
SUNFLAG IRON AND STEEL COMPANY LIMITED

**TWENTYFOURTH ANNUAL REPORT
2009 - 2010**

SUNFLAG IRON AND STEEL COMPANY LIMITED

DIRECTORS

MR. P. B. BHARDWAJ (Chairman)
MR. RAVI BHUSHAN BHARDWAJ (Vice Chairman & Managing Director)
MR. PRANAV BHARDWAJ (Joint Managing Director)
DR. E. R. C. SHEKAR
MR. NARESH GWALANI (Nominee - IDBI Bank Limited)
MR. S. GAJENDRAN
CA JAYESH M. PARMAR
MR. SURENDRA KUMAR GUPTA (Whole time Director)

CHIEF FINANCIAL OFFICER

MR. R. MURALIDHAR, Executive Director (Finance)

COMPANY SECRETARY

CS MUKESH D. PARAKH

STATUTORY AUDITORS

M/S. PATEL, SHAH & JOSHI
CHARTERED ACCOUNTANTS, MUMBAI

BANKERS

STATE BANK OF INDIA
BANK OF INDIA
CANARA BANK
INDIAN BANK
STATE BANK OF BIKANER AND JAIPUR
IDBI BANK LIMITED

REGISTERED OFFICE

33, MOUNT ROAD, SADAR, NAGPUR - 440 001 (MAHARASHTRA)

WORKS

WARTHI, BHANDARA ROAD, BHANDARA - 441 905 (MAHARASHTRA)

WEB SITE

www.sunflagsteel.com

REGISTRAR & TRANSFER AGENT

BIGSHARE SERVICES PRIVATE LIMITED
E-2/3, ANSA INDUSTRIAL ESTATE, SAKI VIHAR ROAD,
SAKI NAKA, ANDHERI (E), MUMBAI - 400 072 (MAHARASHTRA)

C O N T E N T S

Particulars	Page No.
Notice of Annual General Meeting	1
Directors' Report	3
Management Discussion and Analysis	8
Corporate Governance Report	9
Auditors' Report	16
Balance Sheet	19
Profit and Loss Account	20
Schedules forming part of Accounts	21
Accounting Policies and Notes forming part of Accounts	25
Cash Flow Statement	33
Balance Sheet Abstract and Company's General Business Profile	35
Statement U/s. 212 relating to Subsidiary Companies	36
Accounts and Reports of Subsidiary Companies	
Sunflag Power Limited	37
Sunflag Special Steels Limited	42
Khappa Coal Company Private Limited	46
Consolidated Accounts and Reports	
Auditors' Report	54
Balance Sheet	55
Profit and Loss Account	56
Schedules forming part of Consolidated Accounts	57
Accounting Policies and Notes forming part of Accounts	61
Cash Flow Statement	67
Bank Mandate / NECS	69
Proxy Form / Attendance Slip	70

SUNFLAG IRON AND STEEL COMPANY LIMITED**Registered Office : 33, Mount Road, Sadar, Nagpur - 440 001****NOTICE**

NOTICE is hereby given that 24th Annual General Meeting of the Members of **Sunflag Iron and Steel Company Limited** will be held on **Thursday, the 23rd Day of September 2010 at 3.00 p.m.** at Indian Medical Association's J.R. Shaw Auditorium, North Ambazari Road, Nagpur - 440 010 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company for the financial year ended 31st March 2010, the Balance Sheet as at that date and Profit & Loss Account for the financial year ended 31st March 2010, together with the Reports of the Board of Directors and Auditors thereon.
2. To declare Dividend @5% on Equity Shares of the Company.
3. To appoint a Director in place of Mr. S. Gajendran who retires by rotation and, being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution :
"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956; Messers Patel, Shah & Joshi, Chartered Accountants, Mumbai, the retiring Statutory Auditors, be and are hereby re-appointed as the Statutory Auditors of the Company to hold office till the conclusion of next Annual General Meeting at a remuneration as decided by the Board of Directors or Committee of the Board."

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution :
**RE-APPOINTMENT OF Mr. PRANAV BHARDWAJ AS THE JOINT MANAGING DIRECTOR OF THE COMPANY :
ORDINARY RESOLUTION :**
"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310, 311 and other applicable provisions, if any, read with Schedule XIII of the Companies Act 1956; Articles 160 to 163 of the Articles of Association of the Company, and subject to such other permissions / approvals, if any, the re-appointment of Mr. Pranav Bhardwaj as the Joint Managing Director of the Company for a further period of 5 (five) years effective from 17th January 2011 on the terms and conditions including remuneration thereof, as specified in the explanatory statement annexed to the notice, with a liberty / authority to the Committee / Board to alter, vary or modify from time to time, be and is hereby approved.
FURTHER RESOLVED THAT the Board of Directors and / or Committee, be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

By Order of the Board

Nagpur
19th July 2010

CS Mukesh D. Parakh
Company Secretary

NOTES :

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

1. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business under Item No. 5 is annexed hereto and forms part of the Notice.
2. The Register of Members and Share Transfer Books of the Company will remain closed from **Saturday, the 4th Day of September 2010 to Thursday, the 23rd Day of September 2010** (both days inclusive) for the purpose of Annual General Meeting and Dividend (if declared).
3. Dividend (if declared) on the Equity Shares as recommended by the Board of Directors for the financial year ended 31st March 2010 at the 24th Annual General Meeting will be paid to those Members whose names appear :
 - i. as Beneficial Owners as per the list to be furnished by the Depositories in respect of the shares held in demat form as of the Book Closure date; and
 - ii. as Members on the Register of Members of the Company as on **Thursday, the 23rd Day of September 2010 (AGM)** after giving effect to all valid share transfers in physical form which would be received by the Company / Registrar & Share Transfer Agent up to the end of business hours on **Friday, the 3rd Day of September 2010.**

4. Members are requested to send their queries, if any, in writing at least 15 days in advance of the date of the meeting to the Company at its Registered Office.
5. Members / Proxies are requested to bring the attendance slip attached at page 70, duly filled in, for attending the meeting.
6. **DEMATERIALISATION OF SHARES**
This is to inform that the 54.244% of the total Equity Shares have already been dematerialised as of 31st March 2010. The Shareholders who have not dematerialised their Equity shareholding may opt the same accordingly.
7. **REGISTRAR AND SHARE TRANSFER AGENT**
M/s. Bigshare Services Private Limited, E - 2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400 072 have been appointed by the Company as the Registrar and Share Transfer Agent with effect from 31st March 2003. Therefore, Depository Participants / Shareholders / Investors of the Company are advised to send all documents / correspondence such as requests for Dematerialisation of Shares, Transfer of Shares, Change of Address, Change of Bank Mandate / NECS and other Shares related documents to M/s Bigshare Services Private Limited at the above mentioned address only.
8. **CHANGE OF INFORMATION / BANK MANDATE**
The Members / Shareholders holding Equity Shares in physical form are requested to notify / update any change in their Address, Bank Mandate e.g. Name of Bank, Branch Address, Account Number and MICR / IFS Code to the Registrar and Share Transfer Agent and / or the Company or to their respective Depository Participants (DP), if the shares are held in Demat mode.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 05 :

Mr. Pranav Bhardwaj was appointed as the Joint Managing Director of the Company for a period of 5 (five) years effective from 17th January 2001 and further re-appointed for a period of 5 (five) years effective from 17th January 2006 and accordingly, the existing term expires on 16th January 2011.

Keeping in view his unstinted efforts and wide contributions which resulted in increase in the Company's overall performance and financial results, the Remuneration Committee at its meeting held on 19th March 2010 considered and recommended to the Board and in turn, the Board of Directors at its meeting held on 19th March 2010 recommended to the Shareholders for their approval, the re-appointment of Mr. Pranav Bhardwaj as the Joint Managing Director of the Company for a further period of 5 (five) years effective from 17th January 2011 on the following terms and condition including remuneration payable thereof :

Basic Salary : Rs. 270,000/- per month, with suitable annual increase as may be decided by the Committee / Board from time to time.

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

Perquisites : Rent Free Furnished Accommodation with all facilities and amenities or fixed House Rent Allowance of Rs. 200,000/- per month, Reimbursement of all Medical Expenses / Medical Allowance, Subscription to two clubs, Personal Insurance, Use of Car with Driver, Telephone at Residence, Contributions to the Provident, Superannuation and Annuity Fund, Leave Travel Concessions, Leave Encashment, Gratuity and other retirement benefits, reimbursement of business expenses, and all other benefits / allowances as per rules of the Company, with suitable modification/s as may be decided by the Committee / Board from time to time.

Explanation : For the purpose of calculation of perquisites, unless provided otherwise, the rules governing the employment of the Company will be applicable.

The terms and conditions of appointment including the remuneration payable to Mr. Pranav Bhardwaj is well within the ceiling as laid down under Section 198, 269 and 309 read with the Schedule XIII of the Companies Act, 1956.

The Board having considered his qualifications, experience and responsibilities recommended for approval of the Shareholders, the re-appointment of Mr. Pranav Bhardwaj as the Joint Managing Director of the Company for a further period of 5 (five) years effective from 17th January 2011 in the interest of the Company.

This explanatory statement may be treated as an abstract of terms of appointment between Mr. Pranav Bhardwaj and Company pursuant to the provisions of Section 302 of the Companies Act, 1956.

Since Mr. P. B. Bhardwaj and Mr. Ravi Bhushan Bhardwaj, Directors are related to Mr. Pranav Bhardwaj, they are deemed to be interested in the resolution. Except Mr. Pranav Bhardwaj, Mr. P. B. Bhardwaj and Mr. Ravi Bhushan Bhardwaj, no other Directors are, in any way, concerned or interested in the resolution.

By Order of the Board

Nagpur
19th July 2010

CS Mukesh D. Parakh
Company Secretary

DIRECTORS' REPORT

To,

The Shareholders,

The Board of Directors hereby present the 24th Annual Report together with the Audited Statement of Accounts for the financial year ended on 31st March 2010. During the year under review, the market recovered from the recessionary conditions prevailing in the Global as well as Indian Steel market in the previous year. The Automobile and Auto component sectors also shown improved demands. The unstinted efforts by the Board of Directors continued for effective cost reduction and better financial / working capital management, your Company was able to show the following financial results.

1. FINANCIAL RESULTS

Summarised financial results for the year are as follows :

(Rs. in Lacs)

Particulars	For the financial year ended	
	31 st March 2010	31 st March 2009
Total Income	135,459.08	110,742.07
Total Expenditure	115,857.27	98,816.25
Gross Profit	19,601.81	11,925.82
Interest	3,004.03	3,043.92
Profit before Depreciation	16,597.78	8,881.90
Depreciation	3,788.35	3,093.74
Profit before Tax	12,809.43	5,788.16

2. FINANCE

Your Company has ended the financial year with a profit before tax of Rs. 12,809.43 Lacs. After taking into account the brought forward profit of Rs. 16,342.45 Lacs, your Company has carried forward an amount of Rs. 24,883.95 Lacs.

3. DIVIDEND

The Company is in need of more funds through internal accruals to cope up with the terms and conditions of the lending banks financing the ongoing capital projects under the expansion programme, which will enable for future growth of the Company.

As such, the Board of Directors feel appropriate to recommend Dividend @5% for the Financial Year 2009-2010, subject to approval of the Members in the ensuing 24th Annual General Meeting of the Company.

4. MARKET SCENARIO

SUNFLAG STEEL is continuing to develop new high value grades of alloy steel to cater the needs of domestic as well as international markets. During the financial year under review, the growth in the net turnover is about 23% as compared to previous financial year.

5. OPERATIONS

i. During the year under review :

- a. The Direct Reduction Plant produced 126,336 MT as against of 115,299 MT in the previous year, which is about 9.6% higher than the previous year.
 - b. The Steel Melt Shop produced 326,141 MT as against of 207,757 MT in the previous year, which is about 57% higher than the previous year.
 - c. The total production of Rolled products was 309,596 MT, which is about 52% higher than the previous year production of 203,663 MT.
 - d. The total production of Hot Metal / Pig Iron was 205,502 MT which is about 62% higher than the Previous Year production of 127,002 MT.
 - e. Sinter Plant commenced its operation on 4th September 2009 and produced 191,385 MT in the period under review.
 - ii. During the year under review, the Power plant generated 1,461.03 Lacs kWh as compared to 1,500.02 Lacs kWh in the corresponding previous year.
 - iii. During the year under review, the total coal production at Belgaon Coal Block is 140,147 MT as against of 51,234.41 MT in the previous year, which is about 174% higher than the previous year.
-

6. PROJECTS

The Company is in the process of executing various new projects for wider product range, value additions and to make its products more competitive. The Company is implementing the following projects :

a. **Blooming Mill Project**

The Blooming Mill is a part of expansion plans which is underway and will produce 200,000 tpa of heavy rounds of alloy steels. The Blooming Mill will produce in the range of 75 mm dia to 160 mm dia thus widening the product range and making Sunflag, a Company offering a wide range of alloy steels products from 5.5 mm dia to 160 mm dia.

b. **Direct Reduction Plant**

In view of additional product range and increased steel making capacity, there is a gap between availability and requirement of sponge iron for the Company itself. Apart, there is a good demand potential for the sponge iron in the domestic markets. To cope up with this, the Company started implementing to install Sponge Iron plant II with a capacity of 350 TPD together with WHRSG as a part of its expansion programme.

c. **Mining Projects**

The Company has initiated its efforts for due implementation of the mining projects allocated to the Company either independently or jointly with others for development and exploration of coal and other minerals.

7. DEMATERIALISATION OF SHARES

As on 31st March 2010, there were approximately 880 Lacs Equity Shares dematerialised through Depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited, which represents 54.244% of the total Paid-up Capital of the Company.

8. LISTING OF SHARES

Equity Shares of your Company continued to be listed with / traded on the Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE). The listing fees have been paid to both Stock Exchanges (BSE & NSE) for the current financial year 2010 - 2011.

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

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

10. SUBSIDIARY COMPANIES

The Annual Reports of the Subsidiary Companies viz. 'Sunflag Power Limited', 'Sunflag Special Steels Limited' and 'Khappa Coal Company Private Limited' are attached in accordance with Section 212 of the Companies Act, 1956.

11. DIRECTORS

- i. The Board of Directors recommends for approval of the Members, the re-appointment of Mr. Pranav Bhardwaj as the Joint Managing Director of the Company for a further period of 5 (five) years effective 17th January 2011.
- ii. Pursuant to Article 151 of the Articles of Association of the Company, Mr. S. Gajendran retires by rotation and, being eligible, offered himself for re-appointment.
- iii. CA Jayesh Madhavji Parmar, Non-executive Independent Director has been inducted on the Board as an Additional Director with effect from 23rd June 2009 liable to retire by rotation. Moreover, his appointment as a Director of the Company was duly approved by the Members at the 23rd Annual General Meeting of the Company.

Except the same, there is no change in the constitution of the Board of Directors of the Company during the period under review.

12. INDUSTRIAL RELATIONS

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

13. PERSONNEL / PARTICULARS OF EMPLOYEES

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

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

The Dividends declared by the Company which remain unpaid / unclaimed for a period of Seven (7) years are required to be transferred to the Investor Education & Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956. The Members are requested to claim their unpaid/unclaimed Dividend, if any, declared and paid for the financial years 2005-2006, 2006-2007, 2007-2008 and 2008-2009.

15. AUDITOR'S REPORT

The observations made by the Statutory Auditors in their report are self-explanatory and have also been further amplified in the Notes to the Accounts.

16. AUDITORS

- i. Messers Patel, Shah & Joshi, Chartered Accountants, Mumbai - the Statutory Auditors of the Company are eligible and recommended for re-appointment as the Statutory Auditors till the conclusion of the next Annual General Meeting.
The Statutory Auditors have furnished a Certificate of their eligibility for re-appointment Under Section 224(1-B) of the Companies Act, 1956 and are not disqualified for such appointment within the meaning of Section 226 of the Companies Act, 1956.
- ii. Messers G. R. Paliwal & Company, Cost Accountants, Nagpur has been appointed by the Board of Directors of the Company on the recommendations of the Audit Committee, as the Cost Auditors of the Company for the financial year 2010 - 2011.
The Cost Auditors have furnished a Certificate of their eligibility for appointment Under Section 224(1-B) of the Companies Act, 1956 and are not disqualified for such appointment within the meaning of Section 226 / 233B(5) of the Companies Act, 1956.

17. AUDIT COMMITTEE

The Audit Committee of the Board is under Chairmanship of Dr. E. R. C. Shekar, an Independent, Non-Executive Director of the Company and consisting of Other Independent, Non-Executive Directors viz. CA Jayesh Madhavji Parmar, Mr. Naresh Gwalani (Nominee - IDBI Bank Limited) and Mr. S. Gajendran as the Members, as a practice of Good Corporate Governance.

18. CORPORATE GOVERNANCE REPORT

Your Directors are pleased to report that your Company has complied with the SEBI Guidelines on Corporate Governance as of 31st March 2010 relating to Clause 49 of the Listing Agreement with concerned Stock Exchange(s). A Certificate from Statutory Auditors Messers Patel, Shah & Joshi, Chartered Accountants, confirming compliance with conditions as stipulated under the aforesaid Clause 49 is annexed to the Corporate Governance Report.

19. CODES OF CONDUCT OF BUSINESS PRINCIPLES & ETHICS AND PREVENTION OF INSIDER TRADING

Your Directors are pleased to report that your Company has complied with :

- i. the Code of Conduct of Business Principles and Conduct; and
- ii. the Prevention of Insider Trading in Sunflag Securities by the designated persons/officers (insider).

20. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors confirms :

- i. that in the preparation of the Annual Accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departure;
- ii. that the Directors had selected such Accounting Policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the State of Affairs of the Company at the end of the financial year and of the Profit of the Company for that financial year;
- iii. that the Directors had taken proper and sufficient care for the maintenance of adequate Accounting records in accordance with the provisions of this Act for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the Directors had prepared the Annual Accounts on a going concern basis.

21. ACKNOWLEDGEMENT

The Directors acknowledge with thanks co-operation and assistance received by the Company from the Shareholders, Central and State Government, Financial Institutions and Banks. The Directors also record their appreciation of the dedication of all the employees of the Company for their support and commitment to ensure that the Company continues to grow.

For and on behalf of the Board

Nagpur
19th July 2010

Dr. E. R. C. Shekar **Surendra Kumar Gupta**
Director Whole-time Director

**COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988
ANNEX TO THE DIRECTORS' REPORT**

CONSERVATION OF ENERGY

The following measures were taken during the year under review for conservation of energy :

- i. Interlock introduced in DRP stacker boom conveyer drive to save energy.
- ii. Increased usage of Hot Metal in Electric Arc Furnace to reduce power consumption.
- iii. Increased usage of MBF gases in reheating furnace to reduce fuel consumption.

FORM - A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A) POWER AND FUEL CONSUMPTION

Sr. No.	Particulars	2009-2010	2008-2009
1	Electricity purchased [Units (kWh)] Total Amount (Rs' 000) Rate/Unit (Rs./kWh)	152,357,285 742,582 4.873	100,718,746 373,597 3.7093
2	Production of Rolled Products (MT) Electricity purchased (kWh/MT)	309,596 492.116	203,663 494.536
3	Fuel Oil like Furnace Oil/LSHS/LDO etc. Quantity (K.Ltrs.) Total Amount (Rs'000) Average Rate (Rs./KL)	13,847 333,105 24,055	10,856 290,177 26,730

B) CONSUMPTION PER UNIT OF PRODUCTION

Sr. No.	Particulars	2009-2010		2008-2009	
		DRI	STEEL	DRI	STEEL
1	Production (MT)	126,336	309,596	115,299	203,663
2	Electricity (kWh/MT)	124.25	838.51	120.59	982.06
3	Fuel (Ltr/MT)	0.792	44.40	0.875	52.806

C) DETAILS OF CAPTIVE POWER GENERATION

Sr. No.	Particulars	2009-2010	2008-2009
1	Production (kWh)	146,103,000	150,002,000
2	Captive Consumption (CPP)	17,916,159	16,970,275
3	Captive Consumption (Steel)	122,938,441	113,194,725
4	Wheeled back power	5,248,400	19,837,000

FORM - B

**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO RESEARCH & DEVELOPMENT,
TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

A) RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

Development of Micro Alloys Steel, few developments of section and sizes, Installation of Sinter Plant.

Benefits : Recycling of by-products, wider product range and value additions.

Future Plans : Coke Oven Plant, Pulverized Coal injection, Additional Sponge Iron and Power Plant.

EXPENDITURE ON RESEARCH & DEVELOPMENT

Sr. No.	Particulars	2009-2010	2008-2009
1	Capital (Rs. '000)	27,877	36,830
2	Recurring (Rs. '000)	4,837	1,599
3	Total (Rs. '000)	32,714	38,429
4	Total R & D Expenditure as a percentage of total turnover	0.24%	0.35%

B) FOREIGN EXCHANGE EARNINGS AND OUTGO

Rs. '000

Sr. No.	Particulars	2009-2010	2008-2009
1	Earnings : Export of goods	1,227,364	761,968
2	Out Go :		
	a) CIF value of imports	1,103,098	381,107
	b) Others including Technical Services	19,621	13,299

PROFILE OF THE DIRECTOR(S) SEEKING APPOINTMENT / RE-APPOINTMENT**Mr. Pranav Bhardwaj**

Mr. Pranav Bhardwaj, aged about 36 years, is a British National and person of India origin. He has graduated as B.Sc. Majoring in Chemistry and Business Management (Joint Honors Degree) from the world renowned Imperial College of London.

Though he belongs to the Promoter Group, he preferred to join Sunflag Iron and Steel Company Limited as a Trainee to work and have an experience at basic levels. During the period 1995 to 1999, he undergone intensive training in production, planning and control, maintenance and service, quality control, purchase, marketing, customer satisfaction and human resource management. He is instrumental in product development and export sales.

He was appointed as an Alternate Director of the Company for the period 16th September 1999 to 10th January 2000. Further, he was appointed as a Director effective from 3rd February 2000. Keeping in view his unstinted efforts and wide contributions, the Company has appointed him as the Joint Managing Director for a period of 5 (five) years effective from 17th January 2001 and also re-appointed as the Joint Managing Director for a further period of 5 (five) years effective from 17th January 2006.

Mr. S Gajendran

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Sunflag Iron and Steel Company Limited (**SUNFLAG STEEL**) had set up a 'state of the art' integrated Steel plant at Warthi-Bhandara Road to produce high quality special steel with manufacturing facilities like Sponge Iron plant, Mini Blast Furnace, Sinter plant and Captive Power Plant. Apart, the Company is in the process of executing new projects viz Blooming Mill, additional Sponge Iron and Captive Power plant.

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

GLOBAL AND INDIAN ECONOMIC SCENARIO

The recovery in the Global economy picked up momentum in the fourth quarter of 2009 but speed of recovery remains significantly divergent. Output growth in 2010-11 is expected to be higher than in 2009-10, assuming a normal monsoon. Support for sustained momentum in growth can be expected from all three major components viz., agriculture, industry and services. Inflation can be expected to moderate over the next few months, from the peak levels seen in the recent months. Thus, the global economy continues to recover amidst ongoing policy support and improving financial market conditions.

After witnessing a slowdown during 2008-2009, the Indian economy has recovered in 2009-2010 to 7.4% which is expected to firm up further and take hold in 2010-2011 to 8.2%. India's GDP growth for the last quarter of 2009-2010 turned out to be robust, it showed record growth of 8.6% as compared to the growth of 5.8% in corresponding quarter of previous year due to higher-than-anticipated growth in agriculture, mining and manufacturing sectors. The uptrend in industrial activity continues.

The General Index of Industrial Production (IIP) for the year under review is 304.1 as against 275.4 in the last year, thus a growth of 10.42%. The recovery has also become more broad-based with 14 out of 17 industry groups recording accelerated growth during the year under review. The sharp pick-up in the growth of the capital goods sector points to the revival of investment activities.

STEEL INDUSTRY

Industrial climate during the year has improved particularly for the Steel Industry, Automobile and Auto Components Sectors. The Indian Steel Industry also witnessed the recessionary conditions during the financial year 2008-2009, but recovered in the latter part of the year and the trend continued in the financial year under review. The Alloy steel industry in general also showed good improvement in production, commensurate with the demand of steel for automobile application. The growth in the manufacture of commercial vehicles during the year was significant. In other areas of automobile industry, motorcycle production has shown tremendous growth which improved the demand of alloy steel for component manufacture for this industry.

SUNFLAG STEEL having entered into the areas of manufacturing of wire rod and bars of alloy and special steel, after commissioning vacuum degassing, has benefited from this increase in alloy steel demand.

MATERIAL DEVELOPMENT

Taking advantage of the increased demand for its product, **SUNFLAG STEEL** has been able to increase its production and sales during the year by about 52% and 23% respectively over the previous year. Due to abnormal rise in the cost of inputs such as iron ore and coke, full benefit could not be realised.

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

OPPORTUNITIES

SUNFLAG STEEL see more opportunities in the years to come due to continuous developments of new grades of high alloy steel as well wire rod and cold rolling sheets. Further, venturing into the self dependency of raw material and power in decreasing in the cost of production and enhancing the profitability.

THREATS

The global slowdown, raising and fluctuating prices of raw materials and energy cost (power and fuel) is adversely affected the output prices thereby causing hardship to the customers. The availability of the quality raw materials viz Iron Ore, Coal, LAM Coke is the cause of concern for the industry.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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

1. That all assets and resources are used efficiently and are adequately protected;
2. That all the internal policies and statutory guidelines are complied with; and
3. The accuracy and timing of financial reports and management information systems are maintained.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES

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

CAUTIONARY STATEMENT

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

CORPORATE GOVERNANCE REPORT

Your Company has already implemented the Code of Corporate Governance as prescribed by SEBI in terms of Clause 49 of the Listing Agreement with the Stock Exchange(s). As per the amended Clause 49 of Listing Agreement, your Company has approved '**SISCO Code of Business Principles and Conduct**' for Board Members as well as Members of the Senior Management and the same are posted on the Company's Website. The Company is also following the '**SISCO Code of Conduct for prevention of Insider Trading**' as per SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended. The detailed compliance report on the Corporate Governance for the year 2009 - 2010 is as follows :

A - MANDATORY REQUIREMENTS**1) SUNFLAG PHILOSOPHY ON CORPORATE GOVERNANCE**

The Board of Directors and management of Sunflag Iron and Steel Company Limited commit themselves to :

- i) Strive hard towards enhancement of shareholders value through
 - sound business decisions,
 - prudent financial management, and
 - high standard of ethics throughout the organisation.
- ii) Ensure transparency and professionalism in all decisions and transactions of the Company.
- iii) Achieve excellence in Corporate Governance by
 - conforming to and exceeding wherever possible, the prevalent mandatory guidelines on Corporate Governance.
 - regularly reviewing the Board processes and management systems for further improvement.
- iv) Ensure safety, health and environment management by making it an integral part of the Company's business strategy and actively promote awareness of safety, health and environment issues throughout the Company and to the business partners.
- v) Implement, maintain and continuously improve an environment management system.
- vi) Achieve excellence in all activities by implementing Total Productive Maintenance (TPM) with the involvement of all employees to reduce cost, increase productivity and improve quality continuously with the aim of achieving "**Zero Failure, Zero Defect and Zero Accident**".

2) BOARD OF DIRECTORS

a) **Composition** : The Board of Directors of the Company as of 31st March 2010 consisted of :

i) Non-Executive Directors

- Promoter Group Mr. P. B. Bhardwaj
- Non-Promoter Group Dr. E.R.C. Shekar
Mr. Naresh Gwalani
(Nominee-IDBI Bank Limited)
Mr. S. Gajendran
CA Jayesh M. Parmar

ii) Executive Directors

- Promoter Group Mr. Ravi Bhushan Bhardwaj
Mr. Pranav Bhardwaj
- Non-Promoter Group Mr. Surendra Kumar Gupta

Note : CA Jayesh Madhavji Parmar was appointed w.e.f. 23rd June 2009.

b) Attendance at the Board, last Annual General Meeting and details of memberships of Directors in other Boards

- Six Meetings of the Board were held on 19th May 2009, 23rd June 2009, 20th July 2009, 22nd October 2009, 29th January 2010 and 19th March 2010.
- Last (23rd) Annual General Meeting was held on 25th September 2009.

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

Note : Excludes Foreign Companies and Private Limited Companies

3) AUDIT COMMITTEE**a) Constitution**

Dr. E.R.C. Shekar is the Chairman of the Committee. The terms of reference covers all aspects stipulated by the SEBI guidelines as specified in Clause 49 of the Listing Agreement with Stock Exchanges. The current terms of reference also fully conform to the requirements of Section 292 A of the Companies Act, 1956.

b) The composition of the Audit Committee is as follows :

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

c) Meetings and Attendance : Five meetings of the Audit Committee were held on 19th May 2009, 23rd June 2009, 20th July 2009, 22nd October 2009 and 21st January 2010 during the financial year.**Attendance :***Effective 23rd June 2009

Name	Dr. E.R.C. Shekar	Mr. Naresh Gwalani	Mr. S. Gajendran	CA Jayesh M. Parmar
No. of Meetings Attended	5	3	2	3

- The Audit Committee held discussions with the Statutory Auditors on the review of the quarterly Accounts, the yearly audit plan, matters relating to compliance of Accounting Standards and Policies, their observations arising from the Audit of the Company's Accounts and other related matters.
- The Audit Committee during their five meetings reviewed with the Management and the Auditors (both external and internal) all issues which are required to be reviewed by the Audit Committee pursuant to the Listing Agreement with the Stock Exchanges as also the Companies Act, 1956. The Audit Committee has also reviewed the observations of the Internal and Statutory auditors in relation to all areas of operations of the Company as also the internal control systems. The Audit Committee has also reviewed the actions taken by the Company on various observations and queries of the Auditors.

4) REMUNERATION COMMITTEE**a) The composition of the Remuneration Committee is as follows :**

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

b) Meetings and Attendance

Two Meetings of the Remuneration Committee were held on 23rd June 2009 and 19th March 2010 during the financial year.

Attendance :*Effective 23rd June 2009

Name	Dr. E.R.C. Shekar	Mr. Naresh Gwalani	Mr. S. Gajendran	CA Jayesh M. Parmar
No. of Meetings Attended	2	2	-	-

c) The Committee looks after appointment / re-appointment and finalisation of the annual increments payable to the Executive Directors within the prescribed limits of the Companies Act, 1956.**i) For Executive Director(s) :**

The total remuneration for Executive Director(s) consists of :

- A fixed component - consisting of salary and perquisites; the perquisites and benefits are in line with Company's Rules.
- Commission @2% on Net profits paid to each Managing Director and Joint Managing Director respectively.
- No commission is paid to the Whole Time Director of the Company.

ii) For Non-Executive Director(s)

Sitting Fees in accordance with Clause 10-B of the Companies (Central Government's General Rules & Forms) Rules 2003 read with Articles of Association of the Company, @Rs. 5000/- and @ Rs. 2000/- per Meeting of the Board and Committee thereof, as the case may be, have been paid together with reimbursement of actual travel and out-of-pocket expenses incurred for attending such meetings.

iii) Commission to Chairman :

The Members at their Meeting held on 25th September 2007 has approved the payment of remuneration by way of Commission @1% of the Net Profits to Mr. P. B. Bhardwaj, Non-executive Chairman. Accordingly, the Commission amounting to Rs. 136.86 Lacs has been provided in the Accounts for the financial year 2009 - 2010.

d) The Details of Sitting fees and Remuneration paid / payable to all the Directors for the financial year 2009-2010 are as under :**i) Details of Sitting fees paid**

Name	Dr. E.R.C. Shekar	Mr. Naresh Gwalani	Mr. S. Gajendran	CA Jayesh M. Parmar
Sitting fees paid	Rs. 39,000	Rs. 25,000	Rs. 19,000	Rs. 16,000

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

ii) Total remuneration paid to the Managing Director(s) and Whole Time Director of the Company during the financial year is Rs. 46,180,598/- as detailed below :

Particulars	Mr. Ravi Bhardwaj VC & MD	Mr. Pranav Bhardwaj Jt. MD	Mr. S.K. Gupta Whole-time Director
	Rs.	Rs.	Rs.
Basic Salary	3,240,000	2,820,000	1,701,613
HRA / Leased Accommodation	3,000,000	2,400,000	510,484
Allowances / Reimbursement	1,966,633	682,788	2,006,644
PF / EPF / Superannuation Fund	874,800	761,400	459,436
Commission (2008-2009)	12,878,400	12,878,400	-
Total	21,959,833	19,542,588	4,678,177

5) SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

Objective : Especially to look after grievances of Shareholders and Investors Complaints like dematerialisation / rematerialisation of shares, transfer of shares, transmission of shares, non-receipt of share certificates and/or balance sheet etc. and timely redressal of their grievances.

- The Shareholders / Investors' Grievance Committee is consisting of Dr. E. R. C. Shekar as the Chairman, and Mr. Ravi Bhushan Bhardwaj, Mr. Pranav Bhardwaj, Mr. S. Gajendran and Mr. Surendra Kumar Gupta, as the Committee Members while, CS Mukesh D. Parakh, Secretary to the Committee.
- During the financial year, the Committee had Three Meetings and reviewed regularly :
 - the system of handling with and responding to complaints received from the Shareholders and Investors;
 - the complaint letters received from Shareholders/ Investors, Stock Exchanges, SEBI, Depositories viz. NSDL, CDSIL, and responses thereof.
- All complaints as of 31st March 2010 have been attended to, suitably replied / resolved and redressed accordingly.
- The authority relating to share transfers has been delegated to the Share Transfer Committee which consists of five Members, viz. two Non-executive Directors and three Executive Directors. The Board has authorised Share Transfer Committee to approve all routine transfers, transmission and rematerialisation of shares and ratify dematerialisation of shares, carried out by the Share Transfer Agent. Presently, the request for transfer/transmission of Shares, etc. are effected within 15 to 30 days.
- In terms of Clause 47(f), as amended, the Company has created a designated e-mail ID for the Investor Grievances / Complaints as investor@sunflagsteel.com. The required information had been sent to concerned Stock Exchanges and also displayed at Company's Website.

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

Sr. No.	Year	Location	Date	Time
1	21 st AGM - 2007	Indian Medical Association's J. R. Shaw Auditorium, North Ambazari Road, Nagpur - 440 010	28.09.2007	15:00 Hrs.
2	22 nd AGM - 2008		23.09.2008	15:00 Hrs.
3	23 rd AGM - 2009		25.09.2009	15:00 Hrs.

b) Some special resolutions were passed at the aforesaid meetings. However, no matter which requires Postal Ballot has been placed.

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

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

b) Transactions with the related parties:

Sr. No.	Particulars	Amount in Rupees '000
i.	Subsidiary Companies : Advance Paid	2
	: Share Capital	31,635
	: Share Application Money	7,052
	: Unsecured Loan	69,597
ii.	Associate Enterprise : Rent paid	2,160
iii.	Relative / Beneficiary : Rent Paid	1,490
	: Other Expenses	351
iv.	Key Managerial Personnel : Remuneration and Commission	87,691

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

8) MEANS OF COMMUNICATION

- a) The quarterly financial results are being forwarded to Stock Exchange(s) and published in Indian Express / Financial Express / Times of India in English and Loksatta / Sakal in Marathi. The quarterly results are also displayed on the Company's Notice Board. The same are also uploaded under EDIFAR System at SEBI's Website.
- b) Management Discussion and Analysis forms part of this Annual Report.

9) GENERAL SHAREHOLDER INFORMATION

a)	24 th Annual General Meeting	Thursday, the 23 rd Day of September 2010 at 3.00 P.M.
b)	Book closure dates	From Saturday, the 4 th Day of September 2010 to Thursday, the 23 rd Day of September 2010 (both days inclusive)
c)	Dividend payment date (if declared at AGM)	On or after 28 th September 2010
d)	Financial Calender i. Unaudited results for quarter ending on 30.06.2010 ii. Unaudited results for half year/ quarter ending on 30.09.2010 iii. Unaudited financial results for quarter ending 31.12.2010 iv. Audited results for the year / quarter ending 31.03.2011	<u>Tentative schedule</u> July / August 2010 October / November 2010 January / February 2011 May 2011
e)	Listing of Equity Shares For the year 2009-2010, the Company's Equity shares were listed with Two (2) Stock Exchanges viz. BSE & NSE	Bombay Stock Exchange Limited (BSE) The National Stock Exchange of India Limited (NSE)
f)	Stock Codes Trading Symbol at Stock Exchanges Demat ISI Number in NSDL & CDSIL	500404 (BSE) SUNFLAG (NSE) INE947A01014 - Sunflag Iron - Equity

g) Stock Market Data

The high and low prices recorded on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) with their respective Indices are as under :

Month	Share Price of Sunflag Steel				BSE SENSEX		S & P CNX NIFTY	
	BSE (Rs.)		NSE (Rs.)		High	Low	High	Low
	High	Low	High	Low				
April 2009	15.35	11.51	15.55	11.50	11492	9546	3517	2966
May 2009	21.00	14.70	21.00	13.50	14931	11621	4509	3479
June 2009	28.40	17.55	28.20	17.55	15600	14017	4693	4143
July 2009	23.50	17.05	23.45	16.30	15733	13220	4670	3919
August 2009	27.40	19.50	27.40	19.50	16002	14684	4744	4353
September 2009	27.15	23.10	27.15	23.00	17143	15357	5088	4577
October 2009	27.30	22.10	27.40	22.60	17493	15805	5182	4688
November 2009	27.10	21.75	27.20	21.70	17290	15331	5138	4539
December 2009	31.20	24.10	31.20	24.00	17531	16578	5222	4944
January 2010	33.90	26.85	33.80	26.60	17790	15982	5311	4766
February 2010	34.00	27.55	31.50	27.65	16669	15652	4992	4675
March 2010	31.80	28.55	31.80	28.50	17793	16438	5330	4935

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

h) Registrar & Share Transfer Agent - Shareholders / Investors Services :

Effective 31st March 2003, **M/s Bigshare Services Private Limited, E-2/3, Ansa Industrial Area, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400 072** have been acting as the Registrar & Share Transfer Agent. All the Shareholders / Investors related Services, subject to approval of the Company either through Board / Committee of the Board or Managing Director / Company Secretary, are done by the said Registrar and Share Transfer Agent for and on behalf of the Company. RTA has recently launched Gen-Next Investor Interface Module 'I' BOSS', the most advanced tool to interact with investors. Please login to 'I' BOSS' at www.bigshareonline.com website and help them to serve you better.

i) (a) Distribution of Shareholding as on 31st March 2010 :

Share holding of nominal value of		Shareholders		Value of Shares (Rs.)	
Rs.	Rs.	Number	%	Amount (Rs.)	%
1	5000	73,055	82.240	141,320,870	8.713
5001	10000	8,690	9.782	72,339,800	4.460
10001	20000	3,680	4.143	57,524,680	3.547
20001	30000	1,164	1.310	30,468,470	1.878
30001	40000	466	0.525	17,158,930	1.058
40001	50000	537	0.605	26,038,540	1.605
50001	100000	646	0.727	49,013,070	3.022
100001	1621975030	593	0.668	1,228,110,670	75.717
Total		88,831	100.000	1,621,975,030	100.000

(b) Pattern of Shareholdings as on 31st March 2010 :

S N	Category	No. of Holders	No. of Shares	%
1	Foreign Promoters / Promoter Group	2	72,367,482	44.62
2	Indian Promoters / Promoter Group	2	8,964,496	5.53
3	Non Resident Indians / FIIs	261	494,201	0.31
4	Financial Institutions	10	583,700	0.36
5	Bodies Corporate	1,110	19,827,218	12.22
6	Banks (Nationalised / Others)	19	69,895	0.04
7	Mutual Funds / Trust	13	48,600	0.03
8	Indian Public / Directors	87,297	59,656,611	36.78
9	Clearing Members/Corp.	117	185,300	0.11
Total		88,831	162,197,503	100.00

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

The Equity Shares of the Company are compulsorily traded in electronic form only. Out of the shares held by Indian Public and Institutional Investors, etc., more than 54.244% of the shares have already been stand dematerialised, (Foreign Promoter's shareholding is presently held in physical form).

Shares of the Company were actively traded on the Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE) and hence have good liquidity.

k) Plant Location : Sunflag Iron and Steel Company Limited

Works: P.O.: Bhandara Road, BHANDARA - 441 905 (Maharashtra)

Phone Nos : 07197-285551 to 55

ADDRESS FOR CORRESPONDENCE OF SHAREHOLDERS / INVESTORS

For all matters relating to shares be sent to :	For all matters relating to Annual Reports / Grievances / Dividend :
Bigshare Services Private Limited, E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), MUMBAI - 400 072. Phone : 022-4043 0200 / 2847 0652 Fax : 022-28475207 e-mail : info@bigshareonline.com; Website : http://www.bigshareonline.com	Company Secretary, Sunflag Iron and Steel Company Limited 33, Mount Road, Sadar, Nagpur - 440 001 Phone : 0712-2524 661 / 2520 356 / 57 / 58 Fax : 0712-2520 360 e-mail : admin@sunflagsteel.com investor@sunflagsteel.com Website : http://www.sunflagsteel.com

B - NON-MANDATORY REQUIREMENTS**1. Chairman's Office:**

In accordance with the Clause 49 of the Listing Agreement with the Stock Exchanges, Mr. P.B. Bhardwaj, Non-executive Chairman has been provided a leased accommodation for a period of eleven months @ monthly rent of Rs.1 Lac, at Company's expenses in performance of his duties.

2. Remuneration Committee:

The Company has constituted the Remuneration Committee and the requisite details are included in the Corporate Governance Report.

3. Shareholders' Rights:

The financial results are not being furnished to the individual shareholders as they are furnished to the Stock Exchanges & EDIFAR mode (till 31st March 2010) and published through the newspapers. (The Times of India / The Financial Express / Indian Express in English and Loksatta / Sakal in Marathi)

4. Postal Ballot:

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

Report on Corporate Governance

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

CEO/CFO Certificate on Corporate Governance

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

Auditors' Certificate on Corporate Governance

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

AUDITORS' CERTIFICATE - CORPORATE GOVERNANCE

We have examined the compliance of conditions of Corporate Governance by Sunflag Iron and Steel Company Limited for the financial year ended 31st March 2010 as stipulated in Clause 49 of the Listing Agreement, of the said Company with Stock Exchange(s).

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

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

We state that in respect of investor grievances received during the financial year ended 31st March 2010, no investor grievances were remaining unattended / pending against the Company for a period exceeding one month as per the records maintained by the Shareholders / Investors Grievance Committee.

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

**For PATEL, SHAH & JOSHI
CHARTERED ACCOUNTANTS**

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

**Nagpur
19th July 2010**

AUDITOR'S REPORT

To,

The Members of
Sunflag Iron and Steel Company Limited
Nagpur

1. We have audited the attached Balance Sheet of **SUNFLAG IRON AND STEEL COMPANY LIMITED** as at 31st March 2010, the Profit and Loss account for the year ended on that date and the Cash Flow Statement for the year ended on that date both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies' (Auditor's Report) Order, 2003 ("CARO") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and according to the information and explanation given to us during the course of the audit and on the basis of such checks as we consider appropriate, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) The Balance Sheet, the Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, the 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 Companies Act, 1956;
 - (v) On the basis of written representations received from the directors as on 31st March 2010 and taken on record by the Board of Directors, we report that none of the directors are 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 Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance sheet, of the state of affairs of the Company as at 31st March 2010;
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For PATEL, SHAH & JOSHI
CHARTERED ACCOUNTANTS**

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

**Mumbai
31st May 2010**

ANNEXURE TO THE AUDITOR'S REPORT**Referred to in paragraph (3) of our Report of even date on the accounts of
SUNFLAG IRON AND STEEL COMPANY LIMITED for the year ended 31st March 2010**

- i. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) A major proportion of the assets have been physically verified by the management in accordance with a phased programme of verification adopted by the Company. In our opinion, the frequency of verification is reasonable, having regard to the size of the Company and the nature of its assets. As informed to us, no material discrepancy has been noticed on such verification.
- (c) During the year Company has not disposed of any substantial part of fixed asset which affect going concern assumption.
- ii. (a) We are informed that during the year the management has physically verified the inventories. In case of material lying with third parties, certificates confirming stock have been received in respect of a substantial portion of stock held. In our opinion, the frequency of verification is reasonable.
- (b) According to the information and explanations given to us, the procedures of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) According to the information and explanations given to us the Company has maintained proper records of inventories. Discrepancies noticed on verification between physical stocks and the book records were not material.
- iii. (a) According to the information and explanations given to us, the Company has, during the year, granted a further unsecured loan to its subsidiary Khapa Coal Company Private Limited of Rs. 6,95,97,000/- covered in the register maintained under Section 301 of the Companies Act, 1956.
 - (i) The maximum amount involved during the year and the year-end balance of such loan was Rs. 6,95,97,000/-
 - (ii) There is no stipulation as to the rate of interest, repayment or other terms and conditions of the loan given by the Company to its subsidiary company. Hence we cannot express our opinion as to the regularity of payment of the principal amount/interest is regular nor can the loan be said to be overdue.
- (b) According to the information and explanations given to us the Company has, during the year, not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4 (iii) (e), (f) and (g) of the Order are not applicable.
- iv. In our opinion, and according to the information and explanations given to us, having regards to the explanations that some of the items purchased are of a special nature and suitable alternative sources do not exist for obtaining comparable quotations, there are adequate internal control procedures commensurate with size of the Company and the nature of its business with regards to the purchase of inventory, fixed assets and with regards to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control.
- v. (a) To the best of our knowledge and belief and according to the information and explanation given to us, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and having regards to our comment in paragraph (iv) above and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lacs in respect of any party during the year have been made at prices which are reasonable, having regard to the prevailing market price at the relevant time where such market prices are available.
- vi. The Company has not accepted any deposit from the Public.
- vii. In our opinion, the Company has an internal audit department, which is commensurate with size and the nature of its business.
- viii. We have broadly reviewed the records maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
- ix. (a) According to the information and explanations given to us and the records of the Company examined by us, the Company has been regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance dues, Income Tax, Investor Education and Protection Fund, Sales Tax, Wealth Tax, Customs Duty, Service Tax, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities. We are informed that there are no undisputed statutory dues as at the year end outstanding for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no disputed dues of Income Tax, Service Tax, Wealth Tax and Cess, which have not been deposited.
- (c) The amount of disputed dues as at 31st March 2010 in respect of Sales Tax and Excise Duty aggregated to Rs. 280.33 lacs and Rs. 39.96 lacs respectively and these amounts have not been deposited by the Company, since these matters are pending with the respective Authorities as per *Annexure A*.
- x. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks.
- xii. According to information and explanations given to us and based on the documents and records produced to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, accordingly paragraph 4 (xii) of the Order is not applicable.
- xiii. In our opinion and according to the information and explanation given to us, the Company is not a Chit Fund/ Nidhi/ Mutual Benefit Fund/ Society to which the provision of special statute relating to Chit Fund is applicable. Accordingly, paragraph 4 (xiii) of the Order is not applicable.
- xiv. As the Company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4(xiv) of the Order is not applicable.
- xv. According to the information and explanations given to us, the company has given corporate guarantee during the year to Messrs Khappa Coal Company Private Limited for Bank guarantee. No guarantee given for any loan taken by others from banks or financial institutions.
- xvi. In our opinion, the term loans have been applied for the purpose for which they were raised.
- xvii. According to the information and explanations given to us and on an overall examination the Balance sheet of the Company, we report that during the year short-term funds have not been used to finance long-term investments and vise-versa.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
- xix. The Company has not issued any debentures during the year.
- xx. The Company has not raised any money by way public issue during the year.
- xxi. On the basis of our examination and according to the information and explanation given to us, no fraud, on or by the Company, has been noticed or reported during the course of our audit.

**For PATEL, SHAH & JOSHI
CHARTERED ACCOUNTANTS**

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

**Mumbai
31st May 2010**

Annexure - A

Statement of unpaid disputed statutory dues and annexure to report as at 31st March 2010				
Particulars		Amount (Rs. in '000)	Period to which the amount related (various years covering the period)	Forum where dispute is pending
A. Excise Duty				
Deptt.'s show causes	Excise duty	29,217	2000 - 2003	Commissioner, Central Excise
	Excise duty	5,531	2008 - 2009	Commissioner, Central Excise
	Excise duty	2,903	2009 - 2010	Commissioner, Central Excise
Departmental appeals	Excise duty (Modvat Credit)	187	1994 - 1996	Tax Appellate Tribunal
Deptt.'s show cause	Excise duty (Modvat Credit)	707	2008 - 2009	Tax Appellate Tribunal
Deptt.'s show cause	Excise duty	1,418	1994 - 1995	Commissioner of Customs
		39,963		
B. Sales Tax				
Company's appeals	Sales tax	280,336		High Court
		280,336		

**SUNFLAG IRON AND STEEL COMPANY LIMITED, NAGPUR
BALANCE SHEET AS AT 31st MARCH 2010**

	Schedule	As at 31.03.2010 (Rs.'000)	As at 31.03.2009 (Rs.'000)
I. SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
SHARE CAPITAL			
a) Paid up Capital	1	1,621,975	1,621,975
b) Reserves & Surplus	2	2,514,016	1,659,866
2. LOAN FUNDS			
a) Secured Loans	3	1,843,210	1,951,625
b) Unsecured Loans	4	1,445,009	1,172,329
3. DEFERRED TAX LIABILITIES		502,030	460,519
		<u>7,926,240</u>	<u>6,866,314</u>
II. APPLICATION OF FUNDS			
1. FIXED ASSETS	5		
a) Gross Block		8,832,970	7,953,570
b) Less Depreciation		5,123,610	4,745,290
c) Net Block		<u>3,709,360</u>	<u>3,208,280</u>
d) Capital work-in-progress		283,511	836,137
2. INVESTMENTS	6	75,623	12,219
3. CURRENT ASSETS, LOANS & ADVANCES	7		
a) Inventories		2,548,885	1,658,919
b) Sundry Debtors		1,216,898	758,094
c) Cash & Bank Balances		296,392	233,070
d) Loans & Advances		<u>1,788,157</u>	<u>1,643,208</u>
		5,850,332	4,293,291
Less : CURRENT LIABILITIES & PROVISIONS			
a) Current Liabilities	8	(1,366,175)	(968,579)
b) Provisions	9	(626,411)	(515,034)
		<u>(1,992,586)</u>	<u>(1,483,613)</u>
NET CURRENT ASSETS		<u>3,857,746</u>	<u>2,809,678</u>
		<u>7,926,240</u>	<u>6,866,314</u>
Significant accounting policies and Notes forming part of these accounts	15		

As per our report attached

For PATEL, SHAH & JOSHI
Chartered Accountants

CA JAYANT I. MEHTA
PARTNER

Membership Number - 42630

Mumbai
31st May 2010

P. B. BHARDWAJ
CHAIRMAN

RAVI BHUSHAN BHARDWAJ
VICE CHAIRMAN & MANAGING DIRECTOR

PRANAV BHARDWAJ
JOINT MANAGING DIRECTOR

R. MURALIDHAR
EXECUTIVE DIRECTOR (FINANCE)

CS MUKESH D. PARAKH
COMPANY SECRETARY

DR. E.R.C. SHEKAR

S. GAJENDRAN

S.K. GUPTA

DIRECTORS

New Delhi
28th May 2010

**SUNFLAG IRON AND STEEL COMPANY LIMITED, NAGPUR
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010**

	Schedule	Year ended 31.03.2010 (Rs.'000)	Year ended 31.03.2009 (Rs.'000)
INCOME			
Turnover (Gross)		14,527,842	12,329,737
Less : Excise Duty		<u>1,047,231</u>	<u>1,329,948</u>
Turnover (Net)		13,480,611	10,999,789
Export Incentive		15,666	24,949
Other Income	10	<u>49,631</u>	<u>49,469</u>
		<u>13,545,908</u>	<u>11,074,207</u>
EXPENDITURE			
Raw Material Consumption	11(a)	8,212,834	7,345,292
Other Manufacturing Expenses	11(b)	2,205,038	1,657,161
Staff & Establishment Expenses	12	722,966	591,713
Selling Expenses	13	444,889	287,459
Depreciation	5	378,835	309,374
Interest	14	<u>300,403</u>	<u>304,392</u>
Total Expenditure		<u>12,264,965</u>	<u>10,495,391</u>
Profit before Taxation		1,280,943	578,816
Provision for Taxation			
Current		(290,400)	(110,000)
Deferred		(41,511)	(35,154)
Fringe Benefits tax		-	(2,400)
Prior Period Tax adjustments			4,707
Net Profit after tax		<u>949,032</u>	<u>435,969</u>
Profit brought forward		<u>1,634,245</u>	<u>1,293,158</u>
Profit available for appropriation		<u>2,583,277</u>	<u>1,729,127</u>
Appropriation to :-			
Proposed dividend on :			
Equity Shares		81,099	81,099
Corporate Dividend Tax		13,783	13,783
Profit Carried forward		<u>2,488,395</u>	<u>1,634,245</u>
		<u>2,583,277</u>	<u>1,729,127</u>
Earnings per Share (Refer Note 23 of Schedule 15 Part-B)			
Basic		5.8511	2.6879
Diluted		5.8511	2.6879
Significant Accounting policies and Notes forming part of these accounts	15		
As per our report attached		P. B. BHARDWAJ	DR. E.R.C. SHEKAR
For PATEL, SHAH & JOSHI		CHAIRMAN	
Chartered Accountants		RAVI BHUSHAN BHARDWAJ	S. GAJENDRAN
CA JAYANT I. MEHTA		VICE CHAIRMAN & MANAGING DIRECTOR	
PARTNER		PRANAV BHARDWAJ	S.K. GUPTA
Membership Number - 42630		JOINT MANAGING DIRECTOR	
		R. MURALIDHAR	DIRECTORS
		EXECUTIVE DIRECTOR (FINANCE)	
Mumbai		CS MUKESH D. PARAKH	New Delhi
31 st May 2010		COMPANY SECRETARY	28th May 2010

Schedules forming part of the Balance Sheet as at 31st March 2010**(Rs. in '000)****SCHEDULE - 1 : SHARE CAPITAL**

	As at 31-Mar-10	As at 31-Mar-09
AUTHORISED :		
165,000,000 Equity Shares of Rs.10/- each	1,650,000	1,650,000
4,000,000 10% Cumulative Convertible Preference Shares of Rs.100/- each	400,000	400,000
	2,050,000	2,050,000
ISSUED, SUBSCRIBED & FULLY PAID UP		
162,197,503 Equity Shares of Rs.10/- each (162,197,503)	1,621,975	1,621,975
	1,621,975	1,621,975

SCHEDULE - 2 : RESERVES AND SURPLUS

A) Capital Reserves : Balance Brought Forward	2,500	2,500
B) General Reserves : Balance Brought Forward	23,121	23,121
C) Profit & Loss Account : Balance Brought Forward	1,634,245	1,293,158
Profit for the year (after tax and appropriation)	854,150	341,087
	2,488,395	1,634,245
	2,514,016	1,659,866

SCHEDULE - 3 : SECURED LOANS

A) Long Term Loans : From Banks	1,449,339	1,829,875
B) Borrowing for Working Capital : From Banks	393,871	121,750
	1,843,210	1,951,625

Notes:

- Term Loans from Banks are secured by a mortgage charge over all the Company's immovable properties, both present and future, ranking pari passu inter se and a second charge by way of hypothecation of all the Company's movables subject to prior charges created in favour of the Company's bankers on inventories, book debts and other movables for securing the borrowings of working capital requirement.
- Borrowings for working capital from banks are secured by way of hypothecation of inventories and book debts and further secured by way of second charge ranking pari passu over the fixed assets, both present and future, subject to prior charges created by the company in favour of Banks for securing term loan. Working capital borrowings are further secured by the personal guarantee of Shri Ravi Bhushan Bhardwaj, Vice Chairman & Managing Director.
- Long Term loans include Rs. 521,100,000 (Previous year Rs. 551,600,000) payable within a year.

SCHEDULE - 4 : UNSECURED LOANS

A) Interest free Sales Tax Loan	1,307,479	1,034,799
B) From Promoters	137,530	137,530
	1,445,009	1,172,329

SCHEDULE - 6 : INVESTMENTS**In Subsidiaries - UNQUOTED / Non-Trade :**

49,940 Equity shares of Rs. 10/- each in Sunflag Special Steels Ltd.	499	499
49,940 Equity shares of Rs. 10/- each in Sunflag Power Ltd.	499	499
3,163,500 Equity shares of Rs. 10/- each in Khappa Coal Co. Pvt. Ltd.	31,635	-
	32,633	998

In Others - UNQUOTED / Non-Trade :

74 Equity shares of Rs. 10/- each in Indiabulls CSEB Bhaiyathan Power Limited	1	-
1,118,859 Equity shares of Rs. 10/- each in Madanpur (North) Coal Company Private Limited	11,189	11,189
3,180,000 Equity shares of Rs. 10/- each in C T Mining Private Limited	31,800	32
	42,990	11,221
	75,623	12,219

Schedule forming part of the Balance Sheet and Profit and Loss Account for the year ended 31st March 2010

SCHEDULE - 5 : FIXED ASSETS

Sr. No.	DESCRIPTION	GROSS BLOCK AT COST			DEPRECIATION			NET BLOCK		(Rs. in '000)
		As At 01.04.2009	Additions in 2009-10	Adj / Del in 2009-10	As At 31.03.2010	As At 01.04.2009	Adj / Del in 2009-10	For the Year 2009-2010	As At 31.03.2010	As At 01.04.2009
1	Freehold Land	11,210	18,359	-	29,569	-	-	-	29,569	11,210
2	Leasehold Land	8,442	-	-	8,442	1,970	-	89	2,059	6,472
3	Buildings									
a)	Factory Building	1,322,799	150,715	-	1,473,514	611,699	-	83,135	694,834	711,100
b)	Non-Factory Building	19,142	-	-	19,142	6,711	-	287	6,998	12,431
c)	Office Building	45,838	-	-	45,838	8,571	-	1,967	10,538	37,267
d)	Township	62,965	-	-	62,965	18,486	-	1,027	19,513	44,479
e)	Welfare Building	8,623	-	-	8,623	2,299	-	141	2,440	6,324
f)	Roads	20,255	5,005	-	25,260	6,121	-	794	6,915	14,134
g)	Boundary wall and fencing	8,699	-	-	8,699	1,281	-	142	1,423	7,418
4	Railway Siding	1,488,321	155,720	-	1,644,041	655,168	-	87,493	742,661	833,153
5	Plant & Machinery	37,509	-	-	37,509	33,024	-	1,393	34,417	4,485
6	Furniture & Fixture	6,355,324	550,452	-	6,905,776	4,018,475	(2,205)	278,434	4,294,704	2,336,849
7	Heavy Vehicles	21,311	45	-	21,356	17,159	-	389	17,548	4,152
8	Light Vehicles	1,586	-	(707)	1,586	1,282	-	40	1,322	304
9	Development of Mines	29,867	3,445	-	32,605	18,212	(515)	3,520	21,217	11,655
		-	152,086	-	1,52,086	-	2,205	7,477	9,682	-
	TOTAL	7,953,570	880,107	(707)	8,832,970	4,745,290	(515)	378,835	5,123,610	3,709,360
	PREVIOUS YEAR	7,208,751	751,739	(6,920)	7,953,570	4,435,306	(1,959)	311,943	4,745,290	3,208,280

Schedule forming part of the Balance Sheet as at 31st March 2010.**(Rs. in '000)****SCHEDULE - 7 : CURRENT ASSETS, LOANS & ADVANCES**

	As at 31-Mar-10	As at 31-Mar-09
A. CURRENT ASSETS		
(i) Inventories - (as taken, valued and certified by Management)		
a) Raw Materials	701,431	453,658
b) Consumable Stores, Spares etc.	118,919	32,538
c) Semi Finished Goods	441,938	378,736
d) Finished Goods	1,286,597	793,987
	<u>2,548,885</u>	<u>1,658,919</u>
(ii) Sundry Debtors (Unsecured)		
a) Over six months		
- Considered good	42,888	34,318
- Considered bad and doubtful	<u>22,251</u>	<u>31,391</u>
	65,139	65,709
b) Other Debts : Considered Good	1,174,010	723,776
	<u>1,239,149</u>	<u>789,485</u>
Less : Bad and doubtful debts written off	-	9,140
Less : Provision for bad and doubtful debts	<u>22,251</u>	<u>22,251</u>
	<u>1,216,898</u>	<u>758,094</u>
(iii) Cash and Bank Balances		
a) Cash on hand	2,448	4,928
b) Balances with Scheduled Banks		
- Current Account	58,021	51,626
- in Margin Money against Letters of credit and Bank Guarantees	<u>235,923</u>	<u>176,516</u>
	<u>296,392</u>	<u>233,070</u>
B. LOANS AND ADVANCES (Unsecured Considered good)		
a) Advances recoverable in cash or in kind or for value to be recovered	1,528,875	1,442,637
b) Advances to subsidiaries (see note below)	149,070	72,418
c) Deposits :		
i) With Maharashtra State Electricity Board	48,336	48,318
ii) With Excise Authorities	41,866	59,076
iii) With Others	<u>20,010</u>	<u>128,153</u>
	<u>1,788,157</u>	<u>1,643,208</u>
Total Current Assets	<u>5,850,332</u>	<u>4,293,291</u>

Note : 1) Closing stock of Finished Goods includes excise duty of Rs. 123,429,000 (Previous year Rs. 90,892,000)

2) Advances to Subsidiaries includes Rs. 69,598,677 to M/s. Khappa Coal Company Private Limited as Interest Free Unsecured Loan and Rs. 79,470,919 to Sunflag Power Limited as Share Application Money.

SCHEDULE - 8 : CURRENT LIABILITIES

Acceptances	426,628	226,718
Sundry Creditors	161,113	168,992
Other Liabilities (Including Interest)	197,963	107,094
Provision for Expenses	580,471	465,775
	<u>1,366,175</u>	<u>968,579</u>

SCHEDULE - 9 : PROVISIONS

Proposed Dividend	81,099	81,099
Provision for Taxation		
- Income Tax	527,444	414,290
- Fringe Benefits Tax	4,085	5,810
- Dividend Tax	13,783	13,783
- Wealth Tax	-	52
	<u>545,312</u>	<u>433,935</u>
	<u>626,411</u>	<u>515,034</u>

Schedules forming part of the Profit & Loss Account for the year ended 31st March 2010

(Rs. in '000)

SCHEDULE - 10 : OTHER INCOME

	Year Ended 31-Mar-10	Year Ended 31-Mar-09
Interest received		
- From Banks	15,389	14,777
- From Others	2,746	2,794
Miscellaneous Income	31,496	31,898
	<u>49,631</u>	<u>49,469</u>

SCHEDULE - 11 : RAW MATERIAL CONSUMPTION & OTHER MANUFACTURING EXPENSES

a) Consumption of Raw materials and consumables :		
Opening Stock	486,196	1,108,583
Add : Purchases	8,546,988	6,722,905
Less : Closing Stock	(820,350)	(486,196)
Value of Materials Consumed (a)	<u>8,212,834</u>	<u>7,345,292</u>
b) Other Manufacturing Expenses :		
Power **	742,582	373,597
Fuel	333,105	290,177
Other Works Overhead	512,469	272,296
Sales Tax	626,334	409,412
Freight and Forwarding	546,360	345,497
(Increase) / Decrease in Semi-finished and Finished Goods	(555,812)	(33,818)
Total Other Manufacturing Expenses (b)	<u>2,205,038</u>	<u>1,657,161</u>
Total (a+b)	<u>10,417,872</u>	<u>9,002,453</u>

** Power is net of Captive Power consumed in Steel Unit

SCHEDULE - 12 : STAFF AND ESTABLISHMENT EXPENSES

Salaries, Wages and Other Allowances	425,822	349,268
Contribution to Provident and Other Funds (# see note below)	45,801	34,474
Staff Welfare Expenses	37,219	28,276
Insurance	11,859	11,982
Rent, Rates & Taxes	17,930	22,932
Director's Remuneration (including Commission)	87,691	50,305
General Expenses	96,644	94,476
	<u>722,966</u>	<u>591,713</u>

Note : # This includes contribution to Gratuity of Directors

SCHEDULE - 13 : SELLING EXPENSES

Commission	22,483	5,069
Rebate & Discounts	401,585	250,594
Other Selling Overheads	20,821	18,059
Provision for Bad Debts	-	4,597
Bad Debts Written-off	-	9,140
	<u>444,889</u>	<u>287,459</u>

SCHEDULE - 14 : INTEREST

Interest on		
- Term Loans	164,264	118,879
- Others	136,139	185,513
	<u>300,403</u>	<u>304,392</u>

**SCHEDULE - 15 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31st MARCH 2010**

PART - A : SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation of Accounts

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956, except export incentives which has been accounted for on cash basis as stated below.

2. Fixed Assets and Depreciation

i) Fixed assets are valued at their cost of acquisition or construction and include interest and other costs incurred till the asset is put to use, less depreciation accumulated to date. Assets are valued net of CENVAT claimed. Depreciation has been charged as under:

- | | | |
|---|---|------------------------------|
| a. Freehold Land | : | Nil |
| b. Leasehold Land | : | Over the period of the lease |
| c. Heavy & Light Vehicles | : | On reducing balance method |
| d. All other assets are depreciated as per the rates and manner specified in Schedule XIV of the Companies Act, 1956. In respect of additions/deletions made during the year, depreciation is provided on a pro-rata basis. The Company has decided to depreciate Plant & Machinery and related buildings over a period of fourteen years. Accordingly Depreciation is provided on these assets. No depreciation is provided on Capital Work in Progress. | | |

ii) Expenses on development of Belgaon Mine are accounted for as Development expenditure.

3. Investments

Investments are stated at cost.

4. Deferred Revenue Expenditure

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

5. Foreign Currency Transactions

Transactions in foreign currencies are accounted for at the rate prevailing on the date of transaction. Assets and liabilities outstanding at the year end are translated at the rate prevailing as on the Balance Sheet date. Any exchange gain or loss is accounted for in the profit and loss account.

6. Inventories

- Raw Materials: Valued at weighted average cost.
- Consumables, stores & spares: At or below cost.
- Finished and Semi finished goods produced and purchased by the Company : Carried at lower of cost or market value.
- Work in process : At cost.
- Any other saleable products of the manufacturing process are considered as finished goods and these are valued at the lower of the estimated net realisable value or cost.

7. Excise and Custom Duty

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

8. Insurance Claims

Insurance claims are accounted for on accrual basis and any unrealised year end claims are accounted for on an estimated basis.

9. Employee Benefits

- The company has taken group gratuity policy with the Life Insurance Corporation of India (LIC) for future payment of gratuity. The gratuity liability is determined based on an actuarial valuation performed by LIC.
 - Liability towards superannuation is funded in accordance with the scheme with LIC.
 - Contribution to Provident Fund are accrued as per the provisions of the Employees Provident Funds and Miscellaneous Provisions Act, 1952. Contributions payable to the Employees Provident Fund in respect of the Company are charged to the profit and loss account. The Company pays contribution to a recognised Provident Fund.
 - Leave salary payable in respect of earned leave has been provided for according to the new service rules of the Company.
-
-

10. Research & Development Expenses

Research & Development expenses are charged to revenue under the respective heads of accounts in the year in which they are incurred.

11. Revenue Recognition

Sales comprises sale of goods and services, but net of sales returns. In order to comply with the Accounting Standards Interpretation (ASI-14) issued by the Institute of Chartered Accountants of India, gross turnover includes both Sales Tax and Excise Duty. Net turnover excludes Excise Duty. The Sales Tax paid is shown as part of other manufacturing expenses.

12. Deferred Sales Tax

In view of expiry of Eligibility period under Package Scheme of Incentive - 1993 (PSI - 1993), the Company now accounts for this liability at its actual value instead of determining the same on a net present value basis.

13. Export Benefits

Export benefits are recognised as and when utilised or sold.

14. Impairment of Assets

Specified assets are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount for which the asset's carrying amount exceeds its recoverable amount being the higher of the asset's net selling price and its value in use. Value in use is based on the present value of the estimated future cash flows relating to the asset. For the purpose of assessing impairment, assets are grouped at the lowest level for which, there are separately identifiable cash flows (i.e. cash generating units)

15. Borrowing Costs

Borrowing costs relating to the acquisition / construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete and commercially stabilised. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

16. Deferred Tax

Deferred tax is recognised, subject to consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

17. Leases

For assets acquired under operating lease, rentals payable are charged to the Profit & Loss account.

PART - B : NOTES TO ACCOUNTS

- Estimated amount of contracts remaining to be executed on Capital Account and not provided for are Rs. 975,601,430 (Previous year Rs. 441,270,445).
- Interest free deferred Sales Tax liability has been accounted for at its actual value i.e. Rs. 1,307,478,592 (Previous year Rs. 1,201,211,258) (Refer point no. 12-Part A). Accordingly an additional amount of Rs. 95,032,499 is charged to Profit and Loss Account.
- The Company has revised the estimated useful life of Plant & Machinery and related building (as stated in Point no. 2 - Part A of Accounting Policy). The depreciation charged to the Profit and Loss account based on the revised estimated useful life of these assets is Rs. 3,788.35 Lacs. In view of this change an additional amount of Rs. 61,528,729 is charged to Profit and Loss Account.
- Contingent Liabilities not provided for:

(Rs. In '000)

Sr. No.	P a r t i c u l a r s	As at 31.03.2010	As at 31.03.2009
i.	Unexpired Letters of Credit	1,084,962	263,013
ii.	Guarantees issued by Company's Bankers on behalf of the Company	116,126	151,505
iii.	Bonds/Undertakings given by the Company under Duty Exemption Scheme to Customs Authorities	3,622	3,622
iv.	Bills Discounted	399,355	203,950
v.	Excise Duty & Customs Duty against which Company has preferred an appeal	39,963	38,134
vi.	Sales Tax liability against which Company has preferred an appeal	280,336	1,959
vii.	Corporate Guarantee issued to Banks on behalf of Subsidiaries	40,000	-

Significant Accounting Policies and Notes forming part of the Accounts for the year ended 31st March 2010**5. PAYMENTS TO AUDITORS**

(Rs. '000)

Particulars	Year ended	
	31.03.2010	31.03.2009
A. Statutory Audit Fees		
Audit Fee	660	625
Tax Audit Fee	160	150
Other services and Service Tax	84	80
Out of pocket expenses	182	151
B. Cost Audit Fees (including Service Tax)	55	50

6. DIRECTORS REMUNERATION

(Rs. '000)

Particulars	Year ended	
	31.03.2010	31.03.2009
a. Salary, Provident Fund and other funds	12,489	12,740
b. Perquisites / Allowances	860	1,421
c. HRA / Leased accommodation	5,910	3,948
d. Commission	68,432	32,196
Total	87,691	50,305

7. COMPUTATION OF PROFIT IN ACCORDANCE WITH SECTION 309(5) OF THE COMPANIES ACT, 1956

(Rs. '000)

Particulars	Year ended	
	31.03.2010	31.03.2009
a) Profit before Tax as per Profit & Loss Account	1,280,943	578,816
Add: Loss on sale of Fixed Assets	-	1,123
Exchange fluctuation loss (non operating)	-	-
Director's Remuneration including Provision for commission	87,691	50,305
Bad Debts Written off & Provision for doubtful debts	-	13,737
Sub Total	1,368,634	643,981
Less: Profit on sale of Fixed Assets	8	57
Profit under section 309(5) of the Companies Act, 1956	1,368,626	643,924
b) Commission payable to Vice Chairman and Joint Managing Director @2% on the above profits.	54,746	25,757
c) Commission payable to Mr. P. B. Bhardwaj, Non-executive Chairman @ 1% on the above profits.	13,686	6,439

8. CAPACITY AND PRODUCTION PARTICULARS

Particulars	Unit of Measurement	Installed Capacity @	Production	
			Year ended	
			31.03.2010	31.03.2009
Direct Reduced Iron	MT	150,000 (150,000)	126,336	115,299
Mild & Alloy Steel Rolled Products	MT	200,000 (200,000)	309596 *	203,663 *
Hot Metal / Pig Iron	MT	240,000 (240,000)	205,502	127,002
Sinter #	MT	364,000	191,385	-
Captive Power	kWh	180,000,000 (180,000,000)	146,103,000	150,002,000

@ As certified by Management, being technical in nature

Sinter plant production commenced on 4th September 2009

* Includes outside conversion 13,001 MT (Previous year 80 MT) and re-rolling 2,315 MT (Previous year 3,025 MT)

Significant Accounting Policies and Notes forming part of the Accounts for the year ended 31st March, 2010**9. RAW MATERIALS CONSUMED**

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
	Qty. (MT)	Value (Rs. '000)	Qty. (MT)	Value (Rs. '000)
a) Scrap, HBI, Pig Iron	40,212	512,589	5,889	151,640
b) Coal / Coal fines	279,583	418,126	259,767	546,470
c) Iron Ore	542,307	2,205,141	442,132	2,558,410
d) Coke	142,733	2,181,182	98,916	2,102,970
e) Ferro Alloys**		1,426,155		1,084,090
f) Others**		1,469,641		960,696
Total		8,212,834		7,404,276

** In view of numerous items and as none of the items individually exceed ten percent of total consumption, the quantitative details are not furnished.

10. SALES AND STOCKS

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
	Qty. (MT)	Value (Rs. '000)	Qty. (MT)	Value (Rs. '000)
Sales : a) Rolled Products	281,366	13,918,036	191,418	11,811,350
b) Others		609,806		518,387
		14,527,842		12,329,737
Closing Stock : a) Rolled Products	36,206	1,214,560	22,174	787,989
b) Others		513,975		384,734
		1,728,535		1,172,723
Opening Stock : a) Rolled Products	*22,174	787,989	*21,167	726,360
b) Others		384,734		412,546
		1,172,723		1,138,906

* includes Stocks lying with third parties 2,380 MT of value Rs. 86,501,910 (Previous year 1,645 MT of value Rs. 77,949,144) and arrived after adjusting process loss and shortage etc., 2,163 MT (Previous year 1,250 MT) and transfer for melting 9,720 MT (Previous year 6,963 MT).

11. DETAILS OF IMPORTED AND INDIGENOUS MATERIALS CONSUMED

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
	%	(Rs. '000)	%	(Rs. '000)
a) Raw Materials & Consumables :				
- Imported (including canalised)	12.10	994,190	4.07	301,512
- Indigenous	82.56	6,780,302	91.13	6,747,278
Total (a)	94.66	7,774,492	95.20	7,048,790
b) Spare Parts & Components				
- Imported	0.28	22,702	0.28	20,386
- Indigenous	5.06	415,640	4.52	335,100
Total (b)	5.34	438,342	4.80	355,486
Total (a + b)	100.00	8,212,834	100.00	7,404,276

(Rs. '000)

12. REPAIRS & MAINTENANCE

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
a) Repairs to Building		3,693		1,471
b) Repairs to Plant & Machinery		11,272		10,686
		14,965		12,157

Significant Accounting Policies and Notes forming part of the Accounts for the year ended 31st March 2010**13. VALUE OF IMPORTS CALCULATED ON CIF BASIS****(Rs. In '000)**

(including imports through Canalising agencies)

Particulars**Year ended****31.03.2010****Year ended****31.03.2009**

Raw Material

1,003,542

210,122

Component & Spare Parts

21,091

7,848

Capital Goods

78,465

163,137

14. EXPENDITURE IN FOREIGN CURRENCY

Technical Services

5,643

4,686

Books & Periodicals

-

208

Foreign Travelling

1,729

2,249

Others

12,249

6,156

15. EARNING IN FOREIGN EXCHANGE

Exports at FOB value

1,227,364

761,968

16. PAYMENTS DUE TO SMALL AND MEDIUM ENTERPRISES (SME)

The Company is in the process of compiling information from its suppliers in respect of their registration under the Micro, Small and Medium Enterprises Development Act, 2006. However, based on the information available with the company, there were no dues to Micro, Small and Medium Enterprises as on 31st March 2010 due for a period of more than 45 days. Further, no interest during the year under review was paid / is payable in terms of the said Act.

17. The Company has Rs. 7,548,103 (Previous year Rs. Nil) of Export benefits under Scheme of DEPB in hand pending utilisation or sale.

18. DEFERRED TAXATION**(Rs. In '000)**

Particulars	Balance as on 01.04.2009	Arising during the year	Balance as on 31.03.2010
A. Deferred Tax Liabilities:			
On account of timing difference in Depreciation	504,200	40,558	544,758
Others	-	-	-
Total (A)	504,200	40,558	544,758
B. Deferred Tax Assets :			
Disallowances	36,158	(821)	35,337
Provisions for doubtful debts	7,523	(132)	7,391
Sub Total (B)	43,681	(953)	42,728
Deferred Tax Liabilities / (Assets) (A-B)	460,519	41,511	502,030

The opening deferred tax liability / assets has been recalculated and adjusted. The net increase of the deferred tax charged has been appropriated to Profit and Loss Account.

19. RELATED PARTY DISCLOSURE : (as identified by the Management)

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

Significant Accounting Policies and Notes forming part of the Accounts for the year ended 31st March 2010**20. TRANSACTION WITH THE RELATED PARTIES****Amount (Rs. in '000)**

Transaction	Year ended	
	31.03.2010	31.03.2009
Subsidiaries : Advance Paid	2	5,200
Share Capital	31,635	-
Share Application Money	7,052	-
Unsecured Loan	69,597	-
Associate Enterprise : Rent Paid	2,160	2,297
Relatives / Beneficiary : Rent Paid	1,490	3,400
: Expenses	351	-
Key Managerial Personnel : Remuneration and Commission	87,691	50,305
Joint Venture Company : Share Application Money	-	31,768

21. SEGMENT INFORMATION

The Company's business activity primarily falls within a single business segment i.e., Iron & Steel business, however, the Company also generate power from its Captive Plant, which is entirely consumed in Iron & Steel Manufacturing Unit and no sale to third party has been made. The details of such consumed units are shown below. Hence there are no additional disclosures to be made under Accounting Standard (AS) 17, other than those already provided in the financial statements.

Particulars	Year ended	
	31.03.2010	31.03.2009
Units consumed (kWh '000)	128,294	126,779
Value (Rs. '000)	675,867	535,608

22. DISCLOSURE OF EMPLOYEE BENEFIT AS PER ACCOUNTING STANDARD 15 (REVISED)

In view of the mandatory applicability of the revised Accounting Standard on Employee Benefits (AS 15 Revised) to the Company effective 1st January 2007, the additional charges are paid and charged to Profit and Loss Account according to the provisions of AS 15 (Revised) as under :

- Employee Provident Fund, the Company has made good the shortfall of interest on fund Rs. 644,034. (Previous year Rs. 791,574)

Further, the following table sets out plan for the Employees Benefits as required under Accounting Standard 15 (Revised)

(Amount in Rs.)

Particulars	Gratuity		Provident Fund		Superannuation	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009
Statement showing changes in Present Value of obligation :						
Present value of obligations at the beginning of the year	60,110,397	54,127,346	197,023,247	166,839,753	105,638,146	88,790,554
Interest Cost	4,808,832	4,330,188	17,880,211	14,724,023	9,360,030	7,905,363
Current Service Cost	5,103,639	4,447,169	51,757,022	37,816,577	13,100,217	11,138,282
Benefits paid	(8,446,079)	(1,289,676)	(18,666,099)	(22,357,106)	(5,932,124)	(2,196,053)
Actuarial loss on obligations	7,236,972	(1,504,630)	-	-	-	-
Present value of obligations as at the end of the year	68,813,761	60,110,397	247,994,381	197,023,247	122,166,269	105,638,146

Significant Accounting Policies and Notes forming part of the Accounts for the year ended 31st March 2010**Rs.**

Particulars	Gratuity		Provident Fund		Superannuation	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009
Table showing changes in the fair value of plan assets :						
Fair value of plan assets at the beginning of year	64,667,858	54,127,346	197,023,247	166,839,753	105,638,146	88,790,554
Expected return on plan assets	4,808,832	4,330,188	17,236,177	13,932,449	9,712,973	8,513,312
Contributions	7,067,355	7,500,000	51,757,022	37,816,577	12,747,274	10,530,333
Benefits paid	(8,446,079)	(1,289,676)	(18,666,099)	(22,357,106)	(5,932,124)	(2,196,053)
Actuarial Gain / (Loss) on plan assets	-	-	-	-	-	-
Fair value of Plan Assets at the end of the year	68,097,966	64,667,858	247,350,347	196,231,673	122,166,269	105,638,146
Funded Status	(715,795)	4,557,461	644,034	791,574	-	-
Excess of Actual over estimated return on plan assets						
Actuarial Gain / (Loss) recognised :						
Actuarial Gain / (Loss) for the year - Obligation	7,236,972	(1,504,630)	-	-	-	-
Actuarial Gain / (Loss) for the year - plan assets	(715,795)	4,557,461	-	-	-	-
Total Loss for the year	-	-	-	-	-	-
Actuarial Gain / (Loss) recognised in the year	6,521,177	3,052,831	-	-	-	-
Amounts to be recognised in the Balance Sheet :						
Present value of obligations as at the end of the year	68,813,761	60,110,397	247,994,381	197,023,247	122,166,269	105,638,146
Fair value of Plan Assets as at the end of the year	68,097,966	64,667,858	247,350,347	196,231,673	122,166,269	105,638,146
Funded status	(715,795)	4,557,461	644,034	791,574	-	-
Net Asset / (Liability) Recognised in the Balance Sheet	(715,795)	4,557,461	644,034	791,574	-	-
Expenses Recognised in the statement of Profit and Loss Account :						
Current Service Cost	5,103,639	4,447,169	17,880,211	14,724,023	-	-
Interest Cost	-	-	-	-	-	-
Expected Return on Plan Assets	-	-	17,236,177	13,932,449	-	-
Net Actuarial (Gain)/Loss Recognised in the Statement of Profit & Loss	6,521,177	3,052,831	-	-	-	-
Expenses Recognised in statement of Profit & Loss	7,067,355	7,500,000	644,034	791,574	-	-
Actuarial Assumptions :						
Discount Rate	-	-	8.00 %	8.00 %	-	-
Salary Escalation	-	-	5.00 %	5.00 %	-	-
Investment details (%) :						
GOI Securities	-	-	31%	31%	-	-
State Government Securities	-	-	23%	23%	-	-
Approved Marketable Securities	-	-	0%	0%	-	-
Bonds/Debentures etc	-	-	46%	46%	-	-
Loans	-	-	-	-	-	-
Equity	-	-	-	-	-	-
Liquid fund/Money Market Instrument	-	-	-	-	-	-
Total	-	-	100%	100%	-	-

Significant Accounting Policies and Notes forming part of the Accounts for the year ended 31st March 2010

- a. The investment details of Gratuity funds are as per the Scheme of Life Insurance Corporation of India (LIC).
- b. The investment details of Superannuation funds are as per the Scheme of Life Insurance Corporation of India (LIC) under two plans. Even though these plans are still continuing, Company has stopped making contribution towards One plan i.e., Superannuation Scheme of Workers w.e.f. 01.04.1995 on payment of bonus in the year 1995 as per the terms and conditions of Rules framed at the time of subscribing to the designated policy of LIC. Company was liable as per terms and conditions of the Trust deed to pay contributions only till applicability of provisions of payment of Bonus Act.

23. THE BASIC AND DILUTED EARNING PER SHARE (EPS)

(Amount in Rs. '000)

P a r t i c u l a r s	Year ended 31.03.2010	Year ended 31.03.2009
Net Profit Before Tax	Rs. 1,280,943	Rs. 578,816
Less : Current Year Tax	Rs. 290,400	Rs. (110,000)
Deferred Tax	Rs. 41,511	Rs. (35,154)
Fringe Benefit Tax	-	Rs. (2,400)
Prior Period Tax Adjustments	-	Rs. 4,707
Net Profit	Rs. 949,032	Rs. 435,969
Number of Equity Shares (outstanding at the end of the year)	162,197,503	162,197,503
Nominal Value of Ordinary Shares	Rs. 10/-	Rs. 10/-
Basic / Diluted earning per share	Rs. 5.8511	Rs. 2.6879

24. SUBSIDIARY

Coal Block at Khappa in the State of Maharashtra has been allotted to Joint Venture Company, viz. M/s. Khappa Coal Company Private Limited. The Joint Venture partners are Sunflag Iron and Steel Company Limited and Dalmia Cement (Bharat) Limited where Sunflag Iron and Steel Company Limited is holding a share of 63.27%.

25. Previous year's figures have been regrouped / re-classified wherever necessary to make them more comparable.

As per our report attached

For PATEL, SHAH & JOSHI
Chartered Accountants

CA JAYANT I. MEHTA
PARTNER

Membership Number - 42630

Mumbai
31st May 2010

P. B. BHARDWAJ

CHAIRMAN

RAVI BHUSHAN BHARDWAJ

VICE CHAIRMAN & MANAGING DIRECTOR

PRANAV BHARDWAJ

JOINT MANAGING DIRECTOR

R. MURALIDHAR

EXECUTIVE DIRECTOR (FINANCE)

CS MUKESH D. PARAKH

COMPANY SECRETARY

DR. E.R.C. SHEKAR**S. GAJENDRAN****S.K. GUPTA**

DIRECTORS

New Delhi**28th May 2010**

SUNFLAG IRON AND STEEL COMPANY LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

	Year ended 31-Mar-10 (Rs.'000)	Year ended 31-Mar-09 (Rs.'000)
A. CASH FLOW FROM OPERATING ACTIVITIES :		
NET PROFIT BEFORE TAX	1,280,943	578,816
ADJUSTMENTS FOR :		
DEPRECIATION	378,835	309,374
OTHER NON-CASH CHARGES	-	13,737
LOSS/(PROFIT) ON SALE OF ASSETS	(8)	1,066
INTEREST PAID	300,403	304,392
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	<u>1,960,173</u>	<u>1,207,385</u>
ADJUSTMENTS FOR :		
(INCREASE)/DECREASE IN SUNDRY DEBTORS	(458,804)	(67,236)
(INCREASE)/DECREASE IN INVENTORIES	(889,966)	588,570
(INCREASE)/DECREASE IN LOANS & ADVANCES	(27,949)	(124,207)
INTEREST PAID	(136,139)	(185,513)
INCOME TAX PAID	(296,005)	(205,900)
DIVIDEND PAID	(81,099)	(81,099)
DIVIDEND TAX PAID	(13,783)	(13,783)
INCREASE/(DECREASE) IN CASH CREDIT ACCOUNTS	272,121	(130,261)
INCREASE/(DECREASE) IN CURRENT LIABILITIES	397,596	(196,928)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	<u>726,145</u>	<u>791,028</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :		
ADDITIONS TO FIXED ASSETS INCLUDING CWIP AND ADVANCES ON CAPITAL ACCOUNT	(327,481)	(934,143)
PROCEEDS FROM SALE OF ASSETS	200	3,913
INVESTMENTS MADE	(63,404)	(11,221)
	<u>(390,685)</u>	<u>(941,451)</u>

	Year ended 31-Mar-10 (Rs.'000)	Year ended 31-Mar-09 (Rs.'000)
C. CASH FLOW FROM FINANCING ACTIVITIES :		
REPAYMENT OF BORROWINGS	(551,076)	(393,828)
INTEREST PAID	(164, 264)	(118,879)
DEFERRED SALES TAX	272,680	70,001
DEPOSIT WITH MSEB	(18)	-
TERM LOAN RECEIVED FROM BANKS	170,540	637,249
SUB TOTAL - C	(272,138)	194,543
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	63,322	44,120
CASH AND CASH EQUIVALENTS (OPENING BALANCE)	233,070	188,950
CASH AND CASH EQUIVALENTS (CLOSING BALANCE)	296,392	233,070

New Delhi
28th May 2010

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

DR. E.R.C. SHEKAR
S. GAJENDRAN
S.K. GUPTA
DIRECTORS

AUDITOR'S CERTIFICATE

We have examined the above Cash Flow Statement of the Sunflag Iron and Steel Company Limited for the year ended, 31st March 2010. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of Listing Agreement with the Stock Exchange(s) and is based on and is in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report dated 31st May 2010 to the Members of the Company.

For PATEL, SHAH & JOSHI
Chartered Accountants

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Mumbai
31st May 2010

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**I. Registration Details**CIN / Regn. No.

L	2	7	1	0	0	M	H	1	9	8	4	P	L	C	0	3	4	0	0	3
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Balance Sheet Date

3	1
---	---

0	3
---	---

2	0	1	0
---	---	---	---

Date Month YearState Code

1	1
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II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue

							0
--	--	--	--	--	--	--	---

Rights Issue

							0
--	--	--	--	--	--	--	---

Bonus Issue

							0
--	--	--	--	--	--	--	---

Private Placement

							0
--	--	--	--	--	--	--	---

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

			7	9	2	6	2	4	0
--	--	--	---	---	---	---	---	---	---

Total Assets

			7	9	2	6	2	4	0
--	--	--	---	---	---	---	---	---	---

Sources of Funds

Paid-up Capital

			1	6	2	1	9	7	5
--	--	--	---	---	---	---	---	---	---

Reserves & Surplus

			2	5	1	4	0	1	6
--	--	--	---	---	---	---	---	---	---

Secured Loans

			1	8	4	3	2	1	0
--	--	--	---	---	---	---	---	---	---

Unsecured Loans

			1	4	4	5	0	0	9
--	--	--	---	---	---	---	---	---	---

Deferred Tax Liabilities

			5	0	2	0	6	7
--	--	--	---	---	---	---	---	---

Application of Funds

Net Fixed Assets

			3	9	9	2	8	7	1
--	--	--	---	---	---	---	---	---	---

Investments

				7	5	6	2	3
--	--	--	--	---	---	---	---	---

Net Current Assets

			3	8	5	7	7	4	6
--	--	--	---	---	---	---	---	---	---

Misc. Expenditure

									0
--	--	--	--	--	--	--	--	--	---

Accumulated Losses

									0
--	--	--	--	--	--	--	--	--	---

IV. Performance of Company (Amount in Rs. Thousands)

Turnover

			1	3	5	4	5	9	0	8
--	--	--	---	---	---	---	---	---	---	---

Total Expenditure

			1	2	2	6	4	9	6	5
--	--	--	---	---	---	---	---	---	---	---

+ -

✓	
---	--

Profit / (Loss) Before Tax

			1	2	8	0	9	4	3
--	--	--	---	---	---	---	---	---	---

+ -

✓	
---	--

Profit / (Loss) After Tax

			9	4	9	0	3	2
--	--	--	---	---	---	---	---	---

Earning per share in Rs.

				5	·	8	5	1
--	--	--	--	---	---	---	---	---

(Dividend @%)

				5	·	0	0
--	--	--	--	---	---	---	---

V. Generic Names of Principal Products/Services of Company (as per monetary terms)Item Code No. (ITC Code)

		7	2	2	6	2	0	0	0
--	--	---	---	---	---	---	---	---	---

Product Description

R	O	L	L	E	D		P	R	O	D	U	C	T	S
---	---	---	---	---	---	--	---	---	---	---	---	---	---	---

Item Code No. (ITC Code)

		7	2	2	4	1	0	0	0
--	--	---	---	---	---	---	---	---	---

Product Description

B	I	L	L	E	T	S								
---	---	---	---	---	---	---	--	--	--	--	--	--	--	--

Item Code No. (ITC Code)

		7	2	0	3	1	0	0	0
--	--	---	---	---	---	---	---	---	---

Product Description

S	P	O	N	G	E		I	R	O	N				
---	---	---	---	---	---	--	---	---	---	---	--	--	--	--

Item Code No. (ITC Code)

		7	2	0	1	1	0	0	0
--	--	---	---	---	---	---	---	---	---

Product Description

P	I	G		I	R	O	N							
---	---	---	--	---	---	---	---	--	--	--	--	--	--	--

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

Sr. No.	Name of the Subsidiary	Sunflag Power Limited	Sunflag Special Steels Limited	Khappa Coal Company Private Limited
1	Financial year ended	31.03.2010	31.03.2010	31.03.2010
2	Shares of the subsidiary held by the Company on the above date : (a) Number Face value (b) Extent of holding	49940 (49940) Rs. 10 each (Rs. 10 each) 99.88% (99.88%)	49940 (49940) Rs. 10 each (Rs. 10 each) 99.88% (99.88%)	3163500 (-) Rs. 10 each (-) 63.27% (-)
3	Net aggregate amount of profits/(losses) dealt with in the accounts of the ended 31.03.2010	Not Applicable	Not Applicable	Not Applicable
4	Net aggregate amount of profits/(losses) dealt with in the accounts of the Company for the previous year ended 31.03.2009	Not Applicable	Not Applicable	Not Applicable
5	Board of Directors	Mr. Ravi Bhushan Bhardwaj Mr. Pranav Bhardwaj Dr. E. R. C. Shekar Mr. Navin C. Shah	Mr. Ravi Bhushan Bhardwaj Mr. Pranav Bhardwaj Dr. E. R. C. Shekar Mr. Navin C. Shah	Mr. Pranav Bhardwaj Mr. S. K. Gupta Dr. E.R.C. Shekar Mr. R. Muralidhar Mr. V. P. Sharma Mr. Vipin Agarwal

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

REPORT OF THE DIRECTORS

The Directors present their 7th Annual Report and Audited Statement of Accounts for the Financial Year ended **31st March 2010**.

1. FINANCIAL RESULTS / WORKING

During the year under review, the Company has not carried any commercial / business activities. As such, no statement of Profit & Loss Account has been prepared for the financial year under review.

2. POWER PROJECT

The Company is venturing into Power generation at Hanol Tuini Hydro Electric Power Project in the State of Uttarakhand (Uttaranchal) and has incurred a sum of Rs. 79,528,295/- towards capital expenditure. The whole funding for the Hanol Tuini Hydro Electric Power Project was done by its Holding Company - Sunflag Iron and Steel Company Limited.

The Company is still in the process of detailed technical study, project clearances from the Government Authorities and other development works including exploring the availability and acquisition of land. The Company is negotiating with the Banks for financial assistance to the Hanol Tuini Hydro Electric Power Project.

3. SUBSIDIARY

The Company is continued to be a Wholly-owned Subsidiary of M/s Sunflag Iron and Steel Company Limited.

4. DIVIDEND

The Board of Directors do not recommend any Dividend for the financial year ended 31st March 2010.

5. PUBLIC DEPOSITS

During the year under review, the Company has neither invited nor accepted the Public Deposits within the meaning of Section 58-A of the Companies Act, 1956 read with the rules framed thereunder.

6. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS / OUTGO

Looking to the activities of the Company, the relevant details are not applicable.

7. PARTICULARS OF EMPLOYEES

As required under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975; as amended, the particulars of employees covered thereunder are Nil.

8. DIRECTORS

- i. Dr. E R C Shekar liable to retire by rotation and being eligible, offer himself for re-appointment.
- ii. Mr. T R Sud ceased to be a Director of the Company by resignation with effect from 22nd October 2009. The Board place on record its gratitude and appreciation for the valuable services and wide contributions during his tenure as a Director of the Company.
- iii. Except the same, Mr. Ravi Bhushan Bhardwaj, Mr. Pranav Bhardwaj, Mr. Navin C Shah and Dr. E. R. C. Shekar, Director/s are continued on the Board of Directors of the Company and as such, there is no change in the Board of Directors of the Company during the period under review.

9. STATUTORY AUDITORS

M/s Patel, Shah & Joshi, Chartered Accountants, Mumbai - the Statutory Auditors of the Company retires at the conclusion of ensuing Annual General Meeting, and are eligible for re-appointment.

The observations made in the Statutory Auditor's Report on the accounts of the Company for the financial year ended 31st March 2010 are self-explanatory and do not call for any explanation U/s. 217(3) of the Companies Act, 1956.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors confirms :

- i. That in the preparation of the Annual Accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departure;
- ii. That the Directors had selected such Accounting Policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the State of Affairs of the Company at the end of the financial year;
- iii. That the Directors had taken proper and sufficient care for the maintenance of adequate Accounting records in accordance with the provisions of this Act for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. That the Directors had prepared the Annual Accounts on a going concern basis.

11. ACKNOWLEDGEMENT

The Board of Directors are grateful to the Government, Semi-Government, Statutory Bodies for their continued co-operation and assistance. The Directors wish to place on record their appreciation for the sincere and dedicated efforts put in by all the concerned in either way during the financial year.

For and on behalf of the Board

RAVI BHUSHAN BHARDWAJ
CHAIRMAN

New Delhi
1st June 2010

AUDITOR'S REPORT

To,
The Members of
SUNFLAG POWER LIMITED

1. We have audited the attached Balance Sheet of **SUNFLAG POWER LIMITED** as at 31st March 2010, and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies' (Auditor's Report) Order, 2003 ("CARO") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and according to the information and explanation given to us during the course of the audit and on the basis of such checks as we consider appropriate, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable.
4. Further to our comments in the Annexure referred to above, we report that :
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) The Balance Sheet and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the various Directors as on 31st March 2010 and taken on record by the Board of Directors, we report that 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 Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010;
 - (b) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **PATEL, SHAH & JOSHI**
Chartered Accountants

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Mumbai
10th April 2010

ANNEXURE TO THE AUDITOR'S REPORT

**(Referred to in paragraph (3) of our Report of even date on the accounts of
SUNFLAG POWER LIMITED for the year ended 31st March 2010)**

The Company has not yet started its activities.

- i. The Company has invested in Capital Work in Progress and therefore clauses 4(i) (a), (b) and (c) are not applicable.
- ii. (a) According to the information and explanations given to us, the Company has not granted during the year any unsecured loan covered in the register maintained under Section 301 of the Companies Act, 1956. Hence clauses 4 (iii) (a), (b) and (c) are not applicable.
- (b) According to the information and explanations given to us, the Company has, during the year, not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4 (iii) (e), (f) and (g) of the Order are not applicable.

- iii. In our opinion and according to the information and explanations given to us, having regards to the explanations that some of the items purchased are of a special nature and suitable alternative sources do not exist for obtaining comparable quotations, there are adequate internal control procedures commensurate with size of the Company and the nature of its business with regards to the purchase of fixed assets. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control.
- iv. (a) To the best of our knowledge and belief and according to the information and explanation given to us, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and having regards to our comment in paragraph (iv) above and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lacs in respect of any party during the year have been made at prices which are reasonable, having regard to the prevailing market price at the relevant time where such market prices are available.
- v. On the basis of our examination and according to the information and explanation given to us, no fraud, on or by the Company, has been noticed or reported during the course of our audit.
- vi. As the Company has not yet started its activities clauses (ii) and (vi) to (xxi) of paragraph 4 of the Companies' (Auditor's Report) Order, 2003 are not applicable to the Company.

For PATEL, SHAH & JOSHI
Chartered Accountants

JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Mumbai
10th April 2010

SUNFLAG POWER LIMITED - BALANCE SHEET AS AT 31st MARCH 2010

	Schedule	As at 31.03.2010	As at 31.03.2009
I SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS		(Rs.)	(Rs.)
SHARE CAPITAL			
a) Paid up Capital	1	500,000	500,000
b) Share Application Money		79,470,920	-
2. ADVANCE FROM HOLDING COMPANY			
- Sunflag Iron and Steel Company Limited		-	72,418,430
		<u>79,970,920</u>	<u>72,918,430</u>
II APPLICATION OF FUNDS			
3. CAPITAL WORK IN PROGRESS			
- Hanol Tuini Hydro Power Project		78,887,340	72,417,830
4. CURRENT ASSETS, LOANS & ADVANCES	2		
Cash & Bank Balances		442,625	441,745
		<u>442,625</u>	<u>441,745</u>
Less : CURRENT LIABILITIES & PROVISIONS			
Current Liabilities		-	-
NET CURRENT ASSETS		<u>442,625</u>	<u>441,745</u>
MISCELLANEOUS EXPENDITURE	3	640,955	58,855
		<u>79,970,920</u>	<u>72,918,430</u>
5. Accounting policies and Notes forming part of these accounts	4		

As per our report attached

For PATEL, SHAH & JOSHI
Chartered Accountants

CA JAYANT I. MEHTA
Partner : Membership Number - 42630

Mumbai
10th April 2010

RAVI BHUSHAN BHARDWAJ
PRANAV BHARDWAJ
DR. E. R. C. SHEKAR
DIRECTORS

Schedules forming part of the Balance Sheet as at 31 st March 2010		Amount in Rs.	
	As at 31-Mar-10	As at 31-Mar-09	
SCHEDULE - 1 : SHARE CAPITAL			
AUTHORISED :			
10000000 Equity Shares of Rs.10/- each	100,000,000	1,000,000	
(Previous Year : 100000 Equity Shares of Rs. 10/- each)			
	100,000,000	1,000,000	
ISSUED, SUBSCRIBED & FULLY PAID UP :			
50,000 Equity Shares of Rs.10/- each	500,000	500,000	
(Out of above, 49,940 Equity shares are held by Holding Company - Sunflag Iron & Steel Company Limited)			
Share Application Money Received from Holding Company	79,470,920	-	
	79,970,920	500,000	
SCHEDULE - 2 : CURRENT ASSETS, LOANS & ADVANCES			
CURRENT ASSETS : Cash and Bank Balances			
Balance with Scheduled Banks - Current Account	442,625	441,745	
TOTAL	442,625	441,745	
SCHEDULE - 3 : MISCELLANEOUS EXPENDITURE			
(to the extent not written off or adjusted)			
Preliminary Expenses	640,955	58,855	
	640,955	58,855	

SCHEDULE - 4 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2010.

PART - A : SIGNIFICANT ACCOUNTING POLICIES

- Basis of Preparation of Accounts :** The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with applicable Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.
- Deferred Revenue Expenditure :** Preliminary expenses will be amortised over a period of five years after commencement of business.

PART - B : NOTES FORMING PART OF THE ACCOUNTS

1. Related Party Disclosure:

Sr. No.	Party	Relationship
I.	Sunflag Iron and Steel Company Limited	Holding Company
II.	Mr. Ravi Bhushan Bhardwaj Mr. Pranav Bhardwaj	Key Managerial Personnel

- Advance Received from Holding Company has been transferred to Share Application Money Account.

3. Transaction with the related parties (as identified by management)

Amount Rs. in '000

Transaction	Year ended	
	31.03.2010	31.03.2009
Holding Company :		
a. Share Application Money	7,052	-
b. Advance	-	5,200

As per our report attached

For PATEL, SHAH & JOSHI
Chartered Accountants

CA JAYANT I. MEHTA
Partner : Membership Number - 42630

Mumbai
10th April 2010

RAVI BHUSHAN BHARDWAJ
PRANAV BHARDWAJ
DR. E. R. C. SHEKAR
DIRECTORS

**SUNFLAG POWER LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010**

	Year ended 31-Mar-10 (Rs.)	Year ended 31-Mar-09 (Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT/(LOSS) BEFORE TAX & EXTRAORDINARY ITEMS	-	-
ADJUSTMENTS FOR :		
OTHER NON-CASH CHARGES	-	-
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	-	-
B. CASH FLOW FROM INVESTING ACTIVITIES :		
ADDITIONS TO FIXED ASSETS INCLUDING CWIP AND ADVANCES ON CAPITAL ACCOUNT	(6,469,510)	(5,200,480)
DEFERRED REVENUE EXPENDITURE	(582,100)	(600)
SUB TOTAL - B	(7,051,610)	(5,201,080)
C. CASH FLOW FROM FINANCING ACTIVITIES :		
SHARE CAPITAL ISSUED	-	-
ADVANCE FROM HOLDING COMPANY Sunflag Iron and Steel Company Limited	7,052,490	5,200,480
SUB TOTAL - C	7,052,490	5,200,480
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	880	(600)
CASH AND CASH EQUIVALENTS (OPENING BALANCE)	441,745	442,345
CASH AND CASH EQUIVALENTS (CLOSING BALANCE)	442,625	441,745

As per our report attached

For PATEL, SHAH & JOSHI
Chartered Accountants

CA JAYANT I. MEHTA
Partner : Membership Number - 42630

Mumbai
10th April 2010

RAVI BHUSHAN BHARDWAJ

PRANAV BHARDWAJ

DR. E. R. C. SHEKAR

DIRECTORS

REPORT OF THE DIRECTORS

The Directors present their 7th Annual Report and Audited Statement of Accounts for the Financial Year ended **31st March 2010**.

1. FINANCIAL RESULTS / WORKING

During the year under review, the Company has not carried any commercial / business activities. As such, no statement of Profit & Loss Account has been prepared for the financial year under review.

2. OPERATIONS

During the year under review, the Directors are exploring the business opportunities to be carried over by the Company.

3. SUBSIDIARY

The Company is continued to be a Wholly-owned Subsidiary of M/s Sunflag Iron and Steel Company Limited.

4. DIVIDEND

The Board of Directors do not recommend any Dividend for the financial year ended 31st March 2010.

5. PUBLIC DEPOSITS

During the year under review, the Company has neither invited nor accepted the Public Deposits within the meaning of Section 58-A of the Companies Act, 1956 read with the rules framed thereunder.

6. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS / OUTGO

Looking to the activities of the Company, the relevant details are not applicable.

7. PARTICULARS OF EMPLOYEES

As required under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975; as amended, the particulars of employees covered thereunder are Nil.

8. DIRECTORS

- i. Dr. E. R. C. Shekar liable to retire by rotation and being eligible, offer himself for re-appointment.
- ii. Mr. T. R. Sud ceased to be a Director of the Company by resignation with effect from 22nd October 2009. The Board place on record its gratitude and appreciation for the valuable services and wide contributions during his tenure as a Director of the Company.
- iii. Except the same, Mr. Ravi Bhushan Bhardwaj, Mr. Pranav Bhardwaj, Mr. Navin C Shah and Dr. E. R. C. Shekar, Director/s are continued on the Board of Directors of the Company and as such, there is no change in the Board of Directors of the Company during the period under review.

9. STATUTORY AUDITORS

M/s Patel, Shah & Joshi, Chartered Accountants, Mumbai - the Statutory Auditors of the Company retires at the conclusion of ensuing Annual General Meeting, and are eligible for re-appointment.

The observations made in the Statutory Auditor's Report on the accounts of the Company for the financial year ended 31st March 2010 are self-explanatory and do not call for any explanation U/s. 217(3) of the Companies Act, 1956.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors confirm

- i. That in the preparation of the Annual Accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departure;
- ii. That the Directors had selected such Accounting Policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the State of Affairs of the Company at the end of the financial year;
- iii. That the Directors had taken proper and sufficient care for the maintenance of adequate Accounting records in accordance with the provisions of this Act for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. That the Directors had prepared the Annual Accounts on a going concern basis.

11. ACKNOWLEDGEMENT

The Board of Directors are grateful to the Government, Semi-Government, Statutory Bodies for their continued co-operation and assistance.

The Directors wish to place on record their appreciation for the sincere and dedicated efforts put in by all the concerned in either way during the financial year.

For and on behalf of the Board

Mumbai
10th April 2010

RAVI BHUSHAN BHARDWAJ
CHAIRMAN

AUDITOR'S REPORT

To,
The Members

SUNFLAG SPECIAL STEELS LIMITED

1. We have audited the attached Balance Sheet of SUNFLAG SPECIAL STEELS LIMITED as at 31st March 2010, and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As the Company has not yet started its activities no Annexure is enclosed as required by the Companies' (Auditor's Report) Order, 2003 ("CARO") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956.
4. Further to our comments above, we report that:
 - (i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) The Balance Sheet and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the Directors as on 31st March 2010 and taken on record by the Board of Directors, we report that 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 Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2010.
 - (b) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For PATEL, SHAH & JOSHI
CHARTERED ACCOUNTANTS

CA JAYANT I. MEHTA
PARTNER

Membership Number - 42630

Mumbai
10th April 2010

SUNFLAG SPECIAL STEELS LIMITED - BALANCE SHEET AS AT 31st MARCH 2010

	Schedule	As at 31.03.2010	As at 31.03.2009
		Rs.	Rs.
I. SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
SHARE CAPITAL			
Paid up Capital	1	500,000	500,000
		<u>500,000</u>	<u>500,000</u>
II. APPLICATION OF FUNDS			
2. CURRENT ASSETS, LOANS & ADVANCES	2		
Cash & Bank Balances		311,865	313,365
Capital Advance		110,000	110,000
		<u>421,865</u>	<u>423,365</u>
3. Less : CURRENT LIABILITIES & PROVISIONS			
Current Liabilities		-	-
		<u>421,865</u>	<u>423,365</u>
NET CURRENT ASSETS			
		<u>78,135</u>	<u>76,635</u>
MISCELLANEOUS EXPENDITURE	3		
(to the extent not written off or adjusted)		500,000	500,000
4. Accounting policies and Notes forming part of these accounts	4		

As per our report attached

For PATEL, SHAH & JOSHI
Chartered Accountants

CA JAYANT I. MEHTA (Partner)
Membership Number - 42630

Mumbai
10th April 2010

RAVI BHUSHAN BHARDWAJ

PRANAV BHARDWAJ

DR. E. R. C. SHEKAR

DIRECTORS

Schedules forming part of the Balance Sheet as at 31st March 2010**SCHEDULE - 1 : SHARE CAPITAL**

	As at 31-Mar-10 (Rs.)	As at 31-Mar-09 (Rs.)
AUTHORISED :		
100,000 Equity Shares of Rs.10/- each	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>
ISSUED, SUBSCRIBED & FULLY PAID UP		
50,000 Equity Shares of Rs.10/- each	500,000	500,000
(Out of above, 49,940 Equity shares are held by Holding Company - Sunflag Iron and Steel Company Limited)		
	<u>500,000</u>	<u>500,000</u>

SCHEDULE - 2 : CURRENT ASSETS, LOANS & ADVANCES

A) CURRENT ASSETS : Cash and Bank Balances		
Balances with Scheduled Banks - Current Account	311,865	313,365
	<u>311,865</u>	<u>313,365</u>
B) LOANS AND ADVANCES : Capital Advances	110,000	110,000
	<u>110,000</u>	<u>110,000</u>
TOTAL	<u>421,865</u>	<u>423,365</u>
SCHEDULE - 3 : MISC. EXPENDITURE (to the extent not written off or adjusted)		
Preliminary Expenses	78,135	76,635
	<u>78,135</u>	<u>76,635</u>

SCHEDULE - 4 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2010.**PART - A : SIGNIFICANT ACCOUNTING POLICIES**

- Basis of Preparation of Accounts :** The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with applicable Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.
- Deferred Revenue Expenditure :** Preliminary expenses will be amortised over a period of five years after commencement of business.

PART - B : NOTES FORMING PART OF THE ACCOUNTS**1. Related Party Disclosure:**

Sr. No.	Party	Relationship
I.	Sunflag Iron and Steel Company Limited	Holding Company
II.	Mr. Ravi Bhushan Bhardwaj Mr. Pranav Bhardwaj	Key Managerial Personnel

2. Transaction with the related parties (as identified by management)

Amount Rs. '000

Transaction	Year ended	
	31.03.2010	31.03.2009
Holding Company : Share Capital	-	-

As per our report attached

For PATEL, SHAH & JOSHI
Chartered AccountantsCA JAYANT I. MEHTA
Partner : Membership Number - 42630Mumbai
10th April 2010

RAVI BHUSHAN BHARDWAJ

PRANAV BHARDWAJ

DR. E. R. C. SHEKAR

DIRECTORS

SUNFLAG SPECIAL STEELS LIMITED**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010**

	Year ended 31-Mar-10 (Rs.)	Year ended 31-Mar-09 (Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT/(LOSS) BEFORE TAX & EXTRAORDINARY ITEMS	-	-
ADJUSTMENTS FOR :		
OTHER NON-CASH CHARGES	-	-
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	-	-
B. CASH FLOW FROM INVESTING ACTIVITIES		
ADDITIONS TO FIXED ASSETS INCLUDING CWIP AND ADVANCES ON CAPITAL ACCOUNT	-	-
DEFERRED REVENUE EXPENDITURE	(1,500)	(600)
SUB TOTAL - B	(1,500)	(600)
C. CASH FLOW FROM FINANCING ACTIVITIES		
SHARE CAPITAL ISSUED	-	-
SUB TOTAL - C	-	-
NET (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	(1,500)	(600)
CASH AND CASH EQUIVALENTS (OPENING BALANCE)	313,365	313,965
CASH AND CASH EQUIVALENTS (CLOSING BALANCE)	311,865	313,365

As per our report attached

For PATEL, SHAH & JOSHI
Chartered Accountants

CA JAYANT I. MEHTA
Partner : Membership Number - 42630

Mumbai
10th April 2010

RAVI BHUSHAN BHARDWAJ

PRANAV BHARDWAJ

DR. E. R. C. SHEKAR

DIRECTORS

REPORT OF THE DIRECTORS

The Board of Directors present their First Annual Report and Audited Statement of Accounts for the financial period ended 31st March 2010.

INCORPORATION

The Joint Venture Company, for the development of Khappa and Extn. Coal Block, comprising of Sunflag Iron and Steel Company Limited (63.27%) and Dalmia Cement (Bharat) Limited (36.73%), was incorporated as a Private Limited Company vide Certificate of Incorporation bearing CIN U 10100 MH 2009 PTC 191907 of 2009 - 2010 Dated 21st April 2009 having its Registered Office in the State of Maharashtra.

SUBSIDIARY COMPANY

On Incorporation, by virtue of provisions of Section 4(1)(b) of the Companies Act, 1956; the Joint Venture Company - Khappa Coal Company Private Limited becomes a Subsidiary of Sunflag Iron and Steel Company Limited.

PERFORMANCE / FUTURE PROSPECTS

During the year under review, the Company has taken requisite steps and anticipating implementation of the Khappa and Extn. Coal Block as per schedule.

DIVIDEND

The Board of Directors do not recommend any Dividend for the financial period ended 31st March 2010.

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

Looking to the activities of the Company, the relevant details are not applicable.

PARTICULARS OF EMPLOYEES

There is no employee in respect of whom particulars pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975; as amended; are required to be given.

PUBLIC DEPOSITS

During the period under review, the Company has neither invited nor accepted any Public Deposits within the meaning of Section 58-A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975; as amended.

DIRECTORS

The Board of Directors of the JV Company constituted of the First Directors namely S/Shri Pranav Bhardwaj, Dr. E. R. C. Shekar, Surendra Kumar Gupta & R Muralidhar (Nominee Directors of Sunflag Iron and Steel Company Limited) and S/Shri Vijay Prakash Sharma & Somnath Patil (Nominee Directors of Dalmia Cement (Bharat) Limited).

During the period under review, Mr. Somnath Patil ceased to be a Nominee Director (Dalmia Cement (Bharat) Limited) of the Company by resignation effective from 1st February 2010. The Board placed on record its appreciation for the valuable services rendered by Mr. Somnath Patil during his tenure on the Board.

Effective from 19th February 2010, Mr. Vipin Agarwal was appointed as a Nominee Director of Dalmia Cement (Bharat) Limited in the casual vacancy caused by resignation of Mr. Somnath Patil.

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

DIRECTORS RESPONSIBILITY STATEMENT

The Board of Directors hereby confirms :

- i) the preparation of the Annual Accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- ii) that the Directors had selected such Accounting Policies and applied then consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of Affairs of the Company at the end of the financial year - period;
- iii) that the Directors had taken proper and sufficient care for the maintenance of adequate Accounting records in accordance with the provisions of this Act for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors had prepared the Annual Accounts on a Going Concern basis.

STATUTORY AUDITORS AND AUDITORS' REPORT :

M/s. Patel, Shah & Joshi, Chartered Accountants, Mumbai - the First Auditors of the Company appointed by the Board of Directors retires at the conclusion of ensuing Annual General Meeting, and are eligible for re-appointment.

The observations made in the Auditor's Report on the accounts of the Company for the period ended 31st March 2010 are self-explanatory and do not call for any explanation Under Section 217(3) of the Companies Act, 1956.

ACKNOWLEDGEMENTS

The Directors wish to place on record their appreciation for the sincere and dedicated efforts put in by all the concerned in either way during the period.

FOR AND ON BEHALF OF THE BOARD

New Delhi
17th May 2010

**PRANAV BHARDWAJ
CHAIRMAN**

AUDITOR'S REPORT

To,

The Members of

KHAPPA COAL COMPANY PRIVATE LIMITED

1. We have audited the attached Balance Sheet of **KHAPPA COAL COMPANY PRIVATE LIMITED**, 33, Mount Road, Sadar, Nagpur - 440 001 as at 31st March 2010, and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956; we enclose in the Annexure containing a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. We report that :
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - (ii) 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;
 - (iii) The Balance Sheet dealt with by this report is in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (v) On the basis of written representations received from the Directors as on 31st March 2010 and taken on record by the Board of Directors of the Company; we report that 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 Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010;
 - (b) in the case of Cash Flow Statement, of the cash flow for the year ended on that date.

For PATEL, SHAH & JOSHI
Chartered Accountants

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Mumbai
18th May 2010

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph (3) of our Report of even date on the accounts of
KHAPPA COAL COMPANY PRIVATE LIMITED for the year ended 31st March 2010)

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) In our opinion, the frequency of physical verification of fixed assets is reasonable, having regard to the size of the Company and nature of its assets. As informed to us, no material discrepancy has been noticed on such verification.
- (c) The Company has not disposed off a substantial part of its fixed assets during the year.
- ii. The Company is yet to commence its business and hence did not carry any inventory during the year; therefore no comment is made on its physical verification, procedure of physical verification and on maintaining the proper records.

-
- iii. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties as listed in the Register maintained under section 301 of the Companies Act, 1956. Accordingly, Clause 4(iii) (b), Clause 4(iii) (c) and Clause 4 (iii) (d) of the Order are not applicable.
 - (b) The Company has not taken secured loans from any parties listed in the register maintained U/s. 301 of the Companies Act, 1956. However, the Company has taken unsecured loan/s from two (2) parties, which are its Joint Venture Promoter (Partner) Companies, listed in the register maintained U/s. 301 of the Companies Act, 1956 aggregating to Rs. 110,000,000/- (Rupees Eleven Crores) during the period. The maximum amount involved during the period and closing balance of the said account is Rs. 110,000,000/- (Rupees Eleven Crores).
 - (c) The said unsecured loan/s are interest free unsecured loan/s from Joint Venture Promoter (Partner) Companies. The terms and conditions of said unsecured loan/s are, in our opinion, prima facie, not prejudicial to the interest of the Company.
 - (d) There is no stipulation for repayment of aforesaid unsecured loans taken by the Company. There is no overdue amount of aforesaid unsecured loans taken by the Company.
 - iv. In our opinion and according to the information and explanations given to us, we have not observed any continuing failure to correct major weakness in internal control system.
 - v. According to information and explanation given to us, the Company has not entered into transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956.
 - vi. The Company has not accepted any deposits from the public during the year.
 - vii. The company has no internal audit system.
 - viii. As per information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956.
 - ix. There are no statutory dues outstanding for more than six months which has not been deposited with appropriate authorities on account of any disputes.
 - x. Based on audit procedures and on the basis of the information and explanations provided to us, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses during the financial year.
 - xi. In our opinion, and according to the information and explanations provided to us, the Company has not taken any loan from financial institution or bank or debenture holders apart from the Bank Guarantee which is to expire in the succeeding financial year.
 - xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
 - xiii. The Company is not a chit fund, nidhi or mutual benefit fund or society. Hence, the provisions of special statute are not applicable to the Company.
 - xiv. The Company is not dealing or trading in shares, securities, debentures and other investment. Hence, no comment is made of the maintenance of record.
 - xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Bank or Financial institutions.
 - xvi. The Company has not raised any term loan during the year.
 - xvii. According to the information and explanations given to us, no fund raised on short term basis have been used for long term investments or vice versa.
 - xviii. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
 - xix. The Company has not issued any debentures during the period.
 - xx. The Company has not raised any money by way of public issues during the year.
 - xxi. To the best of knowledge and belief and according to the information and explanations given to us, no material fraud, on or by the Company, has been noticed or reported during the course of our audit.

For PATEL, SHAH & JOSHI
Chartered Accountants

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Mumbai
18th May 2010

KHAPPA COAL COMPANY PRIVATE LIMITED - BALANCE SHEET AS AT 31st MARCH 2010

	Schedule	As at 31.03.2010
		(Rs.)
I SOURCES OF FUNDS		
1. SHAREHOLDERS' FUNDS		
SHARE CAPITAL		
Paid up Capital	1	50,000,000.00
2. LOAN FUNDS		
Unsecured Loans	2	110,000,000.00
Total		160,000,000.00
II APPLICATION OF FUNDS		
1. Fixed Assets	3	
a) Gross Block		373,570.00
b) Less Depreciation		9,427.00
c) Net Block		364,143.00
d) Capital Work-in-Progress (Mine Development Expenses)	3-A	127,839,061.20
2. CURRENT ASSETS, LOANS & ADVANCES	4	
a) Interest Accrued but not Due		1,952.00
b) Cash & Bank Balances		30,351,495.80
c) Loans & Advances		585,400.00
		30,938,847.80
Less : CURRENT LIABILITIES & PROVISIONS	5	
a) Current Liabilities		145,942.00
b) Provisions		-
NET CURRENT ASSETS		30,792,905.80
Miscellaneous Expenditure (to the extent not Written Off)	6	1,003,890.00
Total		160,000,000.00

Significant accounting policies and Notes forming part of these accounts 7

As per our report attached

For PATEL, SHAH & JOSHI
Chartered Accountants

CA JAYANT I. MEHTA
Partner : Membership Number - 42630

Mumbai
18th May 2010

PRANAV BHARDWAJ
CHAIRMAN

S. K. GUPTA
VIPIN AGARWAL
DIRECTORS

New Delhi
17th May 2010

Schedules forming part of the Balance Sheet as at 31st March 2010

Amount in Rs.
As at
31-Mar-10

SCHEDULE - 1 : SHARE CAPITAL
AUTHORISED :

10,000,000 Shares of Rs.10/- each

100,000,000.00

ISSUED, SUBSCRIBED & FULLY PAID UP SHARE CAPITAL

5,000,000 Shares of Rs.10/- each

50,000,000.00

Total

50,000,000.00

SCHEDULE - 2 : LOAN FUNDS

Unsecured Loans from Companies

from - M/s Sunflag Iron & Steel Company Limited

69,597,000.00

M/s. Dalmia Cement (Bharat) Limited

40,403,000.00

Total

110,000,000.00

SCHEDULE - 3 : FIXED ASSETS

(Rs. in '000)

Sr. No.	PARTICULARS	Rate of Depreciation (S.L.M.)	GROSS BLOCK AT COST			DEPRECIATION			NET BLOCK	
			As on 01.04.2009	Additions During Year	Total as at 31.03.2010	As on 01.04.2009	For the Year	Total as at 31.03.2010	W.D.V. as on 31.03.2010	W.D.V. as on 31.03.2009
1.	Air Conditioners	5.28	-	49,800.00	49,800.00	-	620.00	620.00	49,180.00	-
2.	Fixture & Furnitures	6.33	-	244,720.00	244,720.00	-	4,864.00	4,864.00	239,856.00	-
3.	Computers	16.21	-	38,550.00	38,550.00	-	2,072.00	2,072.00	36,478.00	-
4.	Software	16.21	-	40,500.00	40,500.00	-	1,871.00	1,871.00	38,629.00	-
	TOTAL		-	373,570.00	373,570.00	-	9,427.00	9,427.00	364,143.00	-

SCHEDULE - 3 A : MINES DEVELOPMENT EXPENSES

i. Audit Fee	22,060.00
ii. Bank Charges & Commission	1,235,065.00
iii. Geological Report	124,801,216.00
iv. Leave Travel Allowance	16,660.00
v. Legal Expenses	554.00
vi. Local Conveyance Expenses	6,407.70
vii. Staff Welfare Expenses	16,660.00
viii. Conceptual Plan and Survey	842,336.00
ix. Office Maintenance Charges	441,200.00
x. Other Allowance	40,660.50
xi. Printing & Stationery	6,691.00
xii. Retainership Fee	75,022.00
xiii. Salary & Wages	200,000.00
xiv. Training Expenses	2,775.00
xv. Traveling Expenses	60,779.00
xvi. Vehical Allowance	60,000.00
xvii. Depreciation	9,427.00
xviii. Profession Tax - Company	2,500.00
xix. ROC Filling Fee	1,000.00
Total	127,841,013.20
Less Interest	1,952.00
Net Mine Development Expenses	127,839,061.20

Schedules forming part of the Balance Sheet as at 31st March 2010
Amount in Rs.
As at
31-Mar-10
SCHEDULE - 4 : CURRENT ASSETS, LOANS & ADVANCES

a. Interest accrued But not Due	1,952.00
b. Cash and bank balances	
Balance with State Bank of India Current Account	21,404,709.50
Balance with State Bank of India Margin Money	3,900,000.00
Balance with State Bank of India Fixed Deposit Account	5,000,000.00
Cash in Hand	46,786.30
	30,351,495.80
c. Loans and Advance Recoverable in cash or in kind	
Minmec Consultancy Private Limited	585,000.00
V S Kondbattunwar	400.00
	585,400.00
Total	30,938,847.80

SCHEDULE - 5 : CURRENT LIABILITIES AND PROVISIONS

a. Current Liabilities	
Salary & Consultancy Fee Payable	63,600.00
TDS on Consultancy Charges Payable	58,605.00
Provision for Audit Fee	22,060.00
Other Current Liabilities	1,677.00
Total Current Liabilities	145,942.00
b. Provisions	-
Total	145,942.00

SCHEDULE - 6 : MISCELLANEOUS EXPENDITURE

Preliminary Expenses	1,003,890.00
Written-off during the year	-
Total	1,003,890.00

SCHEDULE - 7 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2010
PART - A : SIGNIFICANT ACCOUNTING POLICIES

- Basis of Preparation of Financial Statements :** The financial statements have been prepared under the Historical Cost conventions in accordance with the generally accepted accounting principles on accrual basis and in accordance with Accounting Standards referred to in section 211 (3C) and other provisions of Companies Act, 1956. The accounts are prepared on a going concern basis.
- Fixed Assets :**
 - Fixed Assets are stated at acquisition cost less accumulated depreciation.
 - Expenses on development of Mine are accounted for as Development expenditure and is grouped under Capital Work in Progress till the Mine is brought to revenue account.
- Depreciation :** Depreciation is provided on Straight Line Method as per the rates specified in Schedule XIV of the Companies Act, 1956.
- Borrowing Cost :** Borrowing cost when incurred on construction or acquisition of assets which will take substantial period of time for construction/put to use will be capitalised in cost of assets as required under Accounting Standard AS-16. All other borrowing costs are charged to revenue.
- Deferred Taxation :** Deferred tax is recognised subject to the consideration of prudence on timing differences; being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

PART - B : NOTES
1. Contingent Liability :

- The liability towards cost of geological report payable to The Directorate of Geology, Maharashtra is not quantifiable and hence not recognised.
- The Company has issued a bank guarantee of Rs. 3.90 Crores to the Ministry of Coal for achieving the milestones of production set for development of the coal block.

2. Status of Company Share Capital and JV's :

The Share Capital of the Company is in proportion of the share of coal in the Block as allocated by the Ministry of Coal, Government of India.

Sr. No.	J V Partners	Share %
1.	Sunflag Iron and Steel Company Limited	63.27%
2.	Dalmia Cement (Bharat) Limited	36.73%

- The Company has paid Rs. 124,801,216/- to the Central Mine Planning & Design Institute Limited, Ranchi as their interim recoverable cost of exploration. This Cost has been shown under Capital Work in Progress.
- Related Party Disclosure (as identified by the Management)

Sr. No.	Related Party	Relationship
1.	a. Sunflag Iron and Steel Company Limited b. Dalmia Cement (Bharat) Limited	Enterprises that exercise control over the Company
2.	a. Mr. Pranav Bhardwaj b. Mr. Vijay Prakash Sharma c. Mr. Surendra Kumar Gupta	Key Managerial Personnel

5. Transaction with the related parties :

Sr. No.	Transaction	Year ended 31.03.2010 Amount Rs. '000
1.	Share Application money received : a. Sunflag Iron and Steel Company Limited b. Dalmia Cement (Bharat) Limited	31,635 18,365
2.	Interest Free Corporate Loan from : a. Sunflag Iron and Steel Company Limited b. Dalmia Cement (Bharat) Limited	69,597 40,403
3.	Expenses a. Sunflag Iron and Steel Company Limited	2

- Being the first year of the Company, the previous year's figures have not been shown. Further, the Company has not commenced its commercial operations, the Profit & Loss Account is not prepared.

As per our report attached

For PATEL, SHAH & JOSHI
Chartered Accountants

CA JAYANT I. MEHTA
Partner : Membership Number - 42630

Mumbai
18th May 2010

PRANAV BHARDWAJ
CHAIRMAN

S. K. GUPTA
VIPIN AGARWAL
DIRECTORS

New Delhi
17th May 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010

	Year Ended 31-Mar-10 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES	
NET PROFIT/(LOSS) BEFORE TAX & EXTRAORDINARY ITEMS	
ADJUSTMENTS FOR :	
OTHER NON-CASH CHARGES	9,427.00
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	<u>9,427.00</u>
 (INCREASE) / DECREASE IN CURRENT ASSETS	 (587,352.00)
INCREASE / (DECREASE) IN CURRENT LIABILITIES	<u>145,942.00</u>
NET CASH FLOW FROM ACTIVITIES (A)	<u>(441,410.00)</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :	
Purchase of Fixed Assets	(373,570.00)
Mines Development Expenses	(127,839,061.20)
DEFERRED REVENUE EXPENDITURE	(1,003,890.00)
SUB TOTAL - (B)	<u>(129,216,521.20)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES :	
Share Capital issued	50,000,000.00
UNSECURED LOAN FROM COMPANIES	
M/s Sunflag Iron and Steel Company Limited	69,597,000.00
M/s Dalmia Cement (Bharat) Limited	40,403,000.00
SUB TOTAL - (C)	<u>160,000,000.00</u>
 NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	 30,351,495.80
CASH AND CASH EQUIVALENTS (OPENING BALANCE)	-
CASH AND CASH EQUIVALENTS (CLOSING BALANCE)	<u>30,351,495.80</u>

As per our report attached
For PATEL, SHAH & JOSHI
Chartered Accountants
CA JAYANT I. MEHTA
Partner : Membership Number - 42630
Mumbai
18th May 2010
PRANAV BHARDWAJ
CHAIRMAN
S. K. GUPTA
VIPIN AGARWAL
DIRECTORS
New Delhi
17th May 2010

**SUNFLAG IRON AND STEEL COMPANY LIMITED AND ITS SUBSIDIARIES AND JOINT VENTURES
AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS
For the Financial Year ended 31st March 2010**

To

The Board of Directors,

Sunflag Iron and Steel Company Limited

Nagpur

1. We have audited the attached consolidated balance sheet of **SUNFLAG IRON AND STEEL COMPANY LIMITED** ("the Company") and its subsidiaries and Joint Ventures which together referred as "the Group" as at 31st March 2010 and the consolidated Profit and Loss account and the consolidated Cash Flow statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statement of joint venture entities whose financial statements reflect total assets of Rs. 430.34 Lacs. These financial statements have been audited by other auditors whose reports and audited financial statements as approved by the Management of the joint venture entities have been furnished to us and our opinion, in so far as they relate to the amounts included in respective of these entities, is based solely on the report of the other auditors and such approved financial results.
4. Further to our remarks above, we report that:
 - (a) the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard - 21 (Consolidated Financial Statements) and Accounting Standard 27 (Financial Reporting of interest in Joint Ventures) issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company, its subsidiaries and joint ventures included in these consolidated financial statements.
 - (b) on the basis of the information and explanations given to us and on the consideration of the separate audit reports of other auditors and unaudited financial statements of the Group, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at 31st March 2010;
 - ii) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Group for the year ended on that date; and
 - iii) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

For PATEL, SHAH & JOSHI
CHARTERED ACCOUNTANTS

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Mumbai
31st May 2010

**SUNFLAG IRON AND STEEL COMPANY LIMITED AND ITS SUBSIDIARIES AND JOINT VENTURES
CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2010**

	Sche- dule	As at 31.03.2010			As at
		Sunflag & Subsidiaries	Joint Ventures	Consolidated	31.03.2009 Consolidated
Rs. '000					
I. SOURCES OF FUNDS					
1. SHAREHOLDERS' FUNDS					
SHARE CAPITAL					
a) Paid up Capital	1	1,621,975	42,989	1,664,964	1,633,196
Proporionate Consolidation Elimination				(42,990)	(11,221)
b) Advance Share Application Money		-	-	-	31,768
Proporionate Consolidation Elimination					(31,768)
c) Reserves & Surplus	2	2,514,016	-	2,514,016	1,659,866
Proporionate Consolidation Elimination		-	-	-	-
2 MINORITY INTEREST		18,367		18,367	2
3 LOAN FUNDS					
a) Secured Loans	3	1,843,210	44	1,843,254	1,951,681
b) Unsecured Loans	4	1,485,412	-	1,485,412	1,172,329
4 Deferred Tax Liabilities		502,030	1	502,031	460,519
		7,985,010	43,034	7,985,054	6,866,372
II APPLICATION OF FUNDS					
1 FIXED ASSETS					
a) Gross Block		8,833,344	262	8,833,606	7,953,691
b) Less Depreciation		5,123,619	34	5,123,653	4,745,301
c) Net Block	5	3,709,725	228	3,709,953	3,208,390
d) Capital work- in- progress		490,237	23,029	513,266	930,854
2 INVESTMENTS		42,990		42,990	11,221
Proporionate Consolidation Elimination				(42,990)	(11,221)
3 CURRENT ASSETS, LOANS & ADVANCES					
a) Inventories		2,548,885	-	2,548,885	1,658,919
b) Sundry Debtors		1,216,898	-	1,216,898	758,094
c) Cash & Bank Balances		327,498	16,941	344,439	251,226
d) Loans & Advances		1,639,784	2,806	1,642,590	1,573,272
Proporionate Consolidation Elimination		-	-	-	(31,768)
		5,733,065	19,747	5,752,812	4,209,743
Less: CURRENT LIABILITIES & PROVISIONS					
a) Current Liabilities	7	(1,366,319)	(178)	(1,366,497)	(968,608)
b) Provisions	8	(626,411)	(553)	(626,964)	(515,038)
		(1,992,730)	(731)	(1,993,461)	(1,483,646)
NET CURRENT ASSETS					
		3,740,335	19,016	3,759,351	2,726,097
4 MISCELLANEOUS EXPENDITURE					
(to the extent not written off)	9	1,723	761	2,484	1,031
		7,985,010	43,034	7,985,054	6,866,372
Signigicant Accounting policies and Notes forming part of these accounts					
As per our report attached		P. B. BHARDWAJ CHAIRMAN			DR. E.R.C. SHEKAR
For PATEL, SHAH & JOSHI		RAVI BHUSHAN BHARDWAJ			S. GAJENDRAN
Chartered Accountants		VICE CHAIRMAN & MANAGING DIRECTOR			
CA JAYANT I. MEHTA		PRANAV BHARDWAJ			S.K. GUPTA
PARTNER		JOINT MANAGING DIRECTOR			
Membership Number - 42630		R. MURALIDHAR			DIRECTORS
		EXECUTIVE DIRECTOR (FINANCE)			
Mumbai		CS MUKESH D. PARAKH			New Delhi
31 st May 2010		COMPANY SECRETARY			28 th May 2010

**SUNFLAG IRON AND STEEL COMPANY LIMITED AND ITS SUBSIDIARIES AND JOINT VENTURES
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010**

	Schedule	Year ended 31.03.2010			Year ended 31.03.2009 Consolidated
		Sunflag & Subsidiaries	Joint Ventures	Consolidated	
		Rs. '000			
INCOME					
Turnover (Gross)		14,527,842	-	14,527,842	12,329,737
Less : Excise Duty		1,047,231	-	1,047,231	1,329,948
Turnover (Net)		13,480,611	-	13,480,611	10,999,789
Export Incentive		15,666	-	15,666	24,949
Other Income	10	49,631	-	49,631	49,469
		13,545,908	-	13,545,908	11,074,207
EXPENDITURE					
Raw Material Consumption	11(a)	8,212,834	-	8,212,834	7,345,292
Other Manufacturing Expenses	11(b)	2,205,038	-	2,205,038	1,657,161
Staff & Establishment Expenses	12	722,966	-	722,966	591,713
Selling Expenses	13	444,889	-	444,889	287,459
Depreciation	5	378,835	-	378,835	309,374
Interest	14	300,403	-	300,403	304,392
Total Expenditure		12,264,965	-	12,264,965	10,495,391
Profit before Taxation		1,280,943	-	1,280,943	578,816
Provision for Taxation					
Current		(290,400)	-	(290,400)	(110,000)
Deferred		(41,511)	-	(41,511)	(35,154)
Fringe Benefits Tax		-	-	-	(2,400)
Prior Period Tax adjustments		-	-	-	4,707
Net Profit after tax		949,032	-	949,032	435,969
Profit brought forward		1,634,245	-	1,634,245	1,293,158
Profit available for appropriation		2,583,277	-	2,583,277	1,729,127
Appropriation to :-					
Proposed dividend on Equity Shares		81,099	-	81,099	81,099
Corporate Dividend Tax		13,783	-	13,783	13,783
Profit Carried forward		2,488,395	-	2,488,395	1,634,245
		2,583,277	-	2,583,277	1,729,127
Earnings per Share (Ref. Note 11 of Schedule 15 Part-B)					
Basic		5.8511	-	5.8511	2.6879
Diluted		5.8511	-	5.8511	2.6879
Significant Accounting policies and Notes forming part of these accounts	15				
As per our report attached		P. B. BHARDWAJ CHAIRMAN			DR. E.R.C. SHEKAR
For PATEL, SHAH & JOSHI		RAVI BHUSHAN BHARDWAJ			S. GAJENDRAN
Chartered Accountants		VICE CHAIRMAN & MANAGING DIRECTOR			
CA JAYANT I. MEHTA		PRANAV BHARDWAJ			S.K. GUPTA
PARTNER		JOINT MANAGING DIRECTOR			
Membership Number - 42630		R. MURALIDHAR			DIRECTORS
		EXECUTIVE DIRECTOR (FINANCE)			
Mumbai		CS MUKESH D. PARAKH			New Delhi
31 st May 2010		COMPANY SECRETARY			28 th May 2010

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

	As at 31.03.2010			As at
	Sunflag & Subsidiaries	Joint Ventures	Consolidated	31.03.2009 Consolidated
	Rs. '000			
<u>SCHEDULE - 1 : SHARE CAPITAL</u>				
AUTHORISED :				
165,000,000 Equity Shares of Rs.10/- each	1,650,000	-	1,650,000	1,650,000
4,000,000 10% Cumulative Convertible Preference Shares of Rs.100/- each	400,000	-	400,000	400,000
	2,050,000	-	2,050,000	2,050,000
ISSUED, SUBSCRIBED & FULLY PAID UP				
162,197,503 Equity Shares of Rs.10/- each	1,621,975	42,989	1,664,964	1,633,196
	1,621,975	42,989	1,664,964	1,633,196
<u>SCHEDULE - 2 : RESERVES AND SURPLUS</u>				
A) Capital Reserves				
Balance Brought Forward	2,500	-	2,500	2,500
B) General Reserves				
Balance Brought Forward	23,121	-	23,121	23,121
C) Profit & Loss Account				
Balance Brought Forward	1,634,245			
Profit for the year (after tax and appropriation)	854,150	-	2,488,395	1,634,245
	2,514,016	-	2,514,016	1,659,866
<u>SCHEDULE - 3 : SECURED LOANS</u>				
A) LONG TERM LOANS				
From Banks	1,449,339	44	1,449,383	1,829,931
B) BORROWINGS FOR WORKING CAPITAL				
From Banks	393,871	-	393,871	121,750
	1,843,210	44	1,843,254	1,951,681
Notes:				
1. Term Loans from Banks are secured by a first mortgage of all the Company's immovable properties, both present and future, ranking pari passu inter se and a first charge by way of hypothecation of all the Company's movables subject to prior charges created in favour of the Company's bankers on inventories, book debts and other movables for securing the borrowings of working capital requirement.				
2. Borrowings for working capital from banks are secured by way of hypothecation of inventories and book debts and further secured by way of second charge both present and future ranking pari passu over the fixed assets subject to prior charges created by the company in favour of Banks for securing term loan. Working capital borrowings are further secured by the personal guarantee of Shri. Ravi Bhushan Bhardwaj, Vice Chairman & Managing Director.				
3. Long Term loans include Rs. 521,100,000 (Previous year Rs. 551,600,000) payable within a year.				
<u>SCHEDULE - 4 : UNSECURED LOANS</u>				
A) Interest Free Sales Tax Loan	1,307,479	-	1,307,479	1,034,799
B) From Promoters	137,530	-	137,530	137,530
C) From M/s. Dalmia Cement (Bharat) Limited	40,403	-	40,403	-
	1,485,412	-	1,485,412	1,172,329

SCHEDULE FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH 2010
SCHEDULE - 5 : FIXED ASSETS

(Rs. in '000)

Sr. No.	DESCRIPTION	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
		As on 31 st March 2010		Previous year 31.03.2009	As on 31 st March 2010	Sunflag & Subsidiaries	Joint Ventures	Consolidated	Previous year 31.03.2009	Consolidated	
		Sunflag & Subsidiaries	Joint Ventures							As At 31.03.2010	As At 31.03.2009
1	Freehold Land	29,569	-	11,210	-	-	-	-	-	29,569	11,210
2	Leasehold Land	8,442	-	8,442	-	2,059	-	2,059	1,970	6,383	6,472
3	Buildings										
a)	Factory Building	1,473,514	-	1,322,799	-	694,834	-	694,834	611,699	778,680	711,100
b)	Non-Factory Building	19,142	-	19,142	-	6,998	-	6,998	6,711	12,144	12,431
c)	Office Building	45,838	-	45,838	-	10,538	-	10,538	8,571	35,300	37,267
d)	Township	62,965	-	62,965	-	19,513	-	19,513	18,486	43,452	44,479
e)	Welfare Building	8,623	-	8,623	-	2,440	-	2,440	2,299	6,183	6,324
f)	Roads	25,260	-	20,255	-	6,915	-	6,915	6,121	18,345	14,134
g)	Boundary wall and fencing	8,699	-	8,699	-	1,423	-	1,423	1,281	7,276	7,418
4	Railway Siding	1,644,041	-	1,488,321	-	742,661	-	742,661	655,168	901,380	833,153
5	Plant & Machinery	37,509	-	37,509	-	34,417	-	34,417	33,024	3,092	4,485
6	Furniture & Fixture	6,905,905	103	6,355,329	9	4,294,708	9	4,294,717	4,018,476	2,611,291	2,336,853
7	Heavy Vehicles	21,601	73	21,341	9	17,553	9	17,562	17,161	4,112	4,180
8	Light Vehicles	1,586	-	1,586	-	1,322	-	1,322	1,282	264	304
9	Development of Mines	32,605	86	29,953	16	21,217	16	21,233	18,220	11,458	11,733
		152,086	-	-	-	9,682	-	9,682	-	142,404	-
	TOTAL	8,833,344	262	7,953,691	34	5,123,619	34	5,123,653	4,745,301	3,709,953	3,208,390
	PREVIOUS YEAR	7,953,691	-	7,208,751	-	4,745,301	-	4,745,301	4,435,306	3,208,390	2,773,445

Schedules forming part of Consolidated Balance Sheet

	As at 31.03.2010			As at
	Sunflag & Subsidiaries	Joint Ventures	Consolidated	31.03.2009 Consolidated
SCHEDULE - 6 : CURRENT ASSETS, LOANS & ADVANCES	Rs. '000			
A. CURRENT ASSETS				
i) Inventories - (as taken, valued and certified by Management)				
a) Raw Materials	701,431	-	701,431	453,658
b) Consumable Stores, Spares etc.	118,919	-	118,919	32,538
c) Semi Finished Goods	441,938	-	441,938	378,736
d) Finished Goods	1,286,597	-	1,286,597	793,987
	2,548,885	-	2,548,885	1,658,919
ii) Sundry Debtors (Unsecured)				
a) Over Six months - Considered Good	42,888	-	42,888	34,318
- Considered bad and doubtful	22,251	-	22,251	31,391
	65,139	-	65,139	65,709
b) Other Debts - Considered Good	1,174,010	-	1,174,010	723,776
	1,239,149	-	1,239,149	789,485
Less : Bad and doubtful Debts Written off	-	-	-	9,140
Less : Provision for bad and doubtful debts	22,251	-	22,251	22,251
	1,216,898	-	1,216,898	758,094
iii) Cash and Bank Balances				
a) Cash on Hand	2,448	8	2,456	4,932
b) Balances with Scheduled Banks				
- Current Account	89,127	584	89,711	52,969
- in Margin Money against Letters of credit and Bank Guarantees	235,923	16,349	252,272	193,325
	327,498	16,941	344,439	251,226
B. LOANS AND ADVANCES (Unsecured Considered good)				
a) Advances recoverable in cash or in kind or for value to be recovered	1,529,572	2,806	1,532,378	1,445,119
b) Deposits :				
i) With Maharashtra State Electricity Board	48,336	-	48,336	48,318
ii) With Excise Authorities	41,866	-	41,866	59,076
iii) With Others	20,010	-	20,010	20,759
	110,212	-	110,212	128,153
	1,639,784	2,806	1,642,590	1,573,272
Total Current Assets	5,733,065	19,747	5,752,812	4,241,511
Note : Closing Stock of Finished Goods includes excise duty of Rs. 123,429,000 (Previous year Rs. 90,892,000)				
SCHEDULE - 7 : CURRENT LIABILITIES				
Acceptances	426,628	-	426,628	226,718
Sundry Creditors	161,113	-	161,113	168,992
Other Liabilities (Including Interest)	197,963	59	198,022	107,123
Provision for Expenses	580,615	119	580,734	465,775
	1,366,319	178	1,366,497	968,608
SCHEDULE - 8 : PROVISIONS				
Proposed Dividend	81,099	-	81,099	81,099
Provision for Taxation				
- Income Tax	527,444	553	527,997	414,290
- Fringe Benefits Tax	4,085	-	4,085	5,814
- Dividend Tax	13,783	-	13,783	13,783
- Wealth Tax	-	-	-	52
	545,312	553	545,865	433,939
	626,411	553	626,964	515,038
SCHEDULE - 9 : MISCELLANEOUS EXPENDITURE				
Preliminary expenses (to the extent not written off or adjusted)	1,723	761	2,484	1,031

Schedules forming part of the Consolidated Profit & Loss Account

	Year ended 31 st March 2010			Year ended 31.03.2009 Consolidated
	Sunflag & Subsidiaries	Joint Ventures	Consolidated	
<u>SCHEDULE - 10 : OTHER INCOME</u>	Rs. '000			
Interest received				
- From Banks	15,389	-	15,389	14,777
- From Others	2,746	-	2,746	2,794
Miscellaneous Income	31,496	-	31,496	31,898
	49,631	-	49,631	49,469
<u>SCHEDULE - 11 : RAW MATERIAL CONSUMPTION & OTHER MANUFACTURING EXPENSES</u>				
a) Consumption of Raw Materials and consumables :				
Opening Stock	486,196	-	486,196	1,108,583
Add : Purchases	8,546,988	-	8,546,988	6,722,905
Less : Closing Stock	(820,350)	-	(820,350)	(486,196)
Value of materials consumed (a)	8,212,834	-	8,212,834	7,345,292
b) Other Manufacturing Expenses :				
Power **	742,582	-	742,582	373,597
Fuel	333,105	-	333,105	290,177
Other Works Overhead	512,469	-	512,469	272,296
Sales Tax	626,334	-	626,334	409,412
Freight and forwarding	546,360	-	546,360	345,497
(Increase)/Decrease in Semi-finished and Finished Goods	(555,812)	-	(555,812)	(33,818)
Total other Manufacturing Expenses (b)	2,205,038	-	2,205,038	1,657,161
Total (a + b)	10,417,872	-	10,417,872	9,002,453
** Power is net of Captive power consumed in Steel Unit				
<u>SCHEDULE - 12 : STAFF AND ESTABLISHMENT EXPENSES</u>				
Salaries, Wages & other Allowances	425,822	-	425,822	349,268
Contribution to Provident Fund and Other Funds (# see note)	45,801	-	45,801	34,474
Staff Welfare Expenses	37,219	-	37,219	28,276
Insurance	11,859	-	11,859	11,982
Rent, Rates & Taxes	17,930	-	17,930	22,932
Director's Remuneration (including commission)	87,691	-	87,691	50,305
General Expenses	96,644	-	96,644	94,476
Note : # This includes contribution to Gratuity of Directors	722,966	-	722,966	591,713
<u>SCHEDULE - 13 : SELLING EXPENSES</u>				
Commission	22,483	-	22,483	5,069
Rebate & Discounts	401,585	-	401,585	250,594
Other Selling Overheads	20,821	-	20,821	18,059
Provision for Bad Debts	-	-	-	4,597
Bad debts written-off	-	-	-	9,140
	444,889	-	444,889	287,459
<u>SCHEDULE - 14 : INTEREST</u>				
Interest on - Term Loans	164,264	-	164,264	118,879
- Others	136,139	-	136,139	185,513
	300,403	-	300,403	304,392

SCHEDULE - 15**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY, ITS SUBSIDIARIES AND JOINT VENTURE COMPANIES FOR THE YEAR ENDED 31st MARCH 2010****I) PRINCIPLES OF CONSOLIDATION :**

The consolidated financial statements relate to the Sunflag Iron and Steel Company Limited, ("the Company") its majority owned subsidiary companies and joint ventures which together constitute "The Group" as on 31st March 2010. The consolidated financial statements have been prepared on the following basis:

- The Financial Statements of the company, its subsidiary companies and jointly controlled entities are combined on line by line basis by adding together like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard on "Consolidated Financial Statement" AS-21 read with Accounting Standard "Financial Reporting of Interest in Joint Ventures" (AS-27) issued by The Institute of Chartered Accountants of India.
- The Financial Statements of the subsidiaries and jointly controlled entities used in the consolidation are drawn upto the same reporting date as that of the company i.e, 31st March 2010.
- Minority interest in the net assets of consolidated subsidiaries consist of :-
 - (a) The amount of equity attributable to minorities at the date on which the investment in a subsidiary is made.
 - (b) The minorities' share of movements in equity since the date the parent subsidiary relationship came into existence.
- Subsidiaries have followed the same accounting policies followed by the holding Company

The list of subsidiary Companies and jointly controlled entities, which are included in the consolidation and the Company's holdings therein are as under:

a) List of Subsidiary Companies :

Name of the Company	Ownership in % either directly or through subsidiaries	
	2009 - 2010	2008 - 2009
Sunflag Special Steels Limited	99.88	99.88
Sunflag Power Limited	99.88	99.88
Khappa Coal Company Private Limited	63.27	-

b) List of Jointly Controlled Entities :

Name of the Company	Ownership interest in %	
	2009 - 2010	2008 - 2009
Madanpur (North) Coal Company Private Limited	11.7318	11.7318
C T Mining Private Limited	31.8000	31.8000

II) ACCOUNTING POLICIES :**1. Basis of Preparation of Accounts**

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards issued by the Institute of Chartered Accountant of India and the relevant provisions of the Companies Act, 1956, except export incentives which has been accounted for on cash basis as stated below.

2. Fixed Assets and Depreciation

Fixed assets are valued at their cost of acquisition or construction and include interest and other costs incurred till the asset is put to use, less depreciation accumulated to date. Assets are valued net of CENVAT claimed. Depreciation has been charged as under:

- a. Freehold land : Nil
- b. Leasehold land : Over the period of the lease
- c. Heavy & Light Vehicles : On reducing balance method

- d. All other assets are depreciated as per the rates and manner specified in Schedule XIV of the Companies Act, 1956. In respect of additions / deletions made, during the year, depreciation is provided on a pro-rata basis. The Company has decided to depreciate Plant & Machinery and related buildings over a period of fourteen years. Accordingly Depreciation is provided on these assets. No depreciation is provided on Capital Work in Progress.

e. Expenses on development of Belgaon Mine are accounted for as Development expenditure.

3. Deferred Revenue Expenditure

Deferred revenue expenditure including share issue expenses are amortised over a period of five years. Preliminary expenses will be amortised over a period of five years after commencement of business.

4. Foreign Currency Transactions

Transactions in foreign currencies are accounted for at the rate prevailing on the date of transaction. Assets and liabilities outstanding at the year end are translated at the rate prevailing as on the Balance Sheet date. Any exchange gain or loss is accounted for in the profit and loss account.

5. Inventories

- Raw materials: Valued at weighted average Cost.
- Consumables, stores & spares: At or below Cost.
- Finished and Semi finished goods produced and purchased by the Company : Carried at lower of cost or market value.
- Work in process : At cost.
- Any other saleable products of the manufacturing process are considered as finished goods and these are valued at the lower of the estimated net realisable value or cost.

6. Excise and Custom Duty

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

7. Insurance Claims

Insurance claims are accounted for on accrual basis and any unrealised year end claims are accounted for on an estimated basis.

8. Employee Benefits

The Company has taken group gratuity policy with the Life Insurance Corporation of India (LIC) for future payment of gratuity. The gratuity liability is determined based on an actuarial valuation performed by LIC.

Liability towards superannuation is funded in accordance with the scheme with LIC.

Contribution to Provident Fund are accrued as per the provisions of the Employees Provident Funds and Miscellaneous Provisions Act, 1952. Contributions payable to the Employees Provident Fund in respect of the company are charged to the profit and loss account. The company pays contribution to a recognised Provident Fund.

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

9. Research & Development Expenses

Research & Development expenses are charged to revenue under the respective heads of accounts in the year in which they are incurred.

10. Revenue Recognition

Sales comprise sale of goods and services, but net of sales returns. In order to comply with the Accounting Standards Interpretation (ASI-14) issued by the Institute of Chartered Accountants of India, gross turnover includes both Sales Tax and Excise Duty. Net turnover excludes Excise Duty. The Sales Tax paid is shown as part of other manufacturing expenses.

11. Deferred Sales Tax

In view of expiry of Eligibility period under Package Scheme of Incentive-1993 (PSI-1993), the Company now accounts for this liability at its actual value instead of determining the same on a net present value basis.

12. Export Benefits

Export benefits are recognised as and when utilised or sold.

13. Impairment of Asset

Specified assets are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount for which the asset's carrying amount exceeds its recoverable amount being the higher of the asset's net selling price and its value in use. Value in use is based on the present value of the estimated future cash flows relating to the asset. For the purpose of assessing impairment, assets are grouped at the lowest level for which, there are separately identifiable cash flows (i.e cash generating units)

14. Borrowing Costs

Borrowing costs relating to the acquisition / construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete and commercially stabilised. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

15. Deferred Tax

Deferred tax is recognised, subject to consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

16. Leases

For assets acquired under operating lease, rentals payable are charged to the Profit & Loss account.

III) NOTES TO ACCOUNTS

- Estimated amount of contracts remaining to be executed on Capital Account and not provided for are Rs. 975,601,430 (Previous year Rs. 441,270,445).
- Interest free deferred Sales Tax liability has been accounted for at its actual value i.e. Rs. 1,307,478,592 (Previous Year Rs. 1,201,211,258) (Refer point no. 11-Part II). Accordingly an additional amount of Rs. 95,032,499 charged to Profit and Loss Account.
- The Company has revised the estimated useful life of Plant & Machinery and related building (as stated in Point no. 2 - Part II of Accounting Policy). The depreciation charged for the year based on the revised estimated useful life of these assets is Rs. 3,788.35 Lacs (as shown in these accounts). In view of this change, an additional amount of Rs. 61,528,729 is charged to Profit and Loss Account.
- Contingent Liabilities not provided for:

(Rs. '000)

Particulars	As at 31.03.2010			As at 31.03.2009 Consolidated
	Sunflag & Subsidiaries	Joint Venture	Consolidated	
Unexpired Letters of Credit	1,084,962	-	1,084,962	263,013
Guarantees issued by Company's bankers on behalf of the Company	116,126	87,709	203,835	239,269
Bonds/Under Takings given by the Company under Duty Exemption Scheme to Customs Authorities	3,622	-	3,622	3,622
Bills Discounted	399,355	-	399,355	203,950
Excise Duty & Customs Duty against which Company has preferred an appeal	39,963	-	39,963	38,134
Sales Tax liability against which Company has preferred an appeal	280,336	-	280,336	1,959

5. Deferred Taxation

(Rs. '000)

Particulars	Balance as on 01.04.2009	Arising during the year	Balance as on 31.03.2010
A. Deferred Tax Liabilities :			
On account of timing difference in Depreciation	504,200	40,558	544,758
Others	-	-	-
Total (A)	<u>504,200</u>	<u>40,558</u>	<u>544,758</u>
B. Deferred Tax Assets:			
Disallowances	36,158	(821)	35,337
Provisions for doubtful debts	7,523	(132)	7,391
Total (B)	<u>43,681</u>	<u>(953)</u>	<u>42,728</u>
Deferred Tax Liabilities / (Assets) (A-B)	<u>460,519</u>	<u>41,511</u>	<u>502,030</u>

The opening deferred tax liability / asset has been recalculated and adjusted. The net increase of the deferred tax charged has been appropriated to Profit and Loss Account.

6. Payments Due to Small and Medium Enterprises (SME) :

The Company is in the process of compiling information from its suppliers in respect of their registration under the Micro, Small and Medium Enterprises Development Act, 2006. However, based on the information available with the company, there were no dues to Micro, Small and Medium Enterprises as on 31st March 2009 due for a period of more than 45 days. Further no interest during the year under review was paid / is payable in terms of the said Act.

7. Related Party Disclosure (as identified by the Management) :

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

8. Transaction with the related parties :

Amount (Rs. '000)

Transaction	Year ended	
	31.03.2010	31.03.2009
Subsidiaries :		
a. Advance Paid	2	5,200
b. Share Capital	31,635	-
c. Share Application Money	7,052	-
d. Unsecured Loan	69,597	-
Associate Enterprise :		
a. Rent Paid	2,160	2,297
Relative to KMP :		
a. Rent Paid	1,490	3,400
b. Expenses	351	-
Key Managerial Personnel :		
a. Remuneration & Commission	87,691	50,305
Joint Venture Companies :		
a. Advance Share Application Money	-	31,768

9. Segment information :

The Company's business activity primarily falls within a single business segment i.e., Iron & Steel business, however, the Company also generate power from its Captive Plant, which is entirely consumed in Iron & Steel Manufacturing Unit and no sale to third party has been made. The details of such units consumed are shown below. Hence there are no additional disclosures to be made under Accounting Standard (AS) 17, other than those already provided in the financial statements.

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
Units consumed (kWh'000)	128,294	126,779
Value (Rs. '000)	675,867	535,608

10. The Company has Rs. 7,548,103 (Previous year Rs. Nil) of export benefits under scheme of DEPB in hand pending utilisation or sale.

11. Employees benefit

As per revised AS-15 Employees Benefit (Revised) in respect of :

Disclosure as per Accounting Standard 15 (Revised)

In view of the mandatory applicability of the Accounting Standard (AS) 15 Revised on Employee Benefits to the Company, effective 1st January, 2007, the additional charges are paid and charged to Profit and Loss Account according to the provisions of AS 15 (Revised) as under :

- Employee Provident Fund, the company has made good the shortfall of interest on fund Rs. 644,034 (Previous year Rs. 791,574)

Further the following table sets out for the Employees Benefits plan as required under Accounting Standard 15 (AS-15) Revised.

(Amount in Rs.)

Particulars	Gratuity		Provident Fund		Superannuation	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009
Statement showing changes in Present Value of obligation :						
Present value of obligations at the beginning of the year	60,110,397	54,127,346	197,023,247	166,839,753	105,638,146	88,790,554
Interest Cost	4,808,832	4,330,188	17,880,211	14,724,023	9,360,030	7,905,363
Current Service Cost	5,103,639	4,447,169	51,757,022	37,816,577	13,100,217	11,138,282
Benefits paid	(8,446,079)	(1,289,676)	(18,666,099)	(22,357,106)	(5,932,124)	(2,196,053)
Actuarial loss on obligations	7,236,972	(1,504,630)	-	-	-	-
Present value of obligations as at the end of the year	68,813,761	60,110,397	247,994,381	197,023,247	122,166,269	105,638,146
Table showing changes in the fair value of plan assets :						
Fair value of plan assets at the beginning of year	64,667,858	54,127,346	197,023,247	166,839,753	105,638,146	88,790,554
Expected return on plan assets	4,808,832	4,330,188	17,236,177	13,932,449	9,712,973	8,513,312
Contributions	7,067,355	7,500,000	51,757,022	37,816,577	12,747,274	10,530,333
Benefits paid	(8,446,079)	(1,289,676)	(18,666,099)	(22,357,106)	(5,932,124)	(2,196,053)
Actuarial Gain/(Loss) on plan assets	-	-	-	-	-	-
Fair value of Plan Assets at the end of the year	68,097,966	64,667,858	247,350,347	196,231,673	122,166,269	105,638,146
Funded Status	(715,795)	4,557,461	644,034	791,574	-	-
Excess of Actual over estimated return on plan assets						
Actuarial Gain/Loss recognised :						
Actuarial Gain/(Loss) for the year - Obligation	7,236,972	(1,504,630)	-	-	-	-
Actuarial Gain/(Loss) for the year - plan assets	(715,795)	4,557,461	-	-	-	-
Total Loss for the year	-	-	-	-	-	-
Actuarial Gain/(Loss) recognised in the year	6,521,177	3,052,831	-	-	-	-
Amounts to be recognised in the Balance Sheet :						
Present value of obligations as at the end of the year	68,813,761	60,110,397	247,994,381	197,023,247	122,166,269	105,638,146
Fair value of Plan assets as at the end of the year	68,097,966	64,667,858	247,350,347	196,231,673	122,166,269	105,638,146
Funded status	(715,795)	4,557,461	644,034	791,574	-	-
Net Asset / (Liability) Recognised in the Balance Sheet	(715,795)	4,557,461	644,034	791,574	-	-
Expenses Recognised in the statement of Profit and Loss Account :						
Current service cost	5,103,639	4,447,169	17,880,211	14,724,023	-	-
Interest cost	-	-	-	-	-	-
Expected return on plan assets	-	-	17,236,177	13,932,449	-	-
Net Actuarial (Gain)/Loss recognised in the statement of Profit & Loss	6,521,177	3,052,831	-	-	-	-
Expenses Recognised in statement of Profit & Loss	7,067,355	7,500,000	644,034	791,574	-	-

Particulars	Gratuity		Provident Fund		Superannuation	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009
Actuarial Assumptions						
Discount Rate	-	-	8.00 %	8.00 %	-	-
Salary escalation	-	-	5.00 %	5.00 %	-	-
Investment details (%)						
GOI Securities	-	-	31%	31%	-	-
State Government Securities	-	-	23%	23%	-	-
Approved Marketable Securities	-	-	0%	0%	-	-
Bonds/Debentures etc	-	-	46%	46%	-	-
Loans	-	-	-	-	-	-
Equity	-	-	-	-	-	-
Liquid fund/Money Market instrument	-	-	-	-	-	-
Total	-	-	100%	100%	-	-

11. The investment details of Gratuity funds are as per the Scheme of Life Insurance Corporation of India (LIC).
12. The investment details of Superannuation funds are as per the Scheme of Life Insurance Corporation of India (LIC) under two plans. Even though these plans are still continuing, Company has stopped making contribution towards One plan i.e., Superannuation Scheme of Workers w.e.f. 01.04.1995 on payment of bonus in the year 1995 as per the terms and conditions of Rules framed at the time of subscribing to the designated policy of LIC. Company was liable as per terms and conditions of the Trust deed to pay contributions only till applicability of provisions of payment of Bonus Act.
13. The Basic and diluted Earning per share (EPS) (Amount Rs. '000)

Particulars	Year Ended	
	31.03.2010	31.03.2009
Net Profit before Tax	Rs. 1,280,943	Rs. 578,816
Less: Current Year Tax	Rs. 290,400	Rs. (110,000)
Deferred Tax	Rs. 41,511	Rs. (35,154)
Fringe Benefit Tax	-	Rs. (2,400)
Prior period Tax Adjustments	-	Rs. 4,707
Net profit	Rs. 949,032	Rs. 435,969
Number of Equity Shares (outstanding at the end of the year)	162,197,503	162,197,503
Nominal Value of Ordinary Shares	Rs. 10/-	Rs. 10/-
Basic/ Diluted earning per share	Rs. 5.8511	Rs. 2.6879

14. Previous year's figures represent regrouped / re-classified wherever necessary to make them more comparable.

As per our report attached

For PATEL, SHAH & JOSHI
Chartered Accountants

CA JAYANT I. MEHTA
PARTNER

Membership Number - 42630

Mumbai
31st May 2010

P. B. BHARDWAJ

CHAIRMAN

RAVI BHUSHAN BHARDWAJ

VICE CHAIRMAN & MANAGING DIRECTOR

PRANAV BHARDWAJ

JOINT MANAGING DIRECTOR

R. MURALIDHAR

EXECUTIVE DIRECTOR (FINANCE)

CS MUKESH D. PARAKH

COMPANY SECRETARY

DR. E.R.C. SHEKAR

S. GAJENDRAN

S.K. GUPTA

DIRECTORS

New Delhi

28th May 2010

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010

	Year ended 31 st March 2010			Year ended 31.03.2009 Consolidated
	Sunflag & Subsidiaries	Joint Ventures	Consolidated	
	Rs. '000			
A. CASH FLOW FROM OPERATING ACTIVITIES				
NET PROFIT BEFORE TAX	1,280,943	-	1,280,943	578,816
ADJUSTMENTS FOR :				
DEPRECIATION	378,835	23	378,858	309,385
OTHER NON-CASH CHARGES	9	1	10	13,737
LOSS / (PROFIT) ON SALE OF ASSETS	(8)	-	(8)	1,066
INTEREST PAID	300,403	-	300,403	304,392
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,960,182	24	1,960,206	1,207,396
ADJUSTMENTS FOR :				
(INCREASE) / DECREASE IN SUNDRY DEBTORS	(458,804)	-	(458,804)	(67,236)
(INCREASE) / DECREASE IN INVENTORIES	(889,966)	-	(889,966)	588,570
(INCREASE) / DECREASE IN LOANS & ADVANCES	48,115	(434)	47,681	(121,379)
INTEREST PAID	(136,139)	-	(136,139)	(185,513)
INCOME TAX PAID	(296,005)	-	(296,005)	(205,896)
DIVIDEND PAID	(81,099)	-	(81,099)	(81,099)
DIVIDEND TAX PAID	(13,783)	-	(13,783)	(13,783)
INCREASE / (DECREASE) IN CASH CREDIT ACCOUNTS	272,121	-	272,121	(130,261)
INCREASE / (DECREASE) IN CURRENT LIABILITIES	397,740	698	398,438	(196,899)
PROCEEDS FROM ADDITIONAL WORKING CAPITAL FACILITIES	-	-	-	-
NET CASH FLOW FROM OPERATING ACTIVITIES	802,362	288	802,650	793,900
B. CASH FLOW FROM INVESTING ACTIVITIES :				
ADDITIONS TO FIXED ASSETS INCLUDING CWIP AND ADVANCES ON CAPITAL ACCOUNT	(462,163)	(871)	(463,034)	(961,763)
PROCEEDS FROM SALE OF ASSETS	200	-	200	3,913
INVESTMENTS	(31,769)	-	(31,769)	(11,221)
SALE PROCEEDS OF INVESTMENTS	-	-	-	-
DEFERRED REVENUE EXPENDITURE	(1,587)	135	(1,452)	(897)
	(495,319)	(736)	(496,055)	(969,968)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010

	Year ended 31 st March 2010			Year ended 31.03.2009 Consolidated
	Sunflag & Subsidiaries	Joint Ventures	Consolidated	
C. CASH FLOW FROM FINANCING ACTIVITIES :	Rs. '000			
REPAYMENT OF BORROWINGS	(551,076)	(12)	(551,088)	(393,828)
INTEREST PAID	(164,264)	-	(164,264)	(118,879)
DEFERRED SALES TAX	272,680	-	272,680	70,001
SHARE CAPITAL	18,365	-	18,365	11,221
ADVANCE SHARE APPLICATION MONEY	-	-	-	31,768
UNSECURED LOAN RECEIVED	40,403	-	40,403	56
PAYABLE TO MSEB	(18)	-	(18)	-
TERM LOAN RECEIVED FROM BANKS	170,540	-	170,540	637,249
SUB TOTAL - (C)	(213,370)	(12)	(213,382)	237,588
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	93,673	(460)	93,213	61,520
CASH AND CASH EQUIVALENTS (OPENING BALANCE)	233,825	17,401	251,226	189,706
CASH AND CASH EQUIVALENTS (CLOSING BALANCE)	327,498	16,941	344,439	251,226

P. B. BHARDWAJ
CHAIRMAN

RAVI BHUSHAN BHARDWAJ
VICE CHAIRMAN & MANAGING DIRECTOR

PRANAV BHARDWAJ
JOINT MANAGING DIRECTOR

R. MURALIDHAR
EXECUTIVE DIRECTOR (FINANCE)

CS MUKESH D. PARAKH
COMPANY SECRETARY

DR. E.R.C. SHEKAR

S. GAJENDRAN

S.K. GUPTA

DIRECTORS

New Delhi
28th May 2010

AUDITOR'S CERTIFICATE

We have examined the above Cash Flow Statement of the Sunflag Iron and Steel Company Limited for the year ended, 31st March 2010. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of Listing Agreement with the Stock Exchange(s) and is based on and is in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report dated 31st May 2010 to the Members of the Company.

For PATEL, SHAH & JOSHI
CHARTERED ACCOUNTANTS

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Mumbai
31st May 2010

FORM FOR ECS MANDATE / BANK MANDATE

I / We _____ do hereby authorise

Sunflag Iron and Steel Company Limited to :

(Please tick (✓) in the appropriate Box)

- Credit my dividend amount directly to my Bank Account as per details furnished below by National Electronic Clearing Service (NECS) - NECS Mandate ☐
- Print the details of my Account as furnished below, on my dividend warrant which will be mailed to me - Bank Mandate ☐

Folio No (s) DP-ID & Client ID :

A. Bank Name	
B. Branch	
C. Bank Address (for NECS Mandate only)	
D. Bank Account Number	
E. Account Type (Savings/ Current)	
F. 9 Digit Code Number of the Bank and branch as appearing on the MICR Cheque	
G. STD Code & Telephone Number of Shareholder (optional)	
H. E-mail ID of Shareholder (Optional)	

I / We shall not hold the Company responsible if the ECS could not be implemented.

(1) _____ (2) _____ (3) _____

Signature of Shareholder(s)
(as per Specimen lodged with the Company)

Notes :

1. Kindly note that NECS facility is currently offered to shareholders whose banks / branches are under Core Banking Services.
2. Please submit this form to the Company's Registrar and Share Transfer Agent - Bigshare Services Private Limited office at E-2/3 Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400 072.
3. Please attach a blank cancelled cheque or a photocopy of a cheque issued by your Bank relating to your above account.

Please tear off here

If Shares held in demat Mode

DPID	
CLID	
No. of Shares	

PROXY FORM

SUNFLAG IRON & STEEL CO. LTD.
Registered Office : 33, Mount Road,
Sadar, Nagpur - 440 001

If Shares held in Physical Mode

Reg. Folio No.	
No. of Shares	

I/We of
 being a member/members of SUNFLAG IRON AND STEEL COMPANY LIMITED hereby appoint
 of or failing him/her of
 as my/our proxy to vote for me/us on my/our behalf at the 24th Annual General Meeting of the Company to be held
 at 3.00 p.m. on Thursday, the 23rd Day of September 2010 and at any adjournment thereof.

Signed this day of 2010.

Affix
1.00 Re.
Revenue
Stamp

(Signature of the Shareholder(s))

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

ATTENDANCE SLIP

SUNFLAG IRON AND STEEL COMPANY LIMITED
Registered Office : 33, Mount Road, Sadar, Nagpur - 440 001

24th Annual General Meeting on Thursday, the 23rd Day of September 2010 at 3.00 P.M.

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

Joint Shareholders may obtain additional Slips on request.

NAME & ADDRESS OF THE SHAREHOLDER(S)

DPID	
CLID	

Reg. Folio No.	
No. of Shares	

I hereby record my presence at the 24th Annual General Meeting of the Company held at Indian Medical Association's J.R. Shaw Auditorium, North Ambazari Road, Nagpur - 440 010 on Thursday, the 23rd Day of September 2010.

SIGNATURE OF THE SHAREHOLDER OR THE PROXY ATTENDING THE MEETING

If Shareholder, Please Sign here

--

If Proxy, Please Sign here

--

Note : Your copy of Annual Report may please be brought alongwith you to the meeting hall.

Please tear off here