

ANNUAL | **2012**
REPORT | **2013**

Growth through
sustainability

PRAKASH INDUSTRIES LIMITED

PRAKASH INDUSTRIES LIMITED

BOARD OF DIRECTORS

Shri V. P. Agarwal	Chairman
Shri Vikram Agarwal	Managing Director
Dr. S. L. Keswani	
Shri K. C. Mehra	
Dr. Ram K. Vepa	
Shri Manish Bahl	
Shri Piyoosh Goyal	
Shri M.L. Pareek	Whole - time Director
Shri Vipul Agarwal	Whole - time Director
Shri P.L. Gupta	Whole - time Director

COMPANY SECRETARY

Shri Manoj Aggarwal

STATUTORY AUDITORS

Chaturvedi & Partners
Chartered Accountants

BANKERS

Corporation Bank
Kotak Mahindra Bank

REGISTERED OFFICE

15 Km. Stone, Delhi Road,
Hissar-125044 (Haryana)

CORPORATE OFFICE

Sriwan Bijwasan, New Delhi-110 061

WORKS

Champa (Chhattisgarh)
Chotia (Chhattisgarh)
Raipur (Chhattisgarh)
Kashipur (Uttarakhand)
Koira, Distt. Koenjhar (Odisha)
Muppandal (Tamil Nadu)

WEBSITE

www.prakash.com

PRAKASH INDUSTRIES LIMITED

NOTICE

NOTICE is hereby given that the 32nd Annual General Meeting of the Members of Prakash Industries Limited will be held on Saturday, the 28th September, 2013 at 12.30 p.m. at the Registered Office of the Company at 15 Km. Stone, Delhi Road, Hissar-125044 to transact the following business: -

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2013 and Profit and Loss Account for the year ended on that date together with the Reports of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Dr. Ram K. Vepa, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Manish Bahl, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Vipul Agarwal, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors and fix their remuneration. The term of appointment of M/s Chaturvedi & Partners, Chartered Accountants (Registration No.307068E) expire at the conclusion of this general meeting and being eligible offer themselves for re-appointment to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting, on such remuneration as may be decided.

SPECIAL BUSINESS

7. To consider and, if thought fit, to pass with or without modification(s) the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to the provisions of Section 198, 267, 269, 309, 310, 311, 317 and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof, for the time being in force) and subject to the approval of shareholders and other appropriate authorities, if required, and conditions stipulated in schedule XIII of the said Act, remuneration of Shri Vikram Agarwal, Managing Director of the Company be revised as per following w.e.f. 1st April, 2013 for the remaining period of appointment viz. from 1st April, 2013 to 31st March, 2015 :-

1. Salary: ₹ 10,00,000/- p.m.
(in the grade of ₹ 10,00,000 - 2,00,000 - 12,00,000)
2. Perquisites: In addition to the aforesaid salary, the following perquisites would be allowed.

Category 'A'

- i) Medical Reimbursement : Expenses incurred for self and family subject to a ceiling of one month's salary in a year.

- ii) Leave Travel Concession : For self and family to and fro to any place in India once in a year subject to a ceiling of one month's salary.

Category 'B'

The following perquisites will not be included in the computation of the ceiling on remuneration as per Para 2 of Part II of Section II of Schedule XIII of the Companies Act, 1956.

- i) Company's contribution towards Provident Fund - As per rules of the Company but not exceeding 12% of the salary as laid down under the Income Tax Rules, 1962.
- ii) Gratuity - In accordance with the provisions of the Payment of Gratuity Act but shall not exceed half month's salary for each completed year of service.
- iii) Leave on full pay and allowances as per rules of the Company. Leave accumulated but not availed may be allowed to be encashed as per rules of the Company.

Category 'C'

- i) Free use of Company's Car with driver for Company's business.
- ii) Free mobile and telephone facility. Personal long distance calls shall be billed by the Company.

Provided that the total of all remunerations as mentioned above shall not exceed 5% of the net profit of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to accept any modification(s) in the terms and conditions of the remuneration in such manner as may be suggested by shareholders / authority and acceptable to Shri Vikram Agarwal.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary and desirable to give effect to this resolution."

By order of the Board
For Prakash Industries Limited

Registered Office:
15 Km. Stone,
Delhi Road,
Hissar – 125044 (Haryana)
Dated : 22nd May, 2013

Manoj Aggarwal
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies in order to be effective must be received by the Company at its Registered/Corporate Office not less than 48 hours before commencement of the meeting.
3. Members are requested to bring their attendance slip to the meeting along with their copy of Annual Report.
4. Register of Members and Share Transfer Books will remain closed from 24th September, 2013 to 28th September, 2013 (both days inclusive).
5. i) Members are requested to quote their folio, DP and client ID No. in all correspondence with the Company.
 ii) If there is any change in the postal address / email ID, members may update their new address or email ID with their respective DP in case of holding shares in demat form and if holding shares in physical form they should write to the Company.
 iii) Members holding shares in physical form and desirous of making nomination in respect of their shareholding in the Company may send Form 2B for the purpose which is available at the Corporate Office of the Company or may be downloaded from the Company's website www.prakash.com
 iv) The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities Market. Members holding shares in demat form are requested to update their PAN details with respective DPs and those holding shares in physical form may send self attested copy of PAN card to the Company.
6. Dividend
 As per rules regarding unpaid / unclaimed dividends prescribed by MCA; Company has already given the details of unpaid/ unclaimed dividend for the financial year 2010-11 on the website of Investor Education and Protection Fund (IEPF) viz. www.iepf.gov.in. Investors can also check their unpaid / unclaimed dividend details from the abovesaid website.
 Members who have not received / encashed their dividend warrants for the financial year 2010-11 and 2011-12 may please write to the Company for claiming the said dividends.
 The Securities and Exchange Board of India (SEBI) has recently mandated that dividend should be directly credited to the Bank accounts of the members. Hence, members holding shares in electronic form are requested to submit particulars of their bank account alongwith copy of cancelled cheque to their respective depositories (not to the Company) for payment of dividend.
 Members who are holding shares in physical form are requested to

submit particulars of their bank account alongwith copy of cancelled cheque to the Company's office at SRIVAN, Najafgarh - Bijwasan Road, Bijwasan, New Delhi- 110061.

Form for providing bank details is available on the Company's website www.prakash.com and also annexed with the Annual Report.

7. The Ministry of Corporate Affairs (MCA) has undertaken a "Green Initiative in Corporate Governance" and allowed Companies to send documents through electronic mode to its members. A recent amendment to the Listing Agreements with the Stock Exchanges permits Companies to send soft copies of the Annual Report and other notices to all those members who have registered their email ids for the said purpose. Members are requested to support this Green Initiative by registering /updating their email ids for receiving electronics communications. Members holding shares in electronic mode are requested to update their email ids with their respective DPs and those holding shares in physical mode are requested to update their email ids with the Company at SRIVAN, Najafgarh - Bijwasan Road, Bijwasan, New Delhi - 110061.
8. Information as required under Clause 49 IV(G) of the Listing Agreement with respect to the Directors who are retiring by rotation and being eligible seeking re-appointment is as under:
 - a) Information regarding Dr. Ram K. Vepa proposed for re-appointment as Director:
 Dr. Vepa retires by rotation at the Annual General Meeting and being eligible offers himself for re-appointment. He has been allotted Director Identification No.00054160.
 Dr. Vepa joined the Board of the Company in the year 1987. He is also a member of the Audit and Shareholders' / Investors' Grievances Committees of the Company.
 Dr. Vepa is a retired IAS officer having worked in various capacities in the State and Central Governments. He was serving as Commissioner of Industries in the Ministry of Industries, Government of India, New Delhi at the time of his retirement.
 Because of his vast experience, his re-appointment would be beneficial to the Company.
 Dr. Vepa is not holding Directorship in any other Company.
 As on 31st March, 2013, Dr. Vepa is holding 3281 equity shares of ₹ 10 each of Prakash Industries Ltd.
 - b) Information regarding Shri Manish Bahl proposed for re-appointment as Director:
 Shri Bahl retires by rotation at the Annual General Meeting and being eligible offers himself for re-appointment. He has been allotted Director Identification No.00054196.

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Shri Bahl joined the Board of the Company in the year 1993. He is also member of Audit and Remuneration Committees of the Company.

Shri Bahl is a retired IAS officer having worked in various capacities in the States and Central Government. He was serving as Secretary to the Government of India, in the Ministry of Tourism at the time of his retirement.

Because of his vast experience, his re-appointment would be beneficial to the Company.

Shri Bahl is not holding Directorship in any other Company.

As on 31st March, 2013, Shri Bahl is holding 1750 equity shares of ₹ 10 each of Prakash Industries Ltd.

c) Information regarding Shri Vipul Agarwal proposed for re-appointment as Director:

Shri Vipul Agarwal, Whole-time Director retires as a Director by rotation at the Annual General Meeting and being eligible offers himself for re-appointment. He has been allotted Director Identification No.00010147.

Shri Vipul Agarwal joined the Board of the Company in the year 2000.

Shri Vipul Agarwal is a Chartered Accountant and has a long working experience of over 31 years. He is working as a Whole-time Director of the Company w.e.f. 18th March, 2000.

Because of his vast experience, his re-appointment would be beneficial to the Company.

Shri Vipul Agarwal is also a Director of Perfect Synergy Advisory Services Pvt. Ltd.

As on 31st March, 2013, Shri Vipul Agarwal is not holding any equity shares of Prakash Industries Ltd.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No.7

Shri Vikram Agarwal is an experienced Industrialist hailing from a reputed business house. He joined the Board of the Company on 28th May, 2005 and became its Joint

Managing Director w.e.f. 1st February, 2009. The terms and conditions and the period of appointment from 1st February, 2009 to 31st March, 2012 as a Joint Managing Director was approved by the shareholders in their meeting held on 22nd June, 2009.

The shareholders in their meeting held on 29th September, 2012 considered it necessary that Shri Vikram Agarwal be appointed as Managing Director of the Company and approved the terms and conditions of his appointment for the period from 1st April, 2012 to 31st March, 2015

Considering the increase in the business activities of the Company which resulted in increase in work and responsibility, it is proposed to revise his remuneration as mentioned in the resolution as set out at item No.7 of the Notice subject to the approval of shareholders.

The matter was discussed and recommended by the Managerial Remuneration Committee also.

A copy of the resolution passed by the Board of Directors relating to the terms and conditions of payment of remuneration and other relevant documents are open for inspection for the members at the Registered Office of the Company between 11.00 A.M. to 1.00 P.M. on any working day prior to the date of the meeting and also at the meeting.

The above terms and conditions as set out in the said Resolution may be treated as an abstract under Section 302 of the Companies Act, 1956.

None of the Directors except Shri Vikram Agarwal and Shri V.P. Agarwal, father of Shri Vikram Agarwal, are interested in the resolution.

Your Directors recommend the resolution for your approval.

By order of the Board

For Prakash Industries Limited

Registered Office:

15 Km. Stone,
Delhi Road,
Hissar – 125044 (Haryana)
Dated : 22nd May, 2013

Manoj Aggarwal
Company Secretary

PRAKASH INDUSTRIES LIMITED

DIRECTORS' REPORT

Dear Shareholders,

Your Directors present the 32nd Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2013.

FINANCIAL RESULTS

	(₹ in Crores)	
	For the year ended 31 st March, 2013	For the year ended 31 st March, 2012
Net Sales & Other Income	2,513.37	2,109.39
EBIDTA	328.68	368.14
Depreciation	103.67	75.55
Financial Expenses	55.33	13.86
Expenses Amortised	<u>2.70</u>	<u>2.70</u>
Profit before tax	166.98	276.03
Provision for Taxes	<u>2.09</u>	<u>7.87</u>
Profit after tax	164.89	268.16
Balance brought forward	<u>17.14</u>	<u>14.61</u>
	182.03	282.77
Transfer to General Reserve	150.00	250.00
Proposed Dividend	13.45	13.45
Tax on Dividend	<u>2.29</u>	<u>2.18</u>
Carried over to next year	<u>16.29</u>	<u>17.14</u>

PERFORMANCE

During the year under review, the Company has achieved net sales revenue of ₹ 2,513 crores as against ₹ 2,109 crores in the previous year. After providing for interest, depreciation and tax, the net profit of the Company stands at ₹ 165 crores during the year under review as against ₹ 268 crores of previous year.

DIVIDEND

The Board has recommended dividend of 10% i.e. ₹ 1 per equity share on 13,44,88,514 equity shares of ₹ 10 each of the Company for the year ended 31st March, 2013, subject to the approval of the Members at the ensuing Annual General Meeting.

OPERATIONAL REVIEW

Your Directors have pleasure in informing you that despite general slowdown in the economic conditions worldwide, the financial performance of the Company during the year has been reasonably satisfactory and stable. The operating margins were affected due to disruption in the supplies of Iron Ore from Odisha on account of restrictions imposed by the government and temporary closure of many mines. The Company had to source Iron Ore of poor quality at higher prices, however since the beginning of the current year the situation has gradually improved and is expected to become normal in near future. Both in the steel and power segments, the Company has achieved overall volume growth in

production across the divisions, which has resulted in Company achieving highest ever production levels and substantial growth in turnover. Further, the power generation capacities commissioned during the last financial year, stabilized during the year and have been operating successfully. The additional Sponge Iron Kiln, which was set up in the later part of the last financial year, contributed significantly towards cost reduction and integration of capacities. During the later part of the year, the Company has successfully expanded its Ferro Alloys capacity by setting up additional furnaces, which shall result in optimum utilization of surplus power capacities. Captive coal mining operations have been satisfactory. Rigid PVC Pipes has registered impressive performance and has achieved record production during the year. The Company's continuous commitment towards quality has enabled it to create a niche in the market for its products.

FUTURE PROSPECTS

The Company is further expanding its Sponge Iron capacity by setting up an additional module, which is expected to be commissioned by the end of this financial year. The Company continues its efforts to completely integrate its operations and in this direction, additional capacities in Steel making and Power generation with Ferro Alloys are under implementation which will cater to the requirements of the finished Steel segment comprising of Wire Rod, TMT Bars and Structural resulting in optimum utilisation of the capacities for these products.

The Company has been allotted iron ore mines in the states of Chhattisgarh and Odisha, which are expected to be operational towards the end of the current financial year. Subsequent to the mines becoming operational, the self reliant quotient of the Company shall reach the optimal level, making the Company fully integrated.

In view of the expanded operations and improved supply situation of Iron Ore and Coal, both in terms of availability and pricing, performance of this year is expected to be much better.

ENVIRONMENT AND SOCIAL RESPONSIBILITY

Company believes that it should not act as an isolated economic entity, rather as a part of the broader society. As a responsible corporate citizen, our company makes all concerted efforts to protect the environment and also endeavours to act to the benefit of the society at large. Company ensures that it does not engage in any business act which pose any direct threat to the environment and the society. Company has established a Corporate Environment Policy to regulate environmental activities and through its Environment Management System (EMS), it ensures prevention of pollution, conservation of energy and natural resources and recycling of waste products.

Company's business initiatives contribute to the society and environment in such a way that it is a win-win situation for both the society and the company. Company has taken effective steps towards spreading education in the nearby villages through non-formal education programmes, developing of engineering institution and assisting the schools by constructing class rooms, funding libraries, supplying science apparatus, computers and sports kits. Company organizes weekly health camps for conducting health checkups, detecting cancer, eye care, family planning and spreading awareness for AIDS. Company also provides financial assistance to the weaker section for undergoing major surgeries and distributes Tri Cycles, and wheel chairs to the disabled persons. Company has adopted a twofold strategy to counteract the shortage of water in its vicinity by installing deep water tube wells, rain water harvesting wells

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in the villages and imparting training to the villagers to maintain these tube wells which will ensure perennial availability of potable water. Company also believes that its presence should add to the physical beauty of its surroundings. In this direction, Company has renovated public spaces, bathing ghats, temples, recreational parks, roads, shelter sheds and markets in the villages adjacent to the plant.

DIRECTORS

In accordance with the provisions of section 256 of the Companies Act, 1956, Dr. Ram K. Vepa, Shri Manish Bahl and Shri Vipul Agarwal are liable to retire by rotation at the ensuing Annual General Meeting. Being eligible for re-appointment, they offer themselves for re-appointment.

FIXED DEPOSITS

Company has not accepted any deposits during the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Director's Responsibility Statement, it is hereby confirmed:

- i). That in the preparation of the annual accounts for the financial year ended 31st March, 2013, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 or loss of the Company for the year under review;
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2013 on a 'going concern' basis.

AUDITORS

M/s Chaturvedi and Partners, Auditors of the Company, retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for reappointment. The Company has received a certificate from the Auditors to the effect that their re-appointment, if made, would be within the limit prescribed under Section 224 (1B) of the Companies Act, 1956. Your Directors recommend their re-appointment as Auditors of the Company.

COST AUDITORS

M/s Rakshit & Associates were appointed as Cost Auditors for auditing the Cost Accounts of the Company for the financial year 2012-13.

The Cost Audit reports are required to be filed within 180 days from the end of financial year. The Cost Audit reports for the financial year ended 31st March, 2013 will be filed in due course.

In terms of the Companies (Cost Audit Report) Rules 2011, as amended, the cost audit report for the financial year ended March 31, 2012 had been duly filed with the cost audit branch of the Ministry of Corporate Affairs. In terms of the Companies (Cost Accounting Records) Rules 2011, as amended, the Compliance Report for the financial year March 31, 2012 as applicable had been duly filed.

AUDITORS' OBSERVATIONS

As regards Auditors' observations in their Report, the relevant Notes on the Accounts are self-explanatory.

PARTICULARS OF EMPLOYEES

As required by the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the annexure 'A' to the Directors' report.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

As required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988, a statement showing the information relating to the Conservation of Energy, Research and Development, Technology Absorption and Foreign Exchange Earnings and Outgo is enclosed as annexure 'B' to this report.

CORPORATE GOVERNANCE

The significance of Corporate Governance has always been recognized by the Company. A separate report on Corporate Governance and Management Discussion and Analysis alongwith a certificate from the Practising Company Secretary regarding compliance of the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement of Stock Exchanges is attached and forms part of this Report.

ACKNOWLEDGEMENT

Your Directors take this opportunity to offer their sincere thanks to shareholders, various departments of Central and State Governments, Financial Institutions, Banks, Customers and Suppliers for their continued support and look forward to having the same support in all our future endeavours.

Your Directors place on record their sincere appreciation of the dedicated and significant contribution made by officers, staff and workers of the Company at all levels and look forward to their continued support.

By Order of the Board

Place : New Delhi
Dated : 22nd May, 2013

Vikram Agarwal
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure & Developments

As per the World Steel Association, the Indian Steel Industry is expected to witness a much better performance in the coming years, in line with its forecast for a global rebound. Although the World Steel Association has forecasted steel consumption in India to grow at 5 per cent in the current year, it expects a spurt in the demand in the medium-term if the Indian government implements its \$ 1 trillion infrastructure investment plan in a timely manner. The steel demand is also expected to be fuelled by monetary easing expected in the coming years, which shall substantially support investment activities. Globally also, India has acquired a strong position on the steel map with its giant steel mills, acquisition of global scale capacities by players, continuous modernisation and up-gradation of old plants, improving energy efficiency, and backward integration into global raw material sources. From the current position of fourth largest crude steel capacity in the world, India is expected to become the second largest producer of crude steel in the world by 2015-16. India is maintaining its position as the world's largest producer of sponge iron with a host of coal-based units located in its mineral-rich states. On the whole, the environment for the Indian Steel Industry looks promising in the years to come.

Opportunities and Threats

Despite year on year growth witnessed in the per capita steel consumption in India in the last decade, it is still looming at 59 kgs as against world average of 215 kgs reflecting huge potential for growth in the steel industry. The situation is more alarming in rural India, where the capita steel consumption is even below 10 kgs. As more than 70% of Indian population resides in the rural areas, there is a tremendous scope for increasing consumption in the rural areas. It is estimated that increase in per capita steel consumption by 1 kg. in rural India will result in increasing steel consumption by 1 million tonnes per annum in the country. The rural market has been identified by the Government as one of the areas where the demand for steel can be enhanced manifold. In this direction, the Ministry of Steel has launched a campaign for popularising usage of steel in rural areas. The Institute of Steel Development and Growth (INSDAG) is frequently conducting training programmes to create awareness about the use of steel. INSDAG is also working on revised designs of pre fabricated/semi fabricated applications as well as increasing aesthetics of steel used in various projects. The Government is committed towards initiating all actions required to increase and popularise consumption and demand of steel in the country.

The major threat being faced by the steel industry, apart from being cyclical in nature, continues to be the shortage and consequent price vagaries of the basic inputs namely, coal, iron ore and power. The only remedy available to the steel players is to insulate themselves against this threat by optimizing the level of integration in their operations. In this direction, your Company

has achieved significant success by obtaining coal mines and setting up sufficient power capacities. The only missing link in the entire chain of integrated operations remains to be iron ore, for which your Company is presently dependent on outside sources. However, this impediment is not expected to continue for long, as the Company has been allotted iron ore mines, which are under various stages of clearances with Government authorities and are expected to be operational towards the end of the current financial year. Subsequent to the iron ore mines becoming operational, the operations of the Company shall become fully integrated.

Segment Wise / Product Wise Performance / Outlook

The performance of the Steel, Power and Mining operations of the Company have been satisfactory during the year under review. The additions in the Sponge Iron and Power capacities during the later part of the last financial year, resulted in significant cost savings during the year. Out of the total 625 MW power capacity expansion plan, after successfully commissioning first 100 MW power plant during the last financial year, the Company is taking up the implementation of the subsequent phase of 100 MW. The capacity utilization in the end products namely, Wire Rod, TMT Bars and Ferro Alloys was highest during the year. Captive coal mining operations continued at optimal level throughout the year. Company is also into manufacture of Rigid PVC Pipes which has further improved upon the performance and achieved highest ever production levels.

Risks and Concerns

Your Directors recognize that there are uncertainties and risks attached to any business. The risks could be external, internal or a combination of both. External risks can be intensification of competition, product substitution, technological obsolescence, changes in Government policy with regard to taxes and levies or economic slowdown adversely impacting demand and profitability. Such risks are continuously monitored and appropriate action is taken by the Company to minimize the same. Internal risks comprising operating risks, financial risks and business risk are also dealt with by the company in an effective manner.

Since the performance of your Company directly relates to the steel industry, which is cyclic in nature, your Company has an inherent risk of facing adverse cyclic trends in the steel industry. However, to a significant extent, your Company has mitigated this risk by entering into the power sector, where is marred by huge domestic power deficit. The Company strongly feels that in the times to come, the power players shall come across potential growth opportunities. Another area of concern continues to be ensuring uninterrupted supply of basic inputs like coal and iron ore. In this direction, your company has been able to insulate itself against the market vagaries of coal with captive coal mines already allotted to it. However, as regards iron ore, which constitutes a major chunk of the total cost of production, the

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Company still continues to be dependent on outside sources. During the year, the Company faced acute shortage in iron ore supplies due to closure of a number of mines in Odisha, which is the main source of the Company for procuring iron ore. However, with innovative approach of the management, it was able to sail through such times by substituting iron ore with Iron Ore Pellets to a large extent. Situation has now improved with the opening of some closed mines resulting in better availability of iron ore.

In the coming years, we hope that the risk of short supplies of iron ore will also be mitigated as the Company has been allotted Captive iron ore mines in Odisha and Chhattisgarh, which are under various stages of clearances with government departments and are expected to be operational by end of the current financial year.

Internal Control System and their Adequacy

Company maintains Internal control systems which provide high level of assurance regarding the effectiveness and efficiency of operations, reliability of controls and compliance with laws and regulations. The Company maintains periodical internal checks which provide safeguards and assist in proper monitoring and vetting of transactions. Quarterly internal audits are conducted and the Internal Audit Reports are placed before the Internal Audit Committee comprised of the members of the Board of Directors, which reviews the observations of the internal auditors, analyses the adequacy of the controls and identifies new areas for implementing internal checks and controls. Production Budgets are prepared and monitored on quarterly basis against actual performance and reasons for deviations, if any, are looked into. All the certifications under ISO: 9001:2008, ISO: 14001:2004 and OHSAS 18001:2007 for Quality Management, Environment Management

and Occupational Health & Safety Management respectively, are being timely maintained by the Company. The internal control systems has been reported to be commensurate with the size and nature of the business by the Statutory Auditors in their report.

Human Resources / Industrial Relations

The Company firmly believes that the growth of an organisation is associated with the development of its workforce. The Human Resource Development initiatives of the Company are guided by a strong set of values and policies which has contributed to its continuous growth. The Company's steps towards developing Human Resources has enabled it to craft and retain a team of proficient and knowledgeable professionals. The Company regularly conducts employees training programmes, workshops and monitoring sessions which phenomenally contribute to improvement in the quality of the employees at all levels and enhances their effectiveness in their contribution to the overall performance of the Company through skill up-gradation, knowledge improvement and attitudinal change. This also enables the employees at all levels to cope with the competitive environment through which the Company is passing at present and to achieve the desired corporate objective. The company places "Employee safety" at its top priority and ensures that all possible safety measures are taken at all establishments to ensure the optimum safety of its employees. Company also ensures providing good working environment and hygienic civic amenities to its employees. With its friendly approach, the Company has been able to maintain cordial employees management relations throughout the year.

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Good Corporate Governance procedures in operation imply commitment to ethical business conduct, objectivity, self-regulation and accountability. The philosophy of the Company is based on the principles of equity, fairness, transparency in all its operations, observing the spirit of law, honest communication and making appropriate disclosures. Company believes that sound Corporate Governance is necessary to serve the interest of shareholders, employees, consumers, lenders and community at large by ensuring efficient working, uncompromising application of internal control procedures, complete corporate transparency and proper conduct of the business of the Company with integrity.

Your Company confirms the compliance of Corporate Governance as contained in Clause 49 of the Listing Agreement, the details of which are given below:

2. BOARD OF DIRECTORS

i) a) Composition

The Board of the Company is broad based consisting of ten Directors headed by an Executive Chairman. The Company has a Managing Director and three Whole-time Directors besides five Non-Executive Independent Directors. The size and composition of the Board therefore conforms with the requirements of Listing Agreements with the Stock Exchanges. The Board comprises of eminent persons with considerable professional experience in varied fields.

b) Board Functioning and Procedures

The Board's actions and decisions are aligned with the Company's best interest. It is committed to the goal of sustainably increasing the Company's value.

The Board monitors the Company's overall corporate performance, and seeks accountability. The Board also sets standards of corporate behaviours, ensures transparency in corporate dealings and compliance with the laws and regulations.

ii) Attendance of each Director at the Board meetings & last Annual General Meeting during the year 2012-13 and number of other Directorships and committee memberships/ chairmanships held in other Companies:

S.No.	Name of Directors and their DIN No.	Category	No.of Board Meetings Attended	Last AGM Attended	No. of Directorships held in other Companies		No. of Committee positions held in others Companies	
					Chairman	Director	Chairman	Member
1.	Sh.V.P.Agarwal Chairman DIN No.00048907	Executive & Promoter	4	No	-	-	-	-
2.	Sh. Vikram Agarwal Managing Director DIN No.00054125	Executive & Promoter	4	Yes	-	1	-	-
3.	Dr. S.L. Keswani DIN No.00190790	Non-executive & Independent	4	Yes	-	10	-	2
4.	Dr. Ram K. Vepa DIN No.00054160	Non-executive & Independent	4	No	-	-	-	-
5.	Sh.K.C. Mehra DIN No.00128733	Non-executive & Independent	4	No	-	2	2	-
6.	Sh.Manish Bahl DIN No.00054196	Non-executive & Independent	4	No	-	-	-	-
7.	Sh.Piyoosh Goyal DIN No.00113772	Non-executive & Independent	2	No	-	6	-	-
8.	Sh. Vipul Agarwal DIN No.00010147	Executive	4	Yes	-	1	-	-
9.	Sh. P.L. Gupta DIN No.00048868	Executive	4	No	-	3	-	-
10.	Sh. M.L. Pareek * DIN No.01795975	Executive	3	No	-	1	-	-
11.	Sh. G.L. Mohta ** DIN No.00054171	Executive	1	No	-	-	-	-

* Appointed as Whole-time Director w.e.f. 4th August, 2012

** Resigned w.e.f. 25th July, 2012