



Facor Steels Limited

10th Annual Report

CORPORATE INFORMATION**Board of Directors**

Narayandas Saraf
Chairman

M.D. Saraf
Vice Chairman & Managing Director

Vinod Saraf
Managing Director

Anurag Saraf

A.S. Kapre

M.B. Thaker

Arye Berest

Mohandas S. Adige

Rajkamal Rao

Amit G. Pandey
General Manager (Legal) &
Company Secretary

Executives

C. V. Raghavan
Chief Finance Officer

S.C. Parija
Executive Vice-President

Bankers

Bank of India
Central Bank of India
State Bank of India
Syndicate Bank
State Bank of Bikaner & Jaipur
Indian Overseas Bank

Solicitors

Mulla & Mulla and Craige Blunt & Caroe

Auditors

Salve & Co.
Chartered Accountants

Internal Auditor

M. M. Jain & Associates
Chartered Accountants

Cost Auditors

S.K. Phatak & Co.
Cost Accountants

Registrar & Share Transfer Agent
(for Both Physical & Electronic)

Link Intime India Pvt. Ltd.

C-13 Pannalal Silk Mills
Compound, LBS Marg, Bhandup (W),
MUMBAI – 400 078
Phone No. 022-2596 3838
Fax No. 022-2594 6969
E-mail: mumbai@linkintime.co.in

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NOTICE TO MEMBERS

Notice is hereby given that the TENTH ANNUAL GENERAL MEETING of the Members of the Company will be held at the Registered Office of the Company at 46 A & B, MIDC, Industrial Estate, Hingna Road, Nagpur- 440 028 on Wednesday the 10th of July, 2013 at 12.30 P.M to transact, with or without modification as may be permissible, the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2013 and Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in the place of Mr. Anurag Saraf, who retires from Office by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr. M. B. Thaker, who retires from office by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr. A. S. Kapre, who retires from office by rotation and, being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass the following resolution which will be proposed as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, Messrs Salve And Company, Chartered Accountants, (Regn. No. 109003W) the retiring Auditors of the Company, be and they are hereby re-appointed Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration plus service tax as applicable and reimbursement of expenses incurred by them incidental to their functions as the Board of Directors may fix in that behalf in consultation with the said Auditors."

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass, with or without modification (s), the following resolution as a **Special Resolution**:
"RESOLVED THAT pursuant to Section 23 and other applicable provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA), the applicable provisions of the Companies Act, 1956 and such other laws, rules, regulations, guidelines or notifications as may be applicable, if any, and subject to approval of audited annual accounts for the financial year 2012-13 by the members of the Company in this Annual General Meeting, the report of the Board of Directors of the Company explaining the reasons of erosion of more than 50% of the peak net worth of

the Company as per the audited financial results of the Company for the year ended 31st March, 2013 be and is hereby considered and approved.

FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to inform and report as potentially sick industrial company to the Board for Industrial and Financial Reconstruction (BIFR) and such other State and Central Government Authorities as may be required under the laws, rules, regulations, guidelines and directives for the time being in force in India in the prescribed form(s) and to intimate such other authorities, entities, financial institutions, stock exchange, body corporate, association of person as may be necessary in terms of the agreements, security documents, undertakings, declarations and memorandum of understanding entered into by the Company and to further execute and file plaint(s), documents, undertaking, declarations etc, as may be required (including making amendments thereto, if required).

FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to delegate all or any of the power herein conferred by this resolution to any Director(s) or to any committee of Directors or to any Officer(s) of the Company to give effect to this resolution."

NOTES:

1. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Item No. 6 of the Notice set out above is annexed hereto.
2. Report of the Board of Directors on erosion of net worth of the Company and causes thereof is annexed with the Explanatory Statement and is forming part of this notice.
3. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 6th July, 2013 to Wednesday, 10th July, 2013 (both days inclusive).
5. Members are requested to notify immediately any change in their address/bank mandate to their respective Depository Participants (DPs) in respect of their electronic share accounts and to the Registrar and Share Transfer Agent of the Company viz., Link Intime India Private Limited, (Unit: FACOR Steels Limited) C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup(W), Mumbai-400 078, Maharashtra in respect of their physical share holding, if any. While intimating change of address to Depositories and Registrar and Share Transfer Agents please indicate your client ID No./Folio No., as may be applicable. The address should be complete with Pin Code No.

6. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company are requested to submit Form No. 2B duly filled in and signed to the above Registrar & Transfer Agents. The Form can be had from the Secretarial Department at the Registered Office of the Company at 46 A&B, MIDC Industrial Estate, Hingna Road, Nagpur – 440 028
7. Shareholders intending to require information about accounts and operations of the company, to be explained at the meeting, are requested to furnish the queries to the Company Secretary at least 10(ten) days in advance of the Annual General Meeting so that the same could be complied in time.
8. As required by the Listing Agreement with the Stock Exchange, the relevant details in respect of the Directors proposed to be appointed/re-appointed are set out in the Report on Corporate Governance forming part of the Annual Report.
9. The Company's securities are admitted in the National Securities Depository Ltd. and Central Depository Services Ltd. and the ISIN No., allotted to the Company by them in respect of Equity Shares is INE 829G01011.
10. Non-resident Indian Members are requested to inform the Registrar and Transfer Agents of the Company their Depository particulars about:
 - a) The change in their residential status on return to India for permanent settlement.
 - b) The details of the bank account in India with complete name, branch, account type, account no. and address of the bank.
11. Securities and Exchange Board of India (SEBI) has made it mandatory for submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company/ Registrars and Transfer Agents quoting reference of their folio no.
13. Members who hold shares in physical form in multiple folios in identical names or joint names in the same order of names are requested to send the share certificates to the Registrar and Transfer Agent of the Company for consolidation into a single folio.
14. The Ministry of Corporate Affairs (MCA) has vide its circular nos.17/2011 and 18/2011 dated 21st April, 2011 and 29th April, 2011 respectively, undertaken a "Green Initiative in Corporate Governance" and allowed companies to share documents with its shareholders through an electronic mode. Members are requested to support this green initiative by registering/ updating their email addresses, in respect of shares held in dematerialized form with their respective Depository Participants and in respect of shares held in physical form with Registrar and Transfer Agent of the Company i.e. Link Intime India Private Limited.

Registered Office:
46 A & B, MIDC, Industrial Estate,
Hingna Road,
Nagpur – 440028

By ORDER OF THE BOARD

Amit Pandey

**General Manager (Legal) &
 Company Secretary**

Dated: 29th May, 2013
ANNEXURE TO THE NOTICE

Explanatory Statement as required by Section 173 of the Companies Act, 1956:

Item No. 6

The losses posted by your company in the current year have resulted in accumulated losses exceeding 50% of the net worth of your company for the first time. Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 provides that if the accumulated losses of an industrial company, as at the end of any financial year, have resulted in erosion of 50% or more of its peak net worth during the immediately preceding four financial years, that Company falls under the category of potentially sick industrial company and therefore the fact is required to be reported to Board of Industrial and Financial Restructuring (BIFR) within a period of 60 days from the date of finalization of the duly audited accounts, which is the date of this Annual General Meeting

As per the Audited Account of the Company for the year ended 31st

March, 2013 finalized and approved by the Board on 29th May, 2013 and which are subject to approval of shareholders on 10th July, 2013, the accumulated losses of the Company as at 31st March, 2013 amounting to ₹ 4747.81 lacs has resulted in erosion of more than 50% of its peak net worth of ₹ 5343.24 lacs of present year as well as during the immediately preceding four financial year. The peak net worth of the company for present as well as proceeding four financial years is as follows:

Financial Year	Net Worth (₹ in lacs)
2008-09	2065.24
2009-10	2065.24
2010-11	3565.24
2011-12	4565.24
2012-13	5343.24

In terms of the provisions of section 23 a report on such erosion and its causes is required to be submitted before the shareholders for their consideration and approval. The said report is annexed herewith and is forming part of this notice and explanatory statement.

In view of the above, your directors recommend approval of the shareholders by a special resolution.

None of the directors are interested in the above resolution.

Registered Office:
46 A & B, MIDC, Industrial Estate,
Hingna Road
Nagpur – 440028

By ORDER OF THE BOARD

Amit Pandey
General Manager (Legal) &
Company Secretary

Dated: 29th May, 2013

REPORT ON EROSION OF NET WORTH, CAUSES THEREOF AND ACTION TAKEN BY THE COMPANY IN TERMS OF SECTION 23 OF SICK INDUSTRIAL COMPANIES (SPECIAL PROVISION) ACT, 1985.

In terms of requirements of Section 23 and other applicable provisions of the Sick Industrial Companies (Special Provisions) Act, 1985, (SICA) a report of Board of Directors of the Company on erosion of more than 50% of the peak net worth of the company during the present and preceding four financial years along with causes and revival plan is being submitted herewith.

Under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985, Net Worth of the Company for present as well as preceding four financial years is as follows:

(Amount in Rupees)

Financial Year/ Net Worth Components	2012-13	2011-12	2010-11	2009-10	2008-09
Paid up Capital	534323679	456523679	356523679	206523679	206523679
Free Reserves					
General Reserve	–	–	–	–	–
Securities Premium A/c	–	–	–	–	–
Profit & Loss A/c	–	–	–	–	–
Total	534323679	456523679	356523679	206523679	206523679
Amount in Lacs	5343.24	4565.24	3565.24	2065.24	2065.24

Accumulated losses for the year ended 31.03.2013 (Relevant financial year) are ₹ 4747.81 lacs

Peak Net Worth as per above is ₹ 5343.24 lacs

Accumulated losses as percentage of peak net worth: 88.86%

As presented above as per the audited accounts of the Company for the year ended 31.03.2013, the accumulated losses of the Company as at 31.03.2013 amounting to ₹ 4747.81 lacs have resulted in erosion of more than fifty percent of its peak net worth of ₹ 5343.24 lacs for the present as well as immediately preceding four financial year. The erosion of net worth beyond 50% has happened for the first time during the present financial year and thus under the provisions of SICA the Company is a potentially sick industrial Company.

CAUSES OF EROSION OF NET WORTH OF THE COMPANY:

- The commercial vehicle / automobile sector was one of the main clients of the Company. The increased interest rate affected the sales and the sector started looking for various sops and incentives from the Government to keep the momentum of production and sales. The recession in these sectors led to lower off take in the domestic segment. As a result domestic sales of alloy steel were affected resulting into underutilization of the production capacity of the company.
- Competition increased from large players with forward integration and own power plant, production through blast furnace. These players with economy of scale were able to sale their product at lower prices affecting Electric Arc Furnace producers like your company. With the gradual decline in demand for alloys steel due to slowdown in commercial vehicle segment, large players in order to utilize their capacity reduced their prices further making it unviable for small companies to compete in general alloy steel grades.
- In anticipation of the stiff competition from large manufacturers of alloys steel, your company had envisaged forward integration into Forged round bars business and accordingly commissioned 2000MT open die forging press in the year 2009 with an installed capacity of 12000MT per month. The press capacity till date could not be completely utilized due to various external and internal reasons. There was sudden drop

in the demand initially when the press was commissioned due to global meltdown and further many products relating to forging needed prior inspection and certification/ approvals from the end users especially oil and gas industry, this took longer period of time than anticipated by the company. As a result the forged unit could operate only at around 23% of its installed capacity making the operations of the unit very expensive.

- The power tariff in the state of Maharashtra is amongst the highest in the country. Over the last few years there has been significant and sudden increase in the power tariff in the state of Maharashtra, which has adversely affected the cost of production of your company making it difficult for the company to compete with steel manufacturers who enjoy lower power tariff rates in other states.
- The product profile of the Company had to undergo change as a result of above factors and company concentrated more towards heat treated and bright bar products for better margins. Such products required proper heat treatment facilities and quality assurances. However, the company did not have certain balancing equipment required to get the process completed in house. This resulted in extension of product cycle as it tried to outsource the intermediate process through outside vendors. The increased product cycle led to blocking of working capital and increased cost of production.
- Working capital requirement increased with increase in input cost whereas there was no equivalent increase in Steel prices. The stiff competition coupled with sluggish economic conditions has had adverse impact on the working of the company, which has resulted in company posting negative bottom lines.
- Export of steel products to certain countries got affected due to imposition of anti dumping duty. Further continued recession in Europe and America post 2008 global meltdown made it difficult to increase exports sales.

STEPS TAKEN/PROPOSED TO BE TAKEN BY THE COMPANY MANAGEMENT:

- In order to strengthen its financial position, the Company has got its debts restructured with the Financial Institutions and banks under Corporate Debt Restructuring (CDR) mechanism in March, 2013 comprising of repayment reschedule, reduction/ adjustment in interest rates, creation of additional security and pledge of 100% promoter's shareholding in favour of the Lenders. The restructuring of debt has enabled the company to significantly enhance its liquidity position enabling the company to take proper care of its financial needs and take full advantage of opportunities that company previously could not take due to distress financial conditions. Further provision for funds required

towards certain capital expenditures required for the company like installation of balancing equipments and pollution control equipments has also been duly covered in the CDR sanctioned scheme and this will benefit the company's operations in future.

- The development of new products continues to remain a major thrust for the company for critical end applications and import substitution which gives higher realization. More focus and attention will be given towards product development to firmly establish company's presence in the aforesaid sector.
- The Company has received approvals from renowned companies like Schlumberger, Siemens etc. for its forged products. With the acceptance of products by the industry; the unit is expected to achieve improved capacity utilization in future.
- The Company anticipating the increase in power costs had tied up with Wardha Power Company Limited (WPCL) for captive power purchase at ₹ 2.75 per unit in 2008. Unfortunately due to non allocation of coal mines by Government of India, the project commenced operations after considerable delay on March, 2012 with purchase of coal from open market. Your company has renegotiated the power arrangement with WPCL to meet partial power requirement at a discounted rate of 14% over the MSEDCL tariff rate to safeguards its margins in future.
- The company had taken steps to reduce its cash losses by closing down its operations where the fixed costs were high and capacity utilization lower. The plant was under Lockout for a period of around five months commencing from 7th January, 2013. The unit was shut down in phases after completing the orders on hand. The last unit was shut down on 16th February, 2013. With the restructuring of its Debt under CDR steps have been taken by the company to restructure its internal manpower strength to optimize cost along with the production expected to be undertaken by company on resuming its operations. Internal procedures and process are further strengthened and operations streamlined to derive maximum benefit and rationalize the cost of production by the company. Excess employees both from the staff and workers category have been relived from service by offering them compensation under the Employee Separation Scheme (ESS). With the total restructuring of its financial and operational requirements, your company's overheads have been significantly reduced and its products have become further competitive giving your company an opportunity to make better capacity utilization of its facilities in future.

For and on behalf of the Board,

Place : Nagpur

M. D. Saraf

Dated : 29th May, 2013 Vice-Chairman & Managing Director

DIRECTORS' REPORT TO THE MEMBERS

The Directors submit the **TENTH ANNUAL REPORT** on the business and operations of the Company and the Audited Statements of Accounts for the year ended 31st March, 2013.

FINANCIAL RESULTS:

	For the year ended 31.3.2013 (₹ in lacs)	For the Previous year ended 31.3.2012 (₹ in lacs)
Gross Profit / (Loss)	(2395.74)	(348.16)
Depreciation / Amortization	548.56	543.42
Adjustments relating to earlier years	22.16	(25.26)
	<u>(2966.46)</u>	<u>(866.32)</u>
Provision /(Credit) for MAT/FBT/DEF.TAX / WT	(465.60)	0.18
Profit/(Loss) after tax for the year	<u>(2500.86)</u>	<u>(866.50)</u>

OVERALL PERFORMANCE:

The year 2012-2013 did not see any substantial increase in demand of special alloy steel and remained absolutely flat as compared to 2011-12 but at the same time, there was decreasing trend in the production levels as compared to 2011-12. This was mainly due to availability of steel at cheaper prices as a result of cut throat competition from Blast Furnace route producers and also others with backward integration facilities like sponge iron and captive power units. The automobile industry continues to reel under low demand due to higher interest cost and increase in fuel prices. The relief automobile industry expected from Government of India also did not materialize and as such there was very subdued demand for all type of vehicles during the year 2012-13 resulting in lower demand.

On the production level, the production of Steel Melting Shop decreased by around 7000 MT as compared to 2011-12 and Rolling Mill Shop production was almost down by 14000 MT during the current financial year compared to the previous year. The conversion of outside parties also dropped drastically since competitors' steel plants were lying idle and they did not have semi-finished products for doing conversion at our end. Further since Capital equipment industry was also affected badly, there was a considerable drop in production of Forge Shop by about 1500 MT in 2012-13 compared to 2011-12. The already deteriorating situation became more precarious in the 3rd quarter of 2012-13 paving way for mounting losses and Company was forced to look at continuation of operations.

On the sales front, there was a decrease of 18% in sales turnover on indigenous sales compared to previous year and decrease of 60% in forged product sales. In spite of domestic sales downward trend, the company could maintain the export turnover similar to that of previous year, thereby minimizing the losses to certain extent.

Your company witnessed rare occasion in its lifetime when all the workers and staff of the company gave their full support to the management to declare lockout for closing down the production activities in the absence of adequate productions orders with a noble intent to save the losses that the company would suffer by keeping

its operations continued. The Company declared consented lock out with Workers Union beginning from 7th January, 2013 in a phased manner to curtail future losses. Due to Depressed market conditions coupled with lower production levels, the company has posted a loss of ₹ 25.01 Crores during the year 2012-13.

The Management on its part filed an application with CDR Cell, Mumbai for Corporate Debt Restructuring after preparing a road map where it is envisaged that company shall now concentrate on forged products in Oil & Gas, Nuclear Power equipments and Power sector in addition to increasing the export performance from present level of 400 MT per month to 1400 MT per month during the next two years. The Company is pleased to inform that CDR package has been approved by the Consortium Bankers and various requirements are being complied with to restart the Plant at the earliest.

DIVIDEND:

In the absence of profit, your directors are unable to declare any dividend for the year 2012-2013.

CORPORATE DEBT RESTRUCTURING:

Your company had made a reference to the Corporate Debt Restructuring (CDR) cell constituted by Reserve Bank of India for restructuring of its financial debt. The CDR Cell positively considered the request of the company and has approved the debt restructuring proposal given by the Company. For the purpose of implementation of the approved package as also to comply with the post-implementation requirements, Bank of India the lead consortium bank of the company has been appointed as Monitoring Institution (MI) by the CDR Cell. To facilitate the process of monitoring of progress of sanction and implementation of the approved package by respective lenders and to revive the performance of the Company/ restructuring package on a continuous basis, a Monitoring Committee (MC), comprising of representatives of Bank of India, Central Bank of India and State Bank of Bikaner and Jaipur has also been constituted.

FUTURE PROSPECTS:

With the restructuring of its debt and implementation of the revival package approved by the CDR Cell your company believes that it will gradually be able to revive its operations towards profitability. Your company has been extremely fortunate to have full support of its employees during the lock-out period and all efforts are being made to garner support from the customers of the company as well when the operations of the company are revived. Although, huge efforts would be required towards regaining the confidence of the customers once the operations are restarted, your company is hopeful and confident that the same would be done over a period of time based on continued and sustained quality supply of material coupled with prompt and efficient customer service.

Looking into stiff competition from the blast furnace manufacturers and overall slowdown in the automobile sector, production of general grades

of alloy steel, which was done earlier, has become unviable for the company and as a result your company has decided to give major thrust towards export of niche products and manufacture of specialty steel which is currently being imported in the country. More focus will also be given towards products which can give faster realization in terms of money and reduced the inventory carrying cost. Further, the company also plans to stage wise increase the production of its forged round bars and diversify into special shapes and sizes of forged products as per the requirement of the customers. With the combined strategy of increasing exports, catering to domestic market in niche segment to substitute imports and increasing sales of forged products in the open die segment, your company hopes to achieve better results in future.

REPORTING TO BOARD OF INDUSTRIAL AND FINANCIAL RESTRUCTURING (BIFR):

As per the Audited Accounts of the Company for the year ended 31st March, 2013, the accumulated losses of the Company as at the end of the said period amounting to ₹4747.81 lacs have resulted in erosion of more than 50% of its peak net worth of ₹ 5343.24 lacs during the present year as well as immediate preceding four financial years.

In terms of Section 23 of the Sick Industrial Companies (Special Provision) Act, 1985, the Company falls under the category of potentially sick industrial company and therefore the fact is required to be reported to Board of industrial and Financial Restructuring (BIFR) within 60 days from the date of finalization of the audited accounts. A report on causes of erosion of net worth and steps taken by the Company is forming part of the notice of AGM.

FINANCE:

The Company's financial requirements have been significantly restructured under the CDR package. The letter of credit (LC) devolved by the company have been converted into term loans repayable in yearly installments over period of 8 years and fresh term loans have been granted by the banks towards capital investment for procurement of balancing equipments and pollution control equipments required to be installed in its mini steel plant. Further, to accelerate revival of the operations of the company, lenders/ bankers have agreed under the CDR mechanism to grant working capital limits to the company at reduced interest rates than the prevailing bank rates. The promoters of the Company, to avoid complete erosion of net worth, granted their consent for conversion of Inter Corporate Deposit (ICD) worth ₹ 7.78 crores into 5% Redeemable Cumulative Preference Shares, as a result of which the total paid up shares capital of the Company got increased from ₹ 45.65 crores to ₹ 53.43 crores during the last quarter of the financial year 2012-2013.

COST AUDITOR:

The Board of Directors on recommendation of the Audit Committee has appointed Mr. Shridhar K. Phatak, a Practicing Cost Accountant, as Cost

Auditor of the company for the financial year 2013-14 to carry out cost audit of the company's Mini Steel Plant situated at Nagpur. Necessary approval of the Central Government in respect of appointment of Mr. Shridhar K. Phatak as Cost Auditor of the Company has been received by the Company. As required under the provisions of Section 224(1B) read with Section 233 (B)(2) of the Companies Act, 1956, the Company has obtained written confirmation from Mr. Shridhar K. Phatak to the effect that he is eligible for appointment as Cost Auditor under Section 233B of the Companies Act, 1956. The Audit Committee has also received a certificate from the Cost Auditor certifying his independence and arm's length relationship with the Company. The report on Cost Audit for Financial Year ended 31st March, 2012 was filed on 24th January, 2013 and in respect of Financial Year ended 31st March, 2013 would be filed with Central Government before 30th September, 2013. Further, your Directors have appointed M/s S.K. Phatak & Co., Cost Accountants as Cost Auditors of the Company for Financial Year ended 31st March, 2014 as well subject to the approval of the Central Government.

INDUSTRIAL RELATIONS:

The Overall Industrial Relations in the Company during the entire financial year remained cordial. The company with the support of all its employees including workers and staff members was able to declare consensus lock-out w.e.f 7th January, 2013 in its mini steel plant for closing down the production activities of the company in phased manner due to absence of adequate productions orders and to avoid further losses. Support given by all employees for reducing the losses of the company, by keeping the plant closed, in the larger interest of the company shows the maturity and sense of ownership and affection each employee carries for the company and the Directors deeply acknowledges and appreciates the same.

DIRECTORS:

Mr. Anurag Saraf, Mr. M. B. Thaker and Mr. A. S. Kapre, Directors of the Company, retire by rotation at the ensuing Annual General Meeting, and being eligible offer themselves for re-appointment.

Mr. Anurag Saraf tendered his resignation from the Executive post of Joint Managing Director and his resignation was duly approved by the Board of Directors in their meeting held on 14th March, 2013. However, he continues to remain a Director on the Board of the Company. Mr. Vibhu Bakhru resigned from Directorship of the Company w.e.f. 9th April, 2013 consequent to he being appointed Hon'ble Judge of the Delhi High Court. The Board has placed on record its sincere appreciation of the services rendered by Mr. Vibhu Bakhru and Mr. Anurag Saraf during their tenure as Director and Joint Managing Director of the Company respectively.

The Company has formulated a Code of Conduct for all members of the Board and Senior Management Personnel. All concerned Board members / executives have affirmed compliance with the said Code.

ANNEXURE 'A' TO THE DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITY STATEMENT:

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

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures.
- ii) They have, in selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonably and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2013 and of the loss of the Company for the year ended on that date;
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) Annual accounts have been prepared on a going concern basis.

AUDITORS:

M/s Salve & Company, Chartered Accountants retire as Statutory Auditors of the Company at the ensuing Annual General Meeting and have given their consent for re-appointment as the Statutory Auditors of the Company for the year 2013-14. Pursuant to the provision of Section 224(1B) of the Companies Act, 1956, the Company has obtained written consent from the above auditors that their re-appointment if made, would be in conformity with the limits specified in the said section.

AUDITOR'S REPORT:

With reference to the comments made by the Auditor in his Report, the Directors wish to state that the relevant notes forming part of the Company's Accounts are self-explanatory and hence do not require any further explanation from the Board.

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

The statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed and marked Annexure 'A' which forms part of this Report.

PARTICULARS OF EMPLOYEES:

During the year under review there were no employees receiving remuneration of or in excess of ₹.60,00,000/- per annum or ₹.5,00,000/- per month requiring disclosure as per the provisions of Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975.

CORPORATE GOVERNANCE:

Pursuant to Clause 49 of the Listing agreement with the Stock Exchange, a Management Discussion and Analysis Report, Corporate Governance Report and Auditor's Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

ACKNOWLEDGEMENT AND APPRECIATION:

Your Directors wish to express their appreciation for the continued support and co-operation received from Central and State Government, Financial Institutions, Banks, Customers, Suppliers and the Shareholders of the Company. The Directors also appreciate the value and contributions made by every employee of the company in the operations of the company and deeply acknowledge the support and sacrifices made by the employees of the company during the lock-out period.

On behalf of Board of Directors,

M.D.Saraf
Vice-Chairman & Managing Director

Vinod Saraf
Managing Director

Nagpur
Dated: 29th May, 2013