ
JOINT MANAGING DIRECTOR

CA R. MURALIDHAR
EXECUTIVE DIRECTOR (FINANCE)

CS MUKESH D. PARAKH
COMPANY SECRETARY

SURENDRA KUMAR GUPTA
DIRECTOR & CEO

DR. E.R.C. SHEKAR

S. GAJENDRAN

DIRECTORS

**SUNFLAG IRON AND STEEL COMPANY LIMITED, ITS SUBSIDIARIES AND JOINT VENTURES
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2013**

Particulars	For the year ended 31.03.2013 (₹ in Lacs)		For the year ended 31.03.2012 (₹ in Lacs)	
A. Cash flow from operating activities				
Net Profit / (Loss) before extraordinary items and tax		(1,250)		3,011
<i>Adjustments for :</i>				
Depreciation and amortisation	5,645		4,244	
(Profit)/loss on sale/write off of assets	-		21	
Finance costs	8,233		5,305	
		13,878		9,570
Operating profit/(loss) before working capital changes		12,628		12,581
<i>Changes in working capital :</i>				
<i>Adjustments for (increase)/decrease in operating assets :</i>				
Inventories	6,491		(9,281)	
Trade receivables	(602)		(865)	
Short-term loans and advances	(1,924)		(6,908)	
Long-term loans and advances	2,599		(47)	
Other current assets	297		(348)	
<i>Adjustments for increase / (decrease) in operating liabilities :</i>				
Trade payables	4,867		13,720	
Other current liabilities	(622)		(30)	
Short-term provisions	196		2,377	
Other long-term liabilities	(354)		(1,130)	
Long-term provisions	337		(2,723)	
		11,285		(5,235)
Cash flow from extraordinary items		-		-
Cash generated from operations		23,913		7,346
Net income tax (paid)/ refunds		-		-
Net cash flow from / (used in) operating activities (A)		23,913		7,346
B. Cash flow from investing activities				
Capital expenditure on fixed assets, including capital advances	(5,439)		(16,475)	
Proceeds from sale of fixed assets	-		31	
Long-term investments in ;				
- Joint ventures	-		(4)	
Net cash flow from / (used in) investing activities (B)		(5,439)		(16,448)

Particulars	For the year ended 31.03.2013 (₹ in Lacs)		For the year ended 31.03.2012 (₹ in Lacs)	
	C. Cash flow from financing activities			
Proceeds from issue of equity shares	-		7	
Proceeds from long-term borrowings	2,149		14,932	
Repayment of long-term borrowings	(7,939)		(4,468)	
Net increase / (decrease) in working capital borrowings	(3,794)		7,236	
Repayment of unsecured Deferred Sales Tax Loan	(658)		(670)	
Finance cost	(8,233)		(5,305)	
Dividends paid	-		(811)	
Tax on dividend	-		(128)	
Cash flow from extraordinary items	-		-	
Net cash flow from / (used in) financing activities (C)		(18,475)		10,793
Net increase / (decrease) in Cash and cash equivalents (A+B+C)		(1)		1,691
Cash and cash equivalents at the beginning of the year		5,577		3,886
Effect of exchange differences on restatement of foreign currency		-		-
Cash and cash equivalents at the end of the year (Refer Note 18)		5,576		5,577
Refer Significant accounting policies and Notes				

As per our attached report of even date

For PATEL, SHAH & JOSHI
Chartered Accountants

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Nagpur
30th May 2013

RAVI BHUSHAN BHARDWAJ
VICE CHAIRMAN & MANAGING DIRECTOR

PRANAV BHARDWAJ
JOINT MANAGING DIRECTOR

CA R. MURALIDHAR
EXECUTIVE DIRECTOR (FINANCE)

CS MUKESH D. PARAKH
COMPANY SECRETARY

SURENDRA KUMAR GUPTA
DIRECTOR & CEO

DR. E.R.C. SHEKAR

S. GAJENDRAN

DIRECTORS

Sunflag Iron and Steel Company Limited, its Subsidiaries and Joint Ventures
Notes forming part of the Consolidated Financial Statements for the year ended 31st March 2013
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 2013. 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 2013.
- d) Minority interest in the net assets of consolidated subsidiaries consist of :-
 - i. the amount of equity attributable to minorities at the date on which the investment in a subsidiary is made,
 - ii. 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	
	2012-2013	2011-2012
i. Subsidiary Companies		
- Sunflag Special Steels Limited	99.88	99.88
- Sunflag Power Limited	99.88	99.88
- Khappa Coal Company Private Limited	63.27	63.27
ii. Jointly Controlled Entities		
- Madanpur (North) Coal Company Private Limited	11.7318	11.7318
- C T Mining Private Limited	31.80	31.80
- Gujarat State Mining & Resources Corporation Limited	49.00	49.00

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

3. SHARE CAPITAL

Particulars	As at 31.03.2013		As at 31.03.2012	
	Number	Amount (₹ in Lacs)	Number	Amount (₹ in Lacs)
Authorised				
10% Cumulative Preference Shares of ₹ 100/- each	4,000,000	4,000	4,000,000	4,000
Equity Shares of ₹ 10/- each	165,000,000	16,500	165,000,000	16,500
Total		20,500		20,500
Issued, Subscribed & Fully Paid up				
Equity Shares of ₹ 10/- each		17,171		17,169
Consolidation Elimination		(510)		(510)
Total		16,661		16,659

a) Terms / Voting Rights attached to the Equity Shares

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

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

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

Name of Shareholder	As at 31.03.2013		As at 31.03.2012	
	Number of Shares held	% of Holding	Number of Shares held	% of Holding
Sunflag Limited, Channel Islands, UK	65,253,582	40.23%	65,253,582	40.23%
Mr. Suhrit Ravi Bhardwaj	13,217,398	8.15%	13,217,398	8.15%
M/s. Supra Corporation Limited	8,333,356	5.14%	8,333,356	5.14%

4. RESERVES & SURPLUS

Particulars	As at	As at
	31.03.2013	31.03.2012
	(₹ in Lacs)	
a) Capital Reserves		
Opening Balance	25	25
(+) Current Year Transfer	-	-
(-) Written Back in Current Year	-	-
Closing Balance (a)	25	25
b) Other Reserves		
General Reserves		
Opening Balance	231	231
(+) Current Year Transfer	-	-
(-) Written Back in Current Year	-	-
Closing Balance (b)	231	231
c) Surplus / (Deficit) in Statement of Profit and Loss		
Opening Balance	32,927	30,994
(+) Net Profit / (Net Loss) for the current year	(1,250)	1,933
(+) Transfer from Reserves	-	-
(-) Transfer to Reserves	3	-
Closing Balance (c)	31,680	32,927
Total (a+b+c)	31,936	33,183

5. LONG TERM BORROWINGS
a) Secured Long Term Borrowings

Term Loans - From Banks	20,086	26,591
Total Long Term Borrowings (a)	20,086	26,591
b) Unsecured Long Term Borrowings		
From Promoters (Interest Free) [@]	1,803	1,803
Other loans and advances # - Interest free Sales Tax Loan	6,264	6,881
Total Long Term Borrowings (b)	8,067	8,684
Total Long Term Borrowings (a+b)	28,153	35,275

Maturity Profile (Secured Long Term)	Term Loans from Banks
1 - 2 year	6,908
2 - 3 year	6,280
3 - 4 year	6,118
Beyond 4 years	780
Maturity Profile (Unsecured Loan)	Interest Free Sales Tax Loan
1 - 2 year	556
2 - 3 year	580
3 - 4 year	721
Beyond 4 years	4,407

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

ii. New term loan of ₹ 20 Crores borrowed during the year from State Bank of India is further secured by Personal Guarantee of Shri Ravi Bhushan Bhardwaj, Vice Chairman & Managing Director of the Company.

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

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

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

6. DEFERRED TAXATION

(₹ in Lacs)

Particulars	Balance as on 01.04.2012	Arising during the year	Balance as on 31.03.2013
a) Deferred Tax Liabilities			
On account of timing difference in Depreciation	5,580	-	5,580
Others	-	-	-
Total (a)	<u>5,580</u>	<u>-</u>	<u>5,580</u>
b) Deferred Tax Assets			
Disallowances	-	-	-
Provisions for Doubtful debts	-	-	-
Total (b)	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Tax Liability / (Asset) (a – b)	<u>5,580</u>	<u>-</u>	<u>5,580</u>

Total deferred tax Assets for the current year amounts to ₹ 1666.16 Lacs and deferred tax liability for the current year works out to ₹ 998.99 Lacs resulting into net deferred tax assets of ₹ 667.17 Lacs and the same is not recognised as matter of prudence.

Particulars	As at 31.03.13 (₹ in Lacs)	As at 31.03.12 (₹ in Lacs)	Particulars	As at 31.03.13 (₹ in Lacs)	As at 31.03.12 (₹ in Lacs)
7. OTHER LONG TERM LIABILITIES			10. TRADE PAYABLES		
a) Trade Payables	1,175	1,568	a) Acceptances	4,808	10,223
b) Others - Security Deposit			b) Other than Acceptances	19,261	8,979
i. Refundable	3	3	Total	<u>24,069</u>	<u>19,202</u>
ii. Contractors #	125	86	11. OTHER CURRENT LIABILITIES		
iii. Employees LPG	3	3	a) Current maturities of long-term debt (Payable within a year)		
Total (a+b)	<u>1,306</u>	<u>1,660</u>	i. Term Loan from Banks	7,285	6,570
Note : # Deposit recovered from contractors continue to remain over one year.			ii. Unsecured Interest free Sales Tax Loan	617	658
8. LONG TERM PROVISIONS			b) Interest accrued but not due on borrowings	119	154
a) Provision for employee benefits			c) Unclaimed dividends	111	112
Employees Benefit including Leave Encashment	488	151	d) TDS Payable	26	37
b) Provision for Contingencies	901	901	e) Payable to others	33	111
Total (a+b)	<u>1,389</u>	<u>1,052</u>	f) Advance received from Customers	7	233
9. SHORT TERM BORROWINGS			g) Other Payables	77	350
Secured :			Total	<u>8,275</u>	<u>8,225</u>
Loans repayable on demand			12. SHORT TERM PROVISIONS		
Borrowings for Working Capital from banks	14,502	18,264	a) Provision for employee benefits		
Unsecured :			Salary & Reimbursements	201	219
Borrowing from Promotors (Interest free)	-	32	b) Others		
Total	<u>14,502</u>	<u>18,296</u>	Power	16	322
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 of the Company.			Excise Duty Payable on Finished Goods Stock	2,574	2,720
ii. The Company has not defaulted in either repayment of principle or interest during the year.			Selling Expenses	927	543
			Managerial Commission	-	125
			Other Expenses	1,046	639
			Total	<u>4,764</u>	<u>4,568</u>

13. FIXED ASSETS

PARTICULARS	Gross Block		Accumulated Depreciation			Net Block	
	Balance as at 01.04.2012	Additions/(Disposals)	Balance as at 01.04.2012	Depreciation Charge for the year	On disposals	Balance as at 31.03.2013	Balance as at 31.03.2012
A Tangible Assets							
a) Freehold Land	586	2	-	-	-	588	586
b) Leasehold Land	84	-	23	1	-	60	61
c) Buildings							
Factory Buildings	16,354	4,120	8,724	1,080	-	10,670	7,630
Non Factory Building	192	-	76	3	-	113	116
Office Building	458	-	145	20	-	293	313
Township	630	-	215	10	-	405	415
Welfare Buildings	86	-	26	2	-	58	60
Boundary Wall & Fencing	87	-	17	1	-	69	70
Approach Roads	253	-	87	8	-	158	166
d) Railway Siding	375	-	350	1	-	24	25
e) Plant and Equipment	79,694	21,616	48,732	4,414	-	48,164	30,962
f) Furniture and Fixtures	227	-	182	4	-	41	45
g) Vehicles	342	(23)	249	23	(19)	66	93
h) Office equipment	409	-	329	8	-	72	80
i) Development of Mines	1,562	-	249	77	-	1,236	1,313
Total (A)	101,339	25,715	59,404	5,652	(19)	62,017	41,935
B Intangible Assets	-	-	-	-	-	-	-
C Capital Work in Progress	26,079	(20,289)	-	-	-	5,790	26,079
Total (B + C)	26,079	(20,289)	-	-	-	5,790	26,079
D Intangible Assets under Development	-	-	-	-	-	-	-
Total (A+B+C+D)	127,418	5,426	59,404	5,652	(19)	67,807	68,014

(₹ in Lacs)

14. NON-CURRENT INVESTMENTS

(₹ in Lacs)

Particulars	As at 31.03.2013	As at 31.03.2012
Non Trade Investment in Equity instruments	441	439
Less : Provision for diminution in the value of Investments	-	-
Total	441	439
Aggregate amount of unquoted investments	441	439

Details of Non Trade Investments in Equity

Name of Body Corporate	No. of Shares		Extent of Holding (%)		Amount (₹ Lacs)	
	31.03.13	31.03.12	31.03.13	31.03.12	31.03.13	31.03.12
Investment in Equity Instrument (At Cost, Unquoted & Fully Paid)						
<u>Joint Ventures</u>						
Madanpur (North) Coal Company Pvt Ltd	1,189,188	1,118,859	11.73	11.73	121	119
C T Mining Private Limited	3,180,000	3,180,000	31.80	31.80	318	318
Gujarat State Mining and Resources Corporation Limited	24,500	24,500	49.00	49.00	2	2
<u>Others</u>						
India Bulls CSEB Bhaiyathan Power Ltd.	74	74			-	-
Total					441	439

	As at 31.03.13 (₹ in Lacs)	As at 31.03.12 (₹ in Lacs)		As at 31.03.13 (₹ in Lacs)	As at 31.03.12 (₹ in Lacs)
15. LONG TERM LOANS AND ADVANCES			16. INVENTORIES		
a) Capital Advances			a) Raw Materials & components	6,026	9,678
Secured, considered good	-	224	(Valued at weighted average cost)		
Unsecured, considered good	292	2,735	Goods-in transit	218	831
	292	2,959	Total (a)	6,244	10,509
b) Security Deposits			b) Work-in-progress	6,690	7,273
Secured, considered good	-	-	(Valued at cost)		
Unsecured, considered good	942	882	c) Finished goods	18,524	19,624
	942	882	(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	1,235	1,778
Secured, considered good	-	-	(Valued at weighted average cost)		
Unsecured, considered good	51	43	e) Others	-	-
	51	43	Total (a+b+c+d+e)	32,693	39,184
Total (a+b+c)	1,285	3,884			

	As at 31.03.13 (₹ in Lacs)	As at 31.03.12 (₹ in Lacs)	Notes forming part of Consolidated Statement of Profit and Loss for the year ended 31 st March 2013	
17. TRADE RECEIVABLES				For the year ended 31.03.13 31.03.12 (₹ in Lacs)
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	14,635	14,089		
Unsecured-considered doubtful	-	-		
Less: Provision for doubtful debts	-	-		
Total (a)	14,635	14,089		
b) Trade receivables outstanding for a period exceeding six months from the date they are due for payment				
Secured-considered good	-	-		
Unsecured-considered good	927	871		
Unsecured-considered doubtful	-	-		
Less: Provision for doubtful debts	-	-		
Total (b)	927	871		
Total (a+b)	15,562	14,960		
18. CASH AND BANK BALANCES				
a) Cash and Cash Equivalents				
i. Cash on hand	10	7		
ii. Balances in Current Accounts	1,074	1,524		
Total (a)	1,084	1,531		
b) Other Bank Balances				
i. Margin Money Deposit against LC & BG	4,381	3,934		
ii. On Dividend A/c - Unclaimed	111	112		
Total (b)	4,492	4,046		
Total (a+b)	5,576	5,577		
19. SHORT-TERM LOANS AND ADVANCES				
Trade Advances - Vendors	10,058	7,587		
Advances to Employees	24	41		
Prepaid Expenses	50	87		
Balances with Statutory / Government Authorities				
- Excise Duty	632	907		
- Sales Tax (VAT)	-	-		
- Income Tax	1,688	1,801		
- Claims Receivable	828	933		
Total	13,280	11,356		
20. OTHER CURRENT ASSETS				
a) Accruals - Interest accrued on Deposits	117	119		
b) Others				
i. Export incentives Receivable	23	322		
ii. Railway Claims	4	-		
Total (a+b)	144	441		
			21. REVENUE FROM OPERATIONS	
			Sale of Manufactured Goods	173,639 177,184
			Sale of Others	- 24
			Duty Drawback and Export Incentives	463 678
				174,102 177,886
			Less: Excise duty	17,171 16,068
			Total	156,931 161,818
			22. OTHER INCOME	
			Interest Income (in case of a company other than a finance company)	470 269
			Net gain / (loss) on sale of investments	- -
			Other non-operating income (net of expenses directly attributable to such income)	312 259
			Total	782 528
			23.a) Cost of Raw Material and Components Consumed	
			Inventory at the beginning of the year	12,286 10,877
			Add: Purchases	89,579 112,675
			Less: Inventory at the end of the year	7,479 12,286
			Total Raw Material Consumption (a)	94,386 111,266
			23.b) Other Manufacturing Expenses	
			Consumption of Fuel	5,967 5,243
			Consumption of Power (Net of Captive consumption)	8,985 8,856
			Sales Tax (Net of Incentive under Mega Project)	5,742 6,264
			Frieght & Forwarding	7,778 6,556
			Other Works Overhead	6,209 6,041
			Total Other manufacturing Expenses (b)	34,681 32,960
			Total Expenses (a + b)	129,067 144,226

	For the year ended		For the year ended	
	31.03.13	31.03.12	31.03.13	31.03.12
	(₹ in Lacs)		(₹ in Lacs)	
Details of Raw Material & Components Consumed				
Iron Ore & Iron Ore Fines	31,152	38,606		
Coal & Coal Fines #	3,206	5,103		
Coke	24,462	27,875		
Sponge Iron	-	1,273		
Scrap & HBI	2,801	642		
Ferro Alloys	16,317	18,798		
Fluxes, Minerals & Additives	6,608	7,232		
Electrodes	1,478	1,799		
Others	8,362	9,938		
Total	94,386	111,266		
Details of Inventory				
Raw Material & Components				
Iron Ore & Iron Ore Fines	505	3,508		
Coal & Coal Fines	2,984	2,408		
Coke	538	1,413		
Scrap & HBI	32	151		
Ferro Alloys	1,307	1,278		
Fluxes, Minerals & Additives	272	352		
Electrodes	153	205		
Goods in Transit	218	830		
Others	1,470	2,141		
Total	7,479	12,286		
24. (Increase) / Decrease in Inventories (@)				
At the end of the year				
Finished goods	18,524	19,624		
Work-in-progress	6,690	7,273		
Total	25,214	26,897		
At the beginning of the year				
Finished goods	19,624	14,891		
Work-in-progress	7,273	4,136		
Total	26,897	19,027		
Net (increase) / decrease	1,683	(7,870)		
25. Employee Benefit Expenses (\$)				
Salaries, Wages and Bonus	6,497	6,042		
Contribution to Provident and other Funds	634	567		
Staff Welfare Expenses	455	555		
Total	7,586	7,164		
26. Finance Cost				
Interest Expense	7,242	4,059		
Other borrowing costs	1,099	1,496		
Applicable net gain / (loss) on foreign currency transactions and translation	(108)	(250)		
Total	8,233	5,305		
27. Other Expenses				
27.1 Administration & Selling Expenses				
Travelling Expenses	311	354		
Insurance Charges	222	211		
Rent, Rates and Taxes	298	240		
Repairs and Maintenance	65	108		
Printing and Stationary	26	28		
Postage and Telephones	82	78		
Admin Expenses	373	419		
Legal and Professional Expenses	309	317		
Payment to Auditors (Refer Details below)	14	13		
Commission	84	69		
Discounts	4,851	4,215		
Other Selling Overheads	114	210		
Unamortised prior period expenses	-	4		
Total	6,749	6,266		
27.2 Payment to Auditors				
Audit Fees	11	10		
Audit Fees - Others	-	-		
Out of Pocket Expenses	2	2		
Cost Audit Fees	1	1		
Total	14	13		

Net of consumption of Coal from Captive Mines.

@ During the current year, the Company has treated the Coal from Captive Coal Mine as semi finished goods hitherto accounted as raw material. Accordingly the figures have been regrouped wherever necessary.

\$ Employee benefits includes Directors remuneration. As there are no profits during the Financial year, the remuneration payable to managerial personnel is governed by Schedule XIII to the Companies Act, 1956. However, the Company is seeking approval of Central Government for waiver of excess remuneration paid during the year.

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

(₹ in Lacs)

Particulars	For the year Ended	
	31.03.2013	31.03.2012
i. Contingent liabilities		
a) Unexpired Letter of Credit	10,801	6,740
b) Guarantees issued by Company's Bankers on behalf of the Company	3,960	3,934
c) Bonds / Undertakings given by the Company under Duty Exemption Scheme to the Custom Authorities	2,598	2,782
d) Bills Discounted	6,400	3,367
e) Excise Duty & Custom Duty against which Company has preferred an Appeal	100	100
f) Income Tax Liability - Disputed but paid	1,074	1,324
g) Income Tax Liability - Disputed but not paid	739	-
ii. Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for :- Tangible Assets	507	3,765

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 2013 due for a period of more than 45 days, accordingly, no interest was paid/is payable in terms of the said Act during the year under review.

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 2013	Maximum balance Outstanding during the year
Sunflag Power Limited	Subsidiary	933 (915)	933 (915)
Khappa Coal Company Private Limited	Subsidiary	737 (737)	737 (737)
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	
	31.03.13	31.03.12
27.6 Value of imports calculated on CIF basis :	(₹ in Lacs)	
Raw Materials	7,904	9,360
Spare Parts & Components	336	507
Capital goods	132	1,710

27.7 Expenditure in foreign currency :

Technical Services	138	277
Subscription & Membership Fees	2	9
Foreign Travelling	40	36
Other matters	47	48

27.8 Earnings in foreign exchange :

Export of goods calculated on FOB basis	10,854	13,559
---	--------	--------

27.9 Details of consumption of imported and indigenous items

	(₹ in Lacs)	%
Imported		
Raw Materials	8,602 (8,669)	9.11 (7.79)
Components & Spare Parts	215 (634)	0.23 (0.57)
Total	8,817 (9,303)	9.34 (8.36)
Indigenous		
Raw Materials	84,380 (101,134)	89.40 (90.89)
Components & Spare Parts	1,189 (829)	1.26 (0.75)
Total	85,569 (101,963)	90.66 (91.64)

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

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

Particulars	For the year ended	
	31.03.2013	31.03.2012
Amount of dividend remitted in foreign currency	NIL	\$ 666533.01
Total number of non-resident shareholder (to whom the dividend was remitted in foreign currency)	NA	1
Total number of shares held by them on which dividend was due	NA	65253582
Year to which the dividend relates	NA	2010-2011

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	
	31.03.2013	31.03.2012
Units consumed (kWh'000)	143,679	105,651
Value (₹ in Lacs)	10,140	9,324

27.12 Employee benefit plans

There are no additional charges which are required to be paid and/or charged to Statement of Profit and Loss in view of the mandatory applicability of the revised Accounting Standard on Employee Benefits (AS 15 Revised) to the Company, effective 1st January 2007.

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	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Statement showing changes in Present Value of obligation :						
Present value of obligations at the beginning of the year	927	822	3,609	3,003	1,610	1,390
Interest Cost	91	81	306	256	141	121
Current Service Cost	82	77	719	679	201	179
Benefits paid	(71)	(54)	(614)	(329)	(174)	(80)
Actuarial Loss on Obligations	-	1	-	-	-	-
Present value of obligations as at the end of the year	1,029	927	4,020	3,609	1,778	1,610
Table showing changes in the fair value of plan assets :						
Fair value of Plan Assets at the beginning of year	927	822	3,609	3,003	1,610	1,390
Expected return on Plan Assets	91	81	306	256	141	128
Contributions	92	95	719	679	201	172
Benefits paid	(71)	(54)	(614)	(329)	(174)	(80)
Actuarial Gain / (Loss) on Plan Assets	-	-	-	-	-	-
Fair value of Plan Assets at the end of the year	1,039	945	4,020	3,609	1,778	1,610
Funded Status	(10)	(18)	-	-	-	-
Excess of Actual over estimated return on Plan Assets						

Particulars	(₹ in Lacs)					
	Gratuity		Provident Fund		Superannuation	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Actuarial Gain / (Loss) recognised :						
Actuarial Gain / (Loss) for the year - Obligation	-	1	-	-	-	-
Actuarial Gain / (Loss) for the year - Plan Assets	(10)	(18)	-	-	-	-
Total Loss for the year	-	-	-	-	-	-
Actuarial Gain / (Loss) recognised in the year	(10)	(17)	-	-	-	-
Amounts to be recognised in the Balance Sheet :						
Present value of obligations as at the end of the year	1,029	927	4,020	3,609	1,778	1,610
Fair value of Plan Assets as at the end of the year	1,039	945	4,020	3,609	1,778	1,610
Funded Status	(10)	(18)	-	-	-	-
Net Asset / (Liability) Recognised in the Balance Sheet	(10)	(18)	-	-	-	-
Expenses Recognised in the statement of Profit and Loss Account :						
Current Service Cost	82	77	306	256	-	-
Interest Cost	-	-	-	-	-	-
Expected Return on Plan Assets	-	-	306	256	-	-
Net Actuarial (Gain) / Loss Recognised in the Statement of Profit & Loss	(10)	(17)	-	-	-	-
Expenses Recognised in Statement of Profit & Loss	92	95	-	-	-	-
Actuarial Assumptions :						
Discount Rate	9.40%	9.30%	8.50%	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	
		31.03.13	31.03.12	31.03.13	31.03.12
Associate Enterprises					
Haryana Televisions Limited	Rent	32	30	28	28
Ridge Farm Developers (P) Limited	Rent	13	13	10	10
	Expenses	7	4	-	-
Key Managerial Personnel					
Mr. P.B. Bhardwaj	Commission	-	31	-	-
Mr. Ravi Bhushan Bhardwaj	Remuneration & Commission	112	150	-	-
Mr. Pranav Bhardwaj					
Mr. Surendra Kumar Gupta	Remuneration	69	61	-	-
Relative to Key Managerial Personnel					
Mr. Suhrit Bhardwaj	Rent Paid	13	-	-	-
	Refundable Security Deposit	10	-	10	-
Joint Ventures					
Madanpur (North) Coal Company Private Limited	Share Capital	-	4	-	-
	Share Application Money	-	2	-	2
Gujarat State Mining and Resources Corporation Limited	Interest Free Unsecured Loan	-	1	2	2
Total				50	42

28. EARNINGS PER SHARE

Basic Earnings per Share	Year Ended	
	31.03.2013	31.03.2012
Profit / (Loss) after Tax (₹ in Lacs)	(1,250)	1,933
Number of Equity Shares (Outstanding at the end of the year)	162,197,503	162,197,503
Basic Earnings ₹ per Share	(0.77)	1.19

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 31.03.2013					
		Assets	Liabilities	Income	Expenditure	Contingent liabilities	Capital commitments
Madanpur (North) Coal Company Private Limited	11.73 (11.73)	122 (121)	122 (121)	-- --	-- --	389 (389)	-- --
C T Mining Private Limited	31.80 (31.80)	326 (355)	326 (355)	-- --	-- --	489 (489)	-- --
Gujarat State Mining and Resources Corporation Limited	49.00 (49.00)	4 (1)	4 (1)	-- --	(4) --	-- --	-- --

Note: Figures in brackets relate to 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 were NIL for both the years are omitted in presentation.

PROXY FORM

If Shares held in demat Mode

DPID	
CLID	
No. of Shares	

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 Twenty-seventh (27th) Annual General Meeting of the
 Company to be held on Wednesday, the 25th September 2013 at 3.00 p.m. and at any adjournment thereof.

Signed this day of..... 2013.

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

Twenty-seventh (27th) Annual General Meeting held on Wednesday, the 25th September 2013 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 27th Annual General Meeting of the Company held at Indian Medical Association's
 J.R. Shaw Auditorium, North Ambazari Road, Nagpur - 440010 on Wednesday, the 25th September 2013 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

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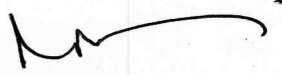
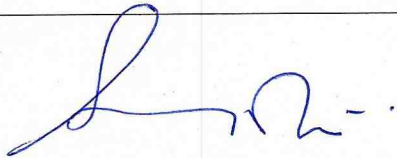


SUNFLAG IRON AND STEEL COMPANY LIMITED

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☎ +91 022 66140900 / 23823151

**Covering Letter of the Annual Audit Report to be filed with Stock Exchange/s
(Pursuant to amended Clause 31 of the Listing Agreement)**

FORM A

1	Name of the Company	Sunflag Iron and Steel Company Limited
2	Annual financial Statements for the year ended	31st March 2013
3	Type of Audit Observation	Un-qualified
4	Frequency of Observation	Not applicable
5	Name & Designations of Officials	Signatures
	Mr Ravi Bhushan Bhardwaj Vice Chairman & Managing Director	
	Mr Surendra Kumar Gupta Director & CEO	
	CA R. Muralidhar Executive Director (Finance)	
	CA Jayant I Mehta, Statutory Auditor Patel, Shah & Joshi, Chartered Accountants, Mumbai	
	Dr. E.R.C. Shekar Chairman – Audit Committee of Board	