

# KALYANI STEELS LIMITED



**KALYANI**

DRIVING INNOVATION

## **BOARD OF DIRECTORS**

**Mr. B. N. Kalyani**  
Chairman

**Mr. Amit B. Kalyani**

**Mr. S. M. Kheny**

**Mr. S.S. Vaidya**

**Mr. B.B. Hattarki**

**Mr. M.U. Takale**

**Mr. C.G. Patankar**  
Executive Director

### **AUDITORS**

Dalal & Shah  
Chartered Accountants  
252, Veer Savarkar Marg,  
Shivaji Park, Dadar,  
Mumbai - 400 028

### **BANKERS**

Bank of Baroda  
Union Bank of India  
Canara Bank  
HDFC Bank Limited  
State Bank of India  
Axis Bank Limited

### **REGISTRAR & TRANSFER AGENTS**

Link Intime India Private Limited  
Block No.202, Akshay Complex,  
2nd Floor, Off Dhole Patil Road,  
Near Ganesh Mandir, Pune – 411 001

### **REGISTERED OFFICE**

Mundhwa, Pune - 411 036  
Phone : +91-020-26715000 / 66215000  
Fax : +91-020-26821124  
Website: [www.kalyanisteels.com](http://www.kalyanisteels.com)  
E-mail : [ksl@kalyanisteels.com](mailto:ksl@kalyanisteels.com)

### **WORKS**

Hospet Road, Ginigera  
Tal. & Dist. Koppal  
KARNATAKA - 583 228

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**37TH ANNUAL GENERAL MEETING**

Day : Wednesday  
Date : 25th August, 2010  
Time : 11.00 a.m. (I.S.T.)  
Place : Registered Office,  
Kalyani Steels Limited,  
Mundhwa,  
Pune - 411 036

**MANAGEMENT DISCUSSION AND ANALYSIS**

The Board takes pleasure in presenting your Company's Thirty-Seventh Annual Report for the year 2009-10 along with the compliance report on Corporate Governance. This chapter on Management Discussion and Analysis forms a part of the compliance report on Corporate Governance.

**Industry Structure and Development :**

The Indian Steel Industry weathered the global economic crisis fairly well. Even in the tough times of economic slowdown, the Industry succeeded to sustain its positive growth momentum on the strong fundamentals of domestic demand from construction, automobile and infrastructure sectors.

Emerging out of the world economic crisis with only minor bruises, the industry is poised to enter a growth phase and is on the threshold of a major transformation. In terms of demand, Indian Steel Industry is fortunately placed and this should spur its growth.

The path to economic development is very much linked to development of infrastructure. As of now, there has been under investment in infrastructure sector, which is most likely to change in coming years. Demand for steel will expand as the investments in infrastructure increases. Additionally, as the economy grows, the per capita steel consumption which currently stands at 44 kg per year compared to China's 250 kg would drastically go up. These would significantly escalate demand for steel and its products in India.

Growth in manufacturing sector especially in automobile and construction, is expected to result in additional steel demand.

**Company Performance :**

- Gross Turnover – Rs.11,535 Million
- Profit before Taxation – Rs.501 Million
- Profit after Taxation – Rs.433 Million

Turnover includes Trading Turnover of Rs.2,541 Million and Manufacturing Turnover of Rs.8,994 Million.

Manufacturing turnover includes sale of Rolled Products, As Cast Blooms, Pig Iron, Misc. Sales and Conversion Charges received. The Company sold 158,239 tonnes of 'Rolled Products' aggregating Rs.6,616 Million, 26,090 tonnes of 'As Cast Blooms' aggregating Rs.722 Million and 199 tonnes of 'Pig Iron' aggregating Rs.4 Million. Misc. Sales amounted to Rs.261 Million and Conversion Charges received were Rs.1,391 Million. The Manufacturing Turnover includes exports of 8,848 tonnes of steel, aggregating Rs.285 Million.

**Internal Control Systems and their adequacy :**

The Company strongly believes that Internal Control Systems are necessary for good Corporate Governance and that the freedom of management should be implemented through the framework of proper checks and balances.

The Company has in place an effective system of internal controls to ensure that all assets are properly safeguarded and protected and used optimally and financial transactions are reported accurately.

As a part of the internal control system, the Company has engaged services of the professional firm to carry out independent internal audit and to monitor the entire operations and functions on a regular basis. The top management and the Audit Committee of the Board review the findings and recommendations of the internal audit and ensure that the recommendations of the internal audit are implemented effectively.

**Human Resources :**

The Company considers the quality of its human resources to be its most important asset and places great emphasis on training and development of employees at all levels. Communication exercises are treated as continues process to keep the employees informed of the challenges being faced by the Company and also motivate them to take up higher responsibilities, in tune with the requirements of the Company.

In order to sustain the competitive edge, the Company has been taking various initiatives for improving the human resource strength and creating a conducive work atmosphere.

As on 31st March, 2010 the Company has 65 employees. 979 employees are on the role of Hospet Steels Limited, which is a Joint Venture Company formed with the specific purpose of managing and operating the composite steel making facility at Ginigera, in terms of Strategic Alliance between the Company and Mukand Limited.

**Opportunities, Threats and Future Outlook :**

In the steel industry, cost is the main driver for competitiveness and the majority of the cost of production is contributed by raw materials, mainly iron ore and metallurgical coke. Prices for these raw materials, are increasing significantly in the last few months, leading to increased cost of steel production.

Indian automotive production has increased by 26% in 2009-10 on YOY basis. This has resulted into increased demand for automotive steels. Domestically, new capacities have been added. These new plants, with latest technologies, have economies of scale leading to cost competitiveness. Increased availability of steel, resulting in short term supply / demand mismatch, could pose challenges to the steel industry.

To cope up with these challenges and to achieve cost competitiveness your Company has also taken several initiatives like long term arrangements for iron ore and coke, setting up captive power plant etc. In addition to this, the Company has also taken steps for getting allocation of iron ore and coal mines.

Medium to long term outlook for the steel sector remains positive, commensurate with economic growth.

While Indian Steel Industry has cut costs and have reasonably healthy bottom lines, their challenges lies in modernising the existing plants. They must invest in enabling technologies that includes automation, improving skills of human assets and providing them necessary technology tools. This would enhance their ability to compete with global steel producers.

**Cautionary Statement**

Statements in this management discussion and analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in the industry – global or domestic or both, significant changes in political and economic environment in India, applicable statues, litigations, labour relations and interest costs.

**CORPORATE GOVERNANCE**

The Company's philosophy of Corporate Governance aims at establishing and practicing a system of good Corporate Governance, which will assist the management in managing the Company's business in an efficient and transparent manner towards fulfilling the corporate objectives. The Company recognises that good Corporate Governance is a continuing exercise and is committed to follow the best practices in the overall interest of the stakeholders.

The Company is in full compliance with the requirements under Clause 49 of the Listing Agreement with the Stock Exchanges. This chapter of the report, plus the information given under 'Management Discussion and Analysis' and 'Shareholder Information' constitutes the compliance report of the Company on Corporate Governance during the year 2009-10.

**1. BOARD LEVEL ISSUES****COMPOSITION OF THE BOARD :**

As on 31st March, 2010, the Board of Directors of Kalyani Steels comprised seven directors. The Board consists of the Chairman, who is Promoter Non-Executive Director, one Executive Director and five Non-Executive Directors, of which four are Independent. Details are given in Table 1.

**NUMBER OF BOARD MEETINGS :**

During the year 2009-10, the Board of the Company met nine times on 5th May, 2009, 1st June, 2009, 3rd July, 2009, 28th July, 2009, 12th August, 2009, 26th August, 2009, 31st October, 2009, 3rd November, 2009 and 27th January, 2010. All the meetings were held in such manner that the gap between two consecutive meetings was not more than four months.

**DIRECTORS' ATTENDANCE RECORD AND DIRECTORSHIPS :**

Table 1: The composition of the Board, the category of Directors, their attendance record and the number of directorships :

Name of the Director	Category	Particulars of Attendance			Number of Directorships and Committee Memberships / Chairmanships in Public Limited Companies		
		Number of Board Meetings		Last AGM	Directorships	Committee Memberships	Committee Chairmanships
		Held	Attended				
Mr.B.N. Kalyani Chairman	Promoter Non-Executive	9	7	Yes	14	3	3
Mr.Amit B. Kalyani	Non-Executive	9	8	Yes	12	4	—
Mr.S.S. Hiremath*	Non-Executive	3	1	N.A.	1	1	—
Mr.S.M. Kheny	Non-Executive	9	5	Yes	13	2	1
Mr.S.S. Vaidya	Non-Executive	9	9	Yes	10	5	5
Mr.B.B. Hattarki	Non-Executive	9	9	Yes	9	2	4
Mr.M.U. Takale	Non-Executive	9	9	Yes	4	—	—
Mr.C.G. Patankar Executive Director	Executive	9	9	Yes	10	4	—

\* Ceased to be Director w.e.f. 3rd July, 2009

As detailed in the table above, none of the Directors is a member of more than ten Board level Committees of public limited companies in which they are Directors or a Chairman of more than five such Committees.

**BOARD PROCEDURE :**

Information Supplied to the Board

Among others, information supplied to the Board includes :

- Annual operating plans and budgets, capital budgets and any update thereof
- Quarterly results for the Company
- Minutes of meetings of committees
- Scheme of Arrangement
- Details of Joint Venture / Collaboration Agreement
- Non-Compliance of any regulatory, statutory nature or listing requirements etc. if any
- Materially important show cause, demand notices if any

The Board of the Company is presented with all the relevant information on various vital matters affecting the working of the Company as well as those matters, which require deliberation at the highest level. Board Members are given appropriate documents / detailed notes and information in advance of each Board and Committee Meeting.

**DIRECTORS WITH MATERIALLY PECUNIARY OR BUSINESS RELATIONSHIP WITH THE COMPANY :**

There has been no materially relevant pecuniary transactions or relationship between the Company and its non-executive and / or independent Directors for the year 2009-10.

**AUDIT COMMITTEE :**

As on 31st March, 2010, the Audit Committee of Kalyani Steels comprised four members, of which three are Independent Directors. All the members have accounting and finance management expertise. The Chairman of the Audit Committee is Mr.S.S. Vaidya. Mr.B.N. Kalyani, Mr.S.M. Kheny and Mr.B.B. Hattarki are the other members of the Committee.

The representatives of the Statutory Auditors, Management Auditors and remaining Board Members are permanent invitees to the Audit Committee Meetings. The Secretary of the Company also acts as the Secretary of the Audit Committee.

During the year 2009-10 Audit Committee met on 5th May, 2009, 1st June, 2009, 28th July, 2009, 31st October, 2009 and 27th January, 2010. Particulars relating to the attendance at the Audit Committee meetings held during the year are given below :

Name of Director	Category	Number of Meetings held	Number of Meetings attended
Mr.S.S. Vaidya, Chairman	Independent	5	5
Mr.B.N. Kalyani	Promoter Non-executive	5	3
Mr.S.M. Kheny	Independent	5	3
Mr.S.S. Hiremath*	Independent	2	1
Mr.B.B. Hattarki**	Independent	2	2

\* Ceased to be Director w.e.f. 3rd July, 2009

\*\*Co-opted on the Audit Committee w.e.f. 28th July, 2009

The functions of the Audit Committee of the Company include of the following :

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual / quarterly financial statements before submission to the board for approval.
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official, heading the department, reporting structure, coverage and frequency of internal audit.
- Discussions with management auditors on any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the management auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- Discussions with statutory auditors before audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults, if any, in the payment to the depositors, debentureholders, shareholders (in case of non payment of declared dividends) and creditors.
- Carrying out any other function as is mentioned in the terms of reference of the audit committee.

The Company has systems and procedures in place to ensure that the Audit Committee mandatorily reviews :

- Management discussion and analysis of financial condition and results of operations.
- Statement of significant related party transactions (as defined by the Audit Committee), submitted by management.
- Management letters / letters of internal control weaknesses issued by the statutory auditors.
- Internal audit reports relating to internal control weaknesses.
- The appointment, removal and terms of remuneration of the chief internal auditors.

**REMUNERATION POLICY :**

The Remuneration Committee has been constituted to recommend / review the remuneration packages of the Executive Director(s). The Remuneration Committee of Directors consists of three independent directors, namely Mr.S.M. Kheny, Mr.S.S. Vaidya and Mr.M.U. Takale. No meeting of the Remuneration Committee was held during the year 2009-10.

The Executive Director is paid remuneration as per the terms approved by the Remuneration Committee and the Board and confirmed by the Shareholders of the Company. The remuneration of the Executive Director comprises of Salary, Commission and Perquisites besides contributions to provident fund, superannuation and gratuity and leave encashment facility. The Company does not have any stock option scheme.

The Non-executive Directors are paid sitting fees for attending each meeting of the Board and of the Committees thereof as specified by the Board. Each of the Non-executive Directors is paid sitting fee of Rs.2,000/- per meeting attended by him. The Non-executive Directors also draw remuneration in the form of commission based on net profits of the Company, as determined by the Board.

**REMUNERATION OF DIRECTORS :**

Table 2 : The details of the remuneration package of Directors during the financial year 2009-10, their shareholding in the Company and relationship with other directors, if any :

Name of Director	Relationship with other directors	Sitting fees* (Rs.)	Salaries and perquisites (Rs.)	No. of Shares held
Mr.B.N. Kalyani	**	32,000	N.A.	1,118
Mr.Amit B. Kalyani	**	16,000	N.A.	31,694
Mr.S.S. Hiremath***	None	4,000	N.A.	50
Mr.S.M. Kheny	None	22,000	N.A.	10,914
Mr.S.S. Vaidya	None	28,000	N.A.	—
Mr.B.B. Hattarki	None	80,000	N.A.	—
Mr.M.U. Takale	None	18,000	N.A.	2,500
Mr.C.G. Patankar	None	N.A.	11,683,302	4,770

\* Sitting fees include payment for board level committee meetings.

\*\* None of the directors are related to any of the Directors except Mr.Amit B. Kalyani, who is a son of Mr.B.N. Kalyani, Chairman.

\*\*\* Ceased to be Director w.e.f. 3rd July, 2009

None of the employees are related to any of the Directors of the Company.

**2. MANAGEMENT****MANAGEMENT DISCUSSION AND ANALYSIS :**

This Annual Report has a detailed chapter on Management Discussion and Analysis.

**DISCLOSURES BY MANAGEMENT TO THE BOARD :**

All disclosures relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board and the interested Directors do not participate in the discussions nor do they vote on such matters.

**3. SHAREHOLDERS****DISCLOSURES REGARDING APPOINTMENT OR RE-APPOINTMENT OF DIRECTORS :**

Mr.B.B. Hattarki and Mr.S.S. Vaidya, Directors of the Company are retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Details of directors to be re-appointed, are given below :

Mr.B.B. Hattarki born on 10th October, 1941, is a Metallurgical and Mechanical Engineer. He also serves on the

Board of BF Utilities, Automotive Axles, Kalyani International, Kalyani Mukand, Kalyani Investment Company, Hospet Steels, BF Investment and Khed Developers. Mr.Hattarki is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr.S.S. Vaidya born on 9th August, 1955 is a Chartered Accountant. He is a partner of M/s Kunte & Vaidya, Chartered Accountants, Pune. He has been in practice for over 29 years and has vast experience in Corporate & Legal field, Tax Laws, Company Law, Foreign Exchange Laws etc. Mr.Vaidya also serves on the Boards of Bosch Chassis Systems India, Nandi Infrastructure Corridor Enterprises, Sahyadri Hospitals, BF Utilities, Nandi Economic Corridor Enterprises, Sharp India, BF Systems, Nandi Highway Developers and Kalyani Investment Company. Mr.Vaidya is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

#### **COMMUNICATION TO SHAREHOLDERS :**

Kalyani Steels puts all vital information relating to the Company and its performance, including quarterly, half yearly, yearly financial results, official announcements and communication to the investors and analysts on its website [www.kalyanisteels.com](http://www.kalyanisteels.com), regularly for the benefit of the public at large.

Quarterly, half yearly, yearly financial results are published in leading newspapers such as Business Standard (All Editions) and Loksatta (Pune) and are also sent to the Stock Exchanges immediately after they are approved by the Board.

Letters and Transfer Deeds received from shareholders are replied and acted upon promptly.

#### **INVESTOR GRIEVANCES :**

The Company has in place Shareholders' / Investors' Grievance Committee for redressing Shareholders' / Investors' complaints. The Committee comprises of Mr.S.M. Kheny (Chairman), Mr.C.G. Patankar, Executive Director and Mr.B.B. Hattarki, Director. During the year 2009-10, the Shareholders' / Investors' Grievance Committee met on 5th May, 2009, 28th July, 2009, 31st October, 2009 and 27th January, 2010. Particulars relating to the attendance at the Shareholders' / Investors' Grievance Committee meetings held during the year are given below :

Name of Director	Category	Number of Meetings held	Number of Meetings attended
Mr.S.M. Kheny, Chairman	Independent	4	3
Mr.C.G. Patankar	Executive	4	4
Mr.B.B. Hattarki	Independent	4	4

During the year two complaints were received, which were redressed. The status of complaints is also reported to the Board of Directors, as an agenda item. Mrs.Deepti R. Puranik, Company Secretary, is the Compliance Officer.

The Company has already provided separate E-mail ID for registering complaints by investors ([investor@kalyanisteels.com](mailto:investor@kalyanisteels.com)) and the said E-mail ID is also displayed on the web-site.

#### **SHARE TRANSFER :**

The Company has constituted the 'Share Transfer Committee', which meets twice a month to approve share transfers, transmissions, consolidation, sub-division, issue of duplicate certificates and requests for dematerialisation of Company's shares. The Committee comprises of Mr.B.N. Kalyani, Chairman, Mr.B.B. Hattarki, Director and Mr.C.G. Patankar, Executive Director.

#### **DETAILS OF NON-COMPLIANCE :**

Kalyani Steels has complied with all the requirements of regulatory authorities. No penalties were imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter relating to the capital market during the period under report.

**GENERAL BODY MEETINGS :**

Particulars of General Body Meetings held for the last three years are given below :

Date	Time	Type of Meeting	Venue	Special Resolution Passed
13th August, 2007	11.00 a.m.	Annual General Meeting	Registered Office of the Company at Mundhwa, Pune – 411 036	None
27th August, 2008	11.00 a.m.	Annual General Meeting	Registered Office of the Company at Mundhwa, Pune – 411 036	None
26th August, 2009	11.00 a.m.	Annual General Meeting	Registered Office of the Company at Mundhwa, Pune – 411 036	4*
20th January, 2010	10.30 a.m.	Meeting as per the Directions of the Hon'ble High Court of Judicature at Bombay	Registered Office of the Company at Mundhwa, Pune – 411 036	1**

\* Special Resolutions passed were : i) Payment of Minimum Remuneration to Mr.C.G. Patankar, Executive Director for the period of one year from 1st April, 2008 to 31st March, 2009; ii) Re-appointment of Mr.C.G. Patankar, Executive Director for the period of three years from 1st April, 2009 to 31st March, 2012; iii) Payment of Minimum Remuneration to Mr.Suresh Pandey, Wholetime Director (Technical) for the period from 1st April, 2008 to 31st January, 2009; and iv) Consent for Payment of Commission to Directors other than Executive / Wholetime Directors.

\*\* Special Resolution was passed, under Section 100 of the Companies Act, 1956, for Reduction of Capital

No Special Resolution was put through postal ballot in the last year.

This year no resolution is proposed to be taken up through postal ballot.

**COMPLIANCE WITH MANDATORY AND NON-MANDATORY REQUIREMENTS :**

The Company is fully compliant with the applicable mandatory requirements of the Clause 49. It has not adopted any non-mandatory requirements.

**SHAREHOLDER INFORMATION****ANNUAL GENERAL MEETING :**

Day and Date : Wednesday, 25th August, 2010 at 11.00 a.m.

Venue : Registered Office of the Company at Mundhwa, Pune – 411 036

**FINANCIAL CALENDAR :**

1st April to 31st March

**BOOK CLOSURE :**

The books will be closed from Monday, 16th August, 2010 to Wednesday, 25th August, 2010 (both days inclusive).

**DIVIDEND DATE :**

Dividend of Rs.1.25/- per Equity Share of Rs.5/- each (25%) would be payable on and from 6th September, 2010

**LISTING :**

National Stock Exchange of India Limited (NSE)

Bombay Stock Exchange Limited (BSE)

Pune Stock Exchange Limited (PSE)

**STOCK CODES :**

NSE : KSL

BSE : 500235

PSE : KALST 6091

ISIN in NSDL and CDSL : INE907A01026

**STOCK DATA :**

Table below gives the monthly high and low prices and volumes of trading of Equity Shares of Rs.10/- each of the Company at National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE) for the year 2009-10.

Month & Year	NSE			BSE		
	High (Rs.)	Low (Rs.)	Volume (No. of Shares Traded)	High (Rs.)	Low (Rs.)	Volume (No. of Shares Traded)
April, 2009	68.40	42.75	661,629	68.00	42.75	1,954,447
May, 2009	103.65	60.00	90,683	104.25	60.00	601,359
June, 2009	124.55	93.90	146,744	126.00	92.05	703,318
July, 2009	103.90	76.30	115,163	105.00	78.25	687,461
August, 2009	137.15	97.50	249,890	138.15	95.00	995,569
September, 2009	134.45	113.90	256,588	135.50	114.15	792,793
October, 2009	136.70	109.00	210,190	135.00	108.35	382,458
November, 2009	189.70	104.25	1,347,417	189.70	104.20	2,708,845
December, 2009	199.20	169.05	1,234,989	199.15	170.00	2,031,200
January, 2010	245.00	178.25	894,107	244.50	179.55	1,602,924
February, 2010	214.00	183.05	848,914	213.80	185.50	1,156,877
March, 2010	242.40	198.00	804,237	242.20	197.10	1,300,702

**REGISTRAR AND TRANSFER AGENTS AND SHARE TRANSFER SYSTEM :**

M/s. Link Intime India Private Limited, Block No.202, Akshay Complex, 2nd Floor, Off Dhole Patil Road, Near Ganesh Mandir, Pune – 411 001 are the Registrar and Transfer Agents of the Company and carry out the share transfer work on behalf of the Company. The Equity Shares of the Company are traded on the Stock Exchanges compulsorily in demat mode.

**PATTERN OF SHAREHOLDING BY OWNERSHIP AS ON 31.03.2010 :**

Category	No. of Equity Shares held	Shareholding %
Promoters	26,126,356	59.849
Mutual Funds / UTI	4,644,994	10.641
Insurance Companies	42,852	0.099
Banks	1,818	0.004
FII's	113,007	0.259
Bodies Corporate	4,965,706	11.376
NRIs / OCBs	121,214	0.278
Foreign Companies	666	0.001
Indian Public	7,636,447	17.493
<b>TOTAL</b>	<b>43,653,060</b>	<b>100.000</b>

**PATTERN OF SHAREHOLDING BY SHARE CLASS AS ON 31.03.2010 :**

Shareholding Class	No. of Shareholders	No. of Shares held	Shareholding %
Up to 500	26,693	2,727,353	6.248
501 to 1,000	1,216	949,944	2.176
1,001 to 2,000	462	695,339	1.593
2,001 to 3,000	138	357,147	0.818
3,001 to 4,000	63	220,286	0.505
4,001 to 5,000	88	411,197	0.942
5,001 to 10,000	116	829,580	1.900
10,001 and above	148	37,462,214	85.818
<b>TOTAL</b>	<b>28,924</b>	<b>43,653,060</b>	<b>100.000</b>



KALYANI

## 37th Annual Report 2009-2010

### DEMATERIALISATION :

The Company's Equity Shares are under compulsory Demat Trading. As on 31st March, 2010, dematerialised shares accounted for 63.45% of the total Equity.

### SITE LOCATION :

The integrated steel plant of the Company is located at Village Ginigera, Taluka and District Koppal, in the State of Karnataka.

### INVESTORS CORRESPONDENCE ADDRESS :

- |   |   |
|---|---|
| 1) Link Intime India Private Limited<br>Registrar & Transfer Agent<br>Block No.202, Akshay Complex, 2nd Floor,<br>Off Dhole Patil Road, Near Ganesh Mandir,<br>Pune – 411 001<br>Phone No. : 020 – 26051629 / 26050084<br>Telefax : 020 - 26053503<br>E-Mail : <a href="mailto:pune@linkintime.co.in">pune@linkintime.co.in</a> | 2) Kalyani Steels Limited,<br>Secretarial Department<br>Mundhwa, Pune – 411 036<br>Phone No. : 020-26715000 / 66215000<br>Fax No. : 020-26821124<br>E-mail : <a href="mailto:investor@kalyanisteels.com">investor@kalyanisteels.com</a> |
|---|---|

### Declaration under Clause 49 I (D)(ii) by the Executive Director of affirmation by the Board of Directors and Senior Management of Compliance with the Code of Conduct

The Shareholders,

I, C.G. Patankar, Executive Director of the Company do hereby declare that all the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct adopted by the Board at its meeting held on 23rd January, 2006, applicable to the Board of Directors and Senior Management of the Company.

Place : Pune  
Date : 24th May, 2010

Sd/-  
C.G. Patankar  
Executive Director

### AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE TO THE MEMBERS OF KALYANI STEELS LIMITED

We have examined the compliance of conditions of Corporate Governance by Kalyani Steels Limited, for the year ended 31st March, 2010, as stipulated in Clause 49 of the Listing Agreements of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

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

For Dalal & Shah  
Firm Registration No.102021W  
Chartered Accountants

Mumbai  
24th May, 2010

Anish Amin  
Partner  
Membership No.40451

**DIRECTORS' REPORT**

Dear Shareholders,

The Directors have pleasure in presenting their Thirty-Seventh Annual Report on the business and operations of the Company and the Audited Accounts for the year ended 31st March, 2010.

**1. Financial Highlights :**

		(Rs. in Million)
	2009-10	2008-09
Sales and Income from Operations	11,683.473	11,791.746
Excise Duty	1,321.235	2,039.404
Net Sales and Income from Operations	10,362.238	9,752.342
Power generated, captively consumed	218.940	175.840
Other Income	83.025	210.853
Total Income	10,664.203	10,139.035
Total Expenditure	9,587.983	9,520.053
Interest	263.798	284.369
Depreciation & Write offs	311.386	320.014
Profit for the year	501.036	14.599
Provision for Taxation	68.278	(18.458)
Net Profit / (Loss)	432.758	33.057
Dividend on Equity Share Capital	54.566	—

**2. Dividend :**

Your Directors recommend a dividend of Rs.1.25/- per Equity Share of Rs.5/- each (25%) for the year ended 31st March, 2010.

**3. Scheme of Arrangement :**

Your Directors are pleased to inform you that the Hon'ble High Court of Judicature at Bombay by its Order dated 12th March, 2010 had approved the Scheme of Arrangement between your Company, Chakrapani Investments & Trades Limited (Chakrapani), Surajmukhi Investment & Finance Limited (Surajmukhi), Gladiolla Investments Limited (Gladiolla) and Kalyani Investment Company Limited (Kalyani Investment).

As a result of the said Order, the 'Investment Division' of your Company is transferred to and vested in Kalyani Investment and Chakrapani, Surajmukhi and Gladiolla, wholly owned subsidiaries of your Company are amalgamated with Kalyani Investment, with effect from 1st October, 2009, the "Appointed Date". The Scheme became effective on 31st March, 2010, on filing of the respective Orders by all the Companies with the Registrar of Companies, Pune (Maharashtra). On the Scheme becoming effective, the paid up Equity Share Capital of your Company is reduced to Rs.218,265,300/- divided into 43,653,060 Equity Shares of Rs.5/- each.

Your Directors appreciate the support provided by you to the Scheme of Arrangement.

**4. The Year in Retrospect :**

On the backdrop of disastrous 2008-09, which also had continued negative impact on the first six months of the current year, your Company performed reasonably well during the year 2009-10. Your Company was able to increase the operational levels and sold 184,329 MTs of Steel during the year 2009-10 as compared to 132,435 MTs in the year 2008-09, representing a growth of 39.18%.

Your Company's products were primarily targeted towards Heavy Commercial Vehicle and Medium Commercial Vehicle Segments. In view to diversify, the product mix, your Company had taken several initiatives by adding new products which were used in passenger cars and two wheeler industries. Various micro alloyed steel grade products



were also offered to the customers to replace high cost alloy steels. Apart from this your Company developed products for use in railways and defence sectors.

These initiatives taken by your Company in aiming newer market segments and diversifying customer base would continue, ensuring consistent and sustainable top line and bottom line growth over years to come.

**5. Iron Ore and Coal Mines :**

The Government of Karnataka has by its Notification, sanctioned grant of Mining Lease for a period of 30 years in favour of your Company for Iron Ore and Manganese Ore over an area of 179.70 hectares in Kumaraswamy Range, Sandur Taluka, Bellary District. However some companies have filed Special Leave Petition (SLP) before the Hon'ble Supreme Court and the above Notification is subject to the final decision of the Hon'ble Supreme Court in the SLP.

The Government of India, Ministry of Coal has also informed that your Company is a part of consortium amongst others for joint allocation in Behraband North Extension coking coal block. However, this allocation is challenged by some companies by filing Writ Petition in the Hon'ble High Court of Madhya Pradesh and the Hon'ble High Court of Delhi.

**6. Fixed Deposits :**

As on 31st March, 2010, deposits aggregating Rs.111,000/- (11 depositors) remained unclaimed.

**7. Directors :**

Mr.S.S. Hiremath, Director of the Company expired on 3rd July, 2009. The Directors place on record their sincere appreciation of the valuable contributions made by Mr.Hiremath during his long association with the Company.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr.B.B. Hattarki and Mr.S.S. Vaidya, Directors of the Company retire by rotation and being eligible, they offer themselves for re-appointment.

These appointments form part of the Notice of the Annual General Meeting and the Resolutions are recommended for your approval. Profiles of these Directors, as required by the Corporate Governance Code (Clause 49 of the Listing Agreement), are given in the report on Corporate Governance.

**8. Directors' Responsibility Statement :**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, your Directors confirm that :

- i) in the preparation of the accounts for the financial year ended 31st March, 2010, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii) accounting policies selected had been applied consistently and made judgments 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 of the Company for the year under review;
- iii) proper and sufficient care had been taken 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 and;
- iv) the annual accounts had been prepared, on a going concern basis.

**9. Auditors :**

You are requested to re-appoint the Auditors of the Company for the Current Year to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting.

**10. Particulars of Employees :**

As required under 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 the employees are set out in the Annexure to the Directors' Report. However, in terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts is being sent to all Shareholders of the Company excluding the aforesaid Annexure. Any Shareholder interested in obtaining a copy of said Annexure may write to the Company Secretary at the Registered Office of the Company.

**11. Conservation of energy, technology absorption and foreign currency exchange earnings & outgo :**

The information required under the provisions of 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 and forming part of the Report is annexed hereto.

**12. Quality and Safety :**

Your Company accords high priority to quality, safety, training, development, health and environment. The Company endeavors to ensure continuous compliance and improvements in this regard.

**13. Employees :**

The Board of Directors wishes to place on record its appreciation for the exemplary dedication and contribution of the employees at all levels, to ensure that the Company continues to grow and excel.

Your Directors would like to place on record their appreciation of the co-operation received from the Central Government, Government of Maharashtra, Government of Karnataka, Karnataka Industrial Area Development Board, Financial Institutions and the Bankers.

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for and on behalf of the Board of Directors

Place : Pune  
Date : 24th May, 2010

B.N. Kalyani  
Chairman



INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2010

I. CONSERVATION OF ENERGY :

- a) Energy Conservation measures taken :
- Fuel efficient New Reheating Furnace in RMS started
  - Reduction in excess air and increase in pre-heat temperature
  - Pneumatic controlled actuators helped in regulating controlled airflow
  - Waste gases of mini blast furnaces are used as feed stock for Power Plant
- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :
- Old Fuel fired Reheating Furnace was converted to a "Gas Fired one" to use blast furnace waste gas, to reduce usage of Fossil Fuel
  - Installation of coke drying system and steam injection system
- c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :
- By using Blast Furnace waste gas in Reheating Furnace, a substantial saving in fuel oil cost is envisaged.
  - Power generated by Power Plant is captively used, thus resulting in savings in power bill.
- d) Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the Rules in respect of Industries specified in the Schedule thereto :

	2009-10	2008-09
A) Power & Fuel Consumption :		
1. Electricity :		
a) Purchased		
Unit (Kwh in thousands)	18,864	22,034
Total Amount (Rs. in Million)	92.115	107.250
Rate / Unit (Rs. / Kwh)	4.88	4.87
b) Own generation		
I) Through Diesel Generator		
Unit (Kwh in thousands)	62.858	557.000
Units per Ltr. of HSD (Kwh / Ltrs)	4.092	3.405
Cost / Unit (Rs. / Kwh)	7.719	9.88
II) Through Steam Turbine / Generator Unit		
Unit (Kwh in thousands)	54,134	51,324
Units per NM <sup>3</sup> (Blast Furnace Gas) (Kwh / NM <sup>3</sup> )	0.147	0.145
Cost / Unit (Rs. / Kwh)	1.60	1.74
2. Coke :		
Quantity (Tonnes)	125,894	123,445
Total Cost (Rs. in Million)	2,286	3,375
Average Rate (Rs. / MT)	18,158	27,340
3. Furnace Oil :		
Quantity (K. Ltrs.)	10,046	7,931
Total Amount (Rs. in Million)	258.796	218.968
Average Rate (Rs. / Ltrs.)	25.76	27.61
HSD :		
Quantity (K. Ltrs.)	48.270	183.688
Total Amount (Rs. in Million)	1.525	6.204
Average Rate (Rs. / Ltrs.)	31.59	33.78

4. Others :			
LDO			
Quantity (K. Ltrs.)		<b>94.560</b>	266.516
Total Cost (Rs. in Million)		<b>3.494</b>	10.112
Rate (Rs. / K. Ltrs.)		<b>36.95</b>	37.94
B) Consumption per unit of production :			
	Unit	<b>2009-10</b>	2008-09
Hot Metal			
Electricity	KWH	<b>128.635</b>	184.288
HSD	Ltrs.	<b>0.107</b>	0.512
Coke	M.T.	<b>0.698</b>	0.775
LDO	Ltrs.	<b>0.210</b>	0.821
Furnace Oil	Ltrs.	—	1.110
Steel Making			
Electricity	KWH	<b>64.87</b>	59.27
Furnace Oil	Ltrs.	<b>53.14</b>	47.91

## II. TECHNOLOGY ABSORPTION :

Efforts made in technology absorption as per Form-B of the Annexure to the Rules

### 1. Research & Development (R & D) :

- a) Specific area in which R & D carried out by the Company :
  - Increasing the product ranges to cover new sections in both rounds and squares.
- b) Benefits derived as a result of the above R & D :
  - Development of new round and square sections has increased the market penetration.
- c) Future plan of action :
  - To expand the product ranges in round and square sections.
  - To roll smaller sizes in HV Mill
- d) Expenditure on R & D :

	<b>Rs.</b>	<b>Rs.</b>
	<b>2009-10</b>	<b>2008-09</b>
(i) Capital	—	—
(ii) Recurring	—	—
(iii) Total	—	—
(iv) Total R&D expenditure as a percentage of total turnover	—	—

### 2. Technology absorption, adaption and innovation :

- a) Efforts in brief, made towards technology absorption, adaptation and innovation :
  - Technology developed in house through extensive trials.
  - Introduction of New energy efficient pusher type Reheating Furnace in RMS
- b) Benefits derived as a result of the above efforts, for product improvement, cost reduction, product development, import substitution etc. :
  - Energy consumption reduced resulting in consequent reduction in the cost of production.
  - Successfully rolled and marketed all the sizes and exported crankshaft quality materials & flat sections.
- c) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year)
 

No technology was imported during the last five years.



KALYANI

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### III. FOREIGN EXCHANGE EARNINGS & OUT GO :

- a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans :

Concerted efforts are underway to develop export market.

- b) Total foreign exchange used and earned : (Rs. In Million)

Used : Rs.3,308.636

Earned : Rs.431.883

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for and on behalf of the Board of Directors

Place : Pune

Date : 24th May, 2010

B.N. Kalyani

Chairman

**REPORT OF THE AUDITORS TO THE MEMBERS OF KALYANI STEELS LIMITED**

1. We have audited the attached Balance Sheet of KALYANI STEELS LIMITED, as at 31st March, 2010 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, 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 purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the Directors, as on 31st March, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India :
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Dalal & Shah  
Firm Registration No.102021W  
Chartered Accountants

Anish Amin  
Partner  
Membership No.40451

Mumbai  
24th May, 2010

**ANNEXURE TO THE AUDITORS' REPORT :**

Referred to in paragraph 3 of the Auditors' Report of even date to the members of KALYANI STEELS LIMITED on the financial statements for the year ended 31st March, 2010

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.  
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. Inventories lying with outside parties have been confirmed by them at the close of the year.  
(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.  
(b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. 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 purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. In our opinion and according to the information and explanations given to us, there are no transactions required to be entered into the register in pursuance of Section 301 of the Companies Act, 1956.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by Reserve Bank of India and the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.

- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess as at 31st March, 2010 which have not been deposited on account of a dispute, are as follows :

Name of the Statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Sales Tax	—	—	—	—
Income Tax	—	—	—	—
Wealth Tax	—	—	—	—
Service Tax	Demand received for various cases.	1,182,269	2005-06	Tribunal
		2,729,807	2005-06 to 2008-09	Commissioner Appeals
Customs Duty	—	—	—	—
Excise	Demand received for various cases.	38,320,258	1994-95, 2007-08 to 2009-10	Commissioner Appeals
		13,976,371	1994-95	Supreme Court

10. The Company has no accumulated losses as at 31st March, 2010 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debentureholders during the year.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In respect of shares, securities, debentures and other investments dealt by the Company, proper records have been maintained in respect of the transactions and contracts and timely entries have been made therein. All the investments are held by the Company in its own name.
14. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
15. In our opinion and according to information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
16. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
17. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
18. The Company has created securities and registered charges in respect of debentures issued, in the current year. The details of security are disclosed in Note No.10 (a) (2) in Schedule "20" to the Financial Statements.
19. The Company has not raised any money by public issues during the year.
20. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
21. Considering the nature of the business, Clause (xiii) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, is not applicable in the case of the Company for the current year, hence in our opinion there is no matter which arises to be reported in the aforesaid Clause of the Order.

For Dalal & Shah  
Firm Registration No.102021W  
Chartered Accountants

Anish Amin  
Partner  
Membership No.40451

Mumbai  
24th May, 2010

**KALYANI**

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## BALANCE SHEET AS AT 31ST MARCH, 2010

	Schedule	Rs.	Rs.	As at 31st March, 2009 Rs.
<b>I. SOURCES OF FUNDS :</b>				
1. Shareholders' Funds :				
a) Share Capital	1	218,644,367		436,909,667
b) Reserves and Surplus	2	<u>2,550,066,993</u>		<u>4,720,799,658</u>
			2,768,711,360	5,157,709,325
2. Loan Funds :				
a) Secured Loans	3	1,962,008,371		1,999,021,793
b) Unsecured Loans	4	<u>118,331,132</u>		<u>483,569,630</u>
			2,080,339,503	2,482,591,423
3. Deferred Tax Adjustment (Refer Note No.17)				
Deferred Tax Liabilities		425,949,035		442,733,564
Deferred Tax Assets		<u>4,433,675</u>		<u>4,376,042</u>
			421,515,360	438,357,522
	TOTAL		<u>5,270,566,223</u>	<u>8,078,658,270</u>
<b>II. APPLICATION OF FUNDS :</b>				
1. Fixed Assets :	5			
a) Gross Block		4,288,146,115		4,175,482,633
b) Less : Depreciation etc.		<u>1,934,163,989</u>		<u>1,622,777,787</u>
c) Net Block		2,353,982,126		2,552,704,846
d) Capital Work-in-Progress, Expenditure to date		<u>21,270,052</u>		<u>147,049,701</u>
			2,375,252,178	2,699,754,547
2. Investments	6		892,499,970	3,365,355,189
3. Current Assets, Loans & Advances :				
a) Inventories	7	1,238,572,743		1,607,765,474
b) Sundry Debtors	8	2,276,619,694		1,349,620,924
c) Cash and Bank balances	9	142,833,730		60,011,538
d) Other Current Assets	10	32,438,583		58,257,626
e) Loans and Advances	11	<u>1,247,013,646</u>		<u>1,527,987,302</u>
		4,937,478,396		4,603,642,864
Less : Current Liabilities and Provisions :				
a) Liabilities	12	2,527,176,314		1,954,950,417
b) Provisions	13	<u>407,488,007</u>		<u>635,143,913</u>
		2,934,664,321		2,590,094,330
Net Current Assets			2,002,814,075	2,013,548,534
	TOTAL		<u>5,270,566,223</u>	<u>8,078,658,270</u>
Notes forming part of the Financial Statements	20			

As per our attached Report of even date

For DALAL & SHAH  
Firm Registration No.102021W  
Chartered Accountants

On behalf of the Board of Directors

Anish Amin  
Partner  
Membership No.40451

Mrs.D.R. Puranik  
Company  
Secretary

C.G. Patankar  
Executive  
Director

B.N. Kalyani  
Chairman

Mumbai  
Date : 24th May, 2010

Pune  
Date : 24th May, 2010

## KALYANI STEELS

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	Schedule	Rs.	Rs.	Previous Year Rs.
<b>INCOME :</b>				
Sales, Gross	14 (a)	11,535,278,771		11,672,007,970
Less : Excise duty		<u>1,321,235,098</u>		<u>2,039,404,070</u>
Net Sales		10,214,043,673		9,632,603,900
Income from Power Generation		218,939,802		175,840,067
Operating Income	14 (b)	<u>148,194,546</u>		<u>119,738,585</u>
			10,581,178,021	9,928,182,552
Other Income	14 (c)		<u>83,025,012</u>	<u>210,852,639</u>
			<u>10,664,203,033</u>	<u>10,139,035,191</u>
<b>EXPENDITURE :</b>				
Materials consumed and manufacturing expenses	15	8,590,863,066		8,585,987,016
Employees' emoluments	16	205,952,089		260,675,274
Other expenses	17	791,167,548		673,389,963
Interest	18	263,798,546		284,368,806
Depreciation & Write Offs etc.	19	<u>311,386,202</u>		<u>320,014,355</u>
			<u>10,163,167,451</u>	<u>10,124,435,414</u>
<b>Profit for the year, before Taxation</b>			<u>501,035,582</u>	<u>14,599,777</u>
Provision for Taxation :				
Current Tax (Including Wealth Tax Rs.120,000/- Previous Year Rs.205,000/-)		85,120,000		205,000
Deferred Tax (Refer Note No.17)		<u>(16,842,162)</u>		<u>(25,743,674)</u>
Fringe Benefit Tax		—		7,081,000
			<u>68,277,838</u>	<u>(18,457,674)</u>
<b>Profit after Taxation</b>			<u>432,757,744</u>	<u>33,057,451</u>
As per last account			2,133,548,256	2,111,990,805
Less : Utilised in terms of Scheme of Arrangement (See Note No.1(b))			182,723,413	—
Adjustments in respect of previous year				
Add : Excess provision for Taxation			<u>558,978</u>	<u>—</u>
<b>Amount available for Appropriation :</b>			<u>2,384,141,565</u>	<u>2,145,048,256</u>
Transferred to Debenture Redemption Reserve (Refer Note No.14)			65,000,000	11,500,000
Transferred to General Reserve			45,000,000	—
Proposed Dividend on Equity Shares		54,566,325		—
Tax on Dividend		<u>9,273,547</u>		<u>—</u>
			<u>63,839,872</u>	<u>—</u>
Balance carried to Balance Sheet			<u>2,210,301,693</u>	<u>2,133,548,256</u>
<b>Earnings per Share :</b>				
(Face Value of Rs.5/- Previously Rs.10/-)				
Net Profit after Taxation			432,757,744	33,057,451
Add / (Less) : Prior Period Adjustments			<u>558,978</u>	<u>—</u>
Net Profit after Prior Period Adjustments			<u>433,316,722</u>	<u>33,057,451</u>
Number of Shares Issued and Subscribed			43,653,060	43,653,060
Basic and diluted			9.93	0.76

Notes forming part of the Financial Statements 20

As per our attached Report of even date

For DALAL & SHAH  
Firm Registration No.102021W  
Chartered Accountants

On behalf of the Board of Directors

Anish Amin  
Partner  
Membership No.40451

Mrs.D.R. Puranik  
Company  
Secretary

C.G. Patankar  
Executive  
Director

B.N. Kalyani  
Chairman

Mumbai  
Date : 24th May, 2010

Pune  
Date : 24th May, 2010

**KALYANI**

# 37th Annual Report 2009-2010

## CASH FLOW STATEMENT FOR THE FINANCIAL YEAR 2009-2010

	Year ended		Year ended	
	31st March, 2010		31st March, 2009	
	Rs.	Rs.	Rs.	Rs.
<b>A. Cash Flow From Operating Activities :</b>				
Profit for the period before Taxation		501,035,582		14,599,777
Add : Adjustments for Depreciation / Interest / Other				
Non Cash Expenses :				
Depreciation (including Leasehold Land amortised)	311,386,202		320,014,355	
Bad Debts, Advances and Sundry				
Debit balances written off	9,007,594		9,610,295	
Interest Charged (Net of Capitalised)	263,798,546		284,368,806	
Loss on Sale of Assets (Net)	—		843,710	
		<u>584,192,342</u>		<u>614,837,166</u>
Less : Adjustments for Dividend / Interest / other income :				
Investment Income				
Dividend	(5,714,868)		(23,467,758)	
Profit on Sale of Investments (Net)	(135,057,705)		(107,910,597)	
Profit on Sale of Assets	—		(2,527,900)	
Interest : Other than Finance &				
Investment Activity	(64,645,642)		(34,650,322)	
Provision no longer required	(7,219,824)		(23,737,198)	
Sundry Credit balances appropriated	(4,281,720)		(1,484,146)	
		<u>(216,919,759)</u>		<u>(193,777,921)</u>
Operating Profit before Working Capital changes		<u>868,308,165</u>		<u>435,659,022</u>
Changes in Working Capital :				
Inventories	369,192,731		(24,519,019)	
Sundry Debtors	(936,006,365)		745,558,788	
Other Current Assets, Loans & Advances	97,544,602		760,082,298	
Trade Payables	675,395,507		(793,539,535)	
		<u>206,126,475</u>		<u>687,582,532</u>
Cash generated from Operations		<u>1,074,434,640</u>		<u>1,123,241,554</u>
Direct Taxes Paid		<u>(92,762,309)</u>		<u>(141,486,148)</u>
<b>Net Cash from Operating Activities (A) :</b>		<u><u>981,672,331</u></u>		<u><u>981,755,406</u></u>

**CASH FLOW STATEMENT FOR THE FINANCIAL YEAR 2009-2010 (Continued)**

	Year ended 31st March, 2010		Year ended 31st March, 2009	
	Rs.	Rs.	Rs.	Rs.
<b>B. Cash Flow from Investing Activities :</b>				
Purchase of Assets	(112,663,482)		(278,751,342)	
Capital Work in progress	125,779,645		110,606,738	
Sale of Assets	—		3,069,261	
Advance for capital goods for projects	(6,903,267)		(14,574,657)	
Loans to Companies	(68,752,080)		(3,006,489)	
(Purchase) / Sale of Investments including advance for purchase of shares	(258,561,891)		(631,065,047)	
Dividend received	5,714,868		23,467,758	
Interest received	65,281,895		116,962,502	
<b>Net Cash used in Investing Activities (B) :</b>	<b>(250,104,312)</b>		<b>(673,291,276)</b>	
<b>C. Cash Flow from Financing Activities :</b>				
Proceeds from Borrowings	(382,744,526)		214,268,327	
Interest paid	(265,977,821)		(292,582,737)	
Dividend paid	(23,480)		(203,447,364)	
<b>Net Cash from Financing Activities (C) :</b>	<b>(648,745,827)</b>		<b>(281,761,774)</b>	
<b>Net changes in Cash &amp; Equivalents (A+B+C)</b>	<b>82,822,192</b>		<b>26,702,356</b>	
<b>CASH &amp; CASH EQUIVALENTS As on 31st March, 2009</b>	<b>60,011,538</b>		<b>33,309,182</b>	
<b>CASH &amp; CASH EQUIVALENTS As on 31st March, 2010</b>	<b>142,833,730</b>		<b>60,011,538</b>	

Note : During the year the Company has transferred net assets of Rs.2,758,474,815/- pertaining to the "Investment Division" to give effect to the Scheme of Demerger. The said transaction is not disclosed in above statement as it is a non-cash transaction. (See Note No.1 in Schedule 20)

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As per our attached Report of even date

For DALAL & SHAH  
Firm Registration No.102021W  
Chartered Accountants

On behalf of the Board of Directors

Anish Amin  
Partner  
Membership No.40451

Mrs.D.R. Puranik  
Company  
Secretary

C.G. Patankar  
Executive  
Director

B.N. Kalyani  
Chairman

Mumbai  
Date : 24th May, 2010

Pune  
Date : 24th May, 2010

**KALYANI**

# 37th Annual Report 2009-2010

**SCHEDULE NOS. : '1' to '20' annexed to and forming part of the Financial Statements for the year ended 31st March, 2010**

			As at 31st March, 2009
		Rs.	Rs.
<b>SCHEDULE '1' : SHARE CAPITAL :</b>			
<b>AUTHORISED : @</b>			
95,000,000	(47,500,000) Equity Shares of Rs.5/- (Previously Rs.10/-) each	<b>475,000,000</b>	475,000,000
3,010,000	Cumulative Redeemable Preference Shares of Rs.100/- each	<b>301,000,000</b>	301,000,000
2,400,000	Unclassified Shares of Rs.10/-each	<b>24,000,000</b>	24,000,000
		<u><b>800,000,000</b></u>	<u>800,000,000</u>
<b>ISSUED : @</b>			
43,759,380	(43,759,380) Equity Shares of Rs.5/- (Previously Rs.10/-) each	<b>218,796,900</b>	437,593,800
		<u><b>218,796,900</b></u>	<u>437,593,800</u>
<b>SUBSCRIBED &amp; PAID UP : @</b>			
43,653,060	(43,653,060) Equity Shares of Rs.5/- (Previously Rs.10/-) each	<b>218,265,300</b>	436,530,600
	Total Subscribed and fully paid up	<b>218,265,300</b>	436,530,600
106,320	*Add : Forfeited Equity Shares (Amount Paid up)	<b>379,067</b>	379,067
	<b>TOTAL</b>	<u><b>218,644,367</b></u>	<u>436,909,667</u>

\* Amount received on Equity Shares forfeited on 25th February, 1997 on account of non-payment of allotment / call money.

@ Note : The Company in terms of Composite Scheme of Arrangement approved by the Hon'ble High Court of Judicature at Bombay, has reduced and re-organised the Share Capital. The said Order of the High Court sanctioning the Scheme is deemed to be an Order under Section 102 of the Companies Act, 1956. In pursuance of the same, shares in physical / demat mode have been re-issued on 27th April, 2010. For details see Note No.1(b)(III)

**KALYANI STEELS**

	Rs.	Rs.	As at 31st March, 2009 Rs.
<b>SCHEDULE '2' : RESERVES AND SURPLUS :</b>			
Capital Redemption Reserve			
As per last account	100,000,000		100,000,000
Less : Utilised in terms of Scheme of Arrangement (Refer Note No.1(b))	<u>100,000,000</u>	—	<u>—</u>
			100,000,000
Securities Premium Account			
As per last account	512,000,000		512,000,000
Less : Utilised in terms of Scheme of Arrangement (Refer Note No.1(b))	<u>512,000,000</u>	—	<u>—</u>
			512,000,000
Debenture Redemption Reserve			
As per last account	11,500,000		—
Add : Set aside during the year (Refer Note No.14)	<u>65,000,000</u>		<u>11,500,000</u>
		76,500,000	11,500,000
Capital Adjustment Account			
Arising during the year (Refer Note No.1(b)(III))	218,265,300		—
Less : Transferred to General Reserve (Refer Note No.1(b)(III))	<u>218,265,300</u>		<u>—</u>
		—	—
General Reserve			
As per last account	1,963,751,402		1,963,751,402
Less : Utilised in terms of Scheme of Arrangement (Refer Note No.1(b))	<u>1,963,751,402</u>		<u>—</u>
	—		1,963,751,402
Add : Transferred from Capital Adjustment Account (Refer Note No.1(b)(III))	218,265,300		—
Add : Transferred from Profit & Loss Account	<u>45,000,000</u>		<u>—</u>
		263,265,300	1,963,751,402
Surplus as per annexed Account		<u>2,210,301,693</u>	<u>2,133,548,256</u>
		<u>2,550,066,993</u>	<u>4,720,799,658</u>
	TOTAL		

	Rs.	Rs.	As at 31st March, 2009 Rs.
<b>SCHEDULE '3' : SECURED LOANS :</b>			
<b>DEBENTURES :</b>			
550 12.5% Secured Non-Convertible Redeemable Debentures (Seventeenth Series) of Rs.1,000,000/- each (For Security Refer Note No.10(a)(1))	550,000,000		550,000,000
400 (—) 10.75% Secured Non-Convertible Redeemable Debentures (Nineteenth Series) of Rs.1,000,000/- each (For Security Refer Note No.10(a)(2))	400,000,000		—
	950,000,000		550,000,000
<b>TERM LOANS :</b>			
<b>RUPEE TERM LOANS :</b>			
From Banks :			
Canara Bank (Charge satisfied, since repayment)	—		19,999,999
Bank of Baroda (For Security Refer Note No.10(b)(i))	73,000,000		123,000,000
The Jammu & Kashmir Bank Limited (Charge satisfied, since repayment)	—		33,333,599
HDFC Bank Limited (For Security Refer Note No.10(b)(ii))	18,750,000		187,500,000
State Bank of India (Charge satisfied, since repayment)	—		33,360,000
Axis Bank Limited (For Security Refer Note No.10(b)(iii))	150,000,000		300,000,000
<b>FOREIGN CURRENCY TERM LOANS :</b>			
From Canara Bank (For Security Refer Note No.10(c)(i))	95,330,561		—
Interest accrued and due on secured loans	1,470,514		20,662,714
	338,551,075		717,856,312
<b>OTHERS :</b>			
From ICICI Bank Limited against hypothecation of Vehicles	138,317		357,830
From Banks, against hypothecation of stores, raw materials, stocks in process, finished goods and book debts :			
Cash Credit	—		56,211,272
Short Term Foreign Currency Loans from Banks under a Buyer's line of credit for Import of goods	673,318,979		674,596,379
<b>TOTAL</b>	1,962,008,371		1,999,021,793

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**KALYANI STEELS**

	Rs.	Rs.	As at 31st March, 2009 Rs.
<b>SCHEDULE '4' : UNSECURED LOANS :</b>			
Fixed Deposits :			
From Public	4,374,000		6,710,000
Add : Interest accrued and due on cumulative fixed deposits	<u>1,137,457</u>		<u>1,219,650</u>
		5,511,457	7,929,650
From Banks :			
Rupee Term Loan		—	470,000,000
Loan from a Company		110,000,000	—
Sales Tax Deferral Liability, as special incentives and concessions under the Karnataka Sales Tax Act, 1957		<u>2,819,675</u>	<u>5,639,980</u>
	TOTAL	<u><u>118,331,132</u></u>	<u><u>483,569,630</u></u>

**SCHEDULE '5': FIXED ASSETS :**

	Freehold Land	Leasehold Land	Buildings	Plant & Machinery	Power Line (c)	Electrical Installation	Furniture / Office Equipments	Vehicles & Aircrafts (d)	As on 31st March, 2010 Total	As on 31st March, 2009 Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Gross Block At Cost :										
As at 31st March, 2009	16,042,370	35,646,689	392,621,421	3,209,107,116	28,100,000	439,692,331	26,323,821	27,948,885	4,175,482,633	3,964,554,208
Additions	—	—	—	110,806,261	—	—	999,221	858,000	112,663,482	278,751,342
Deductions & Adjustments	—	—	—	—	—	—	—	—	—	67,822,917
<b>As at 31st March, 2010</b>	<b>16,042,370</b>	<b>35,646,689</b>	<b>392,621,421</b>	<b>3,319,913,377</b>	<b>28,100,000</b>	<b>439,692,331</b>	<b>27,323,042</b>	<b>28,806,885</b>	<b>4,288,146,115</b>	<b>4,175,482,633</b>
Depreciation :										
Upto 31st March, 2009	—	18,722,362	70,466,290	1,303,882,140	28,100,000	176,317,710	14,428,018	10,861,267	1,622,777,787	1,369,201,278
Deductions & Adjustments	—	—	—	—	—	—	—	—	—	66,437,846
For the Year	—	1,568,256	12,697,376	266,356,056	—	26,500,763	1,820,584	2,443,167	311,386,202	320,014,355
<b>As at 31st March, 2010</b>	<b>—</b>	<b>20,290,618</b>	<b>83,163,666</b>	<b>1,570,238,196</b>	<b>28,100,000</b>	<b>202,818,473</b>	<b>16,248,602</b>	<b>13,304,434</b>	<b>1,934,163,989</b>	<b>1,622,777,787</b>
<b>Net Block :</b>										
<b>As at 31st March, 2010</b>	<b>16,042,370</b>	<b>15,356,071</b>	<b>309,457,755</b>	<b>1,749,675,181</b>	<b>—</b>	<b>236,873,858</b>	<b>11,074,440</b>	<b>15,502,451</b>	<b>2,353,982,126</b>	<b>2,552,704,846</b>
As at 31st March, 2009	16,042,370	16,924,327	322,155,131	1,905,224,976	—	263,374,621	11,895,803	17,087,618	2,552,704,846	2,552,704,846

a) Refer Statement of Significant Accounting Policies - 2.

b) Represents amortisation of Premium paid on Leasehold Land over the lease period.

c) Cost incurred by the Company. Ownership vests with Karnataka Electricity Board, amortised over 10 years.

d) Includes Aircraft value of Rs.6,440,000/- jointly owned with other companies.

e) Leasehold Land includes Rs.10.34 Million paid to MIDC to secure lease rights in respect of land situated at Baramati, under re-negotiation.

## KALYANI STEELS

As at 31st  
March, 2009  
Rs.

### SCHEDULE '6' : INVESTMENTS, AT COST :

Long Term :

In Shares :

	Rs.	Rs.	Rs.
A) Trade :			
In Wholly Owned Subsidiary Companies :			
Unquoted :			
a) Chakrapani Investments & Trades Limited			
— (720,000) Fully paid 6% Non-Cumulative Redeemable Preference Shares of Rs.100/- each @	—		72,000,000
— (630,000) Fully paid Equity Shares of Rs.100/- each @	—		<u>169,478,863</u>
		—	241,478,863
b) Surajmukhi Investment & Finance Limited			
— (7,200,000) Fully paid 6% Non-Cumulative Redeemable Preference Shares of Rs.10/- each @	—		72,000,000
— (7,695,230) Fully paid Equity Shares of Rs.10/- each @	—		<u>185,651,841</u>
		—	257,651,841
c) Gladiolla Investments Limited			
— (1,400,000) Fully paid 4% Non-Cumulative Redeemable Preference Shares of Rs.100/- each @	—		140,000,000
— (5,981,002) Fully paid Equity Shares of Rs.10/- each @	—		<u>165,652,820</u>
		—	305,652,820
B) Other than Trade (Quoted) :			
— (275,102) Fully paid Equity Shares of Rs.5/- each of BF Utilities Limited @	—		5,410,346
— (5,000) Fully paid Equity Shares of Rs.5/- each of Sterlite Technologies Limited @	—		1,437,500
— (500) Fully paid Equity Shares of Rs.5/- each of Kirloskar Ferrous Industries Limited @	—		7,500
— (5,155,650) Fully paid Equity Shares of Rs.10/- each of Hikal Limited @	—		<u>65,610,549</u>
		—	72,465,895
Unquoted :			
A) Trade :			
14,520,000 Fully paid Equity Shares of Rs.10/- each of Bharat NRE Coke Limited	<b>145,200,000</b>		145,200,000
— (56,155,556) Fully paid Equity Shares of Rs.10/- each of Kalyani Gerdau Steels Limited @	—		561,555,560
— (75,486,111) 0.1% Non-Cumulative Redeemable Preference Shares of Rs.10/- each of Kalyani Gerdau Steels Limited @	—		845,444,440
9,000,000 (—) 1% Non-Cumulative Redeemable Preference Shares of Rs.10/- each of Lord Ganesha Minerals Private Limited	<b>90,000,000</b>		—
* 57,600,000 (—) 14% Non-Cumulative Redeemable Preference Shares of Rs.10/- each of Kalyani Investment Company Limited (See Note No.1(c))	<b>576,000,000</b>		—
		<b>811,200,000</b>	<u>1,552,200,000</u>
Carried over ..		<b>811,200,000</b>	<u>2,429,449,419</u>

		Rs.	Rs.	Rs.	Rs.
					As at 31st March, 2009
<b>SCHEDULE '6' : INVESTMENTS, AT COST (continued) :</b>					
	Brought over..			<b>811,200,000</b>	<b>2,429,449,419</b>
B) Other than Trade :					
—	(22,000) Fully paid Equity Shares of Rs.100/- each of Dandakaranya Investment & Trading Limited @		—		2,200,000
—	(22,000) Fully paid Equity Shares of Rs.100/- each of Hastinapur Investment & Trading Limited @		—		2,200,000
—	(22,000) Fully paid Equity Shares of Rs.100/- each of Dronacharya Investment & Trading Limited @		—		2,200,000
—	(220,000) Fully paid Equity Shares of Rs.10/- each of Campanula Investment & Finance Limited @		—		2,200,000
—	(220,000) Fully paid Equity Shares of Rs.10/- each of Cornflower Investment & Finance Limited @		—		2,200,000
—	(245,000) Fully paid Equity Shares of Rs.10/- each of Kalyani Carpenter Metal Centres Limited @	—			2,462,250
	Less : Provision for Diminution	—			<u>2,217,250</u>
			—		245,000
1,000,000	Fully paid Equity Shares of Rs.10/- each of Kalyani Mukand Limited		<b>10,050,000</b>		10,050,000
1,000,000	Fully paid Equity Shares of Rs.10/- each of Lord Ganesha Minerals Private Limited		<b>10,000,000</b>		10,000,000
124,997	(49,997) Fully paid Equity Shares of Rs.10/- each of Hospet Steels Limited		<b><u>1,249,970</u></b>		<u>499,970</u>
				<b>21,299,970</b>	<b>31,794,970</b>
In Debentures :					
Unquoted :					
In Wholly Owned Subsidiaries :					
—	(3,276,490) Zero percent Optionally Fully Convertible Debentures of Rs.100/- each of Chakrapani Investments & Trades Limited		—		327,649,000
—	(3,157,679) Zero percent Optionally Fully Convertible Debentures of Rs.100/- each of Surajmukhi Investment & Finance Limited		—		315,767,900
—	(2,606,939) Zero percent Optionally Fully Convertible Debentures of Rs.100/- each of Gladiolla Investments Limited		—		<u>260,693,900</u>
				—	<u>904,110,800</u>
In Mutual Funds :					
Unquoted :					
6,000,000	(—) Units of Rs.10/- each of LIC MF Saving Plus Fund - Daily Dividend Plan			<b>60,000,000</b>	—
			<b>TOTAL</b>	<b><u>892,499,970</u></b>	<b><u>3,365,355,189</u></b>

**SCHEDULE '6' : INVESTMENTS, AT COST (continued) :**

	C O S T		M A R K E T V A L U E	
	(Net of determined diminution in the value of Investment)			
	As at 31st March, 2010 Rs.	As at 31st March, 2009 Rs.	As at 31st March, 2010 Rs.	As at 31st March, 2009 Rs.
Quoted *	— @	72,465,895	— @	893,525,914
Unquoted	<b>892,499,970</b>	3,292,889,294		
	<b>892,499,970</b>	<b>3,365,355,189</b>		

@ Transferred to Kalyani Investment Company Limited consequent to a Scheme of Arrangement detailed in Note No.1 to Schedule 20 to the financial statements.

\* Allotted on 27th April, 2010, to be redeemed at the end of 20 (Twenty) years from the Appointed Date i.e.1st October, 2009. Kalyani Investment Company Limited will have an option to redeem the Preference Shares in one or more tranches at any time after the end of 1 (One) year from the Appointed Date.

Following investments are purchased and sold during the year :

Particulars	No. of Units	Purchase Value (Rs.)
LICMF Liquid Fund - Daily Dividend Plan	45,722,402	502,000,000
LICMF Income Plus Fund - Daily Dividend Plan	49,781,444	497,014,457
LICMF Saving Plus Fund - Daily Dividend Plan	37,640,392	374,729,852
LICMF Saving Plus Fund - Monthly Dividend Plan	987,167	9,900,000
LICMF Saving Plus Fund - Weekly Dividend Plan	989,456	9,900,000
HDFC Cash Management Fund - Saving Plus Plan - Daily Dividend Reinvestment	29,901,232	318,000,000
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Daily Dividend Reinvestment	65,681,965	658,030,837
ICICI Prudential Floating Rate Plan B - Daily Dividend	2,002,837	20,001,904
Prudential ICICI Institutional Liquid Plan - Super Institutional Daily Dividend	1,999,751	20,000,000
ICICI Prudential Flexible Income Plan Premium - Daily Dividend	473,907	50,000,000
UTI Floating Rate - Short Term Plan - Institutional Daily Dividend - Re Invest	41,001	41,000,000
UTI Liquid Cash Plan Institutional - Daily Dividend	68,573	69,900,000
UTI Treasury Advantage Fund - Institutional Plan Daily Dividend	70,041	69,906,429
Baroda Pioneer Treasury Advantage Fund - Institutional Daily Dividend Plan	43,602,208	435,023,825
Baroda Pioneer Treasury Liquid Fund - Institutional Daily Dividend Plan	31,982,234	320,000,000
SBI Magnum Insta Cash Fund Daily Dividend Plan	14,926,229	250,000,000
SBI Ultra Short Term Fund Institutional Daily Dividend Plan	25,036,876	250,018,806
Birla Sunlife Saving Funds - Institutional Daily Dividend Plan	1,001,987	10,000,000

	Rs.	Rs.	As at 31st March, 2009
			Rs.
<b>SCHEDULE '7' : INVENTORIES :</b>			
Stores, spares etc., at cost		<b>101,006,419</b>	103,862,031
Stock - in - Trade :			
Raw materials, at cost	519,362,893		990,953,983
Finished goods, at cost or market value whichever is lower	417,730,230		487,816,268
Scrap at estimated realisable value	<u>37,643,039</u>		<u>16,092,267</u>
As valued and certified by the Executive Director	974,736,162		1,494,862,518
Goods in transit, at cost to date	<u>162,830,162</u>		<u>9,040,925</u>
		<b>1,137,566,324</b>	<b>1,503,903,443</b>
TOTAL		<b><u>1,238,572,743</u></b>	<b><u>1,607,765,474</u></b>
<b>SCHEDULE '8' : SUNDRY DEBTORS, UNSECURED, GOOD :</b>			
(Unless otherwise stated)			
i) Over six months			
Good	14,825,673		39,802,608
ii) Others, Good	<u>2,261,794,021</u>		<u>1,309,818,316</u>
		<b>2,276,619,694</b>	<b>1,349,620,924</b>
TOTAL		<b><u>2,276,619,694</u></b>	<b><u>1,349,620,924</u></b>
<b>SCHEDULE '9' : CASH AND BANK BALANCES :</b>			
Cash on hand		55,476	34,851
Bank balances :			
With Scheduled Banks :			
In Current & Cash Credit Accounts	141,812,754		59,161,187
In Fixed Deposits (Receipts of the value of Rs.615,500/- pledged in favour of Government Authorities)	<u>965,500</u>		<u>815,500</u>
		<b>142,778,254</b>	<b>59,976,687</b>
TOTAL		<b><u>142,833,730</u></b>	<b><u>60,011,538</u></b>
<b>SCHEDULE '10' : OTHER CURRENT ASSETS :</b>			
Interest Receivable		7,828,094	8,464,347
Export Incentives Receivable		3,452,160	8,484,692
Income Receivable		<u>21,158,329</u>	<u>41,308,587</u>
TOTAL		<b><u>32,438,583</u></b>	<b><u>58,257,626</u></b>

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**KALYANI STEELS**As at 31st  
March, 2009

Rs. Rs. Rs.

**SCHEDULE '11' : LOANS AND ADVANCES, UNSECURED, GOOD  
(UNLESS OTHERWISE STATED) :**

Loans to other companies (formerly subsidiaries under Section 4(1)(c) of the Companies Act, 1956)	3,367,300	3,367,300
@ Inter Corporate Loans	305,535,717	233,221,688
* Advances recoverable in cash or in kind or for value to be received	349,053,033	336,637,014
Advances for capital goods for Projects under Implementation	38,637,235	31,733,968
Sundry Deposits	82,090,511	171,281,936
Balance with Excise Department	6,325,353	5,473,706
Tax paid in advance	462,004,497	746,271,690
	<u>1,247,013,646</u>	<u>1,527,987,302</u>
	<b>TOTAL</b>	
	<u>1,247,013,646</u>	<u>1,527,987,302</u>
* Includes interest free loans amounting to Rs.9,180,000/- (Previous year Rs.9,180,000/-) to Seven Trusts connected with the welfare of employees.		
* Includes amount due from the Officer of the Company Rs.110,913/- (Previous Year Rs.132,114/-) Maximum balance outstanding during the year Rs.132,114/- (Previous Year Rs.152,486/-)		
@ Includes interest free loans aggregating Rs.21,035,000/- (Previous year Rs.21,035,000/-) given to Six Private Limited companies formed with the same purpose and obligation as the Six Employees Welfare Trusts under a Scheme in terms of Clause (b) of the proviso to Section 77(2) of the Companies Act, 1956, which in the opinion of an eminent counsel falls within the purview of the said proviso to the above mentioned Section.		

**SCHEDULE '12' : LIABILITIES :**

Acceptances	3,013,474	70,596,699
Deposits	17,087,050	17,136,050
Sundry Creditors		
Due to Micro and Small Enterprises (See Note No.12)	887,380	875,122
Due to Other than Micro and Small Enterprises	<u>1,840,866,702</u>	<u>1,133,793,788</u>
	1,841,754,082	1,134,668,910
Advance against Orders	26,732,398	3,264,086
Part amount received under an arrangement against sale of project promoted by the Company	55,861,236	55,861,236
Trade Advance	328,736,106	328,736,106
Amount payable against purchase of Preference Shares under an arrangement	230,839,953	338,839,953
Unclaimed Dividends	3,259,494	3,282,974
Interest accrued but not due on loans	19,892,521	2,564,403
	<u>2,527,176,314</u>	<u>1,954,950,417</u>
	<b>TOTAL</b>	
	<u>2,527,176,314</u>	<u>1,954,950,417</u>



KALYANI

## 37th Annual Report 2009-2010

	Rs.	Rs.	As at 31st March, 2009 Rs.
<b>SCHEDULE '13' : PROVISIONS :</b>			
Provision for Long Term Employee Benefits (See Note No.11)		6,892,135	5,919,434
Provision for Taxation		336,756,000	629,224,479
Proposed Dividend		54,566,325	—
Tax on Proposed Dividend		9,273,547	—
TOTAL		<u>407,488,007</u>	<u>635,143,913</u>
	Rs.	Rs.	Previous Year Rs.
<b>SCHEDULE '14' : SALES, OPERATING &amp; OTHER INCOME :</b>			
<b>(a) Sales, Gross :</b>			
Sales	9,901,577,109		9,382,854,160
Less : Returns	18,054,687		4,096,817
	<u>9,883,522,422</u>		<u>9,378,757,343</u>
Miscellaneous Sales	261,051,793		715,553,006
Jobwork Receipts	<u>1,390,704,556</u>		<u>1,577,697,621</u>
		11,535,278,771	11,672,007,970
<b>(b) Operating Income :</b>			
i) Related to Manufacturing Activity :			
Export Incentives received	7,428,506		2,942,446
CER Income	—		6,045,384
	<u>7,428,506</u>		<u>8,987,830</u>
ii) Related to Finance and Investment Activity (Net) (Pre Scheme of Arrangement)			
Income earned during the year from			
Dividend, other than Trade, Gross	5,708,335		2,840,158
Profit on Sale of Long Term Investments, net	<u>135,057,705</u>		<u>107,910,597</u>
	<u>140,766,040</u>		<u>110,750,755</u>
		148,194,546	119,738,585
<b>(c) Other Income :</b>			
Dividend, other than Trade, Gross	6,533		20,627,600
Interest other than from Finance & Investment Activity	64,645,642		34,650,322
Miscellaneous receipts	6,871,293		14,921,766
Gain on cancellation of Forward Sale Contract, Net	—		101,552,045
Gain on Foreign Exchange, Net	—		11,351,662
Profit on Sale of Assets	—		2,527,900
Provision no longer required	7,219,824		23,737,198
Sundry Credit balances appropriated	<u>4,281,720</u>		<u>1,484,146</u>
		83,025,012	210,852,639
TOTAL		<u>11,766,498,329</u>	<u>12,002,599,194</u>

**KALYANI STEELS**

	Rs.	Rs.	Previous Year Rs.
<b>SCHEDULE '15' : MATERIALS CONSUMED AND MANUFACTURING EXPENSES :</b>			
<b>(a) Raw materials consumed :</b>			
Stocks at commencement	990,953,983		509,354,554
Add : Purchases	3,824,683,116		5,351,047,757
Add / (Less) : Foreign Exchange Fluctuation	<u>(5,910,217)</u>		<u>363,435,039</u>
	4,809,726,882		6,223,837,350
Less : Sale of Raw Material	90,818,290		98,343,042
Less : Stocks at close	<u>519,362,893</u>		<u>990,953,983</u>
		4,199,545,699	5,134,540,325
<b>(b) Manufacturing expenses :</b>			
Stores and spares consumed	301,454,089		274,463,857
Job work and Manufacturing Charges	1,020,300,821		720,115,218
Power and Fuel	573,830,104		521,270,898
Building and Road repairs	4,827,217		20,542,763
Machinery repairs	<u>13,807,476</u>		<u>31,798,929</u>
		1,914,219,707	1,568,191,665
<b>(c) Goods Purchased for Trade</b>		2,429,933,244	1,739,901,497
<b>(d) Excise Duty :</b>			
On Closing Stock	42,552,043		43,922,893
Less : On Opening Stock	<u>43,922,893</u>		<u>95,779,174</u>
		(1,370,850)	(51,856,281)
<b>(e) (Increase) / decrease in Stocks :</b>			
Stocks at close :			
Finished goods	417,730,230		487,816,268
Scrap	<u>37,643,039</u>		<u>16,092,267</u>
	455,373,269		503,908,535
Less : Stocks at commencement :			
Finished goods	487,816,268		576,582,465
Scrap	<u>16,092,267</u>		<u>122,535,880</u>
	503,908,535		699,118,345
		48,535,266	195,209,810
TOTAL		<u>8,590,863,066</u>	<u>8,585,987,016</u>
<b>SCHEDULE '16' : EMPLOYEES' EMOLUMENTS :</b>			
(Including Executive Director's Remuneration)			
Salaries, Wages, Gratuity, Bonus etc.		187,748,180	239,054,992
Contribution to Provident and other Funds etc.		10,849,182	13,573,594
Welfare expenses		<u>7,354,727</u>	<u>8,046,688</u>
TOTAL		<u>205,952,089</u>	<u>260,675,274</u>

	Rs.	Rs.	Previous Year Rs.
<b>SCHEDULE '17' : OTHER EXPENSES :</b>			
Rent		1,852,452	1,180,072
Rates & Taxes		50,055	184,839
Insurance (including Key Man Insurance)		8,599,164	8,166,538
Legal & Professional charges		34,737,406	32,398,379
Miscellaneous expenses		176,309,640	220,076,547
Donations			
- Maharashtra Pradesh Congress Committee (Political Party)	10,000,000		—
- Others	<u>700,000</u>		<u>700,000</u>
		10,700,000	700,000
Freight Outward		319,979,983	216,369,806
Brokerage and Discount		3,006,457	10,174,360
Commission on Sales		16,650,374	14,746,234
Audit Fees and expenses		6,178,440	3,168,762
Directors' fees and Traveling Expenses		706,979	1,095,112
Executive Director's Commission		5,000,000	—
Loss on Foreign Exchange Fluctuation		1,020,809	—
Loss on Assets sold or scrapped		—	843,710
Bad debts, Advances and sundry debit balances written off		9,007,594	9,610,295
Settlement of disputed claims, demurrage etc.		128,708,487	—
Facility charges under Strategic Alliance		68,659,708	70,675,309
Facility charges for plant taken on lease		—	<u>84,000,000</u>
TOTAL		<u><u>791,167,548</u></u>	<u><u>673,389,963</u></u>
<b>SCHEDULE '18' : INTEREST :</b>			
Interest & Commitment Charges :			
On Debentures	99,930,478		14,126,712
On Fixed Loans	109,916,144		138,809,393
Others	<u>53,951,924</u>		<u>131,432,701</u>
		263,798,546	284,368,806
TOTAL		<u><u>263,798,546</u></u>	<u><u>284,368,806</u></u>
<b>SCHEDULE '19' : DEPRECIATION AND WRITE OFFS ETC. :</b>			
Depreciation		309,817,946	317,977,766
Leasehold land amortised		1,568,256	1,568,256
Power HT line amortised		—	468,333
TOTAL		<u><u>311,386,202</u></u>	<u><u>320,014,355</u></u>

**SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2010**

1. (a) Pursuant to a Composite Scheme of Arrangement ("Scheme") between the Company, Chakrapani Investments & Trades Limited (CITL), Surajmukhi Investment & Finance Limited (SIFL), Gladiolla Investments Limited (GIL) and Kalyani Investment Company Limited (KICL), as approved by the shareholders and sanctioned by the Hon'ble High Court of Judicature at Bombay, vide its Order dated 12th March, 2010, under Section 100, 391 and 394 of the Companies Act, 1956, all the assets, liabilities, right and obligations of the 'Investment Division' of the Company specified therein, excluding the investments in Hospet Steels Limited, Bharat NRE Coke Limited, Kalyani Mukand Limited and Lord Ganesha Minerals Private Limited and the deferred payment liability towards purchase of shares, were demerged / transferred to and vested in KICL.

The Appointed Date of the Scheme is 1st October, 2009 and the Effective Date of the Scheme is 31st March, 2010. The Scheme became operative from the Effective Date with retrospective effect from the Appointed Date. Hence, the effects of the Scheme have been recognised in the preparation of these financial statements for the year ended 31st March, 2010.

- (b) The effects of the Scheme, are as summarised below :

- (I) Demerger of Investment Division :

Details of investments transferred : (In Rs.)

- i) In Wholly Owned Subsidiaries (Equity & Preference) :

Chakrapani Investments & Trades Limited	707,409,263
Surajmukhi Investment & Finance Limited	257,651,841
Gladiolla Investments Limited	305,652,820

Total (A) 1,270,713,924

- ii) Quoted Investments :

Equity Shares of BF Utilities Limited	2,460,342
Equity Shares of Sterlite Technologies Limited	1,437,500
Equity Shares of Kirloskar Ferrous Industries Limited	7,500
Equity Shares of Hikal Limited	65,610,549

Total (B) 69,515,891

- iii) Unquoted Investments :

Equity Shares of Kalyani Gerdau Steels Limited	561,555,560
0.1% Non-Cumulative Redeemable Preference Shares of Kalyani Gerdau Steels Limited	845,444,440
Equity Shares of Dandakaranya Investment & Trading Limited	2,200,000
Equity Shares of Hastinapur Investment & Trading Limited	2,200,000
Equity Shares of Dronacharya Investment & Trading Limited	2,200,000
Equity Shares of Campanula Investment & Finance Limited	2,200,000
Equity Shares of Cornflower Investment & Finance Limited	2,200,000
Equity Shares of Kalyani Carpenter Metal Centres Limited	245,000

Total (C) 1,418,245,000

Total (A + B + C) 2,758,474,815

Less : Liabilities

—

Excess of Assets over Liabilities

2,758,474,815

Excess of Assets over Liabilities Charged to :

Capital Redemption Reserve Account	100,000,000
Securities Premium Account	512,000,000
General Reserve	1,963,751,402
Balance to Profit and Loss Account	182,723,413

Total 2,758,474,815



## SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2010 (continued)

(II) The conduct of the business carried on in the trust for the resultant company for the period commencing from the Appointed Date to the Effective Date did not give rise to any income or expenditure. Moreover, there are no employees attached to the Investment Undertaking.

(III) Reduction & Re-organisation of Equity Share Capital :

- i) Authorised Share Capital : 47,500,000 Equity Shares of Rs.10/- each re-organised into 95,000,000 Equity Shares of Rs.5/- each.
  - ii) Issued Share Capital : 43,759,380 Equity Shares of Rs.10/- each reduced to 43,759,380 Equity Shares of Rs.5/- each.
  - iii) Subscribed & Paid up Share Capital : 43,653,060 Equity Shares of Rs.10/- each reduced to 43,653,060 Equity Shares of Rs.5/- each and difference on reduction of capital amounting to Rs.218,265,300/- is credited to 'Capital Adjustment Account'.
  - iv) Amount standing to the credit of 'Capital Adjustment Account', is transferred to the General Reserve in terms of the Scheme.
- (c) Loan amounting to Rs.576,000,000/- by the Company to SIFL and GIL is converted into 57,600,000 – 14% Non-Cumulative Redeemable Preference Shares of Rs.10/- each of KICL, in terms of the Scheme.
- (d) In consideration of transfer and vesting of 'Investment Division' to KICL, 1 (One) fully paid up Equity Share of Rs.10/- each at par was issued and allotted by KICL, to the shareholders of the Company for every 10 (Ten) Equity Shares held by them in the Company on 23rd April, 2010 i.e. the Record Date fixed by the Board of Directors of the Company for determining the entitlement of Equity Shares of KICL.

	As at 31st March, 2010 Rs.	As at 31st March, 2009 Rs.
2. A. Contingent Liabilities not provided for in respect of :		
a) Claims against the Company not acknowledged as debts	16,672,364	133,654,423
b) Excise Demands - Matter under Dispute	52,331,629	54,326,997
c) Service Tax Demands - Matter under Dispute	3,912,076	3,272,729
B. Mysore Minerals Limited had, raised an illegitimate claim aggregating to Rs.281,552,035/- for price of calibrated iron ore purchased by the Company over and above the agreed contracted price. The Company has repudiated the said claim as the same is in ultra-vires to the contract.		
3. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for (Net of Advances)	20,731,147	36,313,249
4. Payment to Auditors :		
(i) As Statutory Auditors	3,000,000	2,000,000
(ii) In other capacity :		
- For Tax Audit	400,000	400,000
- Review of Quarterly Results & Half Yearly Financial Statements	1,650,000	150,000
- For Certification	1,068,118	547,500
	6,118,118	3,097,500
(iii) For expenses	60,322	71,262
	6,178,440	3,168,762

**SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2010 (continued)**
**5. Details of Raw Materials Consumption :**
**a) RAW MATERIALS CONSUMED :**

	2009-10		2008-09	
	MTs	Rs.	MTs	Rs.
Coke	*67,820	1,729,878,424	*58,244	1,517,394,209
Iron Ore	350,341	870,738,307	320,706	792,227,277
Coal (Converted into Coke)	67,463	556,128,399	138,832	1,857,589,203
Ferro Alloys		636,583,023		511,524,772
Others		406,217,546		455,804,864
<b>TOTAL</b>		<b>4,199,545,699</b>		<b>5,134,540,325</b>

\* Excludes 58,073 MTs (Previous Year 65,201 MTs) Coke from Coal Conversion Activity

**b) IMPORTED AND INDIGENOUS RAW MATERIALS CONSUMED : (See Note No.9)**

	2009-10		2008-09	
	Rs.	Percentage	Rs.	Percentage
Imported (Direct imports only)	1,277,771,969	30%	3,388,306,407	66%
Indigenous	2,921,773,730	70%	1,746,233,918	34%
<b>TOTAL</b>	<b>4,199,545,699</b>	<b>100%</b>	<b>5,134,540,325</b>	<b>100%</b>

**SCHEDULE '20': Notes forming part of the Financial Statements as at 31st March, 2010 (continued)**  
**6. Details of Licensed and Installed Capacity, Production, Stocks and Turnover :**

Class of Goods	Licensed capacity (Maximum utilisation on basis)		(a) Installed capacity	(b) Production for Self	Production for job work	Bought Out	Purchase for Goods traded in		Stocks at Commencement		Stocks at Close		Turnover (Net of Excise Duty)	Process Loss Excess / Shortage
	MTs	MTs					Value Rs.	Qty. MTs	Value Rs.	Qty. MTs	Value Rs.	Qty. MTs		
<b>1) PIG IRON / LIQUID PIG IRON</b>														
Financial Year ended 31st March, 2010	670,000	670,000	670,000	(g) 177,223	265,347	—	—	—	—	866	21,094,579	(d) 189	3,661,055	—
Financial Year ended 31st March, 2009	670,000	670,000	670,000	(g) 156,680	193,582	—	—	187,791,122	8,098	—	—	(d) 28,953	885,232,318	—
<b>2) BLOOMS &amp; ROUNDS</b>														
Financial Year ended 31st March, 2010	—	—	—	185,950	—	1,031	—	—	6,253	221,784,874	7,945	(d) 26,090	667,094,404	—
Financial Year ended 31st March, 2009	—	—	—	135,065	—	303	—	132,970,832	4,456	221,784,874	6,253	(d) 20,002	552,923,857	—
<b>3) ROLLED PRODUCTS</b>														
Financial Year ended 31st March, 2010	—	—	250,000	(f) 159,199	74,299	238	—	—	7,981	266,031,394	4,685	(d) 154,524	6,111,489,842	8,209
Financial Year ended 31st March, 2009	—	—	250,000	(f) 113,569	65,593	—	—	253,473,436	7,386	266,031,394	7,981	(d) 107,496	5,193,200,040	5,478
<b>4) POWER</b>														
Financial Year ended 31st March, 2010	8 MW	8 MW	8 MW	(h) 8 MW	—	—	—	—	—	—	—	—	—	—
Units (Kwh) ('000)	60,000	60,000	60,000	52,623	—	—	—	—	—	—	—	—	—	—
Financial Year ended 31st March, 2009	8 MW	8 MW	8 MW	(h) 8 MW	—	—	—	—	—	—	—	—	—	—
Units (Kwh) ('000)	60,000	60,000	60,000	44,542	—	—	—	—	—	—	—	—	—	—
<b>5) GOODS TRADED IN</b>														
<b>BLOOMS &amp; ROUNDS</b>														
Financial Year ended 31st March, 2010	—	—	—	—	—	—	3,715	139,149,453	—	—	—	—	162,094,828	—
Financial Year ended 31st March, 2009	—	—	—	—	—	—	4,865	192,969,692	72	2,347,075	—	—	324,906,866	—
<b>IRON ORE &amp; IRON ORE FINES</b>														
Financial Year ended 31st March, 2010	—	—	—	—	—	—	176,497	306,523,065	—	—	—	—	304,815,114	—
Financial Year ended 31st March, 2009	—	—	—	—	—	—	202,221	238,216,641	—	—	—	—	238,729,550	—
<b>COKE</b>														
Financial Year ended 31st March, 2010	—	—	—	—	—	—	49,301	1,290,653,777	—	—	—	—	1,312,693,046	—
Financial Year ended 31st March, 2009	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>COAL</b>														
Financial Year ended 31st March, 2010	—	—	—	—	—	—	245,423	1,981,174,254	—	—	—	—	2,069,381,344	—
Financial Year ended 31st March, 2009	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>PIG IRON</b>														
Financial Year ended 31st March, 2010	—	—	—	—	—	—	494	9,087,235	—	—	—	—	9,136,719	—
Financial Year ended 31st March, 2009	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>OTHERS</b>														
Financial Year ended 31st March, 2010	—	—	—	—	—	—	—	3,086,472	—	—	—	—	4,002,384	—
Financial Year ended 31st March, 2009	—	—	—	—	—	—	—	8,974,152	—	—	—	—	13,539,139	—
<b>6) SCRAP</b>														
Financial Year ended 31st March, 2010	—	—	—	—	—	—	—	16,092,267	—	37,643,039	—	—	(e) 245,073,160	—
Financial Year ended 31st March, 2009	—	—	—	—	—	—	—	122,535,880	—	16,092,267	—	—	(e) 682,129,100	—
<b>7) JOBWORK ACTIVITY</b>														
Financial Year ended 31st March, 2010	—	—	—	—	—	—	—	—	—	—	—	—	646,431,542	—
Financial Year ended 31st March, 2009	—	—	—	—	—	—	—	—	—	—	—	—	420,113,265	—
<b>TOTAL</b>														
Financial Year ended 31st March, 2010	—	—	—	2,429,933,244	—	—	—	503,908,535	—	455,373,269	—	—	10,214,043,673	—
Financial Year ended 31st March, 2009	—	—	—	1,739,901,497	—	—	—	699,118,345	—	503,908,535	—	—	9,632,603,900	—

a) As certified by the Chief of MBF and Rolling Mill Shop, being a technical matter accepted by the Auditors as correct.

b) Production is net of Plant returns.

c) Manufactured by a third party on "Conversion Basis" under Strategic Alliance.

d) Excludes captively consumed.

Pig Iron / Liquid Pig Iron : 176,158 MTs (Previous Year 135,825 MTs)

Blooms & Rounds : 159,199 MTs (Previous Year 113,569 MTs)

e) Includes Sale of Iron Ore fines Rs.76,020,033/- (Previous Year Rs.310,326,812/-) and Coke Fines Rs.36,205,583/- (Previous Year Rs.135,437,732/-)

f) Includes material sent for manufacture at third party on "Conversion Basis" 77,376 MTs (Previous Year 44,803 MTs)

g) Includes Nil MTs pig iron produced in Siruguppa Plant / Facility taken on lease (Previous Year 22,294 MTs)

h) Net Power generated & captively consumed.

**SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2010 (continued)**

**7. MANAGERIAL REMUNERATION :**

a) Computation of Net Profit in accordance with Section 198(1) and 349 of the Companies Act, 1956 :

	2009-10 Rs.	2008-09 Rs.
Profit as per Profit & Loss Account, after Taxation	432,757,744	33,057,451
Add : Remuneration to Executive Director including perquisites	11,683,302	9,275,467
Commission to Directors other than Executive Director	—	—
Provision for Taxation	68,277,838	(18,457,674)
	<u>79,961,140</u>	<u>(9,182,207)</u>
	512,718,884	23,875,244
Less : Profit on sale of investments in terms of Section 349(3)(c)	135,049,966	107,910,597
Net Profit / (Loss)	377,668,918	(84,035,353)
Profit on which commission is payable	377,668,918	—
Commission to Executive Director, as determined by the Board of Directors	5,000,000	—
Commission to Directors other than Executive Director	—	—

b) Details of payment and provisions on account of remuneration to Executive Director included in financial statements are as under :

	Executive Director 2009-10 (Rs.)	TOTAL 2009-10 Rs.	*TOTAL 2008-09 Rs.
Salary	3,480,000	3,480,000	4,680,000
Special Allowance	—	—	615,000
House Rent Allowance / Rent Perquisite	1,740,000	1,740,000	2,490,000
Commission on Profits	5,000,000	5,000,000	—
Contribution to :			
Provident Fund	417,600	417,600	417,600
Superannuation Fund	522,000	522,000	522,000
Other Perquisites	233,702	233,702	39,200
L.T.A.	290,000	290,000	511,667
Total	<u>11,683,302</u>	<u>11,683,302</u>	<u>9,275,467</u>

\* Includes remuneration to Executive Director for the full year and to Wholetime Director (Technical) for the period from 01-04-2008 to 31-01-2009

Note : As the employee-wise breakup of Gratuity and Leave entitlements is unascertainable, the amount relatable to the Directors has not been included above.

	2009-10 Rs.	2008-09 Rs.
--	----------------	----------------

**8. C.I.F. Value of Imports, Expenditure and Earnings in Foreign Currencies :**

a) C.I.F. value of Imports :

Direct imports only : (including goods in Bonded Warehouse, if any) [See Note No.9]

Raw Material :

- Coke	778,148,948	1,062,574,625
- Coal	547,704,383	1,382,952,942
- Ferro Alloys	—	90,349,535

Goods Traded in :

- Coke	—	1,290,780,339
- Coal	1,957,780,419	—



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SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2010 (continued)

	2009-10 Rs.	2008-09 Rs.			
b) Expenditure in Foreign Currency :					
- Interest	23,550,678	119,607,378			
- Traveling	1,451,839	571,637			
- Other matters	—	3,858			
c) Earnings in Foreign Currencies :					
- FOB Value of Exports	431,883,728	706,979,116			
- Carbon Emission Reduction (Carbon Credits)	—	6,045,384			
- Gain on cancellation of Forward Sale Contract	—	108,854,445			
d) Exchange differences on account of fluctuation in foreign currency rates :					
i) Relating to Exports during the year as a part of "Sales" Loss / (Gain)	18,223,987	(23,283,961)			
ii) Relating to Imports during the year as a part of "Raw Material" Loss / (Gain)	(5,910,217)	363,435,039			
iii) Other foreign exchange (gains) / losses recognised on settlement of current assets, liabilities and borrowings					
a) Adjusted to cost of assets	—	—			
b) Recognised in Profit and Loss account					
i) On settlement / Revolarisation of borrowings, current assets & current liabilities	1,366,003	(10,156,426)			
ii) On open forward contracts at the close of the year	(661,950)	(1,195,236)			
iii) On Unrealised CER Income	316,756	—			
e) Foreign Exchange Derivatives and Exposures not hedged at close of the year :					
a) Foreign Exchange Derivatives :					
	Nature of Contracts	Currency	Particulars	31st March, 2010	31st March, 2009
i) Forward Contracts		USD	Purchase	33,529,918	10,900,000
		USD	Sale	984,500	2,283,500
		USD	Interest	—	—
		USD	Loan	2,098,983	—
ii) Option Contracts		USD		—	—
All derivative contracts stated above are for the purpose of hedging the underlying foreign currency exposure.					
b) Exposure not hedged :					
	Nature of Instrument	Currency		31st March, 2010	31st March, 2009
i) Receivable		USD		544,022	402,121
Receivable		EURO		—	765,194
ii) Payable		USD		—	2,280,104
9. In furnishing information under Note No.5(b) and 8(a), the view has been taken that particulars are required only in respect of items that are incorporated in the Finished Goods produced and not for such material used for maintenance of Plant & Machinery.					
10. (a) (1) 550 – 12.50% Secured Non-Convertible Redeemable Debentures (Seventeenth Series) of Rs.1,000,000/- each, privately placed with Life Insurance Corporation of India, allotted on 16th January, 2009, redeemable in three equal annual installments commencing from the end of three years from the date of allotment.					
(2) 400 – 10.75% Secured Non-Convertible Redeemable Debentures (Nineteenth Series) of Rs.1,000,000/- each, privately placed with Indian Overseas Bank, Bank of India, Corporation Bank, Union Bank of India and UCO Bank, allotted on 18th September, 2009, redeemable in three equal annual installments commencing from the end of fourth year from the date of allotment.					
Above Debentures are secured by mortgage of Company's immovable properties consisting of land together with all buildings and structures thereon and all plant and machinery, attached to the earth or permanently fastened to anything attached to the earth, both present and future and hypothecation of whole of the moveable fixed assets / properties of the Company, including its movable plant and machinery, machinery spares, tools and accessories and other movable fixed assets, both present and future, ranking pari passu with charges created and / or to be created in favour of the Banks / Financial Institutions for their term / foreign currency loans.					
(b) Rupee Term Loans :					
(i) Bank of Baroda – Term Loan					
(ii) HDFC Bank Limited – Term Loan					
(iii) Axis Bank Limited – Term Loan					

**SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2010 (continued)**

Above loans are secured by mortgage of Company's immoveable properties consisting of land together with all buildings and structures thereon and all plant and machinery, attached to the earth or permanently fastened to anything attached to the earth, both present and future and hypothecation of whole of the moveable fixed assets / properties of the Company, including its movable plant and machinery, machinery spares, tools and accessories and other movable fixed assets, both present and future, ranking pari passu with charges created and / or to be created in favour of the Trustees for Debenture holders and Banks / Financial Institutions for their term / foreign currency loans.

(c) Foreign Currency Term Loans :

(i) Canara Bank – Foreign Currency Term Loan, Outstanding balance : US\$ 2,098,983.01

Above Foreign Currency Term Loan is secured by hypothecation of whole of the moveable fixed assets / properties of the Company, including its movable plant and machinery, machinery spares, tools and accessories and other movable fixed assets, both present and future, ranking pari passu with charges created and / or to be created in favour of the Trustees for Debenture holders and Banks / Financial Institutions for their term / foreign currency loans.

11. Details of Long Term Employee benefits determined by an appointed Actuary as regard the Company's employees are as follows :

A. FUNDED SCHEME

	Gratuity	
	31st March, 2010	31st March, 2009
(i) Amounts to be recognised in Balance Sheet :		
a. Present Value of Defined Benefit Obligations		
(i) Funded	10,001,416	9,403,184
(ii) Unfunded	—	—
b. Fair value of Plan Assets	9,350,309	8,554,311
c. Net Liability / (Asset) recognised in the Balance Sheet	651,107	848,873
(ii) Amount to be Recognised in the Statement of Profit and Loss :		
a. Current Service Cost	2,067,121	1,084,463
b. Interest on Defined Benefit Obligations	667,626	678,540
c. Expected Return on Plan Assets	(641,740)	(486,059)
d. Net Actuarial Losses / (Gains) Recognised in year	(2,286,341)	355,601
Total included in "Employees' Emoluments"	(193,334)	1,632,545
(iii) Change in Defined Benefit obligation and reconciliation thereof :		
a. Present value of Defined Benefit obligation at the beginning of the year	9,403,184	7,186,876
b. Interest Cost	667,626	678,540
c. Current Service cost	2,067,121	1,084,463
d. Actuarial Losses / (Gains)	(2,136,515)	506,645
e. Benefits Paid	—	(53,340)
f. Present value of Defined Benefit obligation at the close of the year	10,001,416	9,403,184
(iv) Change in the fair value of Plan Assets and the reconciliation thereof :		
a. Fair value of Plan Assets at the beginning of the year	8,554,311	6,076,953
b. Add : Expected return on Plan Assets	641,740	486,059
c. Add / (Less) : Actuarial Losses / (Gain)	149,826	151,044
d. Add : Contributions by employer	4,432	1,893,595
e. Less : Benefits paid	—	(53,340)
f. Fair value of Plan Assets at the close of the year	9,350,309	8,554,311
(v) Broad Categories of plan assets as a percentage of total assets :		
a. Insurer Managed Funds	100%	100%
(vi) Summary of the Actuarial Assumptions :		
Discount Rate	8.20%	7.10%
Expected Rate of Return on Assets	7.50%	7.50%
Salary Escalation Rate	7.00%	7.00%



## SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2010 (continued)

## B. UNFUNDED SCHEME

	Compensated Absences	
	31st March, 2010	31st March, 2009
i) Present value of unfunded obligation	6,241,028	5,070,561
ii) Expenses recognised in Profit & Loss Account	1,255,119	346,493
iii) Discount rate	8.20%	7.10%
iv) Salary Escalation rate	7.00%	7.00%

12. On the basis of information available with the Company regarding the status of suppliers as defined vide "Micro, Small and Medium Development Act, 2006" total dues to suppliers as at 31st March, 2010 amount to Rs.887,380/-. Since there were no overdues beyond the credit period extended to the Company which is less than 45 days, no liability for payment of interest and related disclosures under the said act arose.

13. In the absence of balance confirmations, the balances in respect of third parties are as per Books of Account only. Adjustments having an impact of revenue nature, if any, will be made in the year in which the same are confirmed and reconciled.

14. Debentures Redemption Reserve has been created in accordance with Circular No.9/2002 dated 18th April, 2002 issued by Department of Company Affairs, Ministry of Law Justice and Company Affairs, Government of India and Section 117(c) of Companies Act, 1956 at 25% of the maturity amount equally over the terms of Debentures privately placed. Amount set out for the year represents the entire required amount for the year in respect of Seventeenth Series and the proportionate amount for the period of seven months since issued during the year in respect of the Nineteenth Series.

15. Segment information has been set out in a separate statement annexed to this Schedule.

16. Related party disclosures have been set out in a separate statement annexed to this Schedule. The related parties, as defined by Accounting Standard 18 'Related Party Disclosures' issued as prescribed by Companies (Accounting Standard) Rules, 2006 in respect of which the disclosures have been made, have been identified on the basis of disclosures made by the key management persons and taken on record by the Board.

17. The Company has recognised Deferred Taxes which result from timing differences between the Book Profits and Tax Profits as under :

Particulars	Balance carried as at 31st March, 2009 Rs.	Arising during the year Rs.	Balance carried as at 31st March, 2010 Rs.
Deferred Tax Liabilities :			
On account of Timing Differences :			
Depreciation	442,733,564	(16,784,529)	425,949,035
Total	442,733,564	(16,784,529)	425,949,035
Disallowance u/s 43B of the Income Tax Act	4,376,042	57,633	4,433,675
Total	4,376,042	57,633	4,433,675
Net Deferred Tax Liability /(Asset)	438,357,522	(16,842,162)	421,515,360

18. (a) The Company has entered into agreements in the nature of lease / leave and license agreement with different lessors / licensors for the purpose of establishment of premises and accommodation of executives. These are generally in the nature of operating lease / leave and license and period of agreements is generally for one year and renewable / cancelable at the option of the lessee or lessor. In view of above there are no disclosures required as per Accounting Standard – 19 "Leases" as prescribed by Companies (Accounting Standard) Rules, 2006.

(b) However, the Company has entered into agreement in the nature of lease with regard to assets taken on lease. Disclosure required as per Accounting Standard 19 with regard to the assets taken on lease are as under :

i. There are no transaction in the nature of sub-lease.

**SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2010 (continued)**

19. Disclosures required as per Clause 32 of the Listing Agreement have been set out in a separate statement annexed hereto.

20. Information on Joint Ventures :

i. Jointly Controlled Entities :

Sr. No.	Name of Joint Venture	Country of Incorporation	Percentage of ownership interest	
			2009-10	2008-09
1	Hospet Steels Limited	India	49.99%	49.99%
2	Kalyani Gerdau Steels Limited	India	—	43.60%
			2009-10	2008-09
			Rs.	Rs.

ii) Share of the Company in the contingent liabilities incurred by jointly controlled entity — 74,926,550

iii) Share of the Company in capital commitments which have been incurred jointly with the venturer — 469,917,128

iv) Interest in Assets, Liabilities, Income and Expenses with respect to Jointly Controlled Entities are as below :

	(Figures in Rupees)		
	As at 31st March, 2010	As at 31st March, 2009	
	Hospet Steels Limited	Hospet Steels Limited	Kalyani Gerdau Steels Limited
<b>Assets :</b>			
a) Fixed Assets (Net Block)	8,094,426	9,451,193	3,960,516,928
Capital Work-in-Progress	—	—	41,384,925
Contingent Charge	—	—	2,859,121,407
b) Investments	2,924	2,703	37,036,674
c) Current Assets, Loans and Advances	23,228,314	35,272,591	503,026,277
d) Deferred Tax Asset	1,198,833	1,739,992	—
e) Debit Balance in Profit & Loss Account	4,242,959	8,670,254	—
<b>Liabilities :</b>			
a) Loan Funds	478,197	470,362	6,311,441,818
b) Current Liabilities and Provisions	35,039,510	53,416,621	293,851,684
	2009-10	2008-09	
<b>Income :</b>			
a) Sales	—	—	1,236,070,934
b) Other Income	—	—	67,012,779
c) Reimbursement of Expenses	179,744,169	205,601,749	—
<b>Expenditure :</b>			
a) Materials Consumed & Manufacturing Expenses	—	—	1,783,899,365
b) Employees' Emoluments	111,409,930	107,538,942	38,396,636
c) Other Expenses	64,616,175	96,989,565	157,206,653
d) Interest	19,104	72,432	182,093,134
e) Depreciation & Write Offs, etc.	1,268,261	1,287,657	190,357,951
f) Provision for Taxation	399,482	26,495	—
g) Deferred Tax	541,159	(123,181)	—
h) Tax for earlier years written back	—	(172,151)	1,090,000
i) Reimbursement of FBT of earlier years	(2,937,237)	—	—



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### SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2010 (continued)

21. Previous year's figures have been regrouped wherever considered necessary to make them comparable with those of the current year. However, in view of demerger of 'Investment Division' as detailed in Note No.1, the current year figures are not comparable.
22. Reference is invited to Statement of Significant Accounting Policies annexed hereto.

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As per our attached Report of even date

For DALAL & SHAH  
Firm Registration No.102021W  
Chartered Accountants

On behalf of the Board of Directors

Anish Amin  
Partner  
Membership No.40451

Mrs.D.R. Puranik  
Company  
Secretary

C.G. Patankar  
Executive  
Director

B.N. Kalyani  
Chairman

Mumbai  
Date : 24th May, 2010

Pune  
Date : 24th May, 2010

**ANNEXURE REFERRED TO IN NOTE NO.22 OF NOTES FORMING PART OF FINANCIAL STATEMENTS :  
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOLLOWED BY THE COMPANY****1] SYSTEM OF ACCOUNTING :**

- i) The Company generally follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except those with significant uncertainties.
- ii) Financial statements are based on historical cost. These costs are not adjusted to reflect the impact of the changing value in the purchasing power of money.
- iii) The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any reservations to accounting estimates are recognised prospectively in current and future periods.

**2] FIXED ASSETS AND DEPRECIATION :****A. FIXED ASSETS :**

Fixed Assets are carried at cost of acquisition (including cost of specific borrowings up to date of installation) or construction, less accumulated depreciation (except freehold land) and amortisation (of cost of acquisition). In respect of projects implemented by the company, fixed assets include all duties, non-refundable taxes, levies and costs incurred (which are directly attributable) for bringing assets into working condition for its intended use, including expenses during construction period, trial period etc.

**B. DEPRECIATION :****a) LEASEHOLD LAND AND POWER LINE -**

Cost of leasehold land is amortised over the period of lease and expenditures on power line is amortised over a period of ten years.

**b) OTHER FIXED ASSETS -**

Depreciation on additions to assets upto 31st August, 1987 is being provided on "Straight Line Method", pursuant to Circular No.1/1/1986-CLB No.15(50)84 CL-VI dated 21.05.86 issued by the Department of Company Affairs in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956, at the rates (inclusive of multiple shift allowance) applicable under the Income Tax Rules in force at the time of acquisition / installation of the assets and depreciation on additions on and after 1st September, 1987 is provided on "Straight Line Method" in accordance with Schedule XIV to the Companies Act, 1956 as amended from time to time, from the beginning of the month in which addition is made except if the life of any asset is less than that computed with reference to the rates prescribed under Schedule XIV of the Companies Act, 1956, the same is written off over the economic life of the asset.

**c) Depreciation on sale / deduction from Fixed Assets is provided for upto the month of sale, deduction, discardment as the case may be.****3] FOREIGN CURRENCY TRANSACTIONS :**

Foreign Currency transactions are initially recorded at exchange rates prevailing on transaction dates. All foreign currency loans, current assets and current liabilities outstanding on the date of Balance Sheet are converted at the appropriate rates of exchange prevailing on the date of the Balance Sheet except those covered by forward contracts if any, which are accounted for at the contracted rate representing the amount required to meet the liability. Exchange difference arising from foreign currency fluctuations are dealt with in the Profit and Loss Account.

Derivative instrument to hedge foreign exchange exposures are simulated for maturity / closure at the close of the year. Losses arising on such simulation on account of fluctuations in exchange rates during the reporting period are recognised in the Profit and Loss Account. Gains, if any, are postponed for a recognition on final determination.

**4] TECHNICAL KNOW-HOW :**

Expenditure on technical know-how in connection with production facilities is capitalised to the cost of the plant whereas process know-how is amortised over a period of six years in equal installments.

**5] INVESTMENTS :**

Investments are valued at cost of acquisition less diminution in the value, if determined to be of a permanent nature in respect of long term investments. Current investments are valued at cost of acquisition less diminution in the value at the close of the year, if realisable value is lower than carrying cost.

**6] INVENTORY VALUATION :**

Costs of inventories have been computed to include all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

**A. Finished goods and materials in process :**

a) Finished goods and materials in process are stated at their cost or Market / realisable value, whichever is lower.

b) Cost of finished goods (including trial run product) includes all allocable overheads and excise duties but excludes interest.

**B. Raw Materials :**

Raw materials are stated at their historical costs computed at the weighted average price.

**C. Stores & Spares :**

Stores and spares are valued at their weighted average prices.

**D. Scrap is valued at estimated realisable value.****E. Raw Material in transit is stated at actual cost up to the date of Balance Sheet.****7] DEBENTURE / SHARE ISSUE EXPENSES :****a) Debenture Issue Expenses :**

Debenture issue expenses incurred in respect of debentures raised by the Company will be written off against the balance in the "Securities Premium Account" in accordance with Section 78 of the Companies Act, 1956 and in the event of inadequacy of

**ANNEXURE REFERRED TO IN NOTE NO. 22 OF NOTES FORMING PART OF FINANCIAL STATEMENTS (continued) :**

- balance in "Securities Premium Account" the same will be written off against the profits of the Company in equal annual installments over period of ten years or over the tenure of the Debenture whichever is less, from the date of commencement of commercial production of the concerned project for which they have been raised.
- b) Share Issue Expenses :  
Share Issue Expenses incurred in respect of shares raised by the Company will be written off from the date of allotment against the balance in the "Securities Premium Account" in accordance with Section 78 of the Companies Act, 1956 and in the event of inadequacy of balance in "Securities Premium Account" the same will be written off in ten equal annual installments against the profits of the respective years.
- 8] **PREMIUM ON REDEMPTION OF DEBENTURES :**  
From the year ended 31st March, 1992 onwards, premium payable on redemption of debentures will be provided for against balance lying in the "Securities Premium Account" on the date of redemption in accordance with Section 78 of the Companies Act, 1956. In the event of inadequacy of balance in the "Securities Premium Account", the same will be provided for against the profits equally over the tenure of the debentures.
- 9] **A. SALES :**  
i) Domestic sales are accounted for when dispatched from the point of sale, consequent to property in goods being transferred.  
ii) Export sales for exports are accounted on the basis of date of Bill of Lading.
- B. EXPORT INCENTIVES :**  
Export incentives are accounted for on export of goods if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.
- C** Interest is accrued over the period of loan / investment.
- D** Dividend is accrued in the year in which it is declared, whereby right to receive is established.
- E** Profit / Loss on sale of investment are recognised on contract date.
- 10] **EMPLOYEE BENEFITS :**  
a) Provident Fund :  
Benefits in the form of Provident Fund and Pension Schemes whether in pursuance of law or otherwise which are defined contributions is accounted on accrual basis and charged to Profit and Loss account of the year.
- b) Gratuity :  
Payment for present liability of future payment of gratuity is being made to approved gratuity funds which fully cover the same under Cash Accumulation Policy of the Life Insurance Corporation of India. The employee's gratuity is a defined benefit plan is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance Sheet and the shortfall in the fair value of the plan assets is recognised as obligation.
- c) Superannuation :  
Defined contributions to Life Insurance Corporation of India for employees covered under superannuation scheme are accounted at the rate of 15% of such employee's annual Salary.
- d) Privilege Leave Benefits :  
Privilege leave benefits or compensated absences are considered as long term unfunded benefit and is recognised on the basis of an actuarial valuation using the Projected Unit Credit Method determined by an appointed Actuary.
- e) Termination Benefits :  
Termination benefits such as compensation under voluntary retirement scheme are recognised as a liability in the year of termination.
- 11] **RESEARCH AND DEVELOPMENT EXPENDITURE :**  
Research and Development expenditure is charged to revenue under the natural heads of account in the year in which it is incurred. However, expenditure incurred at development phase, where it is reasonably certain that outcome of research will be commercially exploited to yield economic benefits to the company, is considered as an intangible asset.
- 12] **STRATEGIC ALLIANCE AT GINIGERA :**  
The expenses incurred by the Joint Venture Company viz. Hospet Steels Limited, formed with the specific purpose of managing and operating the composite steel manufacturing facility at Ginigera, in the course of carrying out its objectives are, as agreed upon, to be shared by the alliance components in the pre-determined mutually agreed 'sharing ratio'. Such expenses billed for reimbursement by Hospet Steels Limited have been booked into their natural heads of accounts and presented as such in the accounts.
- 13] **BORROWING COST :**  
Borrowing costs are recognised in the Profit and Loss account except interest incurred on borrowings, specifically raised for projects are capitalised to the cost of the asset until such time that the asset is ready to be put to use for its intended purpose.
- 14] **TAXATION :**  
Provision for Taxation is made on the basis of the taxable profits computed for the current accounting period in accordance with the Income Tax Act, 1961. Deferred tax resulting from timing difference between book profits and tax profits is accounted for at the applicable rate of tax to the extent the timing differences are expected to crystallise, in case of deferred tax liabilities with reasonable certainty and in case of deferred tax assets with virtual certainty that there would be adequate future taxable income against which deferred tax assets can be realised.
- 15] **IMPAIRMENT OF ASSETS :**  
The Company tests for impairments at the close of the accounting period if and only if there are indicators that suggest a possible reduction in the recoverable value of an asset. If the recoverable value of Asset, i.e. the net realisable value or the economic value in use of a cash generating unit is lower than the carrying amount of the asset, the difference is provided for as impairment. However, if subsequently the position reverses and the recoverable amount becomes higher than the then carrying value, the provision to the extent of the then difference is reversed, but not higher than the amount provided for.
- 16] **PROVISIONS :**  
Necessary provisions are made for present obligations that arise out of past events prior to the Balance Sheet date entailing future outflow of economic resources. Such provisions reflect best estimates based on available information.

**ANNEXURE REFERRED TO IN NOTE NO.15 OF NOTES FORMING PART OF THE FINANCIAL STATEMENTS :**  
Disclosure of Segment information as required by AS 17 "Segment Reporting"  
Segment Reporting as required by Accounting Standard 17 :

Sr. No.	Particulars	Year ended 31st March, 2010 Rupees	Year ended 31st March, 2009 Rupees
1	Segment Revenue :		
	a) Iron & Steel	10,275,239,724	9,720,689,210
	b) Power	218,939,802	181,892,195
	c) Finance & Investments	169,943,384	131,378,355
	Net Sales / Income from Operations	<u>10,664,122,910</u>	<u>10,033,959,760</u>
2	Segment Results :		
	Profit / (Loss) (before interest & tax from each segment)		
	a) Iron & Steel	551,577,841	62,435,368
	b) Power	136,644,595	104,583,368
	c) Finance & Investments	169,563,884	131,378,355
	Total Profit before Interest & Tax	<u>857,786,320</u>	<u>298,397,091</u>
	Less :		
	1 Interest	263,798,546	284,368,806
	2 Other un-allocable expenditure net of un-allocable income	<u>92,952,192</u>	<u>(571,492)</u>
	Profit before Tax	<u>501,035,582</u>	<u>14,599,777</u>
3	Total carrying amount of Segment Assets :		
	a) Iron & Steel	6,542,379,446	6,182,256,253
	b) Power	248,920,220	313,844,133
	c) Finance & Investments	892,499,970	3,365,355,189
	d) Un-allocable	<u>521,430,908</u>	<u>807,297,025</u>
	Total	<u>8,205,230,544</u>	<u>10,668,752,600</u>
4	Total amount of Segment Liabilities :		
	a) Iron & Steel	2,194,366,978	1,491,449,105
	b) Power	6,570,767	28,290,043
	c) Finance & Investments	230,839,953	338,839,953
	d) Un-allocable	<u>502,886,623</u>	<u>731,515,229</u>
	Total	<u>2,934,664,321</u>	<u>2,590,094,330</u>
5	Capital Employed (Segment Assets - Segment Liabilities) :		
	a) Iron & Steel	4,348,012,468	4,690,807,148
	b) Power	242,349,453	285,554,090
	c) Finance & Investments	661,660,017	3,026,515,236
	d) Un-allocable	<u>18,544,285</u>	<u>75,781,796</u>
	Total	<u>5,270,566,223</u>	<u>8,078,658,270</u>
6	Total Cost incurred during the year to acquire Segment Assets that are expected to be used during more than one period :		
	a) Iron & Steel	112,663,482	278,751,342
	b) Power	—	—
	c) Finance & Investments	—	—
	Total	<u>112,663,482</u>	<u>278,751,342</u>
7	Depreciation :		
	a) Iron & Steel	298,499,244	307,127,397
	b) Power	12,886,958	12,886,958
	c) Finance & Investments	—	—
	Total	<u>311,386,202</u>	<u>320,014,355</u>



KALYANI

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### ANNEXURE REFERRED TO IN NOTE NO.16 OF NOTES FORMING PART OF THE FINANCIAL STATEMENTS :

Disclosure of Transactions with Related Parties as required by Accounting Standard 18 :

Nature of Transaction	Subsidiaries	Associates & Joint Ventures	Key Management Personnel	Relatives of Key Management Personnel
	Rs.	Rs.	Rs.	Rs.
Conversion Charges Paid				
For the Year 2009-10	—	6,447,872	—	—
For the Year 2008-09	—	139,857,995	—	—
Sale of Goods				
For the Year 2009-10	—	—	—	—
For the Year 2008-09	—	1,399,284,590	—	—
Dividend Received				
For the Year 2009-10	—	—	—	—
For the Year 2008-09	—	20,622,600	—	—
Interest Received				
For the Year 2009-10	29,170,810	—	—	—
For the Year 2008-09	—	—	—	—
Receiving of Services				
For the Year 2009-10	—	212,757,429	11,683,302	—
For the Year 2008-09	—	263,373,094	9,275,467	—
Finance Provided (Loans & Investment / Share Application Money)				
For the Year 2009-10	137,819,600	113,064,029	—	—
For the Year 2008-09	(9,184,403)	1,410,006,489	—	—
Reimbursement of Expenses				
For the Year 2009-10	—	—	—	—
For the Year 2008-09	—	230,160,283	—	—
Interest Paid				
For the Year 2009-10	—	—	—	11,878
For the Year 2008-09	—	—	—	10,864
Profit on Sale of Investment				
For the Year 2009-10	—	—	—	—
For the Year 2008-09	107,910,597	—	—	—
Receivables as at				
31st March, 2010	—	400,847,792	—	—
31st March, 2009	1,708,894,324	1,853,503,792	—	—
Payables as at				
31st March, 2010	—	21,306,457	7,877,067	124,646
31st March, 2009	—	27,411,695	2,877,067	113,974

Note : Names of related parties and description of relationship

Description of Relationship	Names of Related Parties
Subsidiaries	*Chakrapani Investments and Trades Limited *Surajmukhi Investment and Finance Limited *Gladiolla Investments Limited
Associates & Joint Ventures	Kalyani Mukand Limited **Hikal Limited Hospet Steels Limited Bharat NRE Coke Limited Lord Ganesha Minerals Private Limited ***Kalyani Gerdau Steels Limited
Key Management Personnel	Mr.C.G. Patankar
Relatives of Key Management Personnel	Mrs.M.C. Patankar

\* Ceased to be Subsidiary w.e.f. 1st October, 2009

\*\* Ceased to be Associate w.e.f. 1st October, 2009

\*\*\* Ceased to be Joint Venture w.e.f. 1st October, 2009

(Refer Note No.1)

**ANNEXURE REFERRED TO IN NOTE NO.19 OF NOTES FORMING PART OF THE FINANCIAL STATEMENTS :**  
Disclosures required as per Clause 32 of the Listing Agreement

Name of the Company	Loans and Advances				Investments	
	Amount outstanding as on		Maximum balance Outstanding During The Year		Amount outstanding as at	
	31st March, 2010	31st March, 2009	2009-10	2008-09	31st March, 2010	31st March, 2009
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
<b>Associates :</b>						
Kalyani Mukand Limited \$	—	—	—	—	10,050,000	10,050,000
Hospet Steels Limited	—	—	—	—	1,249,970	499,970
Bharat NRE Coke Limited	—	—	—	—	145,200,000	145,200,000
Lord Ganesha Minerals Private Limited	234,200,717	211,886,688	304,008,545	211,886,688	100,000,000	10,000,000
<b>Formerly Associates *</b>						
Hikal Limited	—	—	—	—	—	65,610,549
Kalyani Gerdau Steels Limited	—	—	—	4,011,705	—	1,400,000,000
<b>Formerly subsidiaries *</b>						
Surajmukhi Investment and Finance Limited	—	—	—	1,500	—	573,419,741
Chakrapani Investments and Trades Limited	—	—	—	1,100	—	569,127,863
Gladiolla Investments Limited	—	—	—	400	—	566,346,720
Campanula Investment & Finance Limited	533,500	533,500	533,500	533,500	—	2,200,000
Cornflower Investment & Finance Limited	583,500	583,500	583,500	583,500	—	2,200,000
Dandkaranya Investment & Trading Limited	833,500	833,500	833,500	833,500	—	2,200,000
Dronacharya Investment & Trading Limited	583,300	583,300	583,300	583,300	—	2,200,000
Hasinapur Investment & Trading Limited	833,500	833,500	833,500	833,500	—	2,200,000
<b>Other Companies * \$</b>						
Sprekelia Investment & Finance Limited	4,125,000	4,125,000	4,125,000	4,125,000	—	—
Oleander Investment & Finance Limited	3,985,000	3,985,000	3,985,000	3,985,000	—	—
Alocasia Investment & Finance Limited	3,985,000	3,985,000	3,985,000	3,985,000	—	—
Acorus Investment & Finance Limited	4,100,000	4,100,000	4,100,000	4,100,000	—	—
Khiphafia Investment & Finance Limited	3,985,000	3,985,000	3,985,000	3,985,000	—	—
Poinsettia Investment & Finance Limited	855,000	855,000	855,000	855,000	—	—
India International Limited	300,000	300,000	300,000	300,000	—	—
<b>Advances in the nature of loans * \$</b>						
KSL Executive Welfare Share Option Trust I	1,450,000	1,450,000	1,450,000	1,450,000	—	—
KSL Executive Welfare Share Option Trust II	1,450,000	1,450,000	1,450,000	1,450,000	—	—
KSL Executive Welfare Share Option Trust III	1,450,000	1,450,000	1,450,000	1,450,000	—	—
KSL Executive Welfare Share Option Trust IV	1,450,000	1,450,000	1,450,000	1,450,000	—	—
KSL Executive Welfare Share Option Trust V	1,450,000	1,450,000	1,450,000	1,450,000	—	—
KSL Executive Welfare Share Option Trust VI	930,000	930,000	930,000	930,000	—	—
KSL Group Welfare Share Option Trust	1,000,000	1,000,000	1,000,000	1,000,000	—	—

**Notes :**

1. There are no loans and advances in the nature of loans, to firms / companies in which directors are interested.

\* 2. No repayment schedule.

\$3. No interest.

Investment by Loanee in the Shares of the Company :

Name of the Loanee	No. of Shares held	
	As on 31st March, 2010	As on 31st March, 2009
Sprekelia Investment & Finance Limited	83,960	83,960
Oleander Investment & Finance Limited	83,960	83,960
Alocasia Investment & Finance Limited	83,960	83,960
Acorus Investment & Finance Limited	83,960	83,960
Khiphafia Investment & Finance Limited	84,152	84,152
Poinsettia Investment & Finance Limited	50,998	50,998
KSL Executive Welfare Share Option Trust I	40,000	40,000
KSL Executive Welfare Share Option Trust II	40,000	40,000
KSL Executive Welfare Share Option Trust III	40,000	40,000
KSL Executive Welfare Share Option Trust IV	40,000	40,000
KSL Executive Welfare Share Option Trust V	40,000	40,000
KSL Executive Welfare Share Option Trust VI	25,000	25,000







**KALYANI**

DRIVING INNOVATION

**KALYANI STEELS LIMITED**

MUNDHWA, PUNE - 411 036  
MAHARASHTRA, INDIA.

PRABODH  
24/7/2020