

KALYANI STEELS LIMITED



KALYANI

DRIVING INNOVATION

BOARD OF DIRECTORS

Mr. B. N. Kalyani
Chairman

Mr. Amit B. Kalyani

Mr. S. M. Kheny

Mr. S. S. Vaidya

Mr. B. B. Hattarki

Mr. M. U. Takale

Mr. Arun P. Pawar

Mr. C. G. Patankar

Mr. R. K. Goyal
Managing Director

CORPORATE IDENTITY NUMBER (CIN)

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REGISTERED OFFICE

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Tal. & Dist. Koppal

KARNATAKA - 583 228

CHIEF FINANCIAL OFFICER

Mr. B. M. Maheshwari

COMPANY SECRETARY

Mrs. Deepti R. Puranik

AUDITORS

M/s. P. G. BHAGWAT
Chartered Accountants
Suite No. 2, "Orchard",
Dr. Pai Marg, Baner,
Pune - 411 045

BANKERS

Bank of Baroda
Union Bank of India
Canara Bank
HDFC Bank Limited
State Bank of India
Axis Bank Limited
The Hongkong and Shanghai
Banking Corporation Limited

REGISTRAR & TRANSFER AGENTS

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

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41ST ANNUAL GENERAL MEETING

Day : Friday
Date : 5th September, 2014
Time : 11.00 a.m. (I.S.T.)
Place : Registered Office,
Kalyani Steels Limited,
Mundhwa,
Pune - 411 036

**MANAGEMENT DISCUSSION AND ANALYSIS**

The Board takes pleasure in presenting your Company's Forty-First Annual Report for the year 2013-14 along with the compliance report on Corporate Governance. This chapter on Management Discussion and Analysis forms a part of the compliance report on Corporate Governance.

Global Economy

As per IMF, World GDP growth marginally slowed to 3% in 2013 as compared to 3.2% in 2012. The growth forecast for near future is optimistic with World GDP expected to grow at 3.6% in 2014 and accelerate further to 3.9% in 2015.

Real GDP growth (%)

Year	2011	2012	2013	2014 (p)	2015 (p)
World	3.90	3.20	3.00	3.60	3.90
Advanced Economies	1.70	1.40	1.30	2.20	2.30
Emerging Markets & Developing Economies	6.30	5.00	4.70	4.90	5.30

All numbers are in percentages

(p) Refers to projections

Source : IMF

Advanced Economies

The uptrend in the global economy is primarily due to recovery from advanced economies. A major impulse to the global growth has come from United States where annual growth in 2014 & 2015 is expected to be substantially higher than that in 2013.

Similarly, the Euro area has also turned positive with signs of growth in Germany, France, United Kingdom and Italy. Japan is also expected to get a boost from some underlying growth drivers, notably private investment and exports. But Japan's overall economic activity is projected to slow down moderately in response to the government's stance to tighten the fiscal policy in 2014-15.

Emerging Markets & Developing Economies

Emerging Markets & Developing Economies continue to contribute more than two-thirds of global growth. The GDP growth in these countries is expected to increase marginally from 4.7% in 2013 to 4.9% and 5.3% in 2014 and 2015 respectively.

In particular, China is expected to keep its momentum whereas India is expected to strengthen its GDP growth.

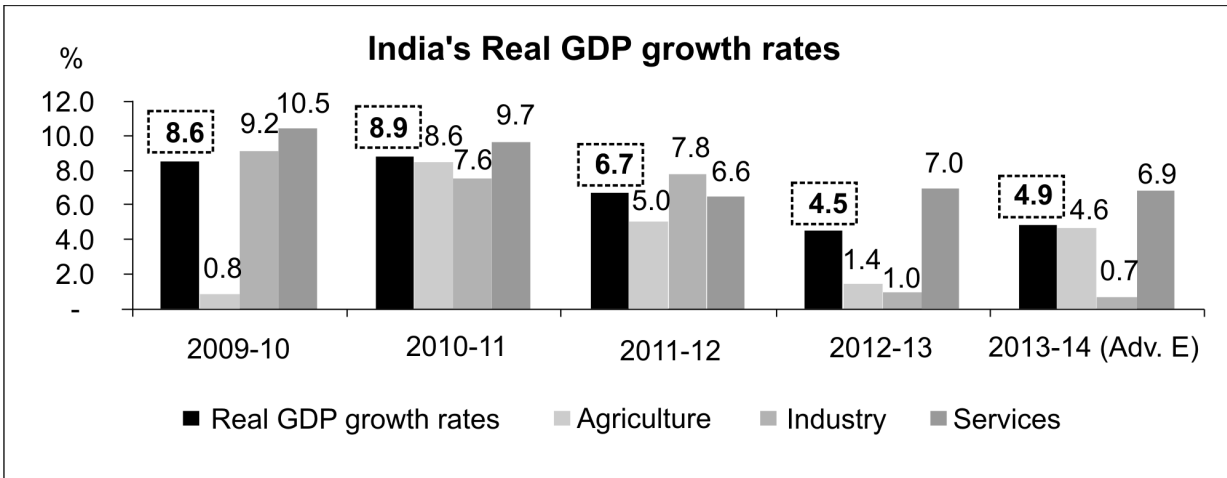
Indian Economy

As per the Planning Commission, Government of India's provisional estimates, India's GDP has grown at 4.9% in FY 2013-14 as compared to 4.5% in FY 2012-13.

However, it is worthwhile to note that this increase in headline GDP growth masks the underlying weakness in the economy as the growth is primarily driven by stronger agriculture due to a good monsoon in 2013.

In FY 2013-14, Agriculture Sector has grown at 4.6% whereas, in contrast, Industry Sector has slowed down to 0.7%.

Also, slowdown in Industrial growth and slow recovery in advanced economies caused Services Sector's growth rate to drop below 7% in FY 2013-14.



(Adv. E) refers to 'Advance estimates'

Source : Planning Commission of India

Weaknesses such as persistent high inflation, fiscal imbalances and bottlenecks to investment still loom large in the economy. However, industry and research organisations opine that a normal monsoon and a stable Government with a strong reform agenda should result into overall GDP growth of 5.5% in FY 2014-15.

World Steel Industry

In 2013, World Crude Steel production reached 1,607 Million MTs, with a growth of 3.5% over that in 2012.

	2012	2013
World Crude Steel	1553	1607
<i>y-o-y growth %</i>		3.5%
China	725	779
<i>y-o-y growth %</i>		7.5%
EU (27)	169	166
<i>y-o-y growth %</i>		-1.8%
Japan	107	111
<i>y-o-y growth %</i>		3.2%
USA	89	87
<i>y-o-y growth %</i>		-1.9%
India	77	81
<i>y-o-y growth %</i>		5.1%

All numbers are in Mil Tonnes except percentages.

Source : World Steel Association, Jan, 2014

China, the leading producer of steel, contributed 48% of the global output at 779 Million MTs, showing a 7.5% annual growth.

The European Union (EU) recorded a decrease of 1.8% over 2012, producing 166 Million MTs of crude steel in 2013.

Production in Japan increased 3.2% y-o-y to 111 Million MTs.

United States produced 87 Million MTs of crude steel, which is 1.9% lower than its production level a year earlier.

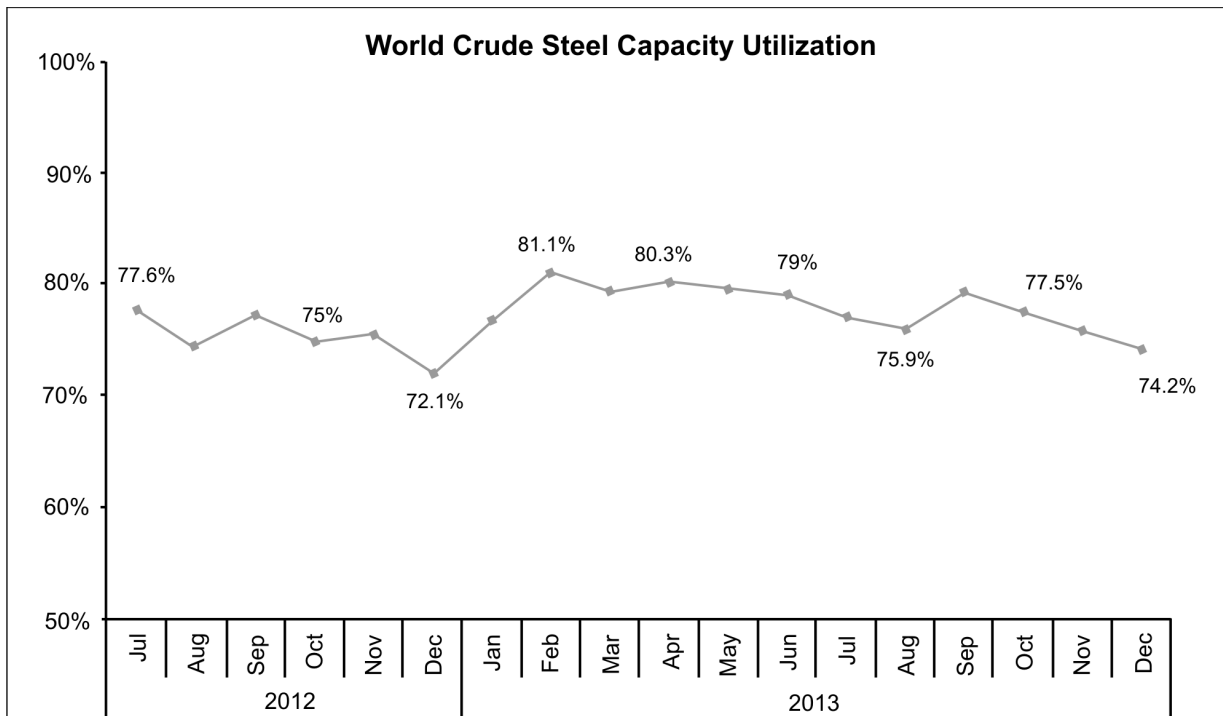
In 2013, India's crude steel production increased by 5.1% y-o-y to 81 Million MTs.

With Chinese Government's focus expected to shift from infrastructure spending to stimulating domestic consumption, Chinese demand for steel is unlikely to grow at the historical high rates, we have seen in the past.

Consequently, the World Steel Association predicted a slower growth rate of around 3% in 2014 for the global crude steel production.

**Global Crude Steel Capacity Utilisation**

Globally, the crude steel capacity utilisation has seen an overall downward trend from February, 2013 till December, 2013 due to capacity additions against modest growth in demand.



Source : World Steel Association, Feb, 2014

Indian Steel Industry

The domestic steel industry has gone through a downturn due to weak demand from downstream industries and higher cost of production due to weak rupee and higher domestic raw material prices.

As per World Steel Association, crude steel production growth in India has slowed down from 6.9% in CY 2012 to 5.1% in CY 2013.

Crude Steel Production (Carbon + Alloy Steel)	CY2011	CY2012	CY2013
Production (Mil T)	72	77	81
Growth (%)	-	6.9%	5.1%

Source : World Steel Association

Steel demand growth in India is expected to be 3.3% in CY 2014 and 4.5% in CY 2015.

On the supply side, there are many players who are having serious expansion plans adding to the overall capacity.

Also, with a stable Government at the center, industry is optimistic about a revival in the overall economy and hence, in steel industry in the coming years.

Raw Material Prices Trend**Iron Ore**

Due to ban on illegal mining in July/August, 2011 by Hon'ble Supreme Court, in the State of Karnataka, there is an acute shortage of iron ore in the state. Since then, iron ore prices have increased substantially.

The Hon'ble Supreme Court has vide its Judgment and Order dated 18th April, 2013 passed in Writ Petition No.562/2009, permitted re-opening of 45 Category 'A' mines and 72 Category 'B' mines. The Hon'ble Supreme Court also issued directions for cancellation of leases of 49 Category 'C' mines.

However, reopening of Category 'A' and 'B' mines is subject to statutory approvals that include clearance from Indian Bureau of Mines, Forest Department, Environment Ministry, State Pollution Control Board and Hon'ble Supreme Court appointed Central Empowered Committee (CEC).

In FY 2013-14, calibrated iron ore prices in Karnataka did not see major movement though the prices were much higher as compared to those before the mining ban.

In contrast to calibrated iron ore, iron ore fines prices have seen an uptrend due to increased demand for the same.

Coking Coal & Coke

Global coking coal prices have come down due to over supply of coking coal in the global market.

Also, in 2013, China removed the 40% export duty on coke. This has increased competition in the global market and has brought down coke prices.

Given this macro economic scenario, the coking coal and coke prices are expected to remain under pressure in near future.

Industry Profitability Outlook

FY 2013-14 has seen weak price trends, weakening of currency and a slower demand growth. This has put pressure on operating profitability of the steel sector.

While some players in flat product industry announced price hikes in recent past, it is to be seen whether a weak steel market can absorb the price hike.

Also, a more favorable raw material pricing scenario will help to improve industry profitability.

Initiatives taken by the Company

The Company is in continuous pursuit of creating more value for all its stakeholders. The Company's various functional teams have taken some remarkable initiatives to not only strengthen its profitability in near future but also gain medium to long-term competitive advantage over its peers.

Marketing Initiatives

- The Company has expanded its product mix to cover industries such as Energy, Petroleum and Bearings. Apart from this, significant focus is being given on developing clean steels (with very low oxygen levels and best in class SAM D rating) as part of the Company's product portfolio. This will help in improving component life, resulting into increased business.
- The Company has also increased its customer base with addition of new customers to its existing portfolio. This has helped in protecting the profitability.

Cost Reduction Initiatives

Use of Sinter Plants

- The Company has commissioned its second Sinter Plant in the beginning of FY 2013-14.
- Sinter Plants enabled the Company to use fines (≤ 10 mm) instead of expensive calibrated lump Ore (10 mm - 40 mm).
- Apart from the cost reduction, use of Sinter Plants has also enhanced operational flexibility of the current manufacturing facilities.
- It has also helped in increasing productivity and lower coke consumption.

Pulverized Coal Injection (PCI)

- PCI is used to partially replace high cost coke in the blast furnace operation.

**Hot Blast Stoves**

- The Company commissioned Hot Blast Stoves for one of the blast furnaces. This has helped to increase the temperature of hot air blown in the blast furnace resulting in substantial fuel rate reduction.
- The Company is also planning to enrich combustion air of Hot Blast Stoves with diluted oxygen to further increase the temperature of hot air blown in the furnace.

Energy Optimisation

- Improving Power Plant efficiency : By various initiatives, the Company improved the thermal efficiency of its Power Plant from 22% to 27% - making its facility one of the most efficient BF gas based Power Plants of this capacity.
- Reheating Furnace for Rolling Mill : Until July 2013, Rolling Mill was running on costly furnace oil. In pursuit to reduce costs and utilise by-products efficiently, furnace oil in Reheating Furnace was replaced with blast furnace gas.

The Company is now amongst the very few players who are running Reheating Furnaces on 100% blast furnace gas (i.e. with zero furnace oil and zero natural gas usage).

- Blast Furnace gas for Ladle Pre-heaters : The Company has now replaced expensive furnace oil by using blast furnace gas as fuel in Ladle Preheater.
- Waste Heat recovery from EOF : The Company is currently in process to establish Waste Heat recovery system to generate steam which will be used in Steam network. This will help to reduce the operating cost.

"Iron In, Iron Out" Policy

As per this policy, the Company has decided to stop any loss of Fe through waste material and to extract maximum value from the by-products (waste) from steel making process which were earlier disposed. These wastes now add much larger value due to in-house use.

Accordingly, following steps have been taken in various divisions :

- Overall Iron Balancing
 - The Company has started analysing total Fe content coming in the plant and tries to minimise the Fe wastage through by-products and wastes.
 - The Company collects wastes such as skull powder, flue dust etc. and recycles the same in Sinter Plants.
 - Target is to achieve nearly zero Fe loss in the plant.
- SMS Division
 - EOF Slag - Iron bearing material is extracted from EOF slag and is recycled in the EOF.
- Blast Furnace Division
 - Granulated Slag -The Company is planning to convert blast furnace slag into ground granulated BF slag to be sold to ready mix concrete players or cement consumers.
 - Skull Powder/ Flue Dust - Used in-house in Sinter Plants

Company Performance

- Sales, Gross - ₹ 13,959 Million
- Profit before Taxation - ₹ 895 Million

Sales, Gross includes Manufacturing Revenue of ₹ 13,875 Million and Trading Revenue of ₹ 84 Million.

Manufacturing Revenue consists of sale of Rolled Products, As Cast Blooms, Misc. Sales and Conversion Charges received. The Company sold 170,776 tons of 'Rolled Products' aggregating ₹ 9,302 Million, 36,055 tons of 'As Cast Blooms' aggregating ₹ 1,707 Million, Misc. sales amounted to ₹ 84 Million and Conversion Charges received were ₹ 2,782 Million. The Manufacturing Turnover includes exports of 4,610 tons of Steel aggregating ₹ 249 Million.

Internal Control Systems and their adequacy

The Company employs an adequate and effective system of internal control commensurate with its size and nature of business that provides for :

- Assurance of the efficiency of operations
- Security of Company's assets
- Accurate and prompt recording of transactions
- Efficient Management Information Systems
- Compliance with prevalent statutes, accounting standards, listing agreement requirements, management policies and procedures

The internal control system is further supplemented by extensive review by internal auditors, who periodically present their observations to the Audit Committee of Directors. The Audit Committee reviews the observations made by internal auditors along with status of actions thereon.

SAP Implementation

The Company is implementing SAP to streamline and optimise its business processes. This will give multiple benefits such as :

- Integration of all business processes
- Online information of stock
- Enhancement of access and information security
- Quality of decision making

SAP implementation is in the stage of realisation and is expected to go live soon.

Human Resources

The Company is as good as its people. Your Company is privileged to have an excellent pool of human resources working for it. The Company considers the quality of its human resources to be its most important asset and places great emphasis on training and development of employees at all levels.

As on 31st March, 2014 the Company has 57 employees. 1,039 employees are on the role of Hospet Steels Limited, which is a Joint Venture Company formed with the specific purpose of managing and operating the composite steel making facility at Koppal, Karnataka.

The Company has put a lot of stress on employee welfare and development :

- The Company has an open-door policy whereby any employee can directly share new ideas/ views/ thoughts directly with the top management without any hierarchical constraints.
- The Company regularly organises knowledge sharing sessions for better knowledge management and to enhance employee capabilities.
- Quarterly meetings are held to give employees a platform to share their ideas and to discuss new initiatives/ strategies of the Company.

Cautionary Statement

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

**REPORT ON CORPORATE GOVERNANCE**

Kalyani Steels recognises that good Corporate Governance is a continuing exercise and is committed to pursue higher standards of Corporate Governance in the overall interest of all the Shareholders. The Company has adopted practices mandated in Clause 49 of the Listing Agreement with the Stock Exchanges.

This chapter of the report, along with the information given under 'Management Discussion and Analysis' and 'Shareholder Information' constitutes the compliance report of the Company on Corporate Governance during the year 2013-14.

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

As on 31st March, 2014, the Board of Directors of Kalyani Steels comprised nine Directors. The Board consists of the Chairman, who is Promoter Non-Executive Director, one Executive Director and seven Non-Executive Directors, of which five are Independent. Details are given in Table 1.

NUMBER OF BOARD MEETINGS :

During the year 2013-14, the Board of the Company met five times on 24th May, 2013, 24th July, 2013, 30th October, 2013, 8th February, 2014 and 21st March, 2014. All the meetings were held in such manner that the gap between two consecutive meetings was not more than four months.

DIRECTORS' ATTENDANCE RECORD AND DIRECTORSHIPS :

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

Table - 1 - Details about Board of Directors of the Company							
Name of the Director	Category	Particulars of Attendance			Number of Directorships and Committee Memberships / Chairmanships in Public Limited Companies		
		Number of Board Meetings		Last AGM	Directorships	Committee Memberships	Committee Chairmanships
		Held	Attended				
Mr.B.N. Kalyani Chairman	Promoter Non-Executive	5	4	No	13	2	2
Mr.Amit B. Kalyani	Non-Executive	5	5	Yes	12	3	—
Mr.S.M. Kheny	Non-Executive	5	5	Yes	9	3	1
Mr.S.S. Vaidya	Non-Executive	5	5	Yes	8	8	4
Mr.B.B. Hattarki	Non-Executive	5	4	Yes	9	4	5
Mr.M.U. Takale	Non-Executive	5	5	Yes	4	2	—
Mr.Arun P. Pawar	Non-Executive	5	5	Yes	1	—	—
Mr.C.G. Patankar	Non-Executive	5	5	Yes	7	3	—
Mr.R.K. Goyal Managing Director	Executive	5	5	Yes	3	2	—

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

BOARD PROCEDURE :

Information Supplied to the Board

Among others, information supplied to the Board includes :

- Annual operating plans and budgets, capital budgets and any update thereof
- Quarterly results of the Company
- Minutes of meetings of committees
- Details of Joint Venture / Collaboration Agreement
- Sale of material nature of investments, assets, which is not in normal course of business.
- Non-Compliance of any regulatory, statutory nature or listing requirements etc. if any
- Materially important show cause, demand notices if any

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

DIRECTORS WITH MATERIALLY PECUNIARY OR BUSINESS RELATIONSHIP WITH THE COMPANY :

There has been no materially relevant pecuniary transactions or relationship between the Company and its non-executive and / or independent Directors for the year 2013-14.

AUDIT COMMITTEE :

As on 31st March, 2014, the Audit Committee of Kalyani Steels comprised four members, of which three are Independent Directors. All the members have accounting and finance management expertise. The Chairman of the Audit Committee is Mr.S.S. Vaidya. Mr.B.N. Kalyani, Mr.S.M. Kheny and Mr.B.B. Hattarki are the other members of the Committee.

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

During the year 2013-14 Audit Committee met on 24th May, 2013, 23rd July, 2013, 30th October, 2013 and 8th February, 2014. Particulars relating to the attendance at the Audit Committee meetings held during the year are given below :

Name of the Director	Category	Number of Meetings held	Number of Meetings attended
Mr.S.S. Vaidya, Chairman	Independent	4	4
Mr.B.N. Kalyani	Promoter Non-Executive	4	4
Mr.S.M. Kheny	Independent	4	4
Mr.B.B. Hattarki	Independent	4	3

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

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

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

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

**REMUNERATION POLICY :**

The Remuneration Committee has been in place to recommend / review the remuneration packages of the Executive Director(s). The Remuneration Committee of Directors consists of three independent directors, namely Mr.S.M. Kheny, Mr.S.S. Vaidya and Mr.M.U. Takale. During the year 2013-14, Remuneration Committee met on 24th May, 2013.

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

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

REMUNERATION OF DIRECTORS :

Table 2 : The details of the remuneration package of Directors during the financial year 2013-14, their shareholding in the Company and relationship with other directors, if any :

Name of the Director	Relationship with other directors	Sitting fees* (₹)	Salaries and perquisites (₹)	Commission (₹)	Total (₹)	No. of Shares held
Mr.B.N. Kalyani	Father of Mr.Amit B. Kalyani	40,000	—	1,500,000	1,540,000	1,118
Mr.Amit B. Kalyani	Son of Mr.B.N. Kalyani	10,000	—	1,000,000	1,010,000	31,694
Mr.S.M. Kheny	None	28,000	—	—	28,000	10,914
Mr.S.S. Vaidya	None	20,000	—	1,000,000	1,020,000	—
Mr.B.B. Hattarki	None	98,000	—	—	98,000	—
Mr.M.U. Takale	None	12,000	—	—	12,000	2,500
Mr.Arun Pawar	None	10,000	—	400,000	410,000	—
Mr.C.G. Patankar	None	10,000	—	1,000,000	1,010,000	4,770
Mr.R.K. Goyal	None	N.A.	31,006,600	10,000,000	41,006,600	—

* Sitting fees include payment for board level committee meetings.

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

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

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

DISCLOSURES BY MANAGEMENT TO THE BOARD :

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

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

Mr.B.N Kalyani, Chairman and Mr.C.G. Patankar, Director of the Company are retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

In view of Section 149 and other applicable provisions of the Companies Act, 2013, coming into effect from 1st April, 2014, it is proposed to appoint Mr.Arun Pawar, Mr.B.B. Hattarki, Mr.M.U. Takale, Mr.S.M. Kheny and Mr.S.S. Vaidya, as an Independent Directors of the Company for the period of five years with effect from 5th September, 2014 to 4th September, 2019. All the Directors being eligible, offered themselves for appointment. In the opinion of the Board, all the Directors fulfill the conditions specified in the Companies Act, 2013 and rules made thereunder, for their appointment as an Independent Director of the Company.

The details of the Directors to be appointed / re-appointed are given below :

Mr.B.N. Kalyani is Chairman and Managing Director of Bharat Forge Limited and Executive Chairman of Kalyani Carpenter Special Steels Limited. Mr.Kalyani, born on 7th January, 1949, is a Mechanical Engineer from the Birla Institute of Technology and Science at Pilani, Rajasthan. He is also M.S. in Engineering from the Massachusetts Institute of Technology, U.S.A. Mr.Kalyani also serves on the Board of BF Utilities Limited, Automotive Axles Limited, Alstom Bharat Forge Limited, BF-NTPC Energy Systems Limited, Merritor HVS (India) Limited, BF Investment Limited, Kalyani Alstom Power Limited, Impact Automotive Solutions Limited, Hikal Limited and Kalyani Hyes Lemmerz Limited.

Mr.C.G. Patankar, born on 6th June, 1956, holds a Bachelor's Degree in Science and he is a Chartered Accountant, having a rich experience of more than 35 years in Steel Industry. Mr.Patankar also serves on the Board of Kalyani Technoforge Limited, Kalyani International Limited, Kalyani Mukand Limited, Hospet Steels Limited, Spice Island Apparels Limited and Kalyani Investment Company Limited.

Mr.Arun P. Pawar born on 17th September, 1950, holds a Bachelor's Degree in Science and he has worked in the Indian Revenue Service (IRS:75), in the Income Tax Dept., for 36 years, having varied experience in Income Tax Assessment and Investigation along with General Administration. As Chief CIT & Commissioner, he had worked in Maharashtra (Thane & Mumbai) and in other states like Karnataka, Tamilnadu & Andhra Pradesh.

Mr.B.B. Hattarki born on 10th October, 1941, is a Metallurgy and Mechanical Engineer, having a rich experience of more than 50 years in Steel Industry. He also serves on the Board of Kalyani International Limited, Kalyani Mukand Limited, Hospet Steels Limited, BF Utilities Limited, Automotive Axles Limited, Khed Developers Limited, BF Investment Limited and Kalyani Investment Company Limited.

Mr.M.U. Takale, born on 18th August, 1960, is a Mechanical Engineer having more than 25 years experience in forging and automotive related industries. Mr.Takale, after having his initial graduation in Pune, completed his MS in Industrial and Systems Engineering from Columbia University, New York, U.S.A. and MBA from Western Carolina University, NC, U.S.A. He was in U.S.A. for six years and besides obtaining degree in Engineering and Management, has had considerable exposure to technological advancements in automotive field. He also has work experience in Automotive Industry in U.S.A. Mr.Takale serves on the Board of Kalyani Infotech Solutions Limited, Kalyani Technologies Limited and BF Investment Limited.

Mr.S.M. Kheny, born on 18th March, 1948 is Mechanical Engineer. Mr.Kheny serves on the Board of Kalyani Engineering & Construction Company Limited, Kalyani Highway Developers Limited, Kalyani Infrastructure Projects Limited, Kalyani Habitat Limited, Nandi Highway Developers Limited, Hospet Steels Limited, Hikal Limited and Hospet Power Limited.

Mr.S.S. Vaidya born on 9th August, 1955 is a Chartered Accountant. He is a partner of M/s Kunte & Vaidya, Chartered Accountants, Pune. He has been in practice for over 35 years and has vast experience in Corporate & Legal field, Tax Laws, Company Law, Foreign Exchange Laws etc. Mr.Vaidya also serves on the Boards of Bosch Chassis Systems India Limited, Nandi Infrastructure Corridor Enterprises Limited, Sahyadri Hospitals Limited, BF Utilities Limited, Sharp India Limited, Kalyani Investment Company Limited and Foundation Brake Manufacturing Limited.

COMMUNICATION TO SHAREHOLDERS :

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

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

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

INVESTOR GRIEVANCES :

The Company has in place Shareholders' / Investors' Grievance Committee for redressing "Shareholders' / Investors' complaints. The Committee comprises of Mr.S.M. Kheny (Chairman), Mr.R.K. Goyal, Managing Director and Mr.B.B. Hattarki, Director. During the year 2013-14, the Shareholders / Investors Grievance Committee met on 24th May, 2013, 24th July, 2013, 30th October, 2013 and 8th February, 2014.



Particulars relating to the attendance at the Shareholders' / Investors' Grievance Committee meetings held during the year are given below :

Name of the Director	Category	Number of Meetings held	Number of Meetings attended
Mr.S.M. Kheny, Chairman	Independent	4	4
Mr.R.K. Goyal	Executive	4	4
Mr.B.B. Hattarki	Independent	4	3

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

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

SHARE TRANSFER :

The Company has constituted the 'Share Transfer Committee', which meets on weekly basis to approve share transfers, transmissions, consolidation, sub-division, issue of duplicate certificates and requests for dematerialisation of Company's shares. The Committee comprises of Mr.B.N. Kalyani, Chairman, Mr.B.B. Hattarki, Director and Mr.R.K.Goyal, Managing Director.

DETAILS OF NON-COMPLIANCE :

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

GENERAL BODY MEETINGS :

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

Date	Time	Type of Meeting	Venue	Special Resolutions Passed
12th August, 2011	11.00 a.m.	Annual General Meeting	Registered Office of the Company at Mundhwa, Pune - 411 036	None
28th July, 2012	11.00 a.m.	Annual General Meeting	Registered Office of the Company at Mundhwa, Pune - 411 036	2*
24th July, 2013	11.00 a.m.	Annual General Meeting	Registered Office of the Company at Mundhwa, Pune - 411 036	1**

* Special Resolutions passed were : i) Payment of Minimum Remuneration to Mr.R.K. Goyal, Managing Director for the period of one year from 1st April, 2011 to 31st March, 2012 and for F.Y. 2012-13 and / or 2013-14, if the Company has no profits / inadequacy of profits; ii) Payment of Minimum Remuneration to Mr.C.G. Patankar, Executive Director for the period of one year from 1st April, 2011 to 31st March, 2012.

** Revision in Remuneration of Mr.R.K.Goyal, Managing Director for the period from 1st April, 2013 to 16th January, 2016, including approval for payment of Minimum Remuneration, if the Company has no profits / inadequacy of profits.

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

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

COMPLIANCE WITH MANDATORY AND NON-MANDATORY REQUIREMENTS :

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

SHAREHOLDER INFORMATION**ANNUAL GENERAL MEETING :**

Day and Date : Friday, 5th September, 2014 at 11.00 a.m.

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

FINANCIAL CALENDAR :

1st April to 31st March

BOOK CLOSURE :

The books will be closed from Saturday, 30th August, 2014 to Friday, 5th September, 2014 (both days inclusive).

DIVIDEND DATE :

Dividend of ₹ 3/- per Equity Share of ₹ 5/- each (i.e. 60%) would be payable on and from 15th September, 2014.

LISTING :

National Stock Exchange of India Limited (NSE)

BSE Limited (BSE)

Pune Stock Exchange Limited (PSE)

STOCK CODES :

NSE : KSL

BSE : 500235

PSE : KALST 6091

ISIN in NSDL and CDSL : INE907A01026

STOCK DATA :

Table below gives the monthly high and low prices and volumes of trading of Equity Shares of the Company at National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) for the year 2013-14 :

Month & Year	NSE			BSE		
	High (₹)	Low (₹)	Volume (No. of Shares Traded)	High (₹)	Low (₹)	Volume (No. of Shares Traded)
April, 2013	49.95	31.70	2,678,098	49.95	34.50	1,882,773
May, 2013	47.50	37.85	575,606	47.35	38.10	585,615
June, 2013	39.70	33.05	228,014	39.85	34.00	190,995
July, 2013	39.85	31.00	446,031	39.75	31.55	336,846
August, 2013	43.00	30.70	1,156,458	43.10	31.00	911,312
September, 2013	50.90	37.40	1,592,097	50.80	37.30	1,406,097
October, 2013	54.65	42.45	1,891,694	54.70	42.55	1,832,925
November, 2013	54.90	46.20	1,866,795	54.90	46.35	1,686,276
December, 2013	59.45	50.05	2,211,257	59.35	50.80	2,120,849
January, 2014	59.80	45.60	1,855,002	59.75	48.10	1,320,481
February, 2014	58.60	45.65	1,061,929	58.60	47.00	825,833
March, 2014	63.15	54.00	1,694,766	63.45	54.00	1,390,455

REGISTRAR AND TRANSFER AGENTS AND SHARE TRANSFER SYSTEM :

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

**PATTERN OF SHAREHOLDING BY OWNERSHIP AS ON 31ST MARCH, 2014 :**

Category of the Shareholder	No. of Equity Shares held	Shareholding %
Promoters	26,126,356	59.849
Mutual Funds / UTI	7,800	0.018
Insurance Companies	75,000	0.172
Financial Institutions / Banks	22,011	0.050
Bodies Corporate	4,210,778	9.647
NRIs / OCBs	217,892	0.499
Foreign Companies / Foreign Nationals	666	0.002
Indian Public	12,992,557	29.763
TOTAL	43,653,060	100.000

PATTERN OF SHAREHOLDING BY SHARE CLASS AS ON 31ST MARCH, 2014 :

Category (Shares)	No. of Shareholders	No. of Equity Shares held	Shareholding %
Up to 5000	38,407	9,337,941	21.391
5,001 to 10,000	188	1,377,568	3.156
10,001 to 20,000	76	1,068,663	2.448
20,001 to 30,000	24	593,042	1.359
30,001 to 40,000	13	433,046	0.992
40,001 to 50,000	11	511,160	1.171
50,001 to 100,000	7	503,450	1.153
100,001 and above	17	29,828,190	68.330
TOTAL	38,743	43,653,060	100.000

DEMATERIALIZATION :

The Company's Equity Shares are under compulsory Demat Trading. As on 31st March, 2014, dematerialised shares accounted for 92.66% of the total Equity.

SITE LOCATION :

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

INVESTORS CORRESPONDENCE ADDRESS :

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

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Kalyani Steels Limited

We have examined the compliance of conditions of Corporate Governance by Kalyani Steels Limited, for the year ended 31st March, 2014, 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 Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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 has conducted the affairs of the Company.

For M/s. P. G. BHAGWAT
Chartered Accountants
Firm Registration No.101118W

Sanjay Athavale
Partner

Membership No.83374

Place : Pune
Date : 29th May, 2014

DIRECTORS' REPORT

Dear Shareholders,

The Directors have pleasure in presenting the Forty-First Annual Report on the business and operations of the Company and the Audited Financial Statements for the year ended 31st March, 2014.

1. Financial Highlights :

(₹ in Million)

	2013-14	2012-13
Sales, Gross :	13,959.037	10,114.257
Excise Duty :	2,825.172	2,108.450
Sales, Net :	11,133.865	8,005.807
Other Operating Revenue :	8.016	66.874
Sale of Services :	18.000	18.000
Revenue from Operations (Net) :	11,159.881	8,090.681
Other Income :	117.922	71.545
Total Revenue :	11,277.803	8,162.226
Total Expenditure :	9,873.626	7,324.433
Finance Cost :	170.023	224.844
Depreciation & amortisation expenses :	339.563	235.628
Profit before Tax :	894.591	377.321
Tax Expenses :		
- Current Tax :	256.000	77.500
- Deferred Tax :	53.401	61.226
- Add / (Less) : Excess provision for Taxation in earlier years :	(0.678)	(0.083)
Profit after Tax :	585.868	238.678
Dividend on Equity Share Capital :	130.959	65.480

2. Dividend :

The Directors are pleased to recommend a dividend of ₹ 3/- per Equity Share of ₹ 5/- each (i.e. 60%) for the financial year ended 31st March, 2014.

3. The Year in Retrospect :

During the year under consideration, the Company was able to increase the operational levels and achieved gross sales of ₹ 13,959 Million against ₹ 10,114 Million in the previous year, representing growth of 38%. The Profits before Tax increased to ₹ 895 Million, against ₹ 377 Million in the previous year, representing growth of 137%. This was possible due to improvement in operational efficiencies and benefits derived from cost reduction initiatives undertaken by the Company.

4. Management Discussion and Analysis Report

Management Discussion and Analysis Report (MD&A) for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is presented in a separate section forming part of this Annual Report.

5. Corporate Governance Report

Corporate Governance Report as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is presented in a separate section forming part of this Annual Report.

A certificate from Statutory Auditors of the Company, M/s P.G. Bhagwat, Chartered Accountants, confirming compliance with conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is attached to Corporate Governance Report.

**6. Fixed Deposits :**

During the year 2013-14, the Company transferred, five deposits aggregating to ₹ 88,000/- to Investor Education and Protection Fund (IEPF) as per requirement of law. As a result, as on 31st March, 2014, no deposits were outstanding with the Company. Presently, the Company does not accept / renew the deposits.

7. Directors :

Mr.B.N. Kalyani and Mr.C.G. Patankar Directors of the Company are retiring by rotation at the ensuing Annual General Meeting and being eligible, they offer themselves for re-appointment.

In view of Section 149 and other applicable provisions of the Companies Act, 2013, it is proposed to appoint Mr.Arun Pawar, Mr.B.B. Hattarki, Mr.M.U. Takale, Mr.S.M. Kheny and Mr.S.S. Vaidya, as an Independent Directors of the Company for the period of five years with effect from 5th September, 2014 to 4th September, 2019. All the Directors being eligible, offered themselves for appointment. In the opinion of the Board, all the Directors fulfill the conditions specified in the Companies Act, 2013 and rules made thereunder, for their appointment as an Independent Director of the Company.

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

8. Directors' Responsibility Statement :

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

- i) in the preparation of the financial statements for the year ended 31st March, 2014, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2014 and of the profit of the Company for the year under review;
- iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the Directors had prepared the financial statements for the year ended 31st March, 2014, on a 'going concern' basis.

9. Auditors and Auditors' Report :

M/s P.G. Bhagwat, Chartered Accountants, Pune, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received letter from M/s P.G. Bhagwat, Chartered Accountants, to the effect that their re-appointment, if made, would be within the prescribed limits under Section 141(3)(g) of the Companies Act, 2013 and that they are not disqualified for re-appointment.

The observations and comments given by the Auditors in their Report read together with notes to accounts are self-explanatory and hence do not call for any further comments.

10. Cost Auditors :

M/s S.R. Bhargave & Co., Cost Accountants, Pune, Cost Auditors of the Company have been re-appointed as the Company's Cost Auditors for the Financial Year 2014-15.

11. Particulars of Employees :

As required under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, in terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts is being sent to all Shareholders of the Company excluding the aforesaid Annexure. Any Shareholder interested in obtaining a copy of said Annexure may write to the Company Secretary at the Registered Office of the Company.

12. Conservation of energy, technology absorption and foreign exchange earnings & outgo :

The information required under the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 and forming part of the Report is annexed hereto.

13. Quality and Safety :

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

14. Transfer of amounts to Investor Education and Protection Fund :

Pursuant to provisions of Section 205A(5) of the Companies Act, 1956, the dividend which remained unclaimed for a period of seven years has been transferred to the Investor Education and Protection Fund.

15. Acknowledgement :

The Directors would like to express their sincere appreciation of the co-operation received from the Central Government, Government of Maharashtra, Government of Karnataka, Karnataka Industrial Area Development Board, Financial Institutions and the Bankers. The Directors also wish to place on record its appreciation for the commitment displayed by all employees at all levels, resulting in the successful performance of the Company during the year.

The Directors also take this opportunity to express its deep gratitude for the continued co-operation and support received from its valued shareholders.

The Directors express their special thanks to Mr.B.N. Kalyani, Chairman of the Company, for his untiring efforts for the progress of the Company.

for and on behalf of the Board of Directors

Place : Pune
Date : 29th May, 2014

B.N. Kalyani
Chairman



INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2014

I. CONSERVATION OF ENERGY :

a) Energy Conservation measures taken :

- Sinter Plant - II & Hot Blast Stoves for MBF - I commissioned, resulting in reduction of coke consumption
- Commissioning of regenerative burner type reheating furnace in Rolling Mill - I, resulting in zero furnace oil consumption
- Regenerative burner type ladle preheating station commissioned in SMS, resulting in reduction of furnace oil consumption
- Utilisation of waste heat from Sinter Plant - II stack for MBF - I coke heating, resulting on reduction of moisture content and coke consumption
- Utilisation of waste heat from MBF - I stove stack for iron ore heating, resulting in reduction of moisture content and coke consumption
- Introduction of DOC (Dilute Oxygen Combustion) for reheating furnace in Rolling Mill - II, resulting in reduction of furnace oil consumption

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :

- Installation & commissioning of MV (VVIF) drives for Sinter Plant exhaust fan to reduce power consumption
- Installation & commissioning of steam accumulator for VD system to replace furnace oil by steam (from power plant) for existing 14 TPH boiler
- Installation and commissioning of regenerative burners type RHF in RMS - II using MBF gas to bring consumption of furnace oil close to zero

c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :

- Reduction in power consumption
- Reduction in coke consumption
- Reduction in furnace oil consumption

d) Total energy consumption and energy consumption per unit of production as per Form - A of the Annexure to the Rules in respect of Industries specified in the Schedule thereto :

	2013-14	2012-13
A) Power & Fuel Consumption :		
1. Electricity :		
a) Purchased		
Unit (Kwh in thousands)	126,104	61,950
Total Amount (₹ in Million)	771.877	446.128
Rate / Unit (₹ / Kwh)	6.12	6.22
b) Own generation		
I) Through Diesel Generator		
Unit (Kwh in thousands)	16.650	6.857
Units per Ltr. of HSD (Kwh / Ltrs)	2.002	1.201
Cost / Unit (₹ / Kwh)	30.95	33.73
II) Through Steam Turbine / Generator Unit		
Unit (Kwh in thousands)	—	11,315
Units per NM ³ (Blast Furnace Gas) (Kwh / NM ³)	—	0.136
Cost / Unit (₹/ Kwh)	—	3.82

2. Coke :		
Quantity (Tons)	128,995	95,074
Total Cost (₹ in Million)	2,360	1,920
Average Rate (₹ / MT)	18,303	20,200
3. PCI Coal :		
Quantity (Tons)	9,417	—
Total Cost (₹ in Million)	116.476	—
Average Rate (₹ / MT)	12,368	—
4. Furnace Oil :		
Quantity (K. Ltrs.)	603	3,528
Total Amount (₹ in Million)	25.328	153.345
Average Rate (₹ / Ltrs.)	42.30	43.45
5. HSD :		
Quantity (K. Ltrs.)	26.588	23.720
Total Amount (₹ in Million)	1.547	0.961
Average Rate (₹ / Ltrs.)	58.17	40.50
6. Others :		
LDO		
Quantity (K. Ltrs.)	1.290	10.110
Total Cost (₹ in Million)	0.078	0.612
Rate (₹ / K. Ltrs.)	60.52	60.52
B) Consumption per unit of production :		
	2013-14	2012-13
Hot Metal		
Electricity (KWH)	206.646*	175.828*
HSD (Ltrs.)	0.052	0.071
Coke (MT)	0.572	0.666
PCI Coal (MT)	0.042	—
LDO (Ltrs)	0.003	0.030
Steel Making		
Electricity (KWH)	69.17	69.93
Furnace Oil (Ltrs)	2.14	17.25

* includes energy consumption for Sinter Plant

**II TECHNOLOGY ABSORPTION :**

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

1. Research & Development (R & D) :

a) Specific area in which R & D carried out by the Company :

- Development of bearing steel with low oxygen
- Development of import substitution of chrome-moly steel grades for specified applications
- Development of clean steel
- Development of creep resistant steel for boiler application, which is import substitution
- Development of micro alloyed steel for crankshafts / connecting rods for new generation cars
- Development of steel for C V Joint

b) Benefits derived as a result of the above R & D :

- Able to increase value additions while also ensuring a wider customer base

c) Future plan of action :

- Energy Conservation measures and use of alternative cheaper raw materials
- Production of cost competitive specialty steels (Import substitute grades)
- Benchmarking of our steel quality with respect to leading Japanese Alloy Steel manufacturers
- Procurement of slag raking system and slag detector
- Auto inspection line (Auto UST and Magnaflux)

d) Expenditure on R & D :

	2013-14	2012-13
	₹	₹
(i) Capital	—	—
(ii) Recurring	—	—
(iii) Total	—	—
(iv) Total R&D expenditure as a percentage of total turnover	—	—

2. Technology absorption, adaption and innovation :

a) Efforts in brief, made towards technology absorption, adaptation and innovation :

- Installation and commissioning of Sinter Plant to reduce coke consumption and to use iron ore fines
- Installation and commissioning of Hot Blast Stoves to achieve higher hot blast temperature thereby reducing coke consumption
- Commissioning of Dilute Oxygen Combustion (DOC) system at Rolling Mill reheating furnace to reduce furnace oil consumption
- Installation of reheating furnace with regenerative burner is under progress at Rolling Mill - II
- Commissioning of regenerative type burner in ladle preheater is done to achieve zero furnace oil consumption
- Installation of Steam accumulator is under progress in SMS to achieve zero furnace oil consumption

b) Benefits derived as a result of the above efforts, for cost reduction, product development, import substitution etc. :

- Reduction in energy consumption
- Reduction in coke consumption
- Effective utilisation of blast furnace gas as alternative fuel
- Use of cheaper raw materials leading to cost reduction
- Wider customer base and higher realisation

- c) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year)
- Annular Sinter Technology
 - Hot Blast Stove Technology
 - PCI Technology
 - Reheating furnace with regenerative burner Technology

III. FOREIGN EXCHANGE EARNINGS & OUTGO :

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

Concerted efforts are underway to develop export market.

- b) Total foreign exchange used and earned : (₹ in Million)
- | | |
|--------------------|--------------------|
| Used : ₹ 2,725.029 | Earned : ₹ 242.560 |
|--------------------|--------------------|

for and on behalf of the Board of Directors

Place : Pune
Date : 29th May, 2014

B.N. Kalyani
Chairman

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
KALYANI STEELS LIMITED****Report on the Financial Statements**

We have audited the accompanying financial statements of Kalyani Steels Limited, which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements 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 March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, 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.

Report on Other Legal and Regulatory Requirements

1. 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 Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that :
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

- c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- e. on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under Section 441A of the Companies Act, 1956 nor has it issued any Rules under the said Section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For M/s. P. G. Bhagwat
Chartered Accountants
Firm Registration No.101118W

Sanjay Athavale
Partner
Membership No.83374

Pune
29th May, 2014

**ANNEXURE TO THE AUDITOR'S REPORT :**

(Referred to in our above report of even date)

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
(b) As explained to us, considering the nature of the Fixed Assets, the same have been physically verified by the management at reasonable intervals during the earlier year as per the verification plan adopted by the Company, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us and the records produced to us for our verification, the discrepancies noticed during such physical verification were not material and the same have been properly dealt with in the books of account in that year.
(c) During the year, the Company has not disposed off major part of the Fixed Assets.
2. (a) The inventory has been physically verified during the year by the management, which, is in our opinion, at reasonable intervals.
(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. No material discrepancies were noticed on verification between the physical stock and the book records.
3. (a) The Company has not granted any loans to companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year.
(b) The Company has not taken any loans from companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.
5. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, there have been no contracts or arrangements referred to in Section 301 of the Act that need to be entered in the register required to be maintained under that Section.
(b) In view of the above, we have no comments to make under this clause.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the provisions of Sections 58A and 58AA of the Companies Act, 1956, and the rules framed there under.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. The Company is maintaining cost records as prescribed under Section 209(1)(d) of the Companies Act, 1956. However, we have not verified the same for completeness or accuracy.
9. (a) According to the records of the Company, the Company is regular in depositing undisputed statutory dues with the appropriate authorities. There were no amounts payable in respect of the statutory dues outstanding, as at the Balance Sheet date for a period of more than six months from the date they became payable.

According to the information and explanations given to us, no undisputed amounts payable in respect of Sale Tax, Income Tax, Customs Tax / Wealth Tax, Excise Duty / Cess and Service Tax were outstanding, as at the balance sheet date for a period of more than six months from the date they became payable.

- (b) According to the records of the Company, there are no dues of Sales Tax, Income Tax, Customs Duty / Wealth Tax, Excise Duty / Cess and Service Tax which have not been deposited on account of any dispute, except :

Name of the Statute	Nature of dues	Amount (₹)	Period to which amount relates	Forum
Service Tax	Demand received for various cases	1,182,269	2005-06	Tribunal
Central Excise	Demand received for Cenvat Availment	155,434	2013-14	Tribunal

10. The Company has no accumulated losses as on the Balance Sheet date. The Company has not incurred cash losses during the financial year covered by our audit nor during the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit funds are not applicable to the Company.
14. The Company is not dealing or trading in shares, securities, debentures and other investments.
15. As informed to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. As informed to us, the term loans raised during the year have been used for the purpose they were raised.
17. The funds raised on short term basis have not been used for long term investment.
18. The Company has not made preferential allotment of shares during the year.
19. No money has been raised by debenture issues during the year.
20. No money has been raised by public issues during the year.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For M/s. P. G. BHAGWAT
Chartered Accountants
Firm Registration No.101118W

Sanjay Athavale
Partner
Membership No.83374

Pune
29th May, 2014



KALYANI

41st Annual Report 2013-2014

BALANCE SHEET AS AT 31ST MARCH, 2014

	Notes	₹	₹	As at 31st March, 2013 ₹
I. EQUITY AND LIABILITIES :				
1. Shareholders' Funds :				
a) Share Capital	2	218,644,367		218,644,367
b) Reserves and Surplus	3	3,759,987,745		3,327,334,855
			3,978,632,112	3,545,979,222
2. Non Current Liabilities :				
a) Long Term Borrowings	4	1,266,804,045		1,251,572,566
b) Deferred Tax Liabilities (Net)	5	436,152,625		382,751,345
c) Other Long Term Liabilities	6	918,695,733		795,015,963
d) Long Term Provisions	10	2,383,162		5,793,681
			2,624,035,565	2,435,133,555
3. Current Liabilities :				
a) Short Term Borrowings	7	584,078,106		266,224,370
b) Trade Payables	8	2,445,820,553		1,513,389,978
c) Other Current Liabilities	9	550,903,721		516,779,160
d) Short Term Provisions	10	161,648,561		82,800,027
			3,742,450,941	2,379,193,535
	TOTAL		10,345,118,618	8,360,306,312
II. ASSETS :				
1. Non Current Assets :				
a) Fixed Assets :				
i) Tangible Assets	11	3,390,489,905		3,371,435,138
ii) Capital work-in-progress		81,848,128		129,098,654
iii) Intangible Asset under development		18,825,072		14,243,083
		3,491,163,105		3,514,776,875
b) Non Current Investments	12	311,559,970		487,299,970
c) Long Term Loans and Advances	13	921,039,416		575,900,995
			4,723,762,491	4,577,977,840
2. Current Assets :				
a) Inventories	14	1,709,305,899		1,282,632,536
b) Trade Receivables	15	3,316,250,064		1,794,717,663
c) Cash & Bank Balances	16	167,961,960		89,578,705
d) Short Term Loans and Advances	13	363,923,911		522,067,183
e) Other Current Assets	17	63,914,293		93,332,385
			5,621,356,127	3,782,328,472
	TOTAL		10,345,118,618	8,360,306,312
Summary of Significant Accounting Policies followed by the Company	1			

As per our attached Report of even date

For M/s. P. G. BHAGWAT
Firm Registration No.101118W
Chartered Accountants

On behalf of the Board of Directors

Sanjay Athavale
Partner
Membership No.83374

Mrs.D.R. Puranik
Company
Secretary

R.K. Goyal
Managing
Director

B.N. Kalyani
Chairman

Pune
Date : 29th May, 2014

Pune
Date : 29th May, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2014

	Notes	₹	₹	Previous Year ₹
INCOME :				
Sales, gross		13,959,037,184		10,114,257,209
Less : Excise duty		2,825,172,534		2,108,450,262
Sales, net		<u>11,133,864,650</u>		8,005,806,947
Other Operating Revenue		8,016,686		66,874,129
Sale of Services		<u>18,000,000</u>		18,000,000
Revenue from Operations (net)	18	11,159,881,336	8,090,681,076	
Other Income	19	<u>117,921,968</u>	71,544,900	
Total Revenue		<u>11,277,803,304</u>	8,162,225,976	
EXPENSES :				
Cost of raw material consumed	20	5,884,140,846		4,312,677,609
Purchases of traded goods	21	83,920,607		104,828,350
(Increase) / decrease in inventories of Finished Goods and Work-in-Progress	22	(382,001,225)		148,472,346
Employees benefits expense	23	580,000,847		378,168,226
Finance costs	24	170,022,665		224,843,538
Depreciation & amortisation expenses	25	339,563,472		235,627,937
Other expenses	26	<u>3,707,564,635</u>		2,380,286,482
		<u>10,383,211,847</u>	7,784,904,488	
Profit before Exceptional Items and Tax		<u>894,591,457</u>	377,321,488	
Exceptional Items		—	—	
Profit before Tax		<u>894,591,457</u>	377,321,488	
Tax expenses :				
Current Tax		256,000,000		77,500,000
Deferred Tax		53,401,280		61,226,626
Add / (Less) : Excess provision for Taxation in earlier years		<u>(678,406)</u>		(83,391)
Profit after Tax		<u>308,722,874</u>	138,643,235	
Earnings per Share : Basic and diluted	27		13.42	5.47
(Face Value of ₹ 5/-)				
Summary of Significant Accounting Policies followed by the Company	1			

As per our attached Report of even date

For M/s. P. G. BHAGWAT
Firm Registration No.101118W
Chartered Accountants

On behalf of the Board of Directors

Sanjay Athavale
Partner
Membership No.83374

Mrs.D.R. Puranik
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R.K. Goyal
Managing
Director

B.N. Kalyani
Chairman

Pune
Date : 29th May, 2014

Pune
Date : 29th May, 2014

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2014**

	Year ended		Year ended	
	31st	31st	31st	31st
	March,	March,	March,	March,
	₹	₹	₹	₹
A. Cash Flow from Operating Activities :				
Profit for the Year Before Taxation		894,591,457		377,321,488
Add : Adjustment for Depreciation / Interest / Other Non Cash Expenses :				
Depreciation (including Leasehold Land Amortised)	339,563,472		235,627,937	
Bad Debts, Advances & Sundry Debit Balances written off	593,091		4,915,781	
Interest Charged (Net of Capitalised)	170,022,665		224,843,538	
Loss on Sale of Assets (Net)	14,318		—	
		<u>510,193,546</u>		<u>465,387,256</u>
Less : Adjustments for Dividend / Interest / Other Income :				
Dividend	(11,738,453)		(2,060,720)	
Profit on Sale of Assets	(95,084)		(8,571)	
Interest from Deposits and Loans	(38,630,145)		(35,968,784)	
Provision no longer Required	(10,634,029)		—	
Sundry Credit Balances appropriated	(1,274,624)		(6,782,594)	
		<u>(62,372,335)</u>		<u>(44,820,669)</u>
Operating Profit Before Working Capital Changes		<u>1,342,412,668</u>		<u>797,888,075</u>
Changes in Working Capital :				
Inventories	(426,673,363)		(105,583,785)	
Sundry Debtors	(1,522,125,491)		(115,200,861)	
Other Current Assets, Loans & Advances	208,832,398		88,081,419	
Trade Payables	1,067,088,125		720,629,184	
		<u>(672,878,331)</u>		<u>587,925,957</u>
Cash Generated from Operations		<u>669,534,337</u>		<u>1,385,814,032</u>
Direct Taxes Paid		(276,592,629)		(64,640,683)
Net Cash generated from Operating Activities (A)		<u><u>392,941,708</u></u>		<u><u>1,321,173,349</u></u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2014 (Continued)

	Year ended 31st March, 2014 ₹	Year ended 31st March, 2013 ₹
B. Cash Flow from Investment Activities :		
Purchase of Assets	(365,610,388)	(1,700,708,714)
Capital Work in Progress	42,668,537	452,480,587
Sale of Assets	7,072,915	8,571
Advance for Capital Goods for Projects	(328,337,891)	94,939,768
Loans to Companies	(16,800,530)	47,498,416
(Purchase) / Sale of Investments including Advance for Purchase of Shares	175,740,000	200,000,000
Dividend Received	11,738,453	2,060,720
Interest Received	38,630,145	35,968,784
Net Cash used in Investment Activities (B)	(434,898,759)	(867,751,868)
C. Cash Flow from Financing Activities :		
Proceeds from Borrowings	361,656,071	(273,654,918)
Interest Paid	(164,498,280)	(229,525,305)
Dividend Paid	(76,817,485)	(50,737,445)
Net Cash Flow from Financing Activities (C)	120,340,306	(553,917,668)
Net Changes in Cash & Cash Equivalents (A + B + C)	78,383,255	(100,496,187)
Cash & Cash Equivalents at the beginning of the year as on 31st March, 2013	89,578,705	190,074,892
Cash & Cash Equivalents at the end as on 31st March, 2014	167,961,960	89,578,705

As per our attached Report of even date

For M/s. P. G. BHAGWAT
Firm Registration No.101118W
Chartered Accountants

On behalf of the Board of Directors

Sanjay Athavale
Partner
Membership No.83374

Mrs.D.R. Puranik
Company
Secretary

R.K. Goyal
Managing
Director

B.N. Kalyani
Chairman

Pune
Date : 29th May, 2014

Pune
Date : 29th May, 2014

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 :****NOTE '1' : SIGNIFICANT ACCOUNTING POLICIES FOLLOWED BY THE COMPANY :****Basis of preparation**

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. These financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the other relevant provisions of the Companies Act, 1956.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current - non current classification of assets and liabilities.

1] SYSTEM OF ACCOUNTING :

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

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

- a) Fixed Assets are stated at their original cost of acquisition including incidental expenses related to acquisition and installation of the concerned assets. The fixed assets manufactured by the Company are stated at manufacturing cost. Fixed Assets are shown net of accumulated depreciation (except free hold land) and amortisation.
- b) Expenditure on New Projects and Expenditure during Construction etc. :
In case of new projects and in case of substantial modernisation or expansion at the existing units of the Company, expenditure incurred including interest on borrowings and financial costs of specific loans, prior to commencement of commercial production is capitalised to the cost of assets. Trial Run expenditure is also capitalised.
- c) As per insertion of Paragraph 46(A) to 'Accounting Standard (AS) 11' relating to 'The Effects of Changes in Foreign Exchange Rates', exchange differences relating to the acquisition of a depreciable Fixed Assets, are added to or deducted from the cost of the Fixed Assets and shall be depreciated over the balance life of the assets instead of recognising the same as income or expenditure in the Statement of Profit and Loss.

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

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

b) OTHER FIXED ASSETS :

Depreciation on Buildings, Plant & Machinery, Electrical Installations, Office Equipment, Furniture & Fittings, Computers and Vehicles is being provided on "Straight Line Method" basis in accordance with the Schedule XIV of the Companies Act, 1956.

- c) Depreciation on sale / deduction from Fixed Assets is provided for upto the month of sale, deduction, discardment as the case may be.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (continued) :**3] FOREIGN CURRENCY TRANSACTIONS :**

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

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

4] TECHNICAL KNOW-HOW :

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

5] INVESTMENTS :

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

6] INVENTORY VALUATION :

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

A. Finished goods and materials in process :

- a) Finished goods and materials in process are stated at their cost or market / realisable value, whichever is lower.
- b) Cost of finished goods (including trial run product) includes all allocable overheads and excise duties but excludes interest.

B. Raw Materials :

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

C. Stores & Spares :

Stores and spares are valued at their weighted average prices.

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

Debenture issue expenses incurred in respect of debentures raised by the Company will be written off against the balance in the "Securities Premium Account" in accordance with Section 78 of the Companies Act, 1956 and in the event of inadequacy of balance in "Securities Premium Account" the same will be written off against the profits of the Company in equal annual installments over period of ten years or over the tenure of the Debenture whichever is less, from the date of commencement of commercial production of the concerned project for which they have been raised.

b) Share Issue Expenses :

Share Issue Expenses incurred in respect of shares raised by the Company will be written off from the date of allotment against the balance in the "Securities Premium Account" in accordance with Section 78 of the Companies Act, 1956, and in the event of inadequacy of balance in "Securities Premium Account" the same will be written off in ten equal annual installments against the profits of the respective years.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (continued) :****8] PREMIUM ON REDEMPTION OF DEBENTURES :**

From the year ended 31st March, 1992 onwards, premium payable on redemption of debentures will be provided for against balance lying in the "Securities Premium Account" on the date of redemption in accordance with Section 78 of the Companies Act, 1956. In the event of inadequacy of balance in the "Securities Premium Account", the same will be provided for against the profits equally over the tenure of the debentures.

9] A. SALES :

- i) Domestic sales are accounted for when dispatched from the point of sale, consequent to property in goods being transferred.
- ii) Export sales are accounted on the basis of date of Bill of Lading.

B. EXPORT INCENTIVES :

Export incentives are accounted for on export of goods if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.

C. Interest is accrued over the period of loan / investment.

D. Dividend is accrued in the year in which it is declared, whereby right to receive is established.

E. Profit / Loss on sale of investment are recognised on contract date.

10] EMPLOYEE BENEFITS :**a) Provident Fund :**

Benefits in the form of Provident Fund and Pension Schemes whether in pursuance of law or otherwise which are defined contributions is accounted on accrual basis and charged to Statement of Profit and Loss of the year. Provident Fund Contributions are made to the Company's Provident Fund Trust. Deficits, if any, of the fund as compared to actuarial liability is to be additionally contributed by the Company and hence recognised as a liability.

b) Gratuity :

Payment for present liability of future payment of gratuity is being made to approved gratuity funds which fully covers the same under Cash Accumulation Policy of the Life Insurance Corporation of India. The employee's gratuity is a defined benefit plan is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance Sheet and the shortfall in the fair value of the plan assets is recognised as obligation.

c) Superannuation :

Defined contributions to Life Insurance Corporation of India for employees covered under superannuation scheme are accounted at the rate of 15% of such employee's annual Salary.

d) Privilege Leave Benefits :

Privilege leave benefits or compensated absences are considered as long term unfunded benefit and is recognised on the basis of an actuarial valuation using the Projected Unit Credit Method determined by an appointed Actuary.

e) Termination Benefits :

Termination benefits such as compensation under voluntary retirement scheme are recognised as a liability in the year of termination.

11] RESEARCH AND DEVELOPMENT EXPENDITURE :

Research and Development expenditure is charged to revenue under the natural heads of account in the year in which it is incurred. However, expenditure incurred at development phase, where it is reasonably certain that outcome of research will be commercially exploited to yield economic benefits to the Company, is considered as an intangible asset.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (continued) :
12] STRATEGIC ALLIANCE AT GINIGERA :

The expenses incurred by the Joint Venture Company viz. Hospet Steels Limited, formed with the specific purpose of managing and operating the composite Steel manufacturing facility at Ginigera, in the course of carrying out its objectives are, as agreed upon, to be shared by the alliance components in the pre-determined mutually agreed 'sharing ratio'. Such expenses billed for reimbursement by Hospet Steels Limited have been booked into their natural heads of accounts and presented as such in the accounts.

13] BORROWING COST :

Borrowing costs are recognised in the Statement of Profit and Loss except interest incurred on borrowings, specifically raised for projects are capitalised to the cost of the asset until such time that the asset is ready to be put to use for its intended purpose.

14] TAXATION :

Provision for Taxation is made on the basis of the taxable profits computed for the current accounting period in accordance with the Income Tax Act, 1961. Deferred tax resulting from timing difference between book profits and tax profits is accounted for at the applicable rate of tax to the extent the timing differences are expected to crystallise, in case of deferred tax liabilities with reasonable certainty and in case of deferred tax assets with virtual certainty that there would be adequate future taxable income against which deferred tax assets can be realised.

15] IMPAIRMENT OF ASSETS :

The Company tests for impairments at the close of the accounting period if and only if there are indicators that suggest a possible reduction in the recoverable value of an asset. If the recoverable value of Asset, i.e. the net realisable value or the economic value in use of a cash generating unit is lower than the carrying amount of the asset, the difference is provided for as impairment. However, if subsequently the position reverses and the recoverable amount becomes higher than the then carrying value, the provision to the extent of the then difference is reversed, but not higher than the amount provided for.

16] PROVISIONS :

Necessary provisions are made for present obligations that arise out of past events prior to the Balance Sheet date entailing future outflow of economic resources. Such provisions reflect best estimates based on available information.

NOTE '2' : SHARE CAPITAL :

	As at 31st March, 2014		As at 31st March, 2013	
	No. of Shares	₹	No. of Shares	₹
AUTHORISED :				
Equity Shares of ₹ 5/- each	95,000,000	475,000,000	95,000,000	475,000,000
Cumulative Redeemable Preference Shares of ₹ 100/- each	3,010,000	301,000,000	3,010,000	301,000,000
Unclassified Shares of ₹ 10/- each	2,400,000	24,000,000	2,400,000	24,000,000
ISSUED :				
Equity Shares of ₹ 5/- each	43,759,380	218,796,900	43,759,380	218,796,900
SUBSCRIBED & PAID UP :				
Equity Shares of ₹ 5/- each fully paid	43,653,060	218,265,300	43,653,060	218,265,300
Add : Forfeited Equity Shares (amount paid up)	106,320	379,067	106,320	379,067
TOTAL	43,759,380	218,644,367	43,759,380	218,644,367

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (continued) :**

2 (a) Terms / Rights attached to Shares :

Equity Shares :

The Company has only one class of Equity Shares having at par value of ₹ 5/- per share. Equity Shares are pari-passu in all respects and each shareholder is eligible for one vote per share held. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders at the ensuing Annual General Meeting.

In the event of liquidation of the Company, the equity shareholders are eligible to receive the remaining assets of the Company, after distribution of all preferential amounts, in proportion of their shareholding.

2 (b) Details of shareholders holding more than 5% Shares in the Company :

Equity Shares :

Particulars	As at 31st March, 2014		As at 31st March, 2013	
	No. of Shares	% holding in the class	No. of Shares	% holding in the class
Equity Shares of ₹ 5/- each fully paid				
Ajinkya Investment & Trading Company	3,261,822	7.47	3,261,822	7.47
Sundaram Trading & Investment Private Limited	5,691,198	13.04	5,691,198	13.04
BF Investment Limited	17,052,421	39.06	17,052,421	39.06

NOTE '3' : RESERVES AND SURPLUS :

	As at 31st March, 2014		As at 31st March, 2013	
	₹	₹	₹	₹
Debenture Redemption Reserve				
As per last Account	46,000,000		191,700,000	
Less : Transferred to Statement of Profit and Loss	46,000,000		46,000,000	
				—
General Reserve				
As per last Account	359,265,300		335,265,300	
Add : Transferred from Statement of Profit and Loss	60,000,000		24,000,000	
		419,265,300		359,265,300
Surplus in the Statement of Profit and Loss				
As per last Account	2,922,069,555		2,638,299,148	
Add : Net Profit for the year	585,868,583		238,678,253	
Amount available for Appropriation	3,507,938,138		2,876,977,401	
Add : Transferred from Debenture Redemption Reserve	46,000,000		145,700,000	
	3,553,938,138		3,022,677,401	
Less : Appropriations				
Transferred to General Reserve	60,000,000		24,000,000	
Proposed Equity Dividend (amount per share ₹ 3/- (31st March, 2013 : ₹ 1.50/-))	130,959,180		65,479,590	
Tax on Proposed Equity Dividend	22,256,513		11,128,256	
Total Appropriations	213,215,693		100,607,846	
Surplus - Closing Balance		3,340,722,445		2,922,069,555
	TOTAL	3,759,987,745		3,327,334,855

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (continued) :

NOTE '4' : LONG-TERM BORROWINGS :

	Non-Current maturities		Current maturities	
	As at 31st March, 2014	As At 31st March, 2013	As at 31st March, 2014	As At 31st March, 2013
	₹	₹	₹	₹
SECURED :				
(i) Debentures (See Note '4 (a)') :				
550 (31st March, 2013 : 550) 12.50% Non-Convertible Redeemable Debentures (Seventeenth Series) of ₹ 1,000,000/- each	—	—	—	183,333,283
TOTAL	<u>—</u>	<u>—</u>	<u>—</u>	<u>183,333,283</u>
(ii) Foreign Currency Term Loans (See Note '4(b)') :				
Bank of Baroda	<u>1,266,804,045</u>	<u>1,251,572,566</u>	<u>211,992,140</u>	—
TOTAL	<u>1,266,804,045</u>	<u>1,251,572,566</u>	<u>211,992,140</u>	<u>—</u>
TOTAL	<u>1,266,804,045</u>	<u>1,251,572,566</u>	<u>211,992,140</u>	<u>183,333,283</u>
Less : Shown under 'Other Current Liabilities' (See Note '9')	—	—	(211,992,140)	(183,333,283)
TOTAL	<u>1,266,804,045</u>	<u>1,251,572,566</u>	<u>—</u>	<u>—</u>

4 (a) Debentures :

The Company has issued the following Secured Non-Convertible Redeemable Debentures :

550 - 12.50% Secured Non-Convertible Redeemable Debentures (NCDs) (Seventeenth Series) of ₹ 1,000,000/- each, aggregating ₹ 550,000,000/- (Rupees Five Hundred Fifty Million only) were issued on private placement basis, held by Life Insurance Corporation of India. In terms of the Debenture Trust Hypothecation Deed dated 8th April, 2009, NCDs were to be redeemed in three annual installments commencing from the end of third year from the date of allotment i.e. redeemable on 16th January, 2012 ₹ 333,333/- per debenture, on 16th January, 2013, ₹ 333,333/- per debenture and on 16th January, 2014, ₹ 333,334/- per debenture. All the installments were paid by the Company on their respective due dates as aforesaid and satisfaction of charge has been filed with Government of India, Ministry of Corporate Affairs, Maharashtra , Pune.

(b) Foreign Currency Term Loans :

From Bank of Baroda, London

(i) External Commercial Borrowing (ECB) Term Loan balance outstanding USD 13,721,000/-. Repayable in 20 quarterly instalments commencing from 30th June, 2014, carrying interest at 6 month USD LIBOR plus 400 bps p.a. payable quarterly.

(ii) External Commercial Borrowing (ECB) Term Loan balance outstanding USD 10,781,650/- comprising of :

a) Facility A of USD 4,681,650/- repayable in six half yearly installments starting from 24th month of initial drawdown i.e. repayable commencing from 22nd December, 2014 and;

b) Facility B of USD 6,100,000/- repayable in four half yearly installments starting from 27th month of initial drawdown i.e. repayable commencing from 22nd March, 2015.

Both Facility A and Facility B carrying interest at 6 month USD LIBOR plus 315 bps p.a. payable six monthly.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (continued) :**

Above Foreign Currency Term Loans are secured by mortgage of Company's immovable properties consisting of land together with all buildings and structures thereon and all plant and machinery, attached to the earth or permanently fastened to anything attached to the earth, both present and future and hypothecation of whole of the movable fixed assets / properties of the Company, including its movable plant and machinery, machinery spares, tools and accessories and other movable fixed assets, both present and future, ranking pari passu with charges created and / or to be created in favour of the Trustees for Debenture holders and Banks / Financial Institutions for their Term / Foreign Currency Loans. The Foreign Currency Term Loans are also secured by Second Pari-passu charge on the Current Assets of the Company consisting of stock of raw materials, stocks in process, semi-finished and finished goods, bills receivables and book debts.

NOTE '5' : DEFERRED TAX LIABILITIES (NET) :

	As at 31st March, 2014	As at 31st March, 2013
	₹	₹
DEFERRED TAX LIABILITIES :		
On account of Timing Difference in :		
a Depreciation and amortisation	440,057,107	386,825,340
DEFERRED TAX ASSETS :		
On account of Timing Difference in :		
b Disallowance u/s 43B of the Income Tax Act	3,904,482	4,073,995
TOTAL	<u>436,152,625</u>	<u>382,751,345</u>

NOTE '6' : OTHER LONG TERM LIABILITIES :

Trade Payables	92,834,497	94,154,727
Part amount received under an arrangement against sale of project promoted by the Company	55,861,236	55,861,236
Trade Advance from Related Party (See Note '36')	770,000,000	645,000,000
TOTAL	<u>918,695,733</u>	<u>795,015,963</u>

NOTE '7' : SHORT TERM BORROWINGS :

Secured :		
Cash Credit from Banks (Secured) (See Note 7(a))	—	—
Unsecured :		
Foreign Currency Term Loans from Banks, under a buyer's line of credit for Import of Goods	577,374,262	171,695,886
Sales Bill Discounting	6,659,755	94,484,395
Deposits	44,089	44,089
TOTAL	<u>584,078,106</u>	<u>266,224,370</u>

Note : 7 (a)

The Fund based and Non-Fund based Limits, sanctioned to the Company by the bankers, for meeting working capital requirements, are secured by First pari-passu charge on the Current Assets of the Company consisting of stock of raw materials, stocks in process, semi-finished and finished goods, bills receivables and book debts.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (continued) :

	As at 31st March, 2014	As at 31st March, 2013
	₹	₹
NOTE '8' : TRADE PAYABLES :		
Trade Payables (See Note below)	2,422,667,587	1,480,336,459
Acceptances	23,152,966	33,053,519
TOTAL	<u>2,445,820,553</u>	<u>1,513,389,978</u>

Note : The Company has not received any Registration Certificate from any vendor as to whether it is registered under the Micro, Small & Medium Enterprises Development Act, 2006.

NOTE '9' : OTHER CURRENT LIABILITIES :

Provision for expenses	28,946,773	15,825,803
Creditors of Capital Goods	154,836,415	202,937,311
Current Maturities of Long-Term Borrowings (See Note '4')	211,992,140	183,333,283
Interest accrued but not due on borrowings	23,038,736	17,769,056
Interest accrued and due on borrowings	1,197,249	942,544
Unclaimed Dividend	4,125,201	4,334,840
Fixed Deposits matured but unclaimed	—	88,000
Amount payable against purchase of Preference Shares under an arrangement	14,839,953	14,839,953
Advances against order	6,319,504	10,149,829
Employee contributions & recoveries payable	14,043,238	10,859,819
Statutory dues payable including Tax Deducted at Source	91,564,512	55,698,722
TOTAL	<u>550,903,721</u>	<u>516,779,160</u>

NOTE '10' : PROVISIONS :

	Long Term		Short Term	
	As at 31st March, 2014	As at 31st March, 2013	As at 31st March, 2014	As at 31st March, 2013
	₹	₹	₹	₹
Provision for Employee Benefits :				
Provision for Gratuity (See Note '10(a)')	1,766,535	5,122,563	—	—
Provision for Leave Benefits (See Note '10(a)')	—	—	8,432,868	6,192,181
Provision for PF Trust (See Note '10(b)')	616,627	671,118	—	—
	<u>2,383,162</u>	<u>5,793,681</u>	<u>8,432,868</u>	<u>6,192,181</u>
Other Provisions :				
Proposed Equity Dividend	—	—	130,959,180	65,479,590
Provision for Tax on Proposed Equity Dividend	—	—	22,256,513	11,128,256
	<u>—</u>	<u>—</u>	<u>153,215,693</u>	<u>76,607,846</u>
TOTAL	<u>2,383,162</u>	<u>5,793,681</u>	<u>161,648,561</u>	<u>82,800,027</u>

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (continued) :**

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

Note 10 (a) :

A. FUNDED SCHEME :

	Gratuity	
	As at 31st March, 2014	As at 31st March, 2013
	₹	₹
i) Amounts to be recognised in the Balance Sheet :		
a. Present Value of Defined Benefit Obligations Funded	11,307,695	9,752,144
b. Fair Value of Plan Assets	9,541,160	4,629,581
c. Net Liability / (Asset) recognised in the Balance Sheet	1,766,535	5,122,563
ii) Amount to be recognised in the Statement of Profit and Loss :		
a. Current Service Cost	2,587,869	1,672,723
b. Interest on Defined Benefit Obligations	779,485	847,667
c. Expected Return on Plan Assets	(503,698)	(676,205)
d. Net Actuarial Losses / (Gains) recognised in year	(2,029,759)	3,284,553
Total included in "Employees' Emoluments"	833,897	5,128,738
iii) Change in Defined Benefit Obligation and Reconciliation thereof :		
a. Present Value of Defined Benefit Obligation at the beginning of the year	9,752,144	16,135,527
b. Interest Cost	779,485	847,667
c. Current Service Cost	2,587,869	1,672,723
d. Actuarial Losses / (Gains)	(1,794,651)	3,422,184
e. Benefits Paid	(17,152)	(12,325,957)
f. Present value of Defined Benefit Obligation at the close of the year	11,307,695	9,752,144
iv) Change in the Fair Value of Plan Assets and the Reconciliation thereof :		
a. Fair Value of Plan Assets at the beginning of the year	4,629,581	14,216,394
b. Add : Expected return on Plan Assets	503,698	676,205
c. Add / (Less) : Actuarial (Losses) / Gains	235,108	137,631
d. Add : Contributions by employer	4,189,925	1,925,308
e. Benefits paid	(17,152)	(12,325,957)
f. Fair Value of Plan Assets at the close of the year	9,541,160	4,629,581
v) Broad Categories of Plan Assets as a percentage of Total Assets :		
Insurer Managed Funds	100%	100%

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (continued) :

vi) Amount for the Current Period :

Experience History

	As at 31st March, 2014	As at 31st March, 2013	As at 31st March, 2012	As at 31st March, 2011	As at 31st March, 2010
	₹	₹	₹	₹	₹
Present Value of Obligation	11,307,695	9,752,144	16,135,527	12,434,871	10,001,416
Plan Assets	9,541,160	4,629,581	14,216,394	11,154,112	9,350,309
Surplus / (Deficit)	(1,766,535)	(5,122,563)	(1,919,133)	(1,280,759)	(651,107)
Experience adjustments on plan liabilities (loss) / gain	899,432	(1,713,393)	(1,716,213)	(376,351)	1,433,933
Experience adjustments on plan assets (loss) / gain	235,108	137,631	320,775	216,080	149,826

vii) Summary of the Actuarial Assumptions :

	As at 31st March, 2014	As at 31st March, 2013
Discount Rate	9.20%	8.00%
Expected Rate of Return on Assets	7.50%	7.50%
Salary Escalation Rate	10.00%	10.00%

B. UNFUNDED SCHEME :

	Leave Benefits	
	As at 31st March, 2014	As at 31st March, 2013
	₹	₹
(i) Amounts to be recognised in Balance Sheet :		
a. Present Value of Defined Benefit Obligations		
(i) Unfunded	8,432,868	6,192,181
b. Fair Value of Plan Assets	—	2,657,210
c. Net Liability / (Asset) recognised in the Balance Sheet	8,432,868	6,192,181
(ii) Amount to be recognised in the Statement of Profit and Loss :		
a. Current Service Cost	1,979,163	1,501,992
b. Interest on Defined Benefit Obligations	459,662	602,313
c. Expected Return on Plan Assets	—	(189,597)
d. Net Actuarial Losses / (Gains) recognised in year	694,670	(47,498)
Total included in Employees Emoluments	3,133,495	1,867,210

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (continued) :**

	Leave Benefits	
	As at 31st March, 2014	As at 31st March, 2013
	₹	₹
(iii) Change in Defined Benefit Obligation and Reconciliation thereof :		
a. Present value of Defined Benefit Obligation at the beginning of the year	6,192,181	9,976,356
b. Interest Cost	459,662	602,313
c. Current Service cost	1,979,163	1,501,992
d. Actuarial Losses / (Gains)	694,670	(107,843)
e. Benefits Paid	(892,808)	(5,780,637)
f. Present value of Defined Benefit Obligation at the close of the year	8,432,868	6,192,181
(iv) Change in the Fair Value of Plan Assets and the Reconciliation thereof :		
a. Fair value of Plan Assets at the beginning of the year	2,657,210	2,527,958
b. Add : Expected return on Plan Assets	—	189,597
c. Add / (Less) : Actuarial Losses / (Gain)	(694,670)	(60,345)
d. Add : Contributions	(1,962,540)	—
e. Less : Benefits paid	—	—
f. Fair value of Plan Assets at the close of the year	—	2,657,210
(v) Broad Categories of Plan Assets as a percentage of Total Assets :		
Insurer Managed Funds	100%	100%
(vi) Summary of the Actuarial Assumptions		
	As at 31st March, 2014	As at 31st March, 2013
Discount Rate	9.20%	8.00%
Expected Rate of Return on Assets	7.50%	7.50%
Salary Escalation Rate	10.00%	10.00%

Note 10 (b) :

PROVIDENT FUND :

In case of certain employees, the Provident Fund Contribution is made to Kalyani Steels Limited Provident Fund Trust. In terms of the guidance note issued by the Institute of Actuaries of India, the actuary has provided a valuation of Provident Fund liability based on the assumptions listed below and determined that there is shortfall as at 31st March, 2014. The assumptions used in determining the present value of obligation of the interest rate guarantee under deterministic approach are :

	As at 31st March, 2014	As at 31st March, 2013
i) Remaining term of maturity	9.10 Years	8.20 Years
ii) Expected guaranteed interest rate	8.75%	8.50%
iii) Discount Rate for the remaining term of maturity of interest portfolio	9.20%	8.00%

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (continued) :

NOTE '11' : TANGIBLE ASSETS :

	Gross Block			Depreciation			Net Block	
	As at 31st March, 2013 ₹	Addition ₹	Disposal/ Adjustments ₹	As at 31st March, 2014 ₹	As at 31st March, 2013 ₹	For the year Adjustments ₹	As at 31st March, 2014 ₹	As at 31st March, 2013 ₹
Freehold Land	83,793,501	—	—	83,793,501	—	—	83,793,501	83,793,501
Leasehold Land	25,303,064	—	—	25,303,064	—	(b)	776,800	2,240,575
Buildings	847,552,382	—	4,475,283	843,077,099	121,974,558	27,536,109	693,566,432	725,577,824
Plant and Machinery	5,070,521,461	344,948,051	2,340,935	5,413,128,577	2,528,005,538	305,143,658	2,579,979,381	2,542,515,923
Office Equipment	1,894,290	546,380	—	2,440,670	1,401,888	50,939	987,843	492,402
Furniture and Fixtures	36,401,208	20,115,957	1,302,193	55,214,972	25,940,696	3,663,076	26,737,462	10,460,512
Vehicles	18,188,058	—	—	18,188,058	11,833,657	1,705,915	4,648,486	6,354,401
March 31, 2014	6,083,653,964	365,610,388	8,118,411	6,441,145,941	2,712,218,826	339,563,472	3,390,489,905	3,371,435,138
March 31, 2013	4,382,991,749	1,700,708,714	46,499	6,083,653,964	2,476,637,388	235,627,937	3,371,435,138	—

a) See Note No. '1', Statement of Significant Accounting Policies Clause 2.

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



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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (continued) :

NOTE '12' : NON CURRENT INVESTMENTS :

		As at 31st March, 2014	As at 31st March, 2013
	₹	₹	₹
Trade Investments (valued at cost)			
UNQUOTED:			
In Equity Shares :			
a) Investment in Associates :			
1,000,000 Fully paid Equity Shares of ₹ 10/- each of Kalyani Mukand Limited	10,050,000		10,050,000
1,000,000 Fully paid Equity Shares of ₹ 10/- each of Lord Ganesha Minerals Private Limited	10,000,000		10,000,000
b) Investment in Joint Venture :			
124,997 Fully paid Equity Shares of ₹ 10/- each of Hospet Steels Limited	1,249,970		1,249,970
		21,299,970	21,299,970
In Preference Shares :			
a) Investment in Associates :			
4,100,000 (9,000,000) 1% Non-Cumulative Optionally Convertible Preference Shares of ₹ 10/- each of Lord Ganesha Minerals Private Limited	41,000,000		90,000,000
b) Investment in Others :			
— (18,600,000) 14% Non-Cumulative Redeemable Preference Shares of ₹ 10/- each of Kalyani Investment Company Limited	—		186,000,000
19,000,000 11% Non-Cumulative Redeemable Preference Shares of ₹ 10/- each of KSL Holdings Private Limited	190,000,000		190,000,000
5,926,000 (—) 10% Non-Cumulative Redeemable Preference Shares of ₹ 10/- each of Baramati Speciality Steels Limited	59,260,000		—
		290,260,000	466,000,000
TOTAL		311,559,970	487,299,970

NOTE '13' : LOANS AND ADVANCES :

	Long Term		Short Term	
	As at 31st March, 2014	As at 31st March, 2013	As at 31st March, 2014	As at 31st March, 2013
	₹	₹	₹	₹
LOANS AND ADVANCES				
(Unsecured, considered good, unless stated otherwise)				
Capital Advances :				
Secured, by a Bank Guarantee	50,731,459	23,837,546	—	—
Other advances	422,999,412	121,555,434	—	—
	473,730,871	145,392,980	—	—
Security Deposits	56,934,638	41,433,255	29,601,178	10,957,282
Loans and advances to related party (See Note '36') against supply of Iron Ore	385,769,530	366,437,221	—	—
Inter Corporate Loans	300,000	9,250,000	—	—
Advances recoverable in cash or kind	1,000,000	9,180,000	302,879,989	496,790,742
Other loans and advances :				
Advance Income Tax (net of provision of taxation)	—	—	24,448,896	3,177,862
Loans to employees	3,304,377	4,207,539	1,903,162	1,220,050
Balance with Excise Department	—	—	5,090,686	9,921,247
TOTAL	921,039,416	575,900,995	363,923,911	522,067,183

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (continued) :

	As at 31st March, 2014	As at 31st March, 2013
	₹	₹
NOTE '14' : INVENTORIES :		
Raw materials, at cost (includes in transit ₹ 98,871,941/- (31st March, 2013 : ₹ 6,184,105/-)) (See Note '14(a)')	663,209,441	696,147,494
Work in Progress (See Note 14(b))	272,696,366	187,550,283
Finished Goods, at cost or market value whichever is lower (See Note '14(c)')	525,195,338	254,529,897
Scrap at estimated realisable value	20,011,699	10,434,539
	545,207,037	264,964,436
Stores, spares etc., at cost	228,193,055	133,970,323
TOTAL	1,709,305,899	1,282,632,536

		As at 31st March, 2014		As at 31st March, 2013
		MTs	₹	MTs
				₹
Note '14(a)' Details of Raw Material Inventory :				
Coke / Coke Fines	10,681	183,343,490		15,101
Iron Ore / Iron Ore Fines	57,253	272,800,820		88,822
Ferro Alloys		95,419,811		50,927,330
Others		111,645,320		40,054,431
TOTAL		663,209,441		696,147,494

Note '14(b)' Details of Work in Progress :				
Blooms & Rounds	7,790	264,391,216		4,819
Others		8,305,150		8,535,419
TOTAL		272,696,366		187,550,283

Note '14(c)' Details of Finished Goods Inventory :				
Blooms & Rounds	877	34,694,148		—
Rolled Products	11,261	490,501,191		6,043
Others		20,011,698		10,434,539
TOTAL		545,207,037		264,964,436

	As at 31st March, 2014	As at 31st March, 2013
	₹	₹
NOTE '15' : TRADE RECEIVABLES :		
Unsecured, considered good unless stated otherwise Outstanding for a period exceeding six months from the date they are due for payment :		
Unsecured, considered good	56,698,374	21,522,562
Doubtful	11,488,532	10,357,364
	68,186,906	31,879,926
Provision for doubtful debts	11,488,532	10,357,364
	56,698,374	21,522,562
Others :		
Secured, considered good	—	—
Unsecured, considered good	3,259,551,690	1,773,195,101
Doubtful	—	—
	3,259,551,690	1,773,195,101
Provision for doubtful debts	—	—
	3,259,551,690	1,773,195,101
TOTAL	3,316,250,064	1,794,717,663



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (continued) :

	As at 31st March, 2014	As at 31st March, 2013
	₹	₹
NOTE '16' : CASH AND BANK BALANCES :		
A) Cash and Cash Equivalents :		
Cash on Hand	120,225	104,891
Bank Balances :		
In Current & Cash Credit Accounts	156,248,444	84,233,474
In Fixed Deposits (Less than three months maturity)	6,852,590	290,000
	<u>163,221,259</u>	<u>84,628,365</u>
B) Other Bank Balances :		
In Fixed Deposits (maturity more than 3 months but less than 12 months) pledged in favour of Government Authorities	615,500	615,500
Earmarked balances with Banks (Unclaimed Dividend)	4,125,201	4,334,840
	<u>4,740,701</u>	<u>4,950,340</u>
TOTAL	<u><u>167,961,960</u></u>	<u><u>89,578,705</u></u>

NOTE '17' : OTHER CURRENT ASSETS :

Income receivable	4,391,448	7,148,494
Prepaid Expenses	6,888,676	9,281,648
Export Incentive Receivables	6,024,767	2,592,854
VAT Receivable	46,609,402	74,309,389
TOTAL	<u><u>63,914,293</u></u>	<u><u>93,332,385</u></u>

NOTE '18' : REVENUE FROM OPERATIONS :

	For the year ended 31st March, 2014	For the year ended 31st March, 2013
	₹	₹
Sale of products		
Finished Goods	11,009,014,807	7,746,769,911
Traded Goods	83,983,156	104,828,254
	<u>11,092,997,963</u>	<u>7,851,598,165</u>
Job Work Sales	2,782,001,539	2,086,252,782
Scrap Sales	84,037,682	176,406,262
	<u>13,959,037,184</u>	<u>10,114,257,209</u>
Less : Excise Duty	2,825,172,534	2,108,450,262
	<u>11,133,864,650</u>	<u>8,005,806,947</u>
Other Operating Revenue		
Income from Power Generation	—	59,115,971
Export Incentives received	8,016,686	7,758,158
	<u>8,016,686</u>	<u>66,874,129</u>
Sale of Service	18,000,000	18,000,000
TOTAL	<u><u>11,159,881,336</u></u>	<u><u>8,090,681,076</u></u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (continued) :

	For the year ended 31st March, 2014	For the year ended 31st March, 2013
	₹	₹
Details of products sold :		
Finished goods sold :		
Hot Metal / Pig Iron - Qty 3,200 MTs (Previous Year 7,926 MTs)	92,473,015	316,596,261
Blooms and Rounds - Qty 36,055 MTs (Previous Year 12,837 MTs)	1,707,407,673	574,121,345
Rolled Products - Qty 167,576 MTs (Previous Year 120,459 MTs)	9,209,134,119	6,856,052,305
TOTAL	11,009,014,807	7,746,769,911
Traded goods sold :		
Pig Iron - Qty Nil (Previous Year 3,667 MTs)	—	104,644,198
Rolled Products - Qty Nil (Previous Year 5 MTs)	—	184,056
Coke Fines - Qty 8,700 MTs (Previous Year Nil)	76,734,000	—
Nickel - Qty 8 MTs (Previous Year Nil)	7,249,156	—
TOTAL	83,983,156	104,828,254
Job Work Sales :		
Hot Metal & Pig Iron - Qty 281,804 MTs (Previous Year 188,241 MTs)	1,863,659,007	1,379,796,526
Rolled Products - Qty 113,491 MTs (Previous Year 74,821 MTs)	918,342,532	706,456,256
TOTAL	2,782,001,539	2,086,252,782
NOTE '19' : OTHER INCOME :		
Dividend :		
From Trade Investments	10,630,027	—
Others	1,108,426	2,060,720
	11,738,453	2,060,720
Interest from Deposits and Loans	38,630,145	35,968,784
Miscellaneous receipts	55,549,633	26,724,231
Profit on sale of assets	95,084	8,571
Sundry credit balances appropriated	1,274,624	6,782,594
Provision no longer required	10,634,029	—
TOTAL	117,921,968	71,544,900
NOTE '20' : COST OF RAW MATERIAL CONSUMED :		
Stock at commencement	617,625,933	467,964,142
Add : Purchases	5,952,396,983	4,520,636,770
	6,570,022,916	4,988,600,912
Less : Sale of Raw Material	121,544,570	58,297,370
Less : Stock at close	564,337,500	617,625,933
TOTAL	5,884,140,846	4,312,677,609
Details of Raw Material Consumed :		
	For the Year Ended	For the Year Ended
	31st March, 2014	31st March, 2013
	MTs	MTs
	₹	₹
Coke / Coke Fines	151,624 2,623,579,286	101,766 1,963,943,015
Iron Ore / Iron Ore Fines	373,948 1,712,692,239	295,462 1,368,301,342
Ferro Alloys	959,252,297	525,096,275
Others	588,617,024	455,336,977
TOTAL	5,884,140,846	4,312,677,609



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (continued) :

Imported & Indigenous Raw Materials Consumed :	For the year ended 31st March, 2014		For the year ended 31st March, 2013	
	₹	Percentage	₹	Percentage
Imported (Direct Imports only)	2,711,336,899	46%	849,846,307	20%
Indigenous	3,172,803,947	54%	3,462,831,302	80%
TOTAL	5,884,140,846	100%	4,312,677,609	100%

NOTE '21' : PURCHASES OF TRADED GOODS :	For the year ended 31st March, 2014		For the year ended 31st March, 2013	
	₹		₹	
Blooms and Rounds	—		184,136	
Pig Iron	—		104,644,214	
Nickel	7,249,156		—	
Coke Fines	76,671,451		—	
TOTAL	83,920,607		104,828,350	

NOTE '22' : (INCREASE) / DECREASE IN INVENTORIES :

Inventories at the end of the year				
Work-in-progress	272,696,366		187,550,283	
Finished Goods	525,195,338		237,917,356	
Scrap	20,011,699		10,434,539	
	817,903,403		435,902,178	
Inventories at the beginning of the year				
Work-in-progress	187,550,283		170,238,460	
Finished Goods	237,917,356		410,238,393	
Scrap	10,434,539		3,897,671	
	435,902,178		584,374,524	
TOTAL	(382,001,225)		148,472,346	

NOTE '23' : EMPLOYEES BENEFITS EXPENSE :

Salary, wages, bonus etc.	533,430,444	341,826,241
Contribution to Provident and other Funds etc.	31,915,596	26,852,130
Welfare expenses	14,654,807	9,489,855
TOTAL	580,000,847	378,168,226

NOTE '24' : FINANCE COSTS :

Interest expenses	105,753,051	114,164,615
Other borrowings costs	64,269,614	110,678,923
TOTAL	170,022,665	224,843,538

NOTE '25' : DEPRECIATION & AMORTISATION EXPENSES

Leasehold land amortised	1,463,775	1,463,775
Depreciation	338,099,697	234,164,162
TOTAL	339,563,472	235,627,937

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (continued) :

	For the year ended 31st March, 2014	For the year ended 31st March, 2013
	₹	₹
NOTE '26' : OTHER EXPENSES :		
Stores and spares consumed	685,280,484	417,324,661
Job work and Manufacturing Charges	1,297,594,081	910,956,150
Power and Fuel	778,847,642	586,356,391
Building and Road repairs	49,056,481	9,897,128
Machinery repairs	50,454,613	31,112,204
(Increase) / decrease of excise duty on Inventory	41,150,618	(31,091,499)
Rent	2,041,958	2,230,625
Rates & Taxes	166,374	147,186
Insurance (including Key Man Insurance)	8,526,676	10,998,309
Legal & Professional charges	18,400,524	28,629,943
Miscellaneous expenses	119,720,221	72,427,273
Donations (See Note '39')	29,125,000	1,920,000
Freight Outward	384,723,663	226,435,852
Brokerage and Discount	3,602,228	3,118,899
Commission on sales	17,208,516	11,095,175
Payment to Auditors (Refer details below)	3,462,798	3,462,841
Directors' Fees and Travelling Expenses	1,308,087	1,791,933
Directors Commission	14,900,000	800,000
Loss on Foreign Exchange Fluctuation	131,979,147	18,707,037
Loss on Assets sold or scrapped	14,318	—
Bad debts / advances written off	593,091	4,915,781
Facility charges under Strategic Alliance	68,910,733	69,050,593
Prior Period Expenditure	497,382	—
TOTAL	3,707,564,635	2,380,286,482
Payment to Auditors :		
As Statutory Auditors	2,500,000	2,500,000
In Other capacity :		
Tax Audit Fee	500,000	500,000
Limited Review	300,000	300,000
Certification	109,000	93,000
	3,409,000	3,393,000
For expenses	53,798	69,841
TOTAL	3,462,798	3,462,841
	As at 31st March, 2014	As at 31st March, 2013
	₹	₹
NOTE '27' : EARNINGS PER EQUITY SHARE :		
Earning per Share : (Face Value of ₹ 5/-)		
Net Profit after Taxation	585,868,583	238,678,253
Number of Shares Issued and Subscribed	43,653,060	43,653,060
Basic and Diluted	13.42	5.47

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (continued) :**

	As at 31st March, 2014	As at 31st March, 2013
	₹	₹
NOTE '28' : CONTINGENT LIABILITIES :		
A. Contingent Liabilities not provided for in respect of :		
a) Claims against the Company not acknowledged as debts	2,718,858	12,648,157
b) Excise & Service Tax Demands - Matter under dispute	29,483,533	19,143,760
c) Customers' Bill Discounting	547,855,470	480,075,889
d) Iron Ore Supplier - Rate Difference Claim - Disputed	255,198,766	255,198,766
e) Reimbursement for Forest Development Tax on Iron Ore claimed by supplier	33,487,315	33,487,315
NOTE '29' : CAPITAL AND OTHER COMMITMENTS :		
1. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for (Net of Advances)	247,808,935	78,983,433
2. Other Commitments on account of :		
Purchase of Raw Material through E-Auction	53,455,500	63,554,724
Supply of Gases - Minimum Take Over Price	923,619,906	34,574,958
TOTAL	<u>1,224,884,341</u>	<u>177,113,115</u>
NOTE '30' : CIF VALUE OF IMPORTS :		
CIF value of Imports :		
Direct imports only : (including goods in Bonded Warehouse, if any)		
i) Raw material :		
- Coke / Coke Fines	2,183,597,206	804,818,197
- Coal	122,934,808	—
- Ferro Alloys	247,709,763	154,873,547
ii) Goods Traded in :		
- Coke Fines	76,671,451	—
iii) Capital Goods		
	17,211,811	269,870,179
NOTE '31' : EXPENDITURE IN FOREIGN CURRENCY :		
Interest	76,460,958	37,717,320
Travelling	—	607,691
Commission & Brokerage	53,642	—
Others	390,227	43,912
NOTE '32' : EARNINGS IN FOREIGN CURRENCY :		
FOB value of Exports	242,560,197	267,554,868

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (continued) :

	As at 31st March, 2014	As at 31st March, 2013
	₹	₹
NOTE '33' : EXCHANGE DIFFERENCE GAIN / (LOSS) ON ACCOUNT OF FLUCTUATIONS IN FOREIGN CURRENCY RATES :		
Amount to be recognised in Balance Sheet		
i) Net Liability / (Asset) recognised in Balance Sheet :		
Liability	136,631,618	7,779,539
Assets	—	(1,065,763)
ii) Recognised in the Statement of Profit and Loss :		
a) On settlement / revolarisation of borrowings as part of 'Finance Cost'	47,439,251	(9,726,906)
b) On open forward contracts at the close of the year as part of 'Finance Cost'	75,891,659	33,547,668
c) On unrealised CER Income as a part of 'Other Income / Other Expenses'	—	—
d) On settlement of other transactions as a part of 'Other Income / Other Expenses'	8,648,236	(5,113,725)

NOTE '34' : FOREIGN EXCHANGE DERIVATIVES / FORWARD CONTRACTS HEDGED AND EXPOSURES NOT HEDGED AT CLOSE OF THE YEAR :

A) Foreign Exchange Derivatives / Forward Contracts hedged :

Nature of Contracts	Currency	Particulars	31st March, 2014	31st March, 2013
Forward Contracts	USD	Buyer's Credit	27,795,111	15,032,731
	USD	Sale	—	—
	USD	Interest	—	51,680

All derivatives / forward contracts stated above are for the purpose of hedging the underlying foreign currency exposure.

B) Import / Exports not hedged :

Nature of Instrument	Currency	31st March, 2014	31st March, 2013
i) Buyer's Credit	USD	—	183,104
ii) Buyer's Credit	EURO	—	100,500
iii) Receivable	USD	1,249,596	70,416
iv) Interest	USD	15,434	12,598
v) Interest	EURO	—	354
vi) Loan	USD	24,502,650	22,902,650

NOTE '35' : INFORMATION ON JOINT VENTURE :

i) Jointly Controlled Entity :

Sr. No.	Name of the Company	Country of Incorporation	Percentage of ownership interest
			2013-14
			2012-13
1	Hospet Steels Limited	India	49.99%
			2013-14
			2012-13
			₹
			₹

ii) Share of the Company in the contingent liabilities incurred by jointly controlled entity

— —

iii) Share of the Company in capital commitments which have been incurred jointly with the venture

— —



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (continued) :

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

	As at 31st March, 2014	As at 31st March, 2013
	₹	₹
Equity and Liabilities :		
Shareholders' Funds	(4,883,362)	(3,532,374)
Non Current Liabilities	3,914,520	5,640,284
Current Liabilities	79,820,018	54,988,628
Assets :		
Fixed Assets (net)	6,101,787	6,372,551
Deferred Tax Assets (net)	2,280,202	1,733,137
Long Term Loans & Advances	2,016,510	5,471,120
Current Assets	68,452,677	43,519,730
	2013-14	2012-13
	₹	₹
Income :		
Other Income	374,160	—
Reimbursement of Expenses	442,821,409	328,777,051
Expenses :		
Employee Benefits expense	230,469,237	204,847,530
Other Expenses	213,736,808	123,176,918
Finance costs	22,418	65,893
Depreciation & amortisation expense	865,159	951,478
Provision for Taxation	—	84,917
Deferred Tax	(547,065)	(114,391)

NOTE '36' :

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

NOTE '37' :

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

NOTE '38' :

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

NOTE '39' :

During the year, the Company has given a Donation of ₹ 1.50 Crore to a Political Party viz. Bharatiya Janata Party.

NOTE '40' :**Previous Year Figures :**

Previous year figures have been regrouped and reclassified wherever necessary to make them comparable with current period.

As per our attached Report of even date

For M/s. P. G. BHAGWAT
Chartered Accountants
Firm Registration No.101118W

On behalf of the Board of Directors

Sanjay Athavale
Partner
Membership No.83374

Mrs.D.R. Puranik
Company
Secretary

R.K. Goyal
Managing
Director

B.N. Kalyani
Chairman

Pune
Date : 29th May, 2014

Pune
Date : 29th May, 2014

ANNEXURE REFERRED TO IN NOTE '36' OF NOTES FORMING PART OF THE FINANCIAL STATEMENTS :

Disclosure of Transactions with Related Parties as required by the Accounting Standard 18 as prescribed by Companies (Accounting Standards) Rules, 2006 :

Name(s) of the related party(ies) and nature of relationship(s)	Nature of Transactions	2013-14		2012-13	
		Transaction Value	Outstanding amount carried in the Balance Sheet	Transaction Value	Outstanding amount carried in the Balance Sheet
		₹	₹	₹	₹
A) Associates :					
1. Kalyani Mukand Limited	Contribution to Equity (1,000,000 shares of ₹ 10/- each)	—	10,050,000	—	10,050,000
2. Lord Ganesha Minerals Private Limited	Finance provided Contribution to Equity (1,000,000 shares of ₹ 10/- each) Preference Shares (4,100,000 shares of ₹ 10/- each)	19,332,309 — —	385,769,530 10,000,000 41,000,000	2,998,662 — —	366,437,221 10,000,000 90,000,000
B) Joint Venture :					
Hospet Steels Limited	Reimbursement of Expenses Contribution to Equity (124,997 shares of ₹ 10/- each)	556,653,808 —	72,541,224 1,249,970	365,572,365 —	65,492,034 1,249,970
C) Companies under Common Control :					
1. Bharat Forge Limited	Sales (net of rejections) Purchases Octroi Recovery Interest paid on Trade Advance Reimbursement of Expenses Paid Rent Paid Trade Advance received	3,187,388,281 7,801,073 — 22,500,000 473,336 268,850 125,000,000	294,165,068 (1,643,693) — — (362,942) — 770,000,000	2,989,422,336 — 2,795,307 22,500,000 339,308 — 270,000,000	728,720,849 — — — (35,237) — 645,000,000
2. Kalyani Carpenter Special Steels Limited	Sales (net of rejections) Purchases Conversion Charges paid Machinery Hire Charges paid Interest paid Reimbursement of Expenses paid Interest received on ICD Reimbursement of Expenses received Inter Corporate Deposit given Inter Corporate Deposit Refunded	404,353,457 23,947,166 30,516,272 874,000 — 1,705,499 5,140,410 107,538 175,000,000 (175,000,000)	190,736,612 (5,630,135) (30,991,900) — — (325,532) — — — —	330,192,399 11,668,955 6,922,619 — — 4,499,690 1,520,548 117,390 — (50,000,000)	47,437,540 (18,614,940) — — — — — — — —
3. Kalyani Investment Company Limited	Dividend Received on 14% Preference Shares Reimbursement of Expenses received Management and administrative Services received Interest Paid on ICD 14% Preference Shares (Nil (P.Y. 18,600,000) shares of ₹ 10/- each)	10,630,027 — 20,224,800 1,197,249 (186,000,000)	— — — (1,077,524) —	— 1,500 20,224,800 3,204,384 (390,000,000)	— — 6,217,215 — 186,000,000
4. BF Investment Limited	Dividend Paid on equity shares	25,578,632	—	17,052,421	—
D) Key Managerial Personnel :					
1. Mr.R.K Goyal Managing Director	Remuneration	41,006,600	11,122,416	26,655,071	868,203



ANNEXURE REFERRED TO IN NOTE '37' OF NOTES FORMING PART OF THE FINANCIAL STATEMENTS :

Disclosures required as per Clause 32 of the Listing Agreement :

Name of the Company	Loans and Advances				Investments	
	Amount outstanding as on		Maximum balance outstanding during the year		Amount outstanding as at	
	31st March, 2014	31st March, 2013	2013-14	2012-13	31st March, 2014	31st March, 2013
	₹	₹	₹	₹	₹	₹
Associates :						
Kalyani Mukand Limited	—	—	—	—	10,050,000	10,050,000
Hospet Steels Limited	—	—	—	—	1,249,970	1,249,970
Lord Ganesha Minerals Private Limited	385,769,530	366,437,221	399,537,756	380,172,947	51,000,000	100,000,000
Other Companies * \$					Equity Share Capital held in Kalyani Steels Limited	
					No. of Shares held	
Sprekelia Investment & Finance Limited	—	2,100,000	2,500,000	2,500,000	—	83,960
Oleander Investment & Finance Limited	—	1,750,000	2,150,000	2,150,000	—	83,960
Alocasia Investment & Finance Limited	—	1,750,000	2,150,000	2,150,000	—	83,960
Acorus Investment & Finance Limited	—	1,600,000	2,000,000	2,000,000	—	83,960
Khiphafia Investment & Finance Limited	—	1,750,000	2,150,000	2,150,000	—	84,152
Poinsettia Investment & Finance Limited	—	—	—	—	—	50,998
India International Limited	300,000	300,000	300,000	300,000	—	—
Advances in the nature of loans * \$						
KSL Sr. Executive Welfare Trust I	—	1,450,000	1,450,000	1,450,000	—	40,000
KSL Sr. Executive Welfare Trust II	—	1,450,000	1,450,000	1,450,000	—	40,000
KSL Sr. Executive Welfare Trust III	—	1,450,000	1,450,000	1,450,000	—	40,000
KSL Sr. Executive Welfare Trust IV	—	1,450,000	1,450,000	1,450,000	—	40,000
KSL Sr. Executive Welfare Trust V	—	1,450,000	1,450,000	1,450,000	—	40,000
KSL Sr. Executive Welfare Trust VI	—	930,000	930,000	930,000	—	25,000
KSL Group Welfare Trust	1,000,000	1,000,000	1,000,000	1,000,000	—	—

Notes :

1. There are no loans and advances in the nature of loans, to firms /companies in which directors are interested.
- * 2. No repayment schedule.
- \$ 3. Interest free.



KALYANI

DRIVING INNOVATION

KALYANI STEELS LIMITED

MUNDHWA, PUNE - 411 036
MAHARASHTRA, INDIA.

KALYANI STEELS LIMITED

CIN : L27104MH1973PLC016350
Registered Office : Mundhwa, Pune 411 036



NOTICE

NOTICE is hereby given that the FORTY-FIRST Annual General Meeting of the Members of Kalyani Steels Limited will be held on Friday, the 5th day of September, 2014, at 11.00 a.m. (I.S.T), at the Registered Office of the Company at Mundhwa, Pune - 411 036, to transact the following business :

ORDINARY BUSINESS

1. To consider and adopt the Financial Statements of the Company for the year ended 31st March, 2014, including the audited Balance Sheet as at 31st March, 2014 and the Statement of Profit and Loss for the financial year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare Dividend on Equity Shares for the year ended 31st March, 2014.
3. To appoint a Director in place of Mr.B.N. Kalyani (DIN 00089380), who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr.C.G. Patankar (DIN 00136573), who retires by rotation, and being eligible, offers himself for re-appointment.
5. 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 139 and other applicable provisions, if any, of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014, the retiring Auditors, M/s. P. G. Bhagwat, Chartered Accountants, Pune (Firm Registration No.101118W), be and are hereby re-appointed as Auditors of the Company to hold the office for the period of three years i.e. from the conclusion of this Meeting until the conclusion of the 44th Annual General Meeting of the Company (subject to ratification of their appointment at every Annual General Meeting to be held hereafter), on such remuneration plus service tax thereon and reimbursement of out of pocket and travelling expenses etc. as may be mutually agreed between the Board of Directors of the Company and the Auditors based on the recommendation of the Audit Committee."

SPECIAL BUSINESS

6. Appointment of Mr.Arun Pawar as an Independent Director

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 Sections 149, 152 and any other applicable provisions,

if any, of the Companies Act, 2013 ("Act") read with Schedule IV to the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr.Arun Pawar (DIN 03628719), who has submitted a declaration that he meets the criteria for independence as prescribed in Section 149(6) of the Act and Clause 49 of the Listing Agreement and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5 (Five) consecutive years with effect from 5th September, 2014 to 4th September, 2019."

7. Appointment of Mr.B.B. Hattarki as an Independent Director

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 Sections 149, 152 and any other applicable provisions, if any, of the Companies Act, 2013 ("Act") read with Schedule IV to the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr.B.B. Hattarki (DIN 00145710), who has submitted a declaration that he meets the criteria for independence as prescribed in Section 149(6) of the Act and Clause 49 of the Listing Agreement and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5 (Five) consecutive years with effect from 5th September, 2014 to 4th September, 2019."

8. Appointment of Mr.M.U. Takale as an Independent Director

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 Sections 149, 152 and any other applicable provisions, if any, of the Companies Act, 2013 ("Act") read with Schedule IV to the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr.M.U. Takale

(DIN 01291287), who has submitted a declaration that he meets the criteria for independence as prescribed in Section 149(6) of the Act and Clause 49 of the Listing Agreement and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5 (Five) consecutive years with effect from 5th September, 2014 to 4th September, 2019."

9. Appointment of Mr.S.M. Kheny as an Independent Director

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 Sections 149, 152 and any other applicable provisions, if any, of the Companies Act, 2013 ("Act") read with Schedule IV to the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr.S.M. Kheny (DIN 01487360), who has submitted a declaration that he meets the criteria for independence as prescribed in Section 149(6) of the Act and Clause 49 of the Listing Agreement and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5 (Five) consecutive years with effect from 5th September, 2014 to 4th September, 2019."

10. Appointment of Mr.S.S. Vaidya as an Independent Director

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 Sections 149, 152 and any other applicable provisions, if any, of the Companies Act, 2013 ("Act") read with Schedule IV to the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr.S.S. Vaidya (DIN 00024245), who has submitted a declaration that he meets the criteria for independence as prescribed in Section 149(6) of the Act and Clause 49 of the Listing Agreement and in respect of whom the Company has received a notice in writing from a member proposing his candidature

for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5 (Five) consecutive years with effect from 5th September, 2014 to 4th September, 2019."

11. Authority to the Board to borrow money

To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution :

"RESOLVED THAT in supersession of the earlier Resolution passed at the Fortieth Annual General Meeting held on 24th July, 2013 and pursuant to the provisions of Section 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) the consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing money for and on behalf of the Company, provided that the moneys so borrowed and outstanding at any point of time (apart from temporary loans obtained from by the Company from its bankers in the ordinary course of business) shall not exceed ₹ 10,000 Million (Rupees Ten Thousand Million only) over and above the aggregate of Paid-up Share Capital of the Company and its Free Reserves, as the Board may deem necessary."

12. Authority to the Board to create Charge(s)

To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution :

"RESOLVED THAT in supersession of the earlier Resolution passed at the Fortieth Annual General Meeting held on 24th July, 2013 and pursuant to the provisions of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall also include the Finance Committee of Directors) for mortgaging, hypothecating, charging and pledging and / or creating a floating charge and / or liens, charges and encumbrances of whatsoever nature on all or any of the Company's assets and properties whether immovable, movable, current assets or stock in trade (including raw materials, stores, spare parts and components, in stock or in transit) and work in process and the whole or



substantially whole of all or any of the undertakings of the Company, wheresoever situate, present and future, on such terms and conditions and in such form and manner as the Board may think fit and proper, in favour of banks / financial institutions / other lenders / trustees of the holders of debentures / securities, for securing loans (including foreign currency loans) / debentures / securities, aggregating to a nominal value not exceeding ₹ 15,000 Million (Rupees Fifteen Thousand Million only) to be availed / issued from time to time in one or more tranches under its borrowing powers, together with interest, compound interest and all costs, charges and expenses and all other monies as may become due and payable by the Company in that behalf and to vary or modify existing securities, from time to time, in such manner and in such form on all or any of the properties or part of any of the properties and the undertakings of the Company, both present and future, as may be decided by the Board and as agreed to by the said banks / financial institutions / other lenders / trustees of the holders of debentures / securities.

FURTHER RESOLVED THAT the Board be and is hereby authorised to sign and execute all such documents, deeds and writings and to do all such acts and things as may be necessary for giving effect to the above resolution."

13. Payment of Remuneration by way of Commission to Non Whole-time Directors

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 197 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), approval of the members be and is hereby given to the payment and distribution, for each financial year commencing from 1st April, 2014, of a remuneration by way of commission not exceeding 1% (one percent) of the net profits of the Company calculated in accordance with the provisions of Section 198 of the Companies Act, 2013, amongst the directors of the Company or any one or more of them [other than managing director(s) and / or wholtime director(s)] in such proportion and in such manner as may be decided by the Board of Directors of the Company from time to time and such payment shall be made in respect of the profits of the Company for each financial year."

14. Approval for Related Party Transactions

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 188 and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014 and the amended Clause 49 of the Listing Agreement applicable to Listed Companies with effect from 1st October, 2014 and subject to such other approvals, consents, permissions and sanctions of any authorities as may be necessary, consent of the Company be and is hereby accorded to the Board of Directors of the Company to enter into transaction(s) of sale, purchase or supply of goods or materials with Bharat Forge Limited upto an estimated transaction value of not exceeding ₹ 20,000 Million (Rupees Twenty Thousand Million only) (whether constitutes material transaction or otherwise, as defined in amended Clause 49 of the Listing Agreement), on behalf of the Company, for each of the Five (5) financial years commencing from 1st April, 2014.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to negotiate and finalise the terms and conditions of transaction(s), to do all such acts, deeds and things including delegation of powers as may be necessary, proper or expedient, to give effect to this Resolution."

15. To approve the Remuneration of the Cost Auditors

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 148 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), consent of the Company be and is hereby accorded for the payment of remuneration of ₹ 500,000/- (Rupees Five Hundred Thousand only) (plus Service Tax at the applicable rates and reimbursement of out of pocket expenses) to Company's Cost Auditors, M/s.S.R. Bhargave & Co., Cost Accountants, Pune, for auditing the cost records maintained by the Company for the financial year ending 31st March, 2015."

By Order of the Board of Directors
for KALYANI STEELS LIMITED

Pune
29th May, 2014

MRS.DEEPTI R. PURANIK
COMPANY SECRETARY

NOTES :

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on a Poll instead of himself and the proxy need not be a member of the Company. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. In case, a Proxy is proposed to be appointed by a member holding more than 10% of the total share capital of the Company carrying voting rights, then such Proxy shall not act as a Proxy for any other person or member.

The Instrument appointing proxy should, however, be deposited at the Registered Office of the Company duly completed and signed not less than forty-eight (48) hours before the commencement of the meeting.

2. An Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, relating to Special Business under Item Nos.6 to 15 of the Notice to be transacted at the Annual General Meeting is annexed hereto.
3. Corporate members are requested to send board resolution duly certified, authorising their representative to attend and vote on their behalf at the Annual General Meeting.
4. Members who hold shares in dematerialised form are requested to write their DP ID AND CLIENT ID numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the meeting to facilitate easy identification of membership at the meeting.
5. Members holding shares in dematerialised form are requested to intimate any change in their address, bank details, ECS details etc. to their respective Depository Participants and those holding shares in physical form are to intimate the said changes to the Registrar and Transfer Agent of the Company, at their address given below.
6. The Share Transfer Books and the Register of Members of the Company will remain closed from Saturday, 30th August, 2014 to Friday, 5th September, 2014 (both days inclusive) for determining the names of members eligible for dividend on Equity Shares, if declared at the Annual General Meeting.
7. If the dividend on Equity Shares as recommended by the Board of Directors is declared at the Annual General Meeting, the payment of such dividend will be made on and from 15th September, 2014 as under :

- a) To all Beneficial Owners in respect of shares held in dematerialised form, as per the data made available by the National Securities Depository

Limited (NSDL) and the Central Depository Services (India) Limited (CDSL), as of the close of business hours on 29th August, 2014.

- b) To all members in respect of shares held in physical form, after giving effect to valid transfers in respect of transfer requests lodged with the Company or with Registrar and Transfer Agents of the Company, before the close of business hours on 29th August, 2014.
8. Those Members who have not encashed / received their Dividend Warrants for the previous financial year(s) may approach the Registrar and Transfer Agent of the Company, at their address given below, for revalidation of the Dividend Warrants / for obtaining duplicate Dividend Warrants.
9. Dividends which remain unencashed / unclaimed over a period of 7 years will have to be transferred by the Company to the Investor Education and Protection Fund (IEPF) constituted by the Central Government under Section 205A and 205C of the Companies Act, 1956. Further, under the amended provisions of Section 205B of the Companies Act, 1956, no claim by the shareholders shall lie for the unclaimed dividend transferred by the Company to IEPF. Pursuant to the provisions of the Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has uploaded the details of the unclaimed amounts lying with the Company as on 24th July, 2013 (date of last Annual General Meeting) on the website of the Company (www.kalyanisteels.com).
10. Equity Shares of the Company are under compulsory demat trading by all investors. Those shareholders, who have not dematerialised their shareholding, are advised to dematerialise the same to avoid any inconvenience in future.
11. Brief Profile of Directors proposed to be appointed / re-appointed, names of companies in which they hold directorships and memberships / chairmanships of Board Committees, shareholding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, are provided in the Report on Corporate Governance forming part of the Annual Report.
12. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in



the securities market. Members holding shares in dematerialised form are therefore requested to submit their PAN to the Depository Participants with whom they are maintaining the demat account. Members holding shares in physical form can submit their PAN details to the Registrar and Transfer Agent of the Company, at their address given below.

13. The Ministry of Corporate Affairs (MCA), Government of India, had taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and had issued circulars stating that service of notice / documents including Annual Report can be done by e-mail to its members.

To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of dematerialised holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to fill-up the Email Updation Form available at Company's web-site www.kalyanisteels.com and submit the same to the Registrar and Transfer Agent of the Company, at their address given below.

The Notice of the Annual General Meeting along with the Annual Report 2013-14 is being sent by electronic mode to those members whose e-mail addresses are registered with the Company / Depositories, unless any member has requested for the physical copy of the same.

14. Voting through Electronic Means :

- i) In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide members facility to exercise their right to vote at the Forty-First Annual General Meeting (AGM) by electronic means and the business shall be transacted through e-Voting Services provided by National Securities Depository Limited (NSDL).

The instructions for e-Voting are as under :

- A) Member receiving an e-mail from NSDL (for members whose e-mail IDs are registered with the Company / Depository Participant(s)):

- a) Open e-mail and open PDF file viz. "kalyanisteels e-Voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your User ID and Password / PIN for e-Voting. Please

note that the password is an initial password.

- b) Launch internet browser by typing the URL : <https://www.evoting.nsdl.com>
- c) Click on Member Login.
- d) In case you are already registered with NSDL for e-voting then you can use your existing user ID and password else Put User ID and Password as initial Password / PIN noted in Step (a) above. Click Login.
- e) Password change menu appears. Change the password / PIN with new password of your choice with minimum 8 digits / characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- f) Home page of e-Voting opens. Click on e-Voting : Active Voting Cycles.
- g) Select e-Voting Event Number ("EVEN") of Kalyani Steels Limited.
- h) Now you are ready for e-Voting as Cast Vote page opens.
- i) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
- j) Upon confirmation, the message "Vote cast successfully" will be displayed.
- k) Once you have voted on the resolution, you will not be allowed to modify your vote.
- l) Institutional Shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF / JPG Format) of the relevant Board Resolution / Authority Letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to evoting@kalyanisteels.com with a copy marked to evoting@nsdl.co.in
- B) Member receiving physical copy of the Notice of AGM (for members whose e-mail IDs are not registered with the Company / Depository Participant(s) or members requesting physical copy) :
- a) Initial password is provided as below at

the bottom of the Attendance Slip for the AGM :

e-Voting Event No. ("EVEN")	User ID	Password
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- b) Please follow all steps from Serial No. A(b) to Serial No.A(l) above, to cast vote.
- ii) In case of any queries, you may refer the Frequently asked Questions (FAQs) for Shareholders and e-Voting user manual for Shareholders available at the Downloads sections of www.evoting.nsdl.com
- iii) If you are already registered with NSDL for e-Voting, then you can use your existing User ID and Password for casting your vote.
- iv) You can also update your mobile number and e-mail Id in the user profile details of the folio which may be used for sending future communication(s).
- v) The e-Voting commences on Thursday, 28th August, 2014 (9.00 a.m.) and ends on Saturday, 30th August, 2014 (6.00 p.m.). During this period shareholders of the Company, holding shares either in physical form or in dematerialised form, as on cut-off date (Record Date) of 18th July, 2014, may cast their vote electronically. The e-Voting module shall be disabled by NSDL for voting thereafter. Once the vote is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
- vi) The voting rights of shareholders shall be in proportion to shares held by them as on the cut-off (Record Date) of 18th July, 2014.
- vii) Mr.S.V. Deulkar, of S.V. Deulkar & Co, Company Secretaries (Membership No. FCS 1321 & CP No. 965) has been appointed as the Scrutinizer to scrutinize the e-Voting process in a fair and transparent manner.
- viii) The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-Voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and submit a Scrutinizer's Report of the votes cast in favour or

against, if any, forthwith to the Chairman of the Company.

15. For members who wish to vote using Ballot Paper :
- Pursuant to Clause 35B of the Listing Agreement, Members who do not have access to e-voting facility may fill in the Ballot Paper enclosed with the Notice (a copy of the same is also part of the soft copy of the Notice) and submit the same in a sealed envelope to the Scrutinizer appointed by the Board of Directors of the Company, Mr.S.V. Deulkar of S. V. Deulkar & Co., Company Secretaries, at C/o Kalyani Steels Limited, Secretarial Department, Mundhwa, Pune - 411036 so as to reach not later than 30th August, 2014 by 6:00 p.m. Ballot Paper received thereafter will be treated as invalid.
16. A member shall opt for only one mode of voting i.e either through e-voting or by Ballot Paper. If the member casts vote through both the modes, the votes in the electronic system would be considered and the Ballot Paper would be ignored.
17. The results of voting along with the Scrutinizer's Report shall be placed on the Company's website www.kalyanisteels.com and on the website of NSDL within two (2) days of passing of the resolutions at the Annual General Meeting of the Company and shall be communicated to the Stock Exchanges.
18. Disclosure of Shareholding of Directors recommended by the Board of Directors for Appointment / Re-appointment at the Annual General Meeting pursuant to Clause 49 of the Listing Agreement :

Sr. No.	Name of Director	No. of Shares held
1	Mr.B.N. Kalyani	1,118
2	Mr.C.G. Patankar	4,770
3	Mr.Arun Pawar	—
4	Mr.B.B. Hattarki	—
5	Mr.M.U. Takale	2,500
6	Mr.S.M. Kheny	10,914
7	Mr.S.S. Vaidya	—

Registrar & Transfer Agent

LINK INTIME INDIA PRIVATE LIMITED

Block No.202, Akshay Complex, 2nd Floor, Off Dhole Patil Road, Near Ganesh Mandir, Pune - 411 001

Phone Nos. : 020 - 26051629 / 26050084, Telefax : 020 - 26053503

E-mail : pune@linkintime.co.in



ANNEXURE TO THE NOTICE

Explanatory Statement as required by Section 102 of the Companies Act, 2013

As required by Section 102 of the Companies Act, 2013, the following explanatory statement sets out, the material facts relating to Special Business mentioned under Item Nos.6 to 15 in the accompanying Notice dated 29th May, 2014

ITEM NOS.6 TO 10

The Company is having five Non-executive Independent Directors viz. Mr.Arun Pawar, Mr.B.B. Hattarki, Mr.M.U. Takale, Mr.S.M. Kheny and Mr.S.S. Vaidya, on the Board of the Company liable to retire by rotation.

Pursuant to the provisions of Sections 149, 152 and any other applicable provisions, if any, of the Companies Act, 2013 ("Act") read with Schedule IV to the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, it is proposed to appoint these Directors as an Independent Directors of the Company for a term of 5 (five) consecutive years from 5th September, 2014 to 4th September, 2019.

The Company has received a declaration in writing from all the aforesaid Directors that they meet the criteria of independence as provided in sub-Section (6) of Section 149 of the Act and Clause 49 of the Listing Agreement.

In the opinion of the Board, the aforesaid Directors fulfill the criteria specified in the Companies Act, 2013 and rules made thereunder and Clause 49 of the Listing Agreement for their appointments as an Independent Directors of the Company. The Board also considers that their continued association would be of immense benefit to the Company and it is desirable to continue to avail services of all of them as an Independent Directors on the Board of the Company.

The Company has received notices in writing from members along with the deposit of the requisite amount under Section 160 of the Companies Act, 2013 proposing the candidatures of aforesaid Directors of the Company.

Accordingly, the Board recommends the resolutions set out at Item Nos.6 to 10 of the Notice, for the approval of the members of the Company.

Profiles of these Directors, as required by the Corporate Governance Code (Clause 49 of the Listing Agreement), are provided in the report on Corporate Governance.

Except Mr.Arun P. Pawar, Mr.B.B. Hattarki, Mr.M.U. Takale, Mr.S.M. Kheny and Mr.S.S. Vaidya being appointees, to their respective appointments, none of the Directors and Key Managerial Personnel of the Company and their relatives is in any way concerned or interested in the resolutions set out at Item Nos. 6 to 10 of the Notice.

ITEM NO.11

The members will recall that at the Fortieth Annual General Meeting held on 24th July, 2013, an Ordinary Resolution was passed pursuant to provisions of Section 293(1)(d) of the Companies Act, 1956, authorizing the Board of Directors to borrow for and on behalf of the Company, upto an amount not exceeding Rs.10,000 Million over and above the aggregate of the paid-up share capital and its free reserves of the Company. In terms of the General Circular No.04/2014 dated 25th March, 2014 issued by the Ministry of Corporate Affairs, the resolutions passed under Section 293 of the Companies Act, 1956 prior to 12.09.2013 would be valid

for a period of one year from the date of notification of Section 180 of the Companies Act, 2013.

Section 180(1)(c) of the Companies Act, 2013, effective from 12th September, 2013 requires that the Board of Directors shall not borrow money in excess of paid-up capital and free reserves of the Company (apart from temporary loans obtained from Company's Bankers in the ordinary course of business), except with the consent of the Company by way of Special Resolution.

It is therefore, necessary for the members to pass a Special Resolution under Section 180(1)(c) and other applicable provisions of the Companies Act, 2013, as set out at Item No.11 of the Notice, authorising the Board of Directors to borrow for and on behalf of the Company, upto an amount not exceeding ₹ 10,000 Million over and above the aggregate of the paid-up share capital and its free reserves of the Company. The Board recommends the resolution for your approval.

None of the Directors and Key Managerial Personnel of the Company and their relatives is in any way concerned or interested in the resolution.

ITEM NO.12

The members will recall that at the Fortieth Annual General Meeting held on 24th July, 2013, an Ordinary Resolution was passed pursuant to provisions of Section 293(1)(a) of the Companies Act, 1956, authorising the Board of Directors to hypothecate, mortgage, charge or otherwise encumber the whole or substantially the whole of the undertakings of the Company. In terms of the General Circular No.04/2014 dated 25th March, 2014 issued by the Ministry of Corporate Affairs, the resolutions passed under Section 293 of the Companies Act, 1956 prior to 12.09.2013 would be valid for a period of one year from the date of notification of Section 180 of the Companies Act, 2013.

Section 180(1)(a) of the Companies Act, 2013, effective from 12th September, 2013 requires that the Board of Directors shall not hypothecate, mortgage, charge or otherwise encumber the whole or substantially the whole of the undertakings of the Company, except with the consent of the Company by way of Special Resolution.

It is therefore, necessary for the members to pass a Special Resolution under Section 180(1)(a) and other applicable provisions of the Companies Act, 2013, as set out at Item No.12 of the Notice, authorising the Board of Directors to hypothecate, mortgage, charge or otherwise encumber the whole or substantially the whole of the undertakings of the Company for securing loans (including foreign currency loans) / debentures / securities aggregating to a nominal value not exceeding ₹ 15,000 Million to be availed / issued from time to time in one or more tranches. The Board recommends the resolution for your approval.

None of the Directors and Key Managerial Personnel of the Company and their relatives is in any way concerned or interested in the resolution.

ITEM NO.13

The Members are aware that the Directors of the Company have over the years contributed significantly towards the steady growth of the Company and they provide to the Company the benefits of their varied experience in business, industry and allied subjects and make useful contribution through the Board Meetings and Meetings of the various Committees thereof and otherwise.

The members of the Company at their 36th Annual General Meeting held on 26th August, 2009 had approved by way of Special resolution under Section

309 of the Companies Act, 1956, the payment of remuneration by way of commission to the non-executive directors of the Company, for the period of five years from 1st April, 2009 to 31st March, 2014, not exceeding 1% of the net profits of the Company, calculated in accordance with the provisions of the Companies Act, 1956.

In view of Sections 149, 197 and any other applicable provisions of the Companies Act, 2013, coming into effect from 1st April, 2014 and taking into consideration the roles and responsibilities of the directors, it is proposed that the directors other than Managing Director and the Whole-time Directors be paid for each financial year of the Company commencing from 1st April, 2014, remuneration not exceeding 1% per annum of the net profits of the Company computed in accordance with the provisions of Section 198 of the Companies Act, 2013. The remuneration shall be distributed amongst all or some of the Directors in accordance with the directions of the Board of Directors. This remuneration shall be in addition to fee payable to the Directors for attending meetings of the Board or Committees thereof or for any other purpose whatsoever as may be decided by the Board and reimbursement of expenses for participation in the Board and other Committee meetings.

Accordingly, a fresh approval of the members is sought under the applicable provisions of the Companies Act, 2013 for payment of remuneration by way of commission to the Directors other than Managing Director and Whole-time Directors, as set out in the Resolution at Item No.13 of the Notice.

All the Directors, except Managing Director and other Key Managerial Personnel and their relatives, are concerned or interested in the resolution to the extent of the remuneration that may be received by them.

ITEM NO. 14

The Securities and Exchange Board of India vide its Circular No. CIR/CFD/POLICY CELL/2/2014 dated April 17, 2014 has amended the Clause 49 of the Equity Listing Agreement, which is effective from October 1, 2014. Under the said amendment, all Related Party Transactions shall require prior approval of the Audit Committee and all material Related Party Transactions shall require approval of the shareholders by a Special Resolution. The said amendment further provides for definition of the term "Material" as follows:

"A transaction with a related party shall be considered material if transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds five percent of the annual turnover or twenty percent of the net worth of the company as per the last audited financial statements of the company, whichever is higher."

In terms of the said amendment, approval of the members is requested for transaction(s) of sale, purchase or supply of goods or materials by Kalyani Steels Limited (KSL) with Bharat Forge Limited (BFL). BFL is the world's largest forging company with manufacturing facilities spread across India, Germany and Sweden. BFL manufactures a wide range of high performance, critical & safety components for the automotive & non-automotive sector. It is India's largest manufacturer and exporter of automotive components and leading chassis component manufacturer in the world.

KSL is in operation since 1975 and has been supplying steels to BFL. Every customer of BFL lays down technical specifications for the steel to be used for supplying forgings / components to them and gives list of approved

steel plants from which BFL can source the steel. This approval process involves visit to steel plants, process audit, testing of steel samples, validation on field trials etc. and depending on criticality of the use, the approval process is both time consuming as well as expensive. These customers negotiate the price with the steel plants and in turn inform their vendors / component manufacturers to procure steel from the approved steel plants.

KSL being old source of supply of steel to BFL, has approvals from many of the customers of BFL and hence has been supplying to BFL substantial part of its annual sales quantity.

These transactions are material in terms of the provisions of Revised Clause 49 of the Listing Agreement and therefore, the Board has proposed the same to be placed before the shareholders for their approval as Special Resolution.

The key details as required under Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 are as below :

1. Name of the Related Party :
Bharat Forge Limited
2. Name of the Director or Key Managerial Personnel who is related, if any :
Mr.B.N. Kalyani, Chairman (Promoter)
Mr.Amit B. Kalyani, Director
3. Nature of Relationship :
Companies under Common Control
4. Nature, Material Terms, Monetary Value and Particulars of Contract :
On arm's length basis and in tune with market parameters. Monetary Value as mentioned in the resolution set out at Item No.14 of the Notice.

The Board recommends the Special Resolution set out at Item No.14 of the Notice for approval by the members. Except Mr.B.N. Kalyani, Chairman and Mr.Amit B. Kalyani, Director of the Company, none of the Directors and Key Managerial Personnel of the Company and their relatives is in any way concerned or interested in the resolution set out at Item No.14 of the Notice.

ITEM NO.15

The Board of Directors at their meeting held on 29th May, 2014, based on the recommendation of the Audit Committee, had appointed M/s.S.R. Bhargave & Co., Cost Accountants, Pune, as Cost Auditors of the Company for auditing the cost records maintained by the Company for the financial year ending 31st March, 2015, at remuneration of ₹ 500,000/- (Rupees Five Hundred Thousand only) plus Service Tax at the applicable rates and reimbursement of out of pocket expenses.

Pursuant to the provisions of Section 148 and any other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, remuneration payable to the Cost Auditors is required to be ratified by the members of the Company. The Board recommends the resolution set out at Item No.15 of the Notice, for the approval of the members of the Company.

None of the Directors and Key Managerial Personnel of the Company and their relatives is in any way concerned or interested in the resolution.

By Order of the Board of Directors
for KALYANI STEELS LIMITED

Pune
29th May, 2014

MRS.DEEPTI R. PURANIK
COMPANY SECRETARY

KALYANI STEELS LIMITED

CIN : L27104MH1973PLC016350

Registered Office : Mundhwa, Pune 411 036

PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the member(s)	:	
Registered Address	:	
E-mail Id	:	
Folio No. / DP ID & Client ID	:	

I/We, being the member (s) of shares of the above named Company, hereby appoint :

- (1) Name Address.....
E-mail ID Signature or failing him / her
- (2) Name Address.....
E-mail ID Signature or failing him / her
- (3) Name Address
E-mail ID Signature.....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Forty-First Annual General Meeting of the Company, to be held on Friday, the 5th day of September, 2014 at 11.00 a.m. at the Registered Office of the Company at Mundhwa, Pune - 411 036 and at any adjournment thereof in respect of such resolutions as are indicated below :

Item No.	Resolution (For details, refer Notice of Forty-First Annual General Meeting dated 29th May, 2014)	Vote *(Optional See Note 4)		
		For	Against	Abstain
1.	Adoption of the Financial Statements of the Company for the year ended 31st March, 2014 and the reports of the Board of Directors and Auditors thereon.			
2.	Declaration of Dividend on Equity Shares for the year ended 31st March, 2014			
3.	Appointment of Mr.B.N. Kalyani, as a Director, who retires by rotation, and being eligible, offers himself for re-appointment.			
4.	Appointment of Mr.C.G. Patankar, as a Director, who retires by rotation, and being eligible, offers himself for re-appointment.			
5.	Appointment of M/s.P.G. Bhagwat, Chartered Accountants, Pune as Auditors of the Company			
6.	Appointment of Mr.Arun Pawar as an Independent Director			
7.	Appointment of Mr.B.B. Hattarki as an Independent Director			
8.	Appointment of Mr.M.U. Takale as an Independent Director			
9.	Appointment of Mr.S.M. Kheny as an Independent Director			
10.	Appointment of Mr.S.S. Vaidya as an Independent Director			
11.	Authority to the Board to Borrow money			
12.	Authority to the Board to create Charge(s)			
13.	Payment of Remuneration by way of Commission to Non Whole-time Directors			
14.	Approval for Related Party Transactions			
15.	To approve the Remuneration of the Cost Auditors			

Signed this day of 2014

Signature of member :

Signature of Proxy holder(s) :

Notes :

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. A Proxy need not be a member of the Company.
3. A person can act as a proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. A member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
4. * It is optional to indicate your preference by placing the tick (✓) mark at the appropriate box. If you leave the 'For', 'Against' or Abstain column blank against any or all resolutions, your Proxy will be entitled to vote in the manner as he/she may deem appropriate.

Please affix
Revenue
Stamp

KALYANI STEELS LIMITED

CIN : L27104MH1973PLC016350

Registered Office : Mundhwa, Pune 411 036

BALLOT PAPER

(In lieu of E-voting)

Sr. No.	Particulars	Details
1	Name of the First Named Shareholder	
2	Postal Address	
3	Registered Folio No. / * DP ID & Client ID	
4	Class of Shares	

(*Applicable to investors holding shares in dematerialised form)

I/We hereby exercise my/our vote in respect of the Ordinary / Special Resolution(s) enumerated below, by recording my/our assent or dissent to the said Resolution(s) in the following manner :

No.	Item Description (For details, refer Notice of Forty-First Annual General Meeting dated 29th May, 2014)	No. of Equity Shares held	I/We assent to the resolution (For)	I/We dissent to the resolution (Against)
1.	Adoption of the Financial Statements of the Company for the year ended 31st March, 2014 and the reports of the Board of Directors and Auditors thereon.			
2.	Declaration of Dividend on Equity Shares for the year ended 31st March, 2014			
3.	Appointment of Mr.B.N. Kalyani, as a Director, who retires by rotation, and being eligible, offers himself for re-appointment.			
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9.	Appointment of Mr.S.M. Kheny as an Independent Director			
10.	Appointment of Mr.S.S. Vaidya as an Independent Director			
11.	Authority to the Board to Borrow money			
12.	Authority to the Board to create Charge(s)			
13.	Payment of Remuneration by way of Commission to Non Whole-time Directors			
14.	Approval for Related Party Transactions			
15.	To approve the Remuneration of the Cost Auditors			

Place : _____

Date : _____

Signature of the Shareholder(s)

INSTRUCTIONS

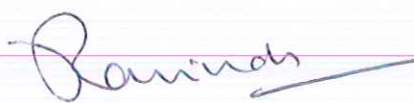
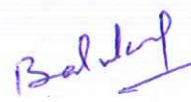



- Members may fill up the Ballot Paper by placing the tick (✓) mark at the appropriate box above and submit the same in a sealed envelope to the Scrutinizer, Mr.S.V. Deulkar of S.V. Deulkar & Co. Company Secretaries, C/o Kalyani Steels Limited, Secretarial Department, Mundhwa, Pune - 411 036 so as to reach not later than 30th August, 2014 by 6:00 p.m. Ballot Paper received thereafter will be treated as invalid.
- The Company will not be responsible if the envelope containing the Ballot Paper is lost in transit.
- Unsigned, incomplete or incorrectly ticked Ballot Papers are liable to be rejected and the decision of the Scrutinizer on the validity of the Ballot Papers will be final.
- In the event member casts his votes through both the processes i.e. E-voting and Ballot Paper, the votes in the electronic system would be considered and the Ballot Paper would be ignored.
- The right of voting by this Ballot Paper shall not be exercised by a proxy.
- To avoid fraudulent transactions, the identity/signature of the members holding shares in electronic/demat form is verified with the specimen signatures furnished by NSDL/CDSL and that of members holding shares in physical form is verified as per the records of the Registrar & Transfer Agent of the Company. Members are requested to keep the same updated.
- There will be only one Ballot Paper for every Folio/ DP ID & Client ID irrespective of the number of joint members.
- In case of joint holders, the Ballot Paper should be signed by the first named shareholder and in his/her absence by the next named shareholders. Ballot Paper signed by a joint holder shall be treated valid if signed as per records available with the Company and the Company shall not entertain any objection on such Ballot Paper signed by other joint holders.
- Where the Ballot Paper has been signed by an authorized representative of the body corporate/Trust/Society, etc. a certified copy of the relevant authorisation / Board resolution to vote should accompany the Ballot Paper.
- Instructions for e-voting procedure are available in the Notice of Annual General Meeting and are also placed on the website of the Company.

KALYANI STEELS

C.I.N. : L27104MH1973PLC016350

Form A
(Pursuant to Clause 31(a) of the Listing Agreement)

Covering letter of the Annual Audit Report
To be filed with the Stock Exchanges

1.	Name of the Company	KALYANI STEELS LIMITED
2.	Annual Financial Statements for the year ended	31st March, 2014
3.	Type of Audit Observation	Un-qualified Audit Report
4.	Frequency of Observation	Not Applicable
5.	Signed by :	
	<ul style="list-style-type: none">CEO / Managing Director	 R.K. Goyal Managing Director
	<ul style="list-style-type: none">CFO	 B.M. Maheshwari Chief Financial Officer
	<ul style="list-style-type: none">Auditor of the Company	For M/s P.G. BHAGWAT Chartered Accountants Firm Registration No.101118W  Sanjay Athavale Partner Membership No. 83374 
	<ul style="list-style-type: none">Audit Committee Chairman	 S.S. Vaidya Director & Audit Committee Chairman

Date: 30.07.2014



KALYANI
GROUP COMPANY

KALYANI STEELS LIMITED, CORPORATE BUILDING, 2ND FLOOR, MUNDHWA, PUNE - 411 036, INDIA.
PHONE : +91 20 66215000 FAX : +91 20 26821124