

Report on Corporate Governance

(Pursuant to Clause 49 of the Listing Agreement)

CORPORATE GOVERNANCE PHILOSOPHY

The Company emphasizes the need for full transparency and accountability in all its transactions, in order to protect the interests of its stakeholders. The Company seeks to focus on enhancement of long-term value creation for all stakeholders without compromising on integrity, social obligations and regulatory compliances. A good governance process provides transparency of corporate policies, strategies and the decision making process and also strengthens internal control systems and helps in building relationship with all stakeholders. The Board of Directors commit themselves to achieve excellence in Corporate Governance by confirming to guidelines on Corporate Governance.

I. BOARD OF DIRECTORS

Size and Composition of the Board

The Directors of the Company are appointed by shareholders at General Meetings. All Directors except Managing Director and Nominee Directors are, subject to Company's Articles of Association, liable to retirement by rotation and at every Annual General Meeting 1/3rd of such Directors as are liable to retire by rotation, if eligible, generally offer themselves for re-election, in accordance with the provisions of Sections 256.

The Board is balanced comprising Executive and Non-Executive Directors. The Non-Executive Directors include independent professionals. The Board has been constituted in such a way that it has understanding and competence to deal with current and emerging business issues. The Board has strength of Six Directors as on 31st March, 2011. Our Board of Directors has Three Independent Directors.

During the financial year ended 31st March, 2011 Fourteen Meetings of the Board were held on 10th April, 2010, 20th April, 2010, 31st May, 2010, 15th June, 2010, 24th June, 2010, 25th July, 2010, 6th September, 2010, 15th September, 2010, 20th September, 2010, 5th October, 2010, 10th January, 2011, 29th January, 2011, 12th February, 2011 and 16th March, 2011. The details regarding the attendance of Directors at the Board Meetings, Number of other Directorships and Committee positions held by them in other Companies as on 31st March, 2011 are given below :

Name & Designation of the Directors	Category/ Position	Last Annual General Meeting Attended	No. of Board Meetings Attended out of 14 meetings held during the year	No. of Other Directorships	Committee Positions held	
					Chairman	Member
Mr. C. P. Agarwal Chairman & Managing Director	Executive/ Promoter	Yes	14	1	Nil	Nil
Mr. P. P. Agarwal Whole-time Director	Executive / Promoter	Yes	13	1	Nil	Nil
Mr. Nitin M Kandoi Whole-time Director	Executive/ Promoter	Yes	12	1	Nil	Nil
Mr. Jyotirindra Nath Dey Director	Non-Executive /Independent	Yes	11	2	1	2
Mr. Rajesh Kumar Jain Director	Non-Executive /Independent	Yes	8	1	1	2
Mr. Virendra Kumar Keshari Director	Non-Executive/ Independent	Yes	11	1	1	2

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Notes :

- Mr. Virendra Kumar Keshari, Mr. Rajesh Kumar Jain and Mr. Jyotirindra Nath Dey have been considered as Independent Directors as they do not have any material pecuniary relationship or transactions with the Company, its promoters, its management, etc. which in judgment of the Board, may affect independence of their judgment.
- Other Directorships of only Indian Public Limited Companies have been considered.
- Committee positions of only 3 committees namely Audit Committee, Share Transfer and Investors'/Shareholders' Grievance Committee and Remuneration Committee have been considered.
- The Company placed before the Board of Directors the annual operating plans, capital budgets, the information on recruitment and remuneration of senior officers just below the board level, performance and various other information, including those specified under Annexure I of the Listing Agreement from time to time.

CHANGES IN COMPOSITION OF THE BOARD OF DIRECTORS SINCE LAST REPORT :

There is no change in the composition of the Board of Directors of the Company since last Report.

REAPPOINTMENT OF DIRECTOR :

The brief particulars of the Director of the Company proposed to be re-appointed at the ensuing Annual General Meeting are as under:

Mr. Prem Prakash Agarwal, Director of the Company retires by rotation and being eligible offer himself for reappointment at the forthcoming Annual General Meeting. Mr. Prem Prakash Agarwal aged 45 years is one of the Promoters of our Company. He is Bachelor of Commerce from the University of Gorakhpur, Uttar Pradesh and has an aggregate experience of twenty years in the manufacturing of wheat flour products and more than a decade of experience in the steel industry. Mr. Agarwal looks after our Company's day to day administration accounts and finance He has been associated with our Company since inception. During this period and under his leadership, the Company has successfully commissioned new projects and achieved higher level of growth. Details of Mr. Agarwal is as under :

Name of the Director	Mr. Prem Prakash Agarwal
Date of Birth	17.04.1966
Date of Appointment	11.02.2005
Qualifications	Bachelor of Commerce
Directorship in other Companies	Gallantt Udyog Limited
Membership/Chairmanship of Committees of the other public companies on which he is a Director	Nil
No. of Shares held in the Company	33,333

CODE OF CONDUCT :

Code of Conduct for the Directors and Senior Management of the Company was adopted by the Board in its meeting. This Code has been laid down with a view to promote good corporate governance and exemplary personal conduct and is applicable to all the Directors and Senior Managerial Personnel of the Company. This Code forms an integral part of the Company's Governance Policy. The Code has been posted on the web site of the Company www.gallantt.com. Declaration of compliance of the Code of Conduct in terms of sub clause (ii) of clause 49(I)(D) of listing agreement is given hereunder: "The Board of Directors of Gallantt Ispat Limited has pursuant to sub clause (i) of Clause 49 (I) D of the Listing Agreement laid down Code of Conduct for all Board members and senior managerial personnel of the Company which has also been posted on the website of the Company, viz. www.gallantt.com.

In terms of sub-clause (ii) of the said clause and as per 'affirmation of compliance' letters received from the Directors and the members of senior managerial personnel of the Company, I hereby declare that Directors and the members of senior management of the Company have complied with the Code of Conduct during the financial year 2010-11".

Chandra Prakash Agarwal
Chairman and Managing Director

Mayank Agrawal
CEO

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II. COMMITTEES OF THE BOARD

Audit Committee :

The Company has constituted an Audit Committee in accordance with the requirements of Section 292A of the Companies Act, 1956 and the terms of reference are in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges. The Audit Committee is vested with role and powers as mentioned in para C & D respectively of Clause 49(II) of the Listing Agreement. The Audit Committee provides direction to the audit functions and monitors the quality of internal and statutory audit. The responsibilities of the Audit Committee include overseeing the financial reporting process to ensure fairness, sufficiency and credibility of financial statements, recommendation of appointment and removal of statutory auditors and appointment of internal auditors and cost auditors and fixation of their remuneration, review of the quarterly and annual financial statements before submission to Board, review of the adequacy of internal control systems and the internal audit function, review of compliance with laws, inspection of records and audit reports review of management discussion and analysis, review of management letters / letter of internal control weaknesses issued by statutory auditors etc. The Audit Committee of the Company consists of Three Non-Executive Independent Directors, namely, Mr. Virendra Kumar Keshari, Mr. Rajesh Kumar Jain and Mr. Jyotirindra Nath Dey. Mr. Virendra Kumar Keshari is the Chairman of the Company and Mr. Nitesh Kumar acts as a Secretary to the Committee.

The Mr. Virendra Kumar Keshari, Chairman of the Audit Committee attended the last Annual General Meeting held on 6th September, 2010.

During the year 2010-11, six meetings were held on 20th April, 2010, 25th July, 2010, 6th September, 2010, 12th October, 2010, 8th January, 2011 and 12th February, 2011.

The constitution of the committee and the attendance of each member of the committee are given below :

Names	Designation	Category	Committee Meeting Attended
Mr. V. K. Keshari	Chairman	Independent	6
Mr. J. N. Dey	Member	Independent	6
Mr. R. K. Jain	Member	Independent	6

Remuneration Committee :

During the year ended 31st March, 2011, the Remuneration Committee comprised of Mr. Jyotirindra Nath Dey, an Independent Director, as the Chairman and Mr. Virendra Kumar Keshari and Mr. Rajesh Kumar Jain all independent Directors as Members. Mr. Nitesh Kumar, Company Secretary acts as the Secretary to the Committee.

The Remuneration Committee was constituted to discharge the Board's responsibilities relating to compensation of the Company's executive directors and senior management. During the year 2010-11, no meeting of the Remuneration Committee were held.

Remuneration of Directors

(a) Executive Directors (Managing / Whole-time Directors)

The aggregate value of salary and perquisites paid for the year ended 31st March, 2011 to Managing/Whole-time Directors are as follows:

Name	Designation	Aggregate Value of Salary & Perquisites (Rs.)
Mr. Chandra Prakash Agrawal	Managing Director	6,00,000/-
Mr. Prem Prakash Agarwal	Wholetime Director	6,00,000/-
Mr. Nitin M Kandoi	Whole-time Director	6,00,000/-

The Remuneration to the Executive Directors is determined by the Remuneration Committee within the statutory limit subject to the approval of shareholders of the Company. As per the agreement entered into with the Executive Directors there is no provision for severance fees to the Directors on termination of the employment. Further, the Company has not yet introduced any stock option to its Directors/Employees. The Executive Directors is under a contract period of 5 years.

(b) Non-Executive Directors

Except sitting fees, the Company is not paying any remuneration to the Non-Executive Directors.

The Company has not paid any remuneration to Non-executive Directors other than sitting fees for attending the meetings

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of the Board and Committees of the Board of Directors of the Company. The Company pays sitting fees of Rs. 500 to its Non-executive Directors for attending the meeting of the Board of Directors or Committees of the Board.

Share Transfer & Shareholders/Investors Grievance Committee :

During the year ended 31st March, 2011, the Remuneration Committee comprised of Mr. Rajesh Kumar Jain, an Independent Director, as the Chairman and Mr. Virendra Kumar Keshari and Mr. Jyotirindra Nath Dey all independent Directors as Members. Mr. Nitesh Kumar, Company Secretary acts as the Secretary to the Committee and also as the Compliance Officer. The Committee, inter alia, approves issue of duplicate certificates and oversees and reviews all matters connected with transfer of securities of the Company. The Committee also looks into redressal of shareholders'/investors' complaints related to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.

A status report of shareholder complaints and redressal thereof is prepared and placed before the Share Transfer & Shareholders/Investors Grievance Committee. The shareholders/investors can register shares related complaints, if any, in the e-mail Id nitesh@gallantt.com designated exclusively for the purpose.

During the year 2010-11, eleven meetings of the Share Transfer & Shareholders/Investors Grievance Committee were held on 15th October, 2010, 30th October, 2010, 15th November, 2010, 30th November, 2010, 15th December, 2010, 31st December, 2010, 14th January, 2011, 31st January, 2011, 12th February, 2011, 25th February, 2011 and 31st March, 2011.

The constitution of the committee and the attendance of each member of the committee are given below :

Names	Designation	Category	Committee Meeting Attended
Mr. R. K. Jain	Chairman	Independent	11
Mr. J. N. Dey	Member	Independent	11
Mr. V. K. Keshari	Member	Independent	11

During the year Company has received six complaints which were successfully redressed.

General Body Meetings :

Location and time of last 3 Annual General Meetings are as under :

Year	Venue	Date	Time
2010	11, Crooked Lane, Second Floor, Kolkata - 700 069.	06.09.2010	10.00 A.M.
2009	"ASHYANA", 29C, Bentinck Street, Kolkata - 700 069.	20.08.2009	01.30 P.M.
2008	"ASHYANA", 29C, Bentinck Street, Kolkata - 700 069.	25.09.2008	01.30 P.M.

Details of Resolutions passed through Postal Ballot.

No resolution has been passed by the Company through postal ballot during the year under report.

Disclosures :

- There were no materially significant related party transactions i. e. transactions of the Company of material nature, which its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large. The related party transactions are duly disclosed in the "Notes on Accounts" to the Balance Sheet.
- There were no cases of non-compliance by the Company and no penalties / strictures imposed on the Company by any statutory authority on any matter.

Compliance Certificate :

Compliance Certificate for Corporate Governance from the Auditors of the Company is annexed herewith.

Means Of Communication :

In accordance with Clause 54 of the Listing Agreement, the Company has maintained a functional website at www.gallantt.com containing basic information about the Company viz., details of its business, financial information, shareholding pattern, compliance with corporate governance, contact information of the designated officials of the Company who are responsible for assisting and handling investor grievances, etc. The contents of the said website are updated from time to time.

Information like quarterly / half yearly / annual financial results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board to enable them to put them on their websites and communicate to their members. The quarterly / half-yearly / annual financial results are also published in the prescribed format within 48 hours of the

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conclusion of the meetings of the Board in which they are considered and approved, in one English newspaper circulating in the whole or substantially the whole of India and in one vernacular newspaper of West Bengal. These results are simultaneously posted on the website of the Company at www.gallantt.com.

Management Discussion & Analysis Report

The Management Discussion and Analysis Report forms part of the Annual Report.

Compliance Officer

The Board has designated Mr. Nitesh Kumar, Company Secretary as the Compliance Officer.

Address : 11, Crooked Lane, Second Floor, Kolkata - 700 069.

Tel : +91-33-30238671

Telfax : +91-33-22312429.

General Shareholder Information :

1. Date, Time and Venue of 7th AGM	Wednesday, 28th September, 2011 at 2.00 P.M. at Bharatiya Bhasha Parishad, 4th Floor, 36A, Shakespeare Sarani, Kolkata - 700 017.
2. Financial Calender	1st April to 31st March
3. Dates of book closure	22nd September, 2011 to 28th September, 2011
4. Listing on stock exchanges	Bombay Stock Exchange Ltd. (BSE) National Stock Exchange of India Ltd. (NSE)
5. Listing fees for 2011-12	Paid for both the Stock Exchanges
6. Electronic Connectivity	National Securities Depository Ltd. (NSDL) & Central Depository Services (India) Ltd.
7. Registered Office	11, Crooked Lane, Second Floor, Kolkata- 700 069. Tel : +91-33-30238671 Telfax : +91-33-22312429. Website : gallantt.com E-mail : gil@gallantt.com
8. Works Office	Plot No. AL-5, Sector - 23, Gorakhpur Industrial Development Authority (GIDA) Sahjanwa, Gorakhpur, U.P. Tele : +91-551-2700302 Fax : +91-551-2700320
9. Registrar and Share transfer agent	Share transfers in physical form and other communication regarding share Transfer, certificates, dividends, change of address, etc. may be addressed to : NICHE TECHNOLOGIES PVT. LTD. D-511, Bagree Market, 71, B.R.B. Basu Road, Kolkata - 700 001 Phone Nos. : +91-33-22156823 Fax No. : +91-33-22156823 Contact Person : Mr. S. Abbas E-mail : nichetechpl@nichetechpl.com Web-site : www.nichetechpl.com

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10. Dividend

A dividend of Re. 0.50 per equity share will be credited / dispatched on or after 3rd October, 2011 subject to the approval of the Share holders at the Annual General Meeting to be held on 28th September, 2011.

11. Stock Market Data

Monthly high and low quotations of shares traded on Bombay Stock Exchange Ltd. and National Stock Exchange of India Limited for the Year 2010-11.

(Amount in Rs.)

Year 2010-11	BSE		NSE	
	High	Low	High	Low
October, 2010	87.40	48.80	87.00	49.00
November, 2010	57.30	49.00	57.40	48.50
December, 2010	58.00	43.00	60.70	43.05
January, 2011	59.95	51.25	60.40	51.25
February, 2011	74.00	57.30	74.35	57.70
March, 2011	77.95	67.10	79.40	65.55

Share Transfer System :

Shares sent for transfer in physical form are normally registered by our Registrar and Share Transfer Agents within 15 days pf receipt of the documents, if documents are found in order. Share under objection are returned within two weeks.

Dematerialisation of Shares and Liquidity :

The Shares of the Company are in compulsory demat segment and are available for trading in the depository systems of both NSDL and CDSL 99.16% of Equity Shares have been dematerialized as on 31st March, 2011.

Stock Code :

Bombay Stock Exchange Limited

533265

National Stock Exchange of India Limited

GALLISPAT

Distribution of Shareholding

The distribution of shareholding as on 31st March, 2011 was as follows

No. of Shares held	Shareholders		Shares	
	Number	% to total	Number	% to total
Upto 500	2116	88.76	266233	0.99
501-1,000	86	3.61	67001	0.25
1,001-5,000	114	4.78	231045	0.87
5,001-10,000	10	0.42	74564	0.28
10,001-50,000	29	1.21	646377	2.41
50,001-1,00,000	10	0.42	723640	2.70
1,00,001 and Above	19	0.80	24757645	92.50
TOTAL	2384	100	26766505	100

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Categories of shareholding as on 31st March, 2011

Category (as Gallantt Ispat reports to stock exchanges)	Shares Holdings	% of Total
PROMOTERS' HOLDING :		
Promoters	18718131	69.93
Total Promoters' Holding	18718131	69.93
PUBLIC SHAREHOLDING :		
Institutional Investors		
Financial Institution Investor	13,25,145	4.95
Others		
Bodies Corporate	2555380	9.55
Individuals	2719114	10.16
NRI/OCBs	1321055	4.93
Clearing Memb/Clearing Cor (Demat shares in transit)	127680	0.48
Total Public Shareholding	8048374	30.07
GRAND TOTAL	26766505	100

Details of Public Funding Obtained In the Year :

During the Financial Year 2010-11 Company came out with an Initial Public Offering (Issue) of 81,00,000 Equity Shares. Issue opened on September 22, 2010 and closed on September 24, 2010. As per the basis of allotment approved by the Bombay Stock Exchange Limited (Designated Stock Exchange) 81,00,208 Equity Shares were allotted to the successful investors.

Company has procured Rs. 40.50 Crores (Rupees Forty Crores Fifty Lacs) including promoters contribution of Rs. 7.00 Crores (Rupees Seven Crores). This issued proceeds have been utilised by the Company in the project and for General Corporate purpose as per the terms of the issue.

Investor's Correspondence :

For investor matters :

Nitesh Kumar

Company Secretary and Compliance Officer

Secretarial Department

Gallantt Ispat Limited

11, Crooked Lane,

Second Floor,

Kolkata-700 069 (W.B.)

Tel : +91-33-30238671

Telefax : +91-33-22312429

Adoption of Non-mandatory Requirements :

Except constitution of Remuneration Committee, the Company has so far not implemented other Non-Mandatory requirements of the Code of Corporate Governance.

AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

We have examined the compliance of the conditions of Corporate Governance by Gallantt Ispat Limited for the year ended 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the 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 had complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that there are no investor grievances pending against the Company for the period exceeding one month as at 31st March, 2011 as per the records maintained by the Registrar and Transfer Agent of the Company and presented to the Investors Grievance Committee.

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

For **Anoop Agarwal & Co.**
Chartered Accountants
H. C. Pant
Partner
Membership No. 017694

Place: Kolkata

Date: 02.08. 2011

CEO/CFO CERTIFICATION

The Board of Director
Gallantt Ispat Limited
11, Crooked Lane, Second Floor,
Kolkata - 700 069.

Re : Financial Statements for the Financial year 2010-11 - Certificate by MD and Manager Accounts & Finance

We, Mayank Agrawal, CEO and Mr. Nitesh Kumar, Manager Accounts & Finance and Company Secretary, of Gallantt Ispat Limited on the review of financial statements and cash flow statement for the year ended 31st March, 2011 and to the best of my knowledge and belief, hereby certify that:

1. These statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading.
2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
3. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2011 which are fraudulent illegal or violative of Company's Code of Conduct.
4. We accept responsibility for establishing and maintaining internal controls, for financial reporting, we have evaluated the effectiveness of the internal control systems of the company pertaining the financial reporting and we have disclosed to the auditors and the Audit Committee those deficiencies in the design or operation of such internal controls of which we are aware and the steps we have taken or purpose to take rectify these deficiencies.
5. We have indicated to the Auditors & the Audit Committee:
 - (i) there have been no significant changes in internal control over financial reporting during the period.
 - (ii) there have been no significant changes in accounting policies during the period.
 - (iii) there have been no instances of significant fraud of which we have become aware and the involvement therein, of management or an employee having significant role in the Company's internal control systems over financial reporting.

Kolkata
August 02, 2011

Nitesh Kumar
*Manager Accounts & Finance
and Company Secretary*

Mayank Agrawal
Chief Executive Officer

Management Discussion and Analysis Report

(forming part of the Report of the Directors for the year ended 31st March, 2011)

BUSINESS OVERVIEW :

The Indian economy witnessed a sharp and robust growth during the fiscal 2010-11. Irrespective of the market remained volatile for most part of the year and inflationary trend prevailed, India's gross domestic product (GDP) grew at a robust 8.6 per cent. There was constant pressure of increase in the prices of crude oil which has further fueled the inflation in the prices of important minerals and metals. The situation of inflationary trend started in the previous year in the prices of basic food grains have further worsen for most part of the year. The corrective measures taken by the government hardening the credit norms also could not yield the desired results to curb the inflation. High volatility in the international market more particularly in the economies of developed countries like USA and Europe resulted into increase in the prices of major minerals. There is still uncertainty prevailing in the international market. In the circumstances, more efforts would be required to sustain the Industrial growth at the desired rate.

INDUSTRY OVERVIEW :

Steel Industry

2010-11 saw the global economic recovery gaining strength. After a de-growth of 0.5% in 2009, world economic output rebounded strongly to register 5% growth in 2010. Much of this impetus came from developing and emerging economies, which witnessed 7.3% growth in 2010 compared to 2.7% in 2009. Thankfully, even the advanced economies recovered from a 3.4% contraction in output in 2009 to a growth of 3% in 2010. Economic growth has a direct linkage to steel and steel products demand. By October 2010, industrial production in emerging economies such as India and China had already surpassed the pre-crisis levels. Even some of the advanced economies witnessed a pick-up in industrial production.

With an impressive track record, the country has assumed a favourable place in the world steel industry. Global steel giants from all over the world have shown interest in the industry because of its good performance.

Global economic slowdown hampered the growth of various steel intensive industries, such as, construction in 2009 and its impact also fell on steel demand. However, the Government's proactive incentive plans to boost economic growth by injecting funds in various industries like construction; infrastructure and power will help the steel industry to again achieve its previous growth trajectory. Steel consumption in India is expected to grow significantly in coming years since per capita finished steel consumption is far less from other countries.

According to the year-end review by the Press Information Bureau, India has emerged as the fourth largest producer of steel in the world and the second largest producer of crude steel. The National Steel Policy has a target for taking steel production up to 110 MT by 2019-20. India accounts for around 5 per cent of the global steel consumption. However, its use in railway coaches, wagons, airports, hotels and retail stores is growing immensely. India's steel consumption rose on account of improved demand from sectors like automobile and consumer durables. The scope for raising the total consumption of steel is huge, given that per capita steel consumption is only 35 kg compared to 150 kg across the world and 250 kg in China. While the demand for steel will continue to grow in traditional sectors such as infrastructure, construction, housing, automotive, steel tubes and pipes, consumer durables, packaging and ground transportation, specialised steel will be increasingly used in hi-tech engineering industries such as power generation, petrochemicals, fertilisers, etc. The new airports and railway metro projects will require a large amount of stainless steel. With the growing need for oil and gas transportation infrastructure, huge opportunity is waiting to be tapped by steel manufacturers in the coming years.

Agro Industry (Wheat Products)

With a production reaching ten times in past five years, India is today the second largest wheat producer in the whole world. Various studies and researches show that wheat and wheat flour play an increasingly important role in the management of India's food economy.

Wheat production is about 70 million tonnes per year in India and counts for approximately 12 per cent of world production. Being the second largest in population, it is also the second largest in wheat consumption after China, with a huge and growing wheat demand.

Major wheat growing states in India are Uttar Pradesh, Punjab, Haryana, Rajasthan, Madhya Pradesh, Gujarat and Bihar. All of north is replenished with wheat cultivation. Wheat has a narrow geographic land base of production as compared to rice or pulses. Wheat is a temperate crop requiring low temperatures and most of the country is tropical.

Your Company's current portfolios for wheat products include wheat flour products like atta, maida, suji and bran. Products are being sold to markets like Uttar Pradesh, Bihar, West Bengal etc.

OPPORTUNITIES AND THREATS

Opportunities for Agro Division :

Company's plant is located at Purvanchal region of State of Uttar Pradesh which is industrially backward part of the state and keeping in mind consumption and demand of the agro products manufactured by the Company, there is substantial gap between the supply and demand. Being the first unit of such large scale in the region backed up by various incentives and subsidies and opportunities for exploring market within and outside the region, a very high growth in this segment is expected.

Wheat flour products like atta, maida, suji and bran are sold across northern markets like Uttar Pradesh, Bihar, West Bengal etc. in the brand name of "Gallantt". Uttar Pradesh is the largest wheat producing state in the country followed by Punjab, Haryana and Madhya Pradesh. As a practice, our Company procures wheat directly from farmers in the nearby areas and for this our Company has established Wheat Purchase Centres in the nearby wheat cultivating areas for purchase of wheat directly from the farmer.

Opportunities for Steel Division :

Steel industry is core in developing a country. Recovery in Indian economy has given rise to new investment opportunities which will increase demand for steel products. With a very low per capita consumption of steel in India as compared to global average, the opportunity for growth in the domestic market is high. Continuous thrust on the real estate industry, auto and infrastructure industries noticed in last so many years through annual budget of the Indian Government, keep the hope of maintaining the overall growth of the industry at 15% in the years to come. Significant importance is given by the Central Government on the development of urban infrastructures, Agricultural sector, affordable housing etc which are expected to aid for the growth directly or indirectly. With the consistent higher GDP, there will be improvement in the disposable income of the people.

In-house generation and consumption of Power :

Power is an important factor in every manufacturing facility. Considering the power requirements of our existing manufacturing facilities, Company is backed up by 18 MW Captive Power Plant to meet its requirements of power. The benefit of total integration of the steel and power project is that the in house consumption of entire Sponge Iron to manufacture billets which is further rolled into TMT Bars along with installation of captive power plant to utilize the waste heat would improve the profitability of the project thereby making it economically more viable.

Your Company has, over the years, built a strong technical and managerial team who possesses sufficient experience in setting up projects and manage them efficiently. This team is competent enough to set up steel projects at Gorakhpur, Uttar Pradesh. The Company is therefore poised well for further growth and sustainable development.

THREATS & RISKS :

There are however cost factors of financing which the Company has to consider while taking strategic decisions. The upward pressure on inflation has prompted RBI to increase its benchmark rates. This has increased the cost of financing for working capital requirement. Additionally, it is also putting pressure on all the new projects. Already the interest rates for the short term and medium term loans have gone up in the last few months.

Cheaper imports from countries such as China and Ukraine will make steel industry vulnerable. Further lowering of customs duty on steel products or further increasing of excise duty on production of steel products in the union budget could adversely impact the revenue and profitability of steel industry. United States of America and European countries are slowly coming out

of acute slow down of 2009 but unemployment figures and financial system is still a worrying factor which could prove a little drag on the pace of projected economic growth of the country in the current year. But the internal economic factors indicate increasing demand for steel which is expected to command better prices. Electricity continues to be in short supply and its domestic and industrial demand is rising. As the Company is self sufficient in supply of raw materials and has captive facilities for meeting its electricity requirement, the Company is expected to do better in coming years.

The year ahead appears challenging with the volatility in the market, increased and new competition, fluctuating foreign exchange, rising interest rates, inflation, rising crude oil prices, and natural disasters.

OUTLOOK

Global steel production rose by 16.8%, to 1,414 million tonnes in 2010. With a share of over 44%, China continued to be the driving force in the industry. Crude steel output in China grew by 9.3% to 627 million tonnes.

The global steel market has significantly improved since the low of 2008-09. The resilience of the emerging economies, especially China, has been the critical factor enabling the earlier than expected recovery of world steel demand.

The rise in construction activities, too, fuelled volume growth for the steel, thereby indicating that recovery in demand is broad-based and is gathering pace. Companies across sectors are re-launching projects that were shelved and this has increased demand for the metal. The process of re-stocking inventories is also on a high in anticipation of price hike going forward. The domestic demand, especially from the railways, and varied use of stainless steel, will also act as a catalyst in growth of the steel industry in India.

FINANCIAL PERFORMANCE AND FINANCIAL MANAGEMENT

The overall operational performance of the Company has been satisfactory. During the financial year 2010-11, the Company achieved net sales of Rs. 22,727.69 Crores and posted a net profit after tax of Rs. 316.11 Lacs registering a good increase in turnover and profitability.

Borrowing from Commercial Banks and other lenders is integral to running the business. The Company has been availing various types of financial facilities from Commercial Banks and other lenders for meeting fund requirements for implementing the projects and working capital. Options available in the credit market are properly assessed and sufficient care is taken to avail these facilities at competitive terms and conditions and are appropriately secured as per terms of sanction. The borrowings are at competitive cost and their disbursement is linked to the project/working capital requirements. Senior managerial personnel are looking after the arrangement of funds, servicing of debts and management of internal accruals.

The Company arranged Rs. 40,50,10,400/- from Initial Public Offering of 81,00,208 Equity Shares which was deployed in the project as per the terms of the Issue. Equity Shares of the Company got listed with Bombay Stock Exchange Limited and National Stock Exchange of India Limited on October 11, 2011.

INTERNAL CONTROLS AND SYSTEMS

Internal controls and proper systems give authenticity to the information, reports, records, documents, transactions and serve as a strong foundation for decision making by the management. The Company has established proper internal control systems and procedures which are compatible with size of its operations and business. Audit Committee reviews the reports of Internal Auditors and monitors effectiveness and operational efficiency of internal control systems. Audit Committee is giving valuable suggestions from time to time in improving the business processes, systems and internal controls.

The various internal control systems prevalent in the Company include:

1. Maintenance of an ERP System for Company's logistic system (sales & marketing), accounting systems and for manufacturing activities have strengthened the Management information system.
2. Periodical verification of assets at both the plants of the Company and stocks of finished goods at warehouses as well as at the depots were carried out at a regular interval.

3. Generation of periodic management reports to monitor the statutory and other compliance.
4. Review of the internal audit system and compliance of the accounting standards prescribed by the Institute of Chartered Accountants of India by an independent audit committee.

ENVIRONMENT PROTECTION

Environmental issues in steel industry are so numerous, complex and interconnected that an adhoc approach to problem solving is no longer considered effective. The growing pressure from all stakeholders requires steel companies to adopt environmental responsibility in all activities. There has been a paradigm shift in the attitude of the corporates as it switches over from 'Passive Environmental Strategies' to 'Proactive Environmental Strategies'. The Company operates on this philosophy and active strategies for environment management and energy conservation policies are formulated and implemented systematically.

Achieving a sustainable balance between environmental protection and economic growth is one of Company's highest values. Company strictly follows the principles of minimizing pollution, wastages and energy usage during manufacturing and maximising the harmony between mankind and his surroundings.

The Company attaches great importance to development of greenery within the premises of the factories, offices and its surroundings. Since the acquisition of land for project site, trees in thousands have been planted.

INDUSTRIAL RELATIONS AND HUMAN RESOURCE MANAGEMENT

The Company is taking various initiatives and has adopted various policies to provide better amenities to the employees to keep them motivated and satisfied. The Company is on the trajectory of growth and the challenge is to sustain the growth. Human Resource (HR) has emerged as a strategic business partner and sustainability of growth depends on the robustness of its policies, systems and procedure of Human Resources.

The Company has been regularly monitoring its policy for enhancement in the skills of its employees by providing need based training. Industrial Relations continued to be cordial during the year resulting in constant co-operation by all the employees in day-to-day work and implementing policies of your Company.

STATUTORY COMPLIANCE

The Company Secretary, as Compliance Officer, ensures compliance of the SEBI regulations, provisions of the Listing Agreement, Companies Act and other applicable laws and regulations.

CAUTIONARY STATEMENT - A DISCLAIMER

Statements in this Management Discussion and Analysis Report describing the Company's objectives, estimates and expectations may be "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied in this report. Important factors that may have impact on Company's operations include economic conditions affecting demand / supply and price conditions in the domestic and overseas markets, changes in the Government regulations / policies, tax laws and other statutes and other incidental factors. The Company assumes no responsibility to publicly modify or revise any forward looking statements on the basis of any future events or new information. Actual results may differ from those mentioned in the report.