



SATHAVAHANA ISPAT LIMITED

22ND

ANNUAL REPORT

2010 - 11

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AGM	:	22 nd Annual General Meeting.
Day and Date	:	Friday, the 30th September, 2011
Time	:	3.00 p.m.
Venue	:	Sri Sagi Ramakrishnam Raju Community Hall, Madhura Nagar, Hyderabad - 500 038
Date of book closure :		
i) Physical mode	:	16.09.2011 to 30.09.2011 (both day inclusive)
ii) Electronic mode	:	15.09.2011
ISIN No.	:	INE 176C01016
Listing	:	The Bombay Stock Exchange Limited (BSE) (Stock Code : 526093) National Stock Exchange of India Limited (NSE) (Stock Code : sathaispat)

General Corporate Information

BOARD OF DIRECTORS:	Shri K.Thanu Pillai	Chairman
	Shri A.S.Rao	Executive Vice Chairman
	Shri Khaja Ruknuddin	Director
	Shri Syed Anis Hussain	Director
	Shri S.N.Rao	Director
	Shri A. Naresh Kumar	Managing Director
CHIEF FINANCIAL OFFICER & COMPANY SECRETARY	Shri K.V. Krishna Rao	
AUDITORS	M/s. P V R K Nageswara Rao & Co., Chartered Accountants	
BANKERS:	State Bank of Hyderabad Canara Bank Andhra Bank	
REGISTERED OFFICE	314, Sri Rama Krishna Towers, Nagarjuna Nagar, Ameerpet, Hyderabad - 500 073.	
CORPORATE OFFICE & SECRETARIAL DEPARTMENT	505, 5th Floor, Block - 1, Divyashakti Complex, Ameerpet, Hyderabad - 500 016.	
SHARE TRANSFER AGENTS	M/s. XL Softech Systems Limited, #3, Sagar Society, Road No.2, Banjara Hills, HYDERABAD - 500 034.	
WORKS	<ol style="list-style-type: none">1. Haresamudram Village, Bommanahal Mandal, Ananthapur District, Andhra Pradesh.2. Kudithini Village, Korugodu Road, Bellary District, Karnataka.	

NOTICE OF 22ND ANNUAL GENERAL MEETING

NOTICE is hereby given that the 22nd Annual General Meeting of the shareholders of **SATHAVAHANA ISPAT LIMITED** will be held at Sri Sagi Ramakrishnam Raju Community Hall, Madhura Nagar, Hyderabad - 500 038 on Friday, the 30th September, 2011 at 3.00 p.m. to transact the following business:

AS ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st March, 2011 along with the Reports of Directors and Auditors thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a Director in place of Shri K.Thanu Pillai, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Khaja Ruknuddin, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors for the current year under section 224 of the Companies Act, 1956 and fix their remuneration. The retiring Auditors M/S. P.V.R.K. Nageswara Rao & Co., Chartered Accountants, Hyderabad, are eligible for reappointment.

To consider and, if thought fit, to pass the following resolution, with or without any modifications as an ORDINARY RESOLUTION:

“RESOLVED that, pursuant to section 224 of the Companies Act, 1956, M/s. P.V.R.K. Nageswara Rao & Co., Chartered Accountants, (Firm’s Registration Number: 0022835) Hyderabad, retiring Auditors of the Company, be and are hereby reappointed as Auditors of the Company till the conclusion of next Annual General Meeting on a remuneration to be decided by the Board of Directors of the Company plus Service Tax and out of pocket expenses”.

By order of the Board

Hyderabad
Date: 30.05.2011

(A. NARESH KUMAR)
MANAGING DIRECTOR

NOTES:

1. THE RELEVANT DETAILS OF DIRECTORS, AS REQUIRED BY CLAUSE 49 OF THE LISTING AGREEMENTS ENTERED INTO WITH THE STOCK EXCHANGES, SEEKING RE-APPOINTMENT UNDER ITEM NOS. 3 AND 4 ABOVE ARE ANNEXED.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. MEMBER INTENDING TO APPOINT A PROXY SHOULD COMPLETE THE PROXY FORM FURNISHED ELSEWHERE AND DEPOSIT IT AT THE COMPANY’S CORPORATE OFFICE NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM **16.09.2011 TO 30.09.2011** (BOTH DAYS INCLUSIVE) FOR TRANSFERS IN PHYSICAL MODE AND ON CLOSING OF **15.09.2011** FOR ELECTRONIC MODE FOR DETERMINING THE NAMES OF MEMBERS ELIGIBLE FOR DIVIDEND, IF APPROVED, ON EQUITY SHARES.
4. THE DIVIDEND ON EQUITY SHARES FOR THE YEAR 2010-11 RECOMMENDED BY THE BOARD OF DIRECTORS, IF DECLARED AT THE GENERAL MEETING, WILL BE PAYABLE ON OR AFTER 5TH OCTOBER, 2011, TO THOSE MEMBERS WHOSE NAMES APPEAR ON THE COMPANY’S REGISTER OF MEMBERS HOLDING SHARES IN PHYSICAL MODE AS ON 30TH SEPTEMBER, 2011 AND TO THOSE BENEFICIAL OWNERS WHOSE NAME APPEARS ON CLOSING OF 15TH SEPTEMBER 2011 IN THE LISTS PROVIDED BY THE DEPOSITORIES.
5. MEMBERS MAY PLEASE NOTE THAT THE DIVIDEND WARRANTS WILL BE MADE PAYABLE AT PAR AT THE DESIGNATED BRANCHES OF THE BANK PRINTED ON THE DIVIDEND WARRANT FOR AN INITIAL PERIOD OF SIX MONTHS ONLY. THEREAFTER THE DIVIDEND WARRANTS WILL BE REQUIRED TO BE REVALIDATED BY THE COMPANY AND WILL BE MADE PAYABLE ONLY AT DRAWEE BRANCH OF THE BANK. MEMBERS ARE THEREFORE ADVISED TO ENCASH DIVIDEND WARRANTS WITHIN THE INITIAL VALIDITY PERIOD OF SIX MONTHS.
6. MEMBERS HOLDING SHARES IN **PHYSICAL FORM** ARE REQUESTED TO INTIMATE TO THE COMPANY ON OR BEFORE 15TH SEPTEMBER 2011 THE BANK PARTICULARS TO BE INCORPORATED ON THE DIVIDEND WARRANTS. (IN THE FORM FURNISHED



ELSEWHERE IN THIS REPORT) DULY SIGNED BY THE SOLE/FIRST HOLDER.

IN CASE OF SHARE HOLDINGS IN ELECTRONIC FORM, THE BANK ACCOUNT DETAILS OF BENEFICIARIES AS FURNISHED BY THE DEPOSITORIES TO THE COMPANY WILL BE PRINTED ON THEIR DIVIDEND WARRANTS AS PER THE APPLICABLE REGULATIONS OF THE DEPOSITORIES. NO REQUEST SHOULD BE LODGED WITH THE COMPANY / SHARE TRANSFER AGENTS FOR DELETION / CHANGE IN SUCH BANK DETAILS. BANK DETAILS AVAILABLE IN PHYSICAL HOLDING WILL NOT BE AUTOMATICALLY TRANSFERRED TO ELECTRONIC MODE AT THE TIME OF DEMATERIALISATION OF SHARES. MEMBERS HOLDING SHARES IN ELECTRONIC MODE SHOULD ARRANGE TO CHANGE THE BANK DETAILS, IF REQUIRED, WELL BEFORE THE BOOK CLOSURE DATE BY CONTACTING THEIR DEPOSITORY PARTICIPANT.

7. THE COMPANY PROVIDES THE FACILITY OF ELECTRONIC CLEARING SERVICE (ECS) TO ALL SHAREHOLDERS HOLDING SHARES IN ELECTRONIC AND PHYSICAL MODE FOR THE PAYMENT OF DIVIDEND DECLARED AT THE MEETING, AT THOSE CENTRES PERMITTED BY AND SUBJECT TO GUIDELINES ISSUED IN THIS REGARD BY RESERVE BANK OF INDIA.

MEMBERS HOLDING SHARES IN PHYSICAL FORM AND WISHING TO AVAIL THE ECS FACILITY SHOULD LODGE WITH SHARE TRANSFER AGENT, THE ECS MANDATE (COPY OF WHICH IS FURNISHED ELSEWHERE IN THIS REPORT) UNDER SOLE / FIRST HOLDER'S SIGNATURE ON OR BEFORE 15TH SEPTEMBER, 2011. ADDITIONAL COPIES OF ECS MANDATE, IF REQUIRED, CAN ALSO BE OBTAINED FROM THE SHARE TRANSFER AGENT.

8. THE MEMBERS WHO HAVE SO FAR NOT ENCASHED THEIR DIVIDEND WARRANTS RELATING TO THE DIVIDEND DECLARED FOR THE FINANCIAL YEARS ENDING 31ST MARCH, 2004, 31ST MARCH, 2005, 31ST MARCH 2006, 31ST MARCH 2007, 31ST MARCH 2008 31ST MARCH 2009 AND 31ST MARCH 2010 MAY APPROACH THE COMPANY WITHOUT ANY FURTHER DELAY FOR THE PAYMENT OF THE SAID WARRANTS. PURSUANT TO PROVISIONS OF SECTION 205C OF THE COMPANIES ACT, 1956 THE UNCLAIMED DIVIDEND AT THE END OF SEVEN YEARS WILL HAVE TO BE TRANSFERRED TO THE INVESTOR EDUCATION AND PROTECTION FUND MAINTAINED BY THE CENTRAL GOVERNMENT, WHEREBY THE MEMBERS WILL NOT

BE ABLE TO CLAIM THE SAID DIVIDEND FOREVER THEREAFTER. ACCORDINGLY THE UNCLAIMED DIVIDEND FOR THE YEAR ENDED 31ST MARCH 2004, 31ST MARCH, 2005, 31ST MARCH 2006, 31ST MARCH 2007, 31ST MARCH 2008, 31ST MARCH 2009 AND 31ST MARCH 2010 WILL HAVE TO BE CLAIMED BY THE SHAREHOLDERS ON OR BEFORE 29TH SEPTEMBER 2011, 29TH SEPTEMBER 2012, 29TH SEPTEMBER 2013, 29TH SEPTEMBER 2014, 29TH SEPTEMBER 2015, 29TH SEPTEMBER 2016 AND 29TH SEPTEMBER 2017 RESPECTIVELY AND THEREAFTER IT WILL BE TRANSFERRED TO INVESTOR EDUCATION AND PROTECTION FUND ON OR BEFORE 28TH OCTOBER 2011, 28TH OCTOBER 2012, 28TH OCTOBER 2013, 28TH OCTOBER 2014, 28TH OCTOBER 2015, 28TH OCTOBER 2016 AND 28TH OCTOBER 2017 AS THE CASE MAY BE.

9. MEMBERS DESIROUS OF SEEKING CLARIFICATIONS ON ACCOUNTS ARE REQUESTED TO SEND THEIR QUERIES TO THE CORPORATE OFFICE ADDRESS OF THE COMPANY AT LEAST SEVEN DAYS BEFORE THE DATE OF THE ANNUAL GENERAL MEETING TO ENABLE THE COMPANY TO COMPILE AND FURNISH REQUIRED INFORMATION.
10. THE SHAREHOLDERS HOLDING SHARES IN PHYSICAL MODE ARE REQUESTED TO INTIMATE IMMEDIATELY ANY CHANGE IN THEIR ADDRESS REGISTERED WITH THE COMPANY TO THE SHARE TRANSFER AGENTS M/S XL SOFTECH SYSTEMS LIMITED, #3, SAGAR SOCIETY, ROAD NO.2, BANJARA HILLS, HYDERABAD - 500 034.
11. THE SHAREHOLDERS ARE HEREBY REQUESTED THAT ALL THE CORRESPONDENCE IN CONNECTION WITH THE SHARES BE ADDRESSED TO THE SHARE TRANSFER AGENTS OF THE COMPANY M/S XL SOFTECH SYSTEMS LIMITED, #3, SAGAR SOCIETY, ROAD NO.2, BANJARA HILLS, HYDERABAD - 500 034 OR TO THE SECRETARIAL DEPARTMENT OF THE COMPANY AT 505, 5TH FLOOR, BLOCK-1, DIVYASHAKTI COMPLEX, AMEERPET, HYDERABAD - 500 016.
12. PURSUANT TO THE DIRECTIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) THE SHARES OF THE COMPANY ARE TO BE COMPULSORILY TRADED IN DEMAT MODE W.E.F 26TH FEBRUARY, 2001. MEMBERS HOLDING SHARES IN PHYSICAL MODE MAY THEREFORE, CONVERT THEIR EQUITY HOLDINGS OF THE COMPANY INTO DEMAT MODE BY OPENING THE DEMAT ACCOUNTS WITH DEPOSITORY PARTICIPANTS WHO ARE ACTING AS AGENTS TO THE DEPOSITORIES VIZ., NSDL AND CDSL. THE COMPANY HAS BEEN ALLOTTED THE ISIN

- NO. INE176C01016. HOWEVER, MEMBERS MAY CONTINUE TO HOLD THE SHARES OF THE COMPANY IN PHYSICAL FORM AT THEIR OPTION BUT FOR TRADING THE SAME ON THE STOCK EXCHANGES, CONVERSION INTO DEMAT MODE IS COMPULSORY.
13. MEMBERS ARE REQUESTED TO BRING THEIR COPY OF ANNUAL REPORT TO THE MEETING. MEMBERS / PROXIES SHOULD FILL THE ATTENDANCE SLIP FOR ATTENDING THE MEETING. MEMBERS / PROXIES ARE REQUESTED TO FILL IN THE CLIENT ID AND DP ID NUMBERS IN CASE OF ELECTRONIC HOLDING AND FOLIO NUMBER IN CASE OF PHYSICAL HOLDING IN THE ATTENDANCE SLIPS. CORPORATE MEMBERS WISHING TO DEPUTE THEIR AUTHORISED REPRESENTATIVES ARE REQUESTED TO SEND A DULY CERTIFIED COPY OF BOARD RESOLUTION AUTHORISING THEIR REPRESENTATIVES TO ATTEND AND VOTE AT THE GENERAL MEETING.
14. MEMBERS HOLDING SHARES IN PHYSICAL FORM AND DESIROUS OF AVAILING THE BENEFIT OF NOMINATION FACILITY IN TERMS OF SECTION 109A OF THE COMPANIES ACT, 1956 READ WITH ARTICLE 64A OF ARTICLES OF ASSOCIATION OF THE COMPANY, MAY DO SO BY SENDING THEIR REQUESTS IN FORM 2B COPY OF WHICH WILL BE MADE AVAILABLE ON A REQUEST TO THE SHARE TRANSFER AGENTS M/S. XL SOFTECH SYSTEMS LIMITED OR COMPANY'S SECRETARIAL DEPARTMENT.
15. THE EQUITY SHARES OF THE COMPANY ARE LISTED ON THE BOMBAY STOCK EXCHANGE LIMITED, MUMBAI (STOCK CODE:526093) AND NATIONAL STOCK EXCHANGE OF INDIA LIMITED, MUMBAI (STOCK CODE:SATHAISPAT). THE ANNUAL LISTING FEE TO THE STOCK EXCHANGES WHERE THE COMPANY'S SHARES ARE LISTED HAS BEEN PAID UPTO DATE. THE LISTING ON THE HYDERABAD STOCK EXCHANGE LIMITED, HYDERABAD, (STOCK CODE:SVI) IS NOT IN FORCE AS THE SAID EXCHANGE HAS BEEN DERECOGINSED BY THE SECURITIES AND EXCHANGE BOARD OF INDIA.

**DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING
RE-APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING**

(in pursuance of Clause 49 of the Listing Agreements)

Name of Director	Shri K. Thanu Pillai	Shri Khaja Ruknuddin
Date of Birth	14.05.1935	03.01.1933
Date of Appointment	29.01.1999	30.07.2001
Qualifications	B.Com., M.B.A., CAIIB.	B.A., LL.B., CAIIB
Expertise in specific functional areas	About four decades in Commercial Banking and Financial Management	About four decades in Commercial Banking, Human Resources and Financial Management.
List of Companies in which outside directorship held as on 31 st March, 2011.	<ol style="list-style-type: none"> 1. BSCPL Infrastructure Limited 2. Sagar Cements Limited 3. LVS Energy (P) Limited 4. Amar Biotech Limited 5. Aishu Castings Ltd. 6. Aishu Projects Ltd. 7. Bollineni Developers Limited 8. BSCPL Infra Projects Limited 9. Krishna Institute of Medical Sciences. 10. Simhapuri Expressways Limited 	Babuji Estates Pvt. Ltd.
Chairman / Member of the Committees of the Board of the other companies in which he is a Director as on 31 st March, 2011.	<ol style="list-style-type: none"> 1. Member, Remuneration Committee, Sagar Cements Limited. 2. Member, Audit Committee, Sagar Cements Limited. 3. Member, Audit Committee, LVS Energy (P)Limited. 	NIL

By order of the Board

Hyderabad
Date: 30.05.2011

(A. NARESH KUMAR)
MANAGING DIRECTOR

DIRECTORS' REPORT

To
The Members,
SATHAVAHANA ISPAT LIMITED,

Your Directors have pleasure in presenting the 22nd Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2011.

FINANCIAL RESULTS:

Your Directors report the following financial results for the year 2010-11:

SL NO.	Particulars	(Rs. in Lakhs)	
		Year ended 31-03-2011	Year ended 31-03-2010
1.	Sales	70757.99	40776.75
2.	Other Income	980.96	2329.07
3.	Operating Profit before Interest and Depreciation	12072.39	6637.94
4.	Interest	2492.36	2048.87
5.	Depreciation	1677.21	1507.00
6.	Profit before Tax	7902.82	3082.07
7.	Income Tax adjustment and provision	2248.75	537.10
8.	Net Profit after Tax	5654.07	2544.97
9.	Add: Profit brought forward from last year	4551.35	3590.59
10.	Available for appropriation	10205.42	6135.56
11.	Less: Transfer to General Reserve	2500.00	1000.00
12.	Less: Proposed Dividend	622.80	501.00
13.	Less: Provision for Corporate Dividend Tax	101.03	83.21
14.	Balance carried forward	6981.59	4551.35
15.	Earning per Equity Share-Basic	16.91	7.73
16.	Earning per Equity Share-Diluted	16.81	7.73

Your Directors are glad to report that the Company achieved during the year an all round improvement in its performance, despite setbacks on raw material front and thus the performance achieved is considered to be satisfactory. The sales and profitability have gone up significantly partially due to commissioning of Metallurgical Coke capacity and partially due to prudent inventory management and improved sales realisations. The gross sales turnover at Rs.70757.99 Lakhs is higher by 73.53% as compared to previous year's turnover of Rs.40776.75 Lakhs. In line with the improved turnover the Profit before Tax too has gone up from Rs.3082.07 Lakhs to Rs.7902.82 Lakhs. Similarly the Net Profit after Tax has gone up from Rs.2544.97 Lakhs to Rs.5654.07 Lakhs. The non availability of raw materials like Iron Ore and high increase in Coking Coal prices had curtailed the margins but for which the profitability would have been even better. The Earning Per Share at Rs.16.91 as compared with Rs.7.73 in the previous year has more than doubled. Out of the amount available for appropriation, an amount of Rs.2500 Lakhs has been transferred to General Reserves.

DIVIDEND:

The Board of Directors have recommended a Dividend of Rs.1.80 per Share (18%) for the year 2010-11, an increase by 3%. The proposed Dividend involves an outlay of Rs.622.80 Lakhs and the applicable Corporate Dividend Tax on the proposed Dividend amounting to Rs.101.03 Lakhs will be borne by the Company. Thus the total outflow on account of Dividend payment works out to Rs.723.83 Lakhs. Due to funds commitment for implementation of the integrated expansion project at Haresamudram plant, a moderate increase in the dividend rate has been considered for the year 2010-11 and is being paid out of current year profits.

DIRECTORS' RESPONSIBILITY STATEMENT:

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

- i) The applicable accounting standards have been followed in the preparation of Annual Accounts for the Financial Year 2010-11;



SATHAVAHANA ISPAT LIMITED

- ii) The accounting policies selected were applied consistently and the judgements and estimates made 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 2011 and of the Profit of the Company for the year ended on the date;
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and,
- iv) The Annual Accounts have been prepared on a going concern basis.

AUDIT COMMITTEE:

The Audit Committee comprises Chairman -Shri K.Thanu Pillai, independent Director and three other independent Director members -Shri Khaja Ruknuddin, Shri Syed Anis Hussain and Shri S.N.Rao. The Audit Committee at its meeting held on 30th May 2011 has considered and approved the Audited Accounts for the financial year ended 31st March 2011. The Audited Accounts for the financial year ended 31st March 2011, as approved and recommended by the Audit Committee, do not require any explanations from the Board.

CORPORATE GOVERNANCE:

Pursuant to Clause 49 of the listing agreement entered into by the Company with the Stock Exchanges where the shares of the Company are listed, Company is required to comply with the Code of Corporate Governance for the financial year under review. Accordingly, the reports on Corporate Governance and Management Discussion and Analysis together with Auditors' Report on compliance of Corporate Governance are attached to this report and forms part of the Annual Report.

PROJECT:

The expansion of the Coke making facility by 150000 tpa has been commissioned on 23.12.2010. Works to de-bottleneck idle capacity in the Turbine Generator capacity by installing coal fired CFBC Boiler as also augmentation of additional Co-generation power of 10 MW from the expanded Coke making facility, whereby the total Power generating capacity would go up to 50 MW will be commissioned in second quarter of financial year 2011-12 due to some teething troubles.

DIRECTORS:

Shri K.Thanu Pillai and Shri Khaja Ruknuddin, Directors are liable for retirement by rotation at the end of the ensuing 22nd Annual General Meeting and being eligible, offer themselves for re-appointment at the said Annual General Meeting.

AUDITORS:

M/s. P.V.R.K. Nageswara Rao & Co., Chartered Accountants, Hyderabad retire as auditors at this Annual General Meeting and are eligible for reappointment.

EMPLOYEES:

The particulars of employees required to be furnished pursuant to section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, are given in the Annexure forming part of this report.

SHARE CAPITAL:

In terms of approval accorded by the members at the Extraordinary General Meeting held on 15th December 2010, the Company on 15th March 2011 allotted 4200000 Share Warrants to Ganapati Adusumilli Fininvest Private Limited - an associate entity of Promoters' Group and 800000 equity shares to Stemcor AG, at an issue price of Rs.60/- per Share Warrant / Equity Share, inclusive of share premium of Rs.50/- per each Share Warrant / Equity Share. Ganapati Adusumilli Fininvest Private Limited has since exercised option of conversion of 400000 Share Warrants to 400000 Equity Shares. Accordingly, as on 31st March 2011, 3800000 Share Warrants are outstanding where an amount of Rs.15/- per Share Warrant is paid up aggregating to Rs.57000000/-. Subsequent to the above issue / allotment the paid up share capital has gone up by Rs.12000000/- and share premium by Rs.60000000/-.

DEMATERIALISATION OF EQUITY SHARES:

The Agreements entered into by the Company with the two Depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for dematerialisation of shares are in force and the Company's shares are in dematerialised mode under ISIN No. INE 176C01016. As per the Securities and Exchange Board of India (SEBI) directives, the equity shares of the Company are to be compulsorily traded in dematerialisation form with effect from 26th February 2001. In view of the significant benefits that accrue on dematerialisation of securities, members may avail the facility.

LISTING OF SHARES ON STOCK EXCHANGES:

The Equity Shares of the Company are regularly traded on the Bombay Stock Exchange Limited (BSE) (Stock Code:526093) and The National Stock Exchange of India Limited (NSE) (Stock Code: sathaispat). The listing fee to these stock exchanges has been paid upto date. The listing on Hyderabad Stock Exchange Limited (HSE) (Stock Code: SVI) is not in force as the said exchange was de-recognised by The Securities and Exchange Board of India.

STATUTORY INFORMATION:

Information on conservation of energy, technology absorption, foreign exchange earnings and out go required to be disclosed under section 217 (1) (e) of the Companies Act, 1956, is given in the Annexure forming part of this report.

FIXED DEPOSITS:

During the year the Company has not accepted / renewed fixed deposits within the meaning of Section 58-A of the Companies Act, 1956 from the Shareholders and Directors. There are no overdue deposits or outstanding deposits as on the Balance Sheet date.

ACKNOWLEDGMENTS:

Your directors take this opportunity to express their grateful thanks to Canara Bank, State Bank of Hyderabad, Andhra Bank, Shareholders, Central and State Governments and valued suppliers and customers for their co-operation and support. The Board also places on record its appreciation of the valuable services rendered by the employees at all levels of the Company.

for and on behalf of the Board

Place: Hyderabad
Date: 30.05.2011

(K. Thanu Pillai)
Chairman

ANNEXURE TO DIRECTORS' REPORT

Statutory information as required under section 217(1)(e) of the Companies Act, 1956.

- a) Conservation of Energy: The Company has set-up Captive Power Generation Plants, which utilise surplus Blast Furnace gas and waste heat from exhaust gases of Coke Ovens. The Power Plants have been functioning satisfactorily.
- b) Technology absorption: The technology sourced from China Shougang for the Pig Iron plant expansion and Anshan Technology for Metallurgical Coke plant at Kudithini, both technologies sourced from P.R.China, stand fully absorbed.
- c) Foreign Exchange earnings and outgo:

(Rs. in Lakhs)

I)	Foreign Exchange earnings	:		
	a) F.O.B value of exports		Nil	
II)	Foreign Exchange outgo:			
	a) C.I.F. value of imports:			
	i) Raw materials, Stores and Spares	:	43834.20	
	ii) Capital Goods	:	11.33	
	b) Travelling expenses	:	16.95	
	c) Usance interest	:	334.05	
	d) Dividend	:	73.52	

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975.

Sl No.	Name / Designation	Qualifications	Age (years)	Experience (years)	Date of commencement of employment	Gross Remuneration Rs.	Name of Last Employer / Post held
1.	Shri A. Naresh Kumar Managing Director	B.Tech, M.S.(USA)	40	21	01.06.1999	10778148	Chemical Market Resources Inc., Project Manager
2.	Shri A.S.Rao Executive Vice Chairman	B.Tech (Hons)	68	48	01.07.1991	10047144	Steel Authority of India Limited / Addl. Chief (Marketing)

- Notes:
1. Gross remuneration includes salary, H.R.A., commission and other perquisites.
 2. The conditions of employment are contractual.
 3. Sri A. Naresh Kumar and Sri A.S.Rao are related to each other.

for and on behalf of the Board

Place: Hyderabad
Date: 30.05.2011

(K. Thanu Pillai)
Chairman

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

Sathavahana Ispat limited believes that the code of Corporate Governance is a necessary discipline and a means of achieving and attaining the goals and objectives of the Company and only proper governance implemented in true spirit would lead to effectiveness and transparency in the functioning of a Corporate. The Company lays emphasis on basic governance issues and supports the broad principles of governance code viz., transparency, accountability and integrity.

Company's philosophy on Corporate Governance accordingly envisages attainment of high level of transparency, accountability and integrity in all its areas of operations on the one hand and in its interactions with stakeholders viz., shareholders, employees, customers, suppliers, lenders and the government on the other, with ultimate object of protecting the interests of all stakeholders, and enhancing the shareholders value over a sustained period of time.

2. BOARD OF DIRECTORS:

The Board of Directors consists of six Directors of which two are Executive and four are Non-executive Directors and among these two are Promoter Directors and four are Independent Directors. The Independent Directors constitute 66.67% and Non-executive Directors constitute 66.67% of the board's strength. The Chairman of the board is Non-executive, Independent Director.

* Composition and category of Directors is as follows:

Category	Name of the Director
I. Executive Directors	1. Shri A.S.Rao
a) Promoters	2. Shri A.Naresh Kumar
II. Non-executive Directors	1. Shri K. Thanu Pillai
a) Independent	2. Shri Khaja Ruknuddin
	3. Shri Syed Anis Hussain
	4. Shri S.N.Rao

*Attendance of each Director at the Board of Directors meetings and the last Annual General Meeting:

Name of the Director	Board meetings		Attendance at Last AGM
	Held	Attended	
Shri K.Thanu Pillai	8	8	Yes
Shri A.S.Rao	8	8	Yes
Shri Khaja Ruknuddin	8	6	Yes
Shri Syed Anis Hussain	8	8	Yes
Shri A.Naresh Kumar	8	8	Yes
Shri S.N.Rao	8	6	Yes

*Number of other Board of Directorships, Board Committees he is a Member or Chairperson of:

Name of the Director	Board of Directors		Board Committees	
	Director	Chairman	Member	Chairman
Shri K.Thanu Pillai	10	None	3	None
Shri A.S.Rao	3	None	None	None
Shri Khaja Ruknuddin	1	None	None	None
Shri Syed Anis Hussain	2	None	None	None
Shri A.Naresh Kumar	3	None	None	None
Shri S.N.Rao	None	None	None	None

None of the Directors on the Board are members in more than ten committees and they do not act as Chairman of more than five committees across all companies in which they are Directors.

•Number of board meetings held, dates on which held:

During the year the Company has held eight Board of Directors meetings. The dates on which these meetings held were: 30th April 2010; 27th May 2010; 2nd August 2010; 30th September 2010; 12th November 2010; 16th November 2010; 14th February 2011 and 15th March 2011. The maximum interval between any two meetings was not more than three calendar months.

•Reappointment of Directors at the 22nd AGM:

Shri K. Thanu Pillai and Shri Khaja Ruknuddin are liable to retire by rotation at the ensuing Annual General Meeting of the Company and being eligible have offered themselves for re-appointment.

Shri K. Thanu Pillai, B.Com. CAIIB, M.B.A., is a retired banking professional who has served State Bank Group for about 35 years and retired as Managing Director of State Bank of Hyderabad. He is an independent Director on the Board of Directors of the Company. Mr. Thanu Pillai is also a Director on

several other companies with rich experience in commercial banking and financial management.

Shri Khaja Ruknuddin, B.A., LL.B., CAIIB, is an Independent Director on the Board of Directors of the Company. Shri Ruknuddin had his entire career with State Bank of India and held senior positions including overseas assignments before retiring as its Dy. Managing Director. He was former Chairman of Banking Service Recruitment Board. He has rich experience in commercial banking, human resources and financial management.

3. AUDIT COMMITTEE:

The Audit Committee of Board of Directors comprises Shri K. Thanu Pillai, Shri Khaja Ruknuddin; Shri Syed Anis Hussain and Shri S.N.Rao as its members all of whom are Independent Non-executive Directors. Company Secretary is also functioning as Secretary to the Audit Committee. The Audit Committee meets the requirements of both section 292A of the Companies Act 1956 and Clause 49 of the Listing Agreement.

The Committee has all the powers, duties and obligations conferred upon and vested in it in terms of Section 292A of the Companies Act, 1956 as amended from time to time and also such additional powers, functions / features, duties, obligations and discretions as is contained in Clause 49 of the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and as amended from time to time and / or any other powers, duties and obligations that may be given or assigned from time to time by the Board of Directors and the said Committee shall submit its reports, recommendations etc., to the Board of Directors on all matters.

The Audit Committee met four times during the year. The attendance of the members at these meetings vis-à-vis meetings held was as under: Shri K. Thanu Pillai 4/4; Shri Khaja Ruknuddin 3/4; Shri Syed Anis Hussain 4/4 and Shri S.N.Rao 2/4.

4. REMUNERATION COMMITTEE:

Remuneration Committee comprises Shri K. Thanu Pillai; Shri Khaja Ruknuddin and Shri Syed Anis Hussain as its members all of whom are Independent Non-executive Directors.

The responsibility of the Committee is to review and fix the remuneration package of the Managing/Whole-time Directors based on performance and other criteria; to consider and approve service contracts, notice period, severance fee; and to consider and approve stock option schemes, if any. The Committee met once during the financial year 2010-11.

Details of remuneration to all the Directors:

a) Executive Directors:

Name of the Director	Salary and Allowances	Benefits	Commission	Rs.
				Total
1. Shri A.S.Rao Executive Vice Chairman	1973258	15610	8058276	10047144
2. Shri A. Naresh Kumar Managing Director	2690000	29872	8058276	10778148
Total	4663258	45482	16116552	20825292

b) Non-Executive Directors:

Name of the Director	Sitting fee (in Rs.)			No. of Equity Shares held
	As a Director	As a Committee Member	Total	
1. Shri K. Thanu Pillai Director / Chairman	64000	18000	82000	2000
2. Shri Khaja Ruknuddin Director	48000	62000	110000	1000
3. Shri Syed Anis Hussain, Director	64000	18000	82000	1000
4. Shri S.N.Rao, Director	48000	8000	56000	Nil
Total	224000	106000	330000	4000

5. SHAREHOLDERS'/INVESTORS'/GRIEVANCE COMMITTEE:

Shareholders'/Investors' Grievance Committee comprises Shri Khaja Ruknuddin, Shri A.S.Rao and Shri A.Naresh Kumar as its members and is headed by Shri Khaja Ruknuddin. Shri K.V. Krishna Rao, General Manager (Finance) & Company Secretary has been nominated as the compliance officer.

The Board of Directors entrusted, inter alia, the following powers and responsibilities to the Committee:



1. To approve and register transfer, transmission, issue of equity shares other than duplicate shares; to approve the demat requests, remat requests in connection with dematerialisation and/or rematerialisation of Equity Shares;
2. To attend to Shareholders' grievances and redress the complaints of shareholders and attend to the complaints received from other authorities.

During the year under review, Company received a total number of 18 shareholders' complaints. All these complaints were redressed / replied to the satisfaction of the shareholders and no complaints were outstanding as on 31st March 2011.

Share transfers in dematerialisation mode pending on 31st March 2011 were nil.

6. CODE OF BUSINESS CONDUCT AND ETHICS:

In line with the avowed policy on Corporate Governance, the Company has evolved a Code of Business Conduct and Ethics (hereafter referred to as "the Code") applicable to all Directors and senior management of the Company and the same was adopted by the Board of Directors at its Meeting held on 29th April 2006. The Code is appended to this Annual Report as an exhibit elsewhere.

The Code has since been circulated to all the Directors and members of senior management and their compliance reports for the financial year 2010-11 have been obtained by the Company.

Statement furnished by the Managing Director as to the compliance of the terms of the Code by the Company is given below:

"COMPLIANCE OF CODE OF BUSINESS CONDUCT AND ETHICS BY THE COMPANY.

I hereby declare and confirm that the Company has complied with the terms of Code of Business Conduct and Ethics evolved by the Company and has obtained the statements of compliance from all the members of the Board of Directors and senior management of the Company for the financial year 2010-11 and further confirm that there are no incidences of violation of the code.

Sd/-
(A.Naresh Kumar)
Managing Director."

7. CEO / CFO CERTIFICATION:

The Managing Director jointly with General Manager (Finance) have furnished to the Board of Directors a certificate certifying therein, inter alia, that the financial statements for the financial year 2010-11 submitted to the Audit Committee and to the Board of Directors, have been reviewed by them and further affirmed to the best of their knowledge and belief (a) that there are no materially misleading and untrue statements; (b) that the statements comply with existing Accounting Standards, applicable laws and regulations; (c) that they have established and evaluated the internal control systems for financial reporting while disclosing to the Audit Committee, Board of Directors and Statutory Auditors deficiencies, if any, including remedies taken thereof and also significant changes, made if any, in internal controls and accounting policies.

8. GENERAL BODY MEETINGS:

Location and time, where last three Annual General Body Meetings (AGM) held:

Year	Type of meeting	Venue	Date	Time
2007-08	AGM	Sri Saji Rama Krishnam Raju Community Hall, Madhuranagar, Hyderabad-500 038	30.09.2008	3.00 PM
2008-09	AGM	Same as above	30.09.2009	3.00 PM
2009-10	AGM	Same as above	30.09.2010	3.00 PM

No postal ballots were used / invited for voting at the last Annual General Meeting in respect of special resolutions passed. There are no special resolutions, which are proposed to be passed through postal ballot for the year under review.

9. DISCLOSURES:

- a) Disclosures on materially significant related party transactions that may have potential conflict with the interests of the Company at large:

The following are the related party transactions with the Directors:

Name of the Related Party	Nature of transaction	
	Rental income	Rental deposit
Shri A.Naresh Kumar, Managing Director	583200	1215000
Shri A. Ashok Kumar, Relative of two Directors	1000800	1515600
Smt. A. Mutya Bai, Relative of two Directors	897000	473400

Rs.
There is no pecuniary relationship or transaction of the Non-executive Directors' vis-à-vis the Company.



- b) Details of Non-compliance by the Company:
There were neither instances of Non-compliance by the Company nor penalties, strictures imposed on the Company by Stock Exchange or Securities and Exchange Board of India or any statutory authority, on any matter related to capital markets, during the last three years.
- c) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of Clause 49 of Listing Agreement:
The Company hereby declare that the Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement. Non-mandatory requirements of Clause 49 of the Listing Agreements will be adopted as and when these are felt necessary.

10. MEANS OF COMMUNICATION:

Half yearly and quarterly results are normally published in the newspapers viz., The Financial Express (English daily) and the Andhra Prabha (Telugu daily) on approval of the financial results by the Board of Directors. The Company immediately after announcement of financial results sends to the Stock Exchanges the financial results. Annual reports are also being sent to the Stock Exchanges simultaneously at the time of posting to the members and the same are being made available on the websites of Stock Exchanges where the shares of the Company are listed and also on Stock Exchanges sponsored website www.corpfiling.co.in. The financial results and Annual Reports will also be made available soon on Company's website www.sathavahana.com which is under construction.

Financial results are sent regularly to Stock Exchanges where the shares of Company are listed, financial institutions and banks upon their publication.

Management Discussion and Analysis forms part of the Directors' Report.

11. GENERAL INFORMATION TO SHAREHOLDERS:

- a) AGM : 22nd Annual General Meeting
Day and Date : Friday, the 30th September 2011
Time : 3.00 p.m.
Venue : Sri Sagi Ramakrishnam Raju Community Hall, Madhura Nagar, Hyderabad – 500 038.
- b) Financial Calendar: Tentative schedule is as under.
- i) Unaudited Financial Results
1. First quarter : First fortnight of August 2011.
2. Half yearly : First fortnight of November 2011.
3. Third quarter : First fortnight of February 2012.
- ii) Audited Financial Results: Last week of May 2012.
- c) Date of book closure:
- i) Physical mode : 16.09.2011 to 30.09.2011 both days inclusive.
ii) Electronic mode : 15.09.2011.
- d) Listing on Stock Exchanges, Stock Code, Demat Code:

Name of the Stock exchange	Stock code
The Bombay Stock Exchange Limited	526093
National Stock Exchange of India Limited	sathaispat
The Hyderabad Stock Exchange Limited*	SVI
ISIN Code for electronic trading and dematerialisation in NSDL / CDSL	INE176C01016

*The Listing Agreement with the said Exchange is not in force as the said Exchange was derecognised by the Securities and Exchange Board of India.

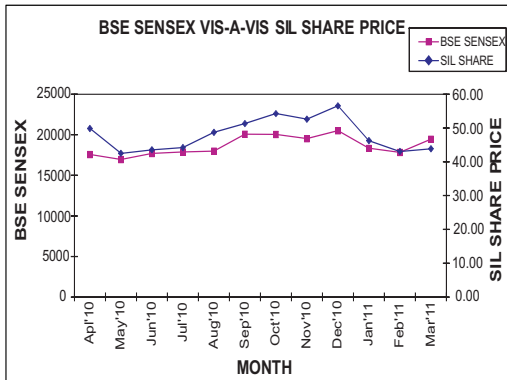
The fee to the above Stock Exchanges (except HSE) has been paid upto financial year 2011-12.

- e) Market price data: high/low during each month in last financial year 2010-11.

Rs. ps.

Month	High	Low	Month	High	Low
April	54.15	44.00	October	59.70	49.05
May	53.65	41.00	November	66.05	50.50
June	45.00	40.10	December	57.00	46.95
July	46.80	42.20	January	60.00	44.95
August	55.00	44.15	February	51.40	39.15
September	54.50	48.00	March	46.00	40.05

- f) Market price (closing) performance in comparison to broad based index of The Bombay Stock Exchange Limited, Mumbai (BSE):



- g) Registrar and Transfer Agents: The Company has appointed M/s. XL Softech Systems Limited, who are acting as share transfer agents for physical transfers as well as for electronic transfers effective from 1st April 2006 and their address is as under:

M/s. XL Softech Systems Limited,
#3, Sagar Society, Road No.2,
Banjara Hills, Hyderabad – 500 034.

- h) Share transfer system: The Company's shares are under compulsory dematerialisation category and transfers in electronic mode are affected on line by the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). In respect of physical shares received for transfer the share transfer agent normally processes the requests within 10 to 15 days and affects the transfer, if all the papers received were in order. The share transfer agent after affecting the transfer of the shares sends the same immediately.

- i) Distribution of shareholding and Share holding pattern as on 31st March 2011*:

No. of shares		No. of Shareholders		Shareholding	
From	To	Nos.	% to total	Nos.	% to total
1	500	16698	81.91	3610166	9.40
501	1000	1921	9.42	1692968	4.41
1001	2000	815	4.00	1326516	3.45
2001	3000	287	1.41	759585	1.98
3001	4000	136	0.67	498826	1.30
4001	5000	132	0.64	628546	1.64
5001	10000	214	1.05	1621760	4.22
10001 and above		183	0.90	28261633	73.60
Total		20386	100.00	38400000	100.00

The shareholding pattern as on 31st March 2011*:

SNo.	Category of Shareholders	Number of Share holders	Total Number of Shares	Total shareholding as a percentage of total number of Shares
A. Shareholding of Promoter and Promoter Group				
A.1	Indian	8	16290090	42.42
A.2	Foreign	-	-	-
B. Public Shareholding				
B.1	Mutual Funds	5	127500	0.33
	Financial Institutions / Banks	8	309899	0.81
B.2	Bodies Corporate	342	1433781	3.73
	Individuals	19690	14055459	36.61
	Trust	3	4200	0.01
	Non Resident Indians	235	280044	0.73
	Clearing members	94	199027	0.52
	Foreign Bodies Corporate	1	5700000	14.84
	Grand Total	20386	38400000	100.00

* The above shareholding includes 3800000 Share Warrants allotted to an associate concern of Promoters' group and outstanding as on date, assuming full conversion of these Share Warrants into Equity Shares.

Dematerialisation of shares: The Company's shares are in compulsory dematerialisation category w.e.f. 26.02.2001 with ISIN No. INE176C01016. The Company has established electronic connectivity with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) through its Depository transfer agents M/s. XL Softech Systems Limited, #3, Sagar Society, Road No.2, Banjara Hills, Hyderabad – 500 034. So far 28984991 Lakhs Shares constituting 75.48% of expanded Share Capital have been converted into fungible form.

- j) Plant locations:

1. Haresamudram Village, Bommanahal Mandal, Ananthapur District, Andhra Pradesh.	2. Kudithini Village, Korugodu Road, Bellary District, Karnataka.
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- k) Address for correspondence: Sathavahana Ispat Limited, 505, 5th Floor, Block –1, Divyashakti Complex, Ameerpet, Hyderabad – 500 016.

for and on behalf of the Board

Place: Hyderabad
Date: 30.05.2011

(K.THANU PILLAI)
CHAIRMAN

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY STRUCTURE AND DEVELOPMENTS:

The Company is engaged in the manufacture and sale of Pig Iron and also Metallurgical Coke - an input material for Pig Iron, thus operates in the Iron and Steel Industry, which is considered as core sector.

The Company is using Mini Blast Furnace Technology. Earlier the Company had replaced TATA-KORF technology with CHINA-SHOUGANG technology for Pig Iron making. The Company uses the Anshan technology, sourced from P.R.China for Metallurgical Coke making.

Pig Iron is of two grades – basic grade and foundry grade. Basic grade is used in the manufacture of steel and whereas foundry grade is used for making castings. Basic grade is produced mainly by the Integrated Steel Plants (ISPs) for captive consumption in the manufacture of steel and exports. Part of the production is also diverted to the domestic market. Foundry grade is mainly used for castings and is produced by the Mini Blast Furnace units.

Pig Iron is the basic raw material for most of the engineering products and construction industry. Pig Iron is also a raw material for foundry and engineering industry also. With the significant growth in the main user industries like automobiles, construction, foundries, the demand for Iron and Steel has increased significantly. The total production of Pig Iron in India has increased from 1.59 million tons in 1991-92 to the present level of 5.54 million tons in 2010-11. The production of Pig Iron as per statistics released by the Joint Plant Committee (JPC) attached to the Ministry of Steel for the financial year 2010-11 is at 5.54 million tons as against 5.88 million tons in the previous year, registering a negative growth. The setbacks on raw material front mainly in the form of high rise in costs and supply constraints; competition from the Integrated Steel plants and un-salvaged global conditions resulted in the subdued performance of Pig Iron industry.

Metallurgical Coke is the key input material for Iron making. The Company has integrated itself backward for this key input material. The surplus Metallurgical Coke production from this facility is being sold in the nearby market.

Global scenario:

The Global Iron and Steel industry rebounded with gusto in 2010 and contrary to 2008 expectations the production surpassed the peak level of 2007. Although the second half of 2010 witnessed lower growth rates, yet with the support of increased production activity in the industrial sector and improved automotive production the overall growth in the industry was noteworthy and beyond expectations. The world steel production improved from 1.212 billion tons to 1.414 billion tons recording a sharp growth of about 16.59%. The compounded annual growth rate during the decade 2001-2010 recorded 5.20% as against 4.01% during the period 2001-2009 and a peak of 6.89% during 2000-2007. The Asian Iron and Steel production continues to dominate the global scene. The Asian Steel production accounted for about 62.34% of the global production in 2010 as against 65.02% in 2009. China, with its 627 million tons production, continues to

be the world's largest Steel producer accounting for 44.33% of global Steel production and 71.11% of Asian Steel Production. Japan, India and South Korea together account for 16.62% of global Steel production and 26.66% of the Asian Steel production. The Global Pig Iron production, in line with the Steel production also improved from 939 million tons to 1030 million tons, registering a growth of 9.7%. Continuous growth in the Asian Iron and Steel industry and natural calamities in Australia which is the prime source of Coking Coal have pushed upward the prices of steel raw materials towards year end. This exerted pressure on the margins.

Indian Scenario:

India continued to be one of the leading steel producers - ranking fifth largest in the world and third largest in the Asia. The year 2010-11 saw total Steel production of about 65.9 million tons as against 60.6 million tons in the last year, registering a year on year growth of about 8.8% and this accounts for 4.6% of world Steel production. India remained to be a net importer of Steel. During the year the imports were 6.54 million tons and exports were 3.36 million tons. The Steel consumption for the year 2010-11 was 65.2 million tons as against 59.3 million tons in the year before. Contrary to the growth in the Steel segment, the Pig Iron production recorded a negative growth of 5.8% when the production for the year 2010-11 was at 5.54 million tons as compared with 5.88 million tons in the last year. The exports and imports also saw negative trends during the year. With the result the domestic Pig Iron consumption fell from 5.53 million tons to 5.22 million tons. The setback on the raw material front in the form of high rise in raw material prices and non-availability of Iron Ore apart from sluggish markets has acted as deterrents and accordingly the margins were not at the normal levels.

Price Trends:

The year started with a subdued price trends on the back of sluggish market conditions. In midway of the year the prices of Steel and Steel products have started improving mainly in line with increased input costs and not due to demand push. The Coking Coal, F.O.B Australia, prices which were at about US\$180/mt during the beginning of the year have sharply gone up to about US\$330/mt towards year end. The unprecedented floods in Australia during second half of financial year 2010-11 and consequent shutting down of several mines have exerted pressure on the price line. Similarly the Iron Ore prices that were at about Rs.3000/mt during the start of the year went up to Rs.4200/mt towards year end mainly due to supply constraints. On the back of steep rise in input costs, the finished Steel prices which were at about Rs.35000/mt in the beginning of the year have gone up to Rs.37000/mt towards year end. The Metallurgical Coke prices went up from Rs.21500/mt to about Rs.25500/mt towards year end mainly due to increased Coking Coal prices. The Pig Iron prices during the year also improved from Rs.22000/mt to 27000/mt mainly due to increased input costs. In view of the high rise in raw material costs the margins for the Iron and Steel industry were not comfortable.

2. OPPORTUNITIES, THREATS, RISKS AND CONCERNS:

- i) As the Company's Pig Iron enjoys brand value and being one of the low cost producers of Pig Iron, there is an opportunity of increasing the market share. The company has augmented additional capacity at its existing operations to improve its market share.
- ii) Opportunity of modernising the plant, which not only facilitates further efficiency and reduction in process costs but also increases volumes. The company is carrying out on a continuous basis modernisation of its existing operations to improve its efficiency parameters and bring down operating costs over a period.
- iii) Being in the intermediate stage there is an opportunity for both backward integration and forward integration. The Company has set up a Coke Oven facility with Co-generation of power at a Greenfield site—as a first phase of forward integration. The Company has also planned for setting up Sinter Plant as a backward integration and Ductile Iron Pipe plant as forward integration at its Pig Iron making plant.
- iv) Company sources Coking Coal, a key input material, by importing from outside India and thus suffers from import constraints. However, the Company has identified reliable suppliers, which minimises the import constraints. The Company has set up a Coke making facility with latest technology at a Greenfield project site to minimize the impact of import of Metallurgical Coke.
- v) Future competition from the prospective domestic producers of Pig Iron. The Company is conscious of the threat and constantly upgrading its technology so as to derive competitive advantage.
- vi) As the customs duties on Pig Iron imports are lowered from time to time there is an import threat to that extent. However, given the importers' profile of Pig Iron who are mainly foundries and are in an unorganised sector, the import threat is minimal. Moreover, with the surge in global demand for Iron and Steel and increase in raw material prices, the availability of Iron and Steel at competitive price is remote. Negligible imports during the last couple of years are an ample indication of zero risk of the threat.
- vii) The levy of export duty on Pig Iron is a deterrent for exporting the Pig Iron. Given the global scenario of high prices and growing demand, such levy will have less bearing in the short term but is a major deterrent in the long term. Exporting Pig Iron -a value added product over Iron Ore makes a sense and hence such levy on Pig Iron in all probability will not be re-imposed.
- viii) The Company's business is mainly commodity business. The financial health of the unit will be affected by adverse changes in the Industry. Company is looking at both forward integration and backward integration and will take steps to minimise the risk.

3. SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

The Company's business comprises manufacture and sale of Pig Iron as one segment and manufacture of Metallurgical Coke with Co-generation Power as the other segment. The operations of the Company during the year under review were satisfactory.

Actual Pig Iron production during the year was 113103 MTs as against 143413 MTs in the previous year. The setback on raw material front in the form of non availability of Iron Ore has resulted in lower production. The actual sales in volume terms were 103548 MTs as against 146308 MTs in the previous year. The Company's market share in Pig Iron constitutes about 1.98% of the domestic consumption. The Company produced 283063 MTs of Metallurgical Coke as against 147448 MTs (excluding job work of 45829 MTs) in the year before. Out of the total production, 94886 MTs was captively consumed as against 118534 MTs in the previous year. The Company sold 186158 MTs of Metallurgical Coke as against 42017 MTs in the last year in the nearby markets. The Co-generation power plant at Kudithini generated 72135000 KWH of Power as against 74174520 KWH in the year before, of which 55654500 KWH (previous year 60628500 KWH) was sold and 17244000 KWH (previous year 14525520 KWH) were captively consumed (including power plant auxiliary load) that includes power import of 763500 KWH (previous year 979500 KWH). The gross sales in value terms were Rs.70757.99 Lakhs as compared to Rs.40776.75 Lakhs in the last year.

4. OUTLOOK:

The short and medium term outlook for the Iron and Steel industry is expected to be steady and whereas the long term outlook appears to be positive and encouraging. The steady increase in demand supported by infrastructure investments, industrialisation and further urbanisation in the emerging economies will be the main drivers in the short to medium term growth in the industry. Although the advanced economies have exhibited signs of weakening demand, yet the continuance of stimulus packages would act as catalyst and this is expected to give a boost to the demand side of the industry. However the precarious financial conditions in some parts of Europe, geopolitical risks in the Middle East, sluggish growth in the advanced economies are all a cause for concern in the growth path of the industry. The sharp increase in the prices of steel making raw materials like Coking Coal and Iron Ore are also expected to exert pressure on the performance of Iron and Steel industry. Another cause for concern is the dismantling of yearly pricing of Coking Coal contracts by Australian miners and introduction of spot/quarterly pricing in its place, which is likely to have an adverse impact on the performance of the Iron and Steel industry particularly in view of the volatile markets. The unstable market conditions coupled with high rise input costs and declining price trends may impact the bottomlines of the Iron and Steel industry. However these issues will be of lower significance once the world economies start recovering from the present glut. Given the steady and stable economic growth in India on the back of increase in infrastructure investments, growing automotive industry, the Indian Iron and Steel industry is likely to have positive growth trends.

The outlook for the Indian Pig Iron industry continues to be mixed. The industry is yet to recover from the aftershocks of 2008 crisis. The steep increase in prices of Iron Ore and Coking Coal will have a serious impact on the performance of Pig Iron sector since the increase in the price of finished Pig Iron is not often commensurate with increase in input costs. Non availability of quality raw materials and intense competition from the integrated steel players are the other factors that may have a

bearing on the performance of Indian Pig Iron sector. To guard against these potential risks and concerns, the Company initiated steps like backward and forward integration so as to add value to the finished products on the one hand and reduce the production costs on the other.

5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has adequate internal control systems commensurate with the size and nature of its business. Internal control systems are supplemented by internal audits carried out regularly by outside independent qualified auditors. The Audit Committee interacts with the statutory and internal auditors. The Management also regularly reviews the operational efficiencies, utilisation of fiscal resources and compliance with laws so as to ensure optimum utilisation of resources, achieve better efficiencies and comply with the laws of land.

6. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

The Financial statements for the year under review have been prepared on a going concern basis and in compliance with provisions of the Companies Act, 1956 and by following the generally accepted accounting principles in India and the applicable mandatory Accounting Standards. The operational performance vis-à-vis financial performance is as under:

Indicator	Year 2010-11	Year 2009-10	Increase/ (Decrease)%
I In volume terms			
Production - Pig Iron (MT)	113103	143413	(21.13)
- Metallurgical Coke (MT)*	283063	193277	46.45
- Power (KWH)	72135000	74174520	(2.75)
Sales - Pig Iron (MT)	103548	146308	(29.23)
- Metallurgical Coke (MT)	186158	42017	343.05
- Power (KWH)	55654500	60628500	(8.20)
II In value terms:	(Rs. in Lakhs)		
Gross Sales	70757.99	40776.75	73.53
Net Sales	67869.53	38477.90	76.39
III Operating Profit before interest and depreciation	12072.39	6637.94	81.87
IV Interest	2492.36	2048.87	21.65
V Depreciation 1677.21	1507.00	11.29	
VI Net Profit before Tax	7902.82	3082.07	156.41
VII Income tax provisions and adjustments	2248.75	537.10	318.68
VIII Net Profit after Tax	5654.07	2544.97	122.17

(* including Job work of Nil MTs previous year 45829 MTs)

Both operational and financial performances of the Company during the year are satisfactory. The production volume of Pig Iron at 113103 MTs as compared with 143413 MTs in the year before was lower by 21.13% which

is due to setbacks on raw material front including supply constraints and high rise in prices. Consequently the Pig Iron sales were also lower at 103548 MTs as against 146308 MTs in the year before which is partially due to slump in the markets. Metallurgical Coke production was at 283063 MTs as against 193227 MTs (including Job work of 45829 MTs) in the previous year, which increase is due to commissioning of additional Metallurgical Coke capacity effective from December 23, 2010. With increased Metallurgical Coke volumes, the sales of the same have also gone up from 42017 MTs in the previous year to 186158 MTs in the current year. On the Co-generation Power front at Kudithini plant, the Company generated 72135000 KWH as against 74174520 KWH in the year before and sold 55654500 KWH as against 60628500 KWH at Kudithini plant in the previous year, while consuming the balance units for auxiliary loads and captive use. In value terms the gross sales for the year under review was Rs.70757.99 Lakhs as compared to Rs.40776.75 Lakhs in the year before, accounting for growth of 73.53%. In consequence the net sales also posted a growth of 76.39%, up from previous year's level of Rs.38477.90 Lakhs to Rs.67869.53 Lakhs. The sales revenue improved partially due to commissioning of Metallurgical Coke capacity and partially due to prudent inventory management and improved sales realisations. The average sales realisation on Pig Iron during the year under review works out to Rs.27850/mt as against Rs.21348/MT during the last year. The average sales realisation on sale of surplus Metallurgical Coke was at Rs.20648/MT as compared to Rs.15192/mt in the previous year. The average sales realisation on power sold was at Rs.5.42/kwh as against Rs.4.04/kwh in the last year. The average cost of Iron Ore consumed was at Rs.3517/mt as compared with Rs.1783/mt in the last year, which in percentage terms works to 97.25% higher. The average cost of Coking Coal was at Rs.12133/mt as against Rs.9615/mt in the year before, accounting for an increase of 26.19%. The high cost raw materials absorbed greater part of increase in sales realisations. Better inventory management and volume increase in Metallurgical Coke have yielded adequate margins.

On the financial performance front the operating profit before interest and depreciation was higher at Rs.12072.39 Lakhs as against Rs. 6637.94 Lakhs in the last year. In line with improved operating profit the Profits before Tax at Rs.7902.82 Lakhs and Profit after Tax at Rs.5654.07 Lakhs improved as compared to Rs.3082.07 Lakhs and Rs.2544.97 Lakhs respectively in the year before. The interest costs were higher mainly due to increase interest rates and charging of interest relating to borrowal for expanded capacity of Metallurgical Coke to Profit and Loss account.



The interest earnings had improved due to deployment of temporary surplus funds and increased deposit rates. Consequently the net increase in interest burden was marginal. The decrease in other income was due to unfavourable foreign exchange fluctuations and lower sales of scrap and waste. The current tax charge is on account of application of regular provisions under the Income Tax Act, 1961 and has gone up due to increased profits and increase in Deferred Tax liability which in turn was due to widening gap in timing difference between tax depreciation and book depreciation.

7. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

The Company has a strong and dedicated workforce. The relations between the management and the workforce continue to be cordial during the year. The employees are imparted training on site and are encouraged to participate in the decision making process. The management acknowledges the contributions made by each employee at all levels and records its appreciation for the co-operation extended, but for which the present growth would not have been possible. The employee strength of the Company is 705 persons excluding working Directors as on 31st March 2011.

8. CAUTIONARY STATEMENT:

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

AUDITORS' CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE

To
The Members of
SATHAVAHANA ISPAT LIMITED

We have examined the compliance of conditions of corporate governance by SATHAVAHANA ISPAT LIMITED, for the year ended on 31st March, 2011, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges.

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 the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

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

We state that in respect of investor grievances received during the year ended 31st March, 2011, no investor grievances are pending against the Company for a period exceeding one month as per the records maintained by the Company which are presented to the Shareholders/Investors Grievance Committee.

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

For P V R K NAGESWARA RAO & CO.,
Chartered Accountants
Firm's Registration Number: 0022835

P V R K NAGESWARA RAO
Partner
Membership Number: 18840

HYDERABAD
30.05.2011

AUDITOR'S REPORT

To

**The Members of
SATHAVAHANA ISPAT LIMITED**

1. We have audited the attached Balance Sheet of **SATHAVAHANA ISPAT LIMITED** as at 31st March, 2011, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - ii) In our opinion, proper books of account as required by Law have been kept by the Company so far as appears from our examination of these books.
 - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred in Section 211 (3C) of the Companies Act, 1956 to the extent applicable.
 - v) On the basis of the written representations received from the directors, as on 31.03.2011, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31 st March, 2011 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the notes and accounting policies thereon 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 Balance Sheet of the state of affairs of the Company as at 31st March, 2011;
 - b) in the case of Profit and Loss Account of the **Profit** for the year ended on that date; and
 - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For P V R K NAGESWARA RAO & CO.,
Chartered Accountants
Firm's Registration Number:0022835

HYDERABAD
30.05.2011

P V R K NAGESWARA RAO
Partner
Membership Number: 18840



ANNEXURE REFERRED TO IN PARAGRAPH 1 OF AUDITORS' REPORT OF EVEN DATE ON THE ACCOUNTS OF SATHAVAHANA ISPAT LIMITED FOR THE YEAR ENDED 31ST MARCH 2011

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
(b) As explained to us, the fixed assets have been physically verified by the management according to the phased programme designed to cover all the fixed assets on rotation basis. In respect of fixed assets verified according to this programme, which is considered reasonable, no material discrepancies were noticed on such verification. As regards capital works in-progress, the same will be verified by the management on completion of assets.
(c) The Company has not disposed off substantial part of fixed assets during the year, which affect the going concern.
2. (a) As explained to us, the stock of stores, spare parts, raw materials and finished goods of the company have been physically verified at the year end by the Management except stocks lying with outside warehouses and consignees which have been verified with reference to certificates and other relevant documents where available.
(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) The Company has maintained proper records of inventories and the discrepancies noticed on physical verification of stocks as compared to book records, which in our opinion were not material, have been properly dealt with in the books of account.
3. (a) The Company had granted interest free rent deposits to three parties and Share deposits to two parties listed in the register maintained under section 301 of the Companies Act, 1956. The balance as on 31-03-2011 and maximum amount involved during the year was Rs.1,13,54,000/-
(b) In our opinion the terms and conditions of rent deposits given to parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interests of the company.
(c) The Company is regular in receipt of principal amounts as stipulated and restipulated.
(d) The Company has not taken any loans secured or unsecured from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems with regard to purchase of inventory, fixed assets and for the sale of goods.
5. (a) According to the information and explanations given to us and as confirmed by the Chief Financial Officer and Company Secretary of the Company, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
(b) In our opinion and according to the information and explanations given to us, there were no transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rs.5,00,000/- in respect of any party during the year.
6. According to the information and explanations given to us, the Company has not accepted any deposits covered by the directives issued by the Reserve Bank of India and provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under where applicable. We are informed that, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
7. In our opinion and according to the explanations given to us, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account maintained by the company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been maintained and are being made up. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

9. (a) According to the records of the Company and as per the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including Investor Education and Protection Fund, Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs duty, Excise duty, Cess and other material statutory dues applicable to it with appropriate authorities though there have been delays in few cases and in respect of these statutory dues, there are no outstanding dues as on 31.3.2011 which are outstanding for a period of more than six months from the date they became payable.
- (b) According to the records of the Company and as per the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Wealth Tax, Service Tax, Customs duty and Cess which have not been deposited on account of any dispute as on 31.03.2011 except Excise Duty and the details of which are as given below:

Sl.No	Name of the Statute	Nature of the dues	Period to which it relates	Amount Rs.	Forum where dispute is pending
1	Central Excise Act, 1944	Duty Payable on Demand	2007-2008	1,90,391	The Customs, Excise and Service Tax Appellate Tribunal, Bangalore

10. As per the information and explanations given to us and on an overall examination of the financial statements of the company for the current and immediately preceding financial year, we report that the Company does not have any accumulated losses at the end of the current financial year nor incurred cash losses in the current and immediately preceding financial year.
11. According to the records of the Company, during the year the Company has not defaulted in repayment of dues to financial institution or bank or debenture holders.
12. As per the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities to any body during the year.
13. In our opinion, as the Company is not a chit fund or a nidhi or mutual benefit fund or society, the provisions of Clause 4 (xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company for this year.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
15. As per the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. According to the records of the Company the term loans raised during the year have been applied for the purposes for which they were raised.
17. As per the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the funds raised on short term basis have not been used for long term investments.
18. The Company has made preferential allotment of shares to a party covered in the Register maintained under section 301 of the Companies Act, 1956 during the year. In our opinion and according to the information and explanations given to us, the price at which shares have been issued is not prejudicial to the interest of the company.
19. The Company has not issued any debentures during the year, which requires the creation of security or charge.
20. During the year the Company has not made any public issues for which the management has to disclose the end use of money raised through that public issue.
21. During the course of our examination of the books and records of the company carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us we have neither come across any instances of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

For P V R K NAGESWARA RAO & CO.,
Chartered Accountants
Firm's Registration Number: 0022835

P V R K NAGESWARA RAO
Partner
Membership Number: 18840

HYDERABAD
30.05.2011

BALANCE SHEET AS AT 31ST MARCH 2011

	SCH. No.	Rs.	As at 31st March, 2011 Rs.	Rs.	As at 31st March, 2010 Rs.
SOURCES OF FUNDS:					
SHAREHOLDERS' FUNDS:					
Share Capital	1	346000000		334000000	
Money received against Share Warrants		57000000		0	
Reserves and Surplus	2	<u>2115222073</u>	<u>2518222073</u>	<u>1562198505</u>	1896198505
LOAN FUNDS:					
Secured Loans	3	2223969010		1850492100	
Unsecured Loans	4	<u>107730287</u>	<u>2331699297</u>	<u>141845289</u>	1992337389
DEFERRED TAX LIABILITY (NET)	5		239775444		191600458
TOTAL			<u>5089696814</u>		<u>4080136352</u>
APPLICATION OF FUNDS:					
FIXED ASSETS:					
Gross Block	6	3639865248		3063976851	
Less: Depreciation		<u>862500405</u>		<u>891542403</u>	
Net Block		<u>2777364843</u>		<u>2172434448</u>	
Scrap value of discarded asset		4199620		4199620	
Unallocated expenditure pending capitalisation		51290176		28712703	
Advance for capital works		152618527		110437226	
Capital work in progress		<u>685359369</u>	<u>3670832535</u>	<u>795759061</u>	3111543058
INVESTMENTS	7		1194500		1194500
NET CURRENT ASSETS:					
CURRENT ASSETS, LOANS AND ADVANCES:					
Inventories	8	2188931765		1559258830	
Sundry Debtors	9	541480532		340266904	
Cash and Bank Balances	10	774570277		1098943859	
Other Current Assets	11	20442289		12181854	
Loans and Advances	12	<u>136071555</u>		<u>165592612</u>	
		<u>3661496418</u>		<u>3176244059</u>	
LESS: CURRENT LIABILITIES AND PROVISIONS:					
Current Liabilities	13	2148881549		2139126470	
Provisions	14	<u>94945090</u>		<u>69718795</u>	
		<u>2243826639</u>		<u>2208845265</u>	
NET CURRENT ASSETS:			<u>1417669779</u>		967398794
TOTAL			<u>5089696814</u>		<u>4080136352</u>
NOTES TO ACCOUNTS	22				

Per our report of even date

For **P V R K NAGESWARA RAO & CO.,**
Chartered Accountants
Firm's Registration No.002283S

P V R K NAGESWARA RAO
Partner
Membership No. 18840

Hyderabad
Date: 30.05.2011

K.V.KRISHNA RAO
Chief Financial Officer &
Company Secretary

For and on behalf of the Board

K.THANU PILLAI
Chairman

KHAJA RUKNUDDIN
Director

SYED ANIS HUSSAIN
Director

A.NARESH KUMAR
Managing Director

A.S. RAO
Executive Vice Chairman

S.N. RAO
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

	SCH. NO.	For the Year ended 31st March, 2011		For the year ended 31st March, 2010	
		Rs.	Rs.	Rs.	Rs.
I. INCOME:					
Gross sales			7075798515		4077675222
Less: Excise duty			288845733		229885106
Net Sales			6786952782		3847790116
Other Income	15		98096143		232906978
Increase / (Decrease) in Stocks	16		429271159		(256834014)
TOTAL			7314320084		3823863080
II. EXPENDITURE:					
Raw materials consumed	17		5443053946		2577934949
Manufacturing expenses	18		191944689		161535793
Salaries, Wages and other allowances to staff	19		114340702		90533175
Interest on loans	20		249235570		204886357
Other expenses	21		357742176		330065485
Depreciation (net)			167721074		150700110
TOTAL			6524038157		3515655869
III. NET PROFIT BEFORE TAX			790281927		308207211
Less: Income Tax expense:					
- Current Tax		160000000		53000000	
- Deferred Tax		48174986		17798779	
- MAT credit (entitlement)/Utilisation		167000000		(167000000)	
- Income Tax adjustments		-	224874986	(389110)	53709669
IV. NET PROFIT AFTER TAX			565406941		254497542
Add : Profit brought forward from last year			455135505		359058947
Appropriations :			1020542446		613556489
Transfer to:					
Proposed Dividend		62280000		50100000	
Provision for Corporate Dividend Tax		10103373		8320984	
General Reserve		250000000	322383373	100000000	158420984
Balance carried to Balance Sheet			698159073		455135505
Earnings Per Share -Basic			16.91		7.73
-Diluted			16.81		7.73
NOTES TO ACCOUNTS	22				

Per our report of even date

For **P V R K NAGESWARA RAO & CO.,**
Chartered Accountants
Firm's Registration No.0022835

P V R K NAGESWARA RAO
Partner
Membership No. 18840

Hyderabad
Date: 30.05.2011

K.V.KRISHNA RAO
Chief Financial Officer &
Company Secretary

For and on behalf of the Board

K.THANU PILLAI
Chairman

A.NARESH KUMAR
Managing Director

KHAJA RUKNUDDIN
Director

A.S. RAO
Executive Vice Chairman

SYED ANIS HUSSAIN
Director

S.N. RAO
Director

CASH FLOW STATEMENT

	2010-11 Rs.	2009-10 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax and extraordinary items	790281927	308207211
Adjustments for:		
Depreciation (net)	167721074	150700110
Interest expense	249235570	204886357
Interest income	(77662827)	(40468207)
Dividend earned	(1236186)	(62580)
Wealth Tax	23085	12085
Provision for diminution in the value of investments no longer required (net)	0	(396238)
Book deficit on assets discarded	10355066	13043131
Profit / (Loss) on sale of Investments	0	(1788)
Loss on sale of fixed asset (net)	42054	1500
Provision for doubtful debts no longer required	(2469397)	(7004298)
Bad debts written off	3349581	0
Provision for doubtful advances no longer required	0	(1035933)
Operating profit before working capital changes	1139639947	627881350
Adjustments for:		
(Increase) / decrease in sundry debtors	(202093812)	195380988
(Increase) in inventories	(629672935)	(298438807)
Increase in current liabilities and provisions	16167426	709963526
(Increase) / decrease in loans and advances	(12846447)	37053392
(Increase) / decrease in deposits pledged with banks and dividend account with banks	112136385	(317726519)
Cash generated from operations	423330564	954113930
Taxes paid (net)	(129504022)	(35749276)
Net cash inflow from operating activities	293826542	918364654
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of fixed assets including capital work in progress	(737416405)	(777966751)
Sale of fixed asset	8734	5500
Purchase of Investments	101172426	0
Sale of investments	(101172426)	101788
Interest received	69402392	34726235
Dividend earned	1236186	62580
Net cash outflow in investing activities	(666769093)	(743070648)

CASH FLOW STATEMENT (Contd.)

	2010-11 Rs.	2009-10 Rs.
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from long term borrowings	724050000	536679588
Payment of long term borrowings	(474231588)	(360922158)
Proceeds of Share Capital including Share Warrants and premium thereon	129000000	85050000
Increase in bank borrowings	89543496	15335625
Interest paid	(249235570)	(204886357)
Dividend and Corporate Dividend Tax paid	(58420984)	(55850488)
Net cash inflow from financing activities	160705354	15406210
Net increase / (decrease) in cash and cash equivalents	(212237197)	190700216
Cash and cash equivalents at the beginning of the year	429896602	239196386
Cash and cash equivalents at the end of the year*	217659405	429896602
*NOTE: Cash and cash equivalents at the end of the year comprises:		
Cash and bank balances	774570277	1098943859
Less: Deposits pledged with banks and Dividend account with bank dealt in operating activity.	556910872	669047257
Cash and cash equivalents at the end of the year	217659405	429896602

Notes:

- The Cash Flow Statement has been prepared under 'Indirect Method' in accordance with the requirement of Accounting Standard -3 "Cash Flow Statement" issued under Companies (Accounting Standards) Rules, 2006.
- Notes to Accounts and Significant Accounting Policies (Schedule 22) forms an integral part of Cash Flow Statement.
- Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

This is the Cash Flow Statement referred to in our report of even date

For **P V R K NAGESWARA RAO & CO.,**
Chartered Accountants
Firm's Registration No.0022835

P V R K NAGESWARA RAO
Partner
Membership No. 18840

Hyderabad
Date: 30.05.2011

K.V.KRISHNA RAO
Chief Financial Officer &
Company Secretary

For and on behalf of the Board

K.THANU PILLAI
Chairman

KHAJA RUKNUDDIN
Director

SYED ANIS HUSSAIN
Director

A.NARESH KUMAR
Managing Director

A.S. RAO
Executive Vice Chairman

S.N. RAO
Director

SCHEDULES TO BALANCE SHEET

	As at 31st March, 2011		As at 31st March, 2010	
	Rs.	Rs.	Rs.	Rs.
1. SHARE CAPITAL:				
AUTHORISED:				
4,00,00,000 Equity Shares of Rs.10/- each		400000000		400000000
ISSUED:				
3,46,00,000 (Previous year 3,34,00,000) Equity Shares of Rs.10/- each		346000000		334000000
SUBSCRIBED AND PAID UP:				
3,46,00,000 (Previous year 3,34,00,000) Equity Shares of Rs.10/- each		346000000		334000000
		346000000		334000000
2. RESERVES AND SURPLUS:				
Capital Reserve:				
Forfeited amount on reissued shares	63000		63000	
State Investment Subsidy	2000000	2063000	2000000	2063000
Share Premium:				
As per last account	355000000		276250000	
Add: Amount received during the year on conversion of Share Warrants and on issue of shares	60000000	415000000	78750000	355000000
General Reserve:				
As per last account	750000000		650000000	
Add: Amount transferred from Profit and Loss Account	250000000	1000000000	1000000000	750000000
Profit and Loss Account(Surplus)		698159073		455135505
		2115222073		1562198505
3. SECURED LOANS:				
i) Term Loans from:				
Canara Bank		614094767		468394767
State Bank of Hyderabad		532245758		464659758
Andhra Bank		445203981		367291960
(Secured by first mortgage and charge on all the immovable and movable assets, present and future, subject to the charges created in favour of the Company's Bankers on current assets for securing borrowings for working capital and guaranteed by two Directors of the Company)				
ii) Working Capital Loans from Banks:				
State Bank of Hyderabad		264421272		229232338
Canara Bank		178572533		138489202
Andhra Bank		175483887		161212656
(Secured by hypothecation of stocks and book debts and further secured by second charge on fixed assets of the Company and guaranteed by two Directors of the Company)				
iii) From Others:				
a) On Hypothecation of assets (The above loans are guaranteed by the Managing Director of the Company)		13946812		21211419
		2223969010		1850492100

SCHEDULES TO BALANCE SHEET

	As at 31st March, 2011		As at 31st March, 2010	
	Rs.	Rs.	Rs.	Rs.
4. UNSECURED LOANS:				
Sales Tax Deferment		107730287		141845289
		107730287		<u>141845289</u>
5. DEFERRED TAX LIABILITY (NET):				
Deferred tax liability				
- Opening Balance	210718367		195306742	
- Adjustment for the year	44629500	255347867	<u>15411625</u>	210718367
Deferred tax asset				
- Opening Balance	19117909		21505063	
- Adjustment for the year	(3545486)	15572423	<u>(2387154)</u>	19117909
		239775444		<u>191600458</u>

6. FIXED ASSETS:

SL. NO.	Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost as at 01.04.2010	Additions during the Year	Deductions during the Year	Total Upto 31.03.2011	Upto 31.03.2010	For the Year	On deductions	Total upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Land and Site Development	10246139	0	0	10246139	0	0	0	0	10246139	10246139
2	Leasehold Land	0	33142622	0	33142622	0	0	0	0	33142622	0
3	Buildings	143945071	18808262	598281	162155052	35609251	3544709	568367	38585593	123569459	108335820
4	Plant and Machinery	2836417715	725655700	206503045	3355570370	820889429	158349443	196177893	783060979	2572509391	2015528286
5	Data Processing Equipment	4155559	462809	0	4618368	3273688	343721	0	3617409	1000959	881871
6	Office Equipment	7206744	1448635	67600	8587779	3483967	388421	16812	3855576	4732203	3722777
7	Furniture and Fixtures	2978412	221325	0	3199737	1883116	264615	0	2147731	1052006	1095296
8	Vehicles	59027211	3317970	0	62345181	26402952	4830165	0	31233117	31112064	32624259
	TOTAL:	3063976851	783057323	207168926	3639865248	891542403	167721074	196763072	862500405	2777364843	2172434448
	Previous Year total:	3025924967	62320732	24268848	3063976851	752061010	150700110	11218717	891542403	2172434448	

SCHEDULES TO BALANCE SHEET

	As at 31st March, 2011 Rs.	As at 31st March, 2010 Rs.
7. INVESTMENTS: Long Term		
(At cost less provision for diminution in book value)		
NONTRADE: QUOTED		
10,720 Equity shares of Rs. 10/- each in Industrial Development Bank of India. (Market value Rs.1527064/-) (Previous year Rs.1232800/-)	871000	871000
10,000 Equity shares of Rs. 10/- each in IFCI Limited (Market value Rs.526500/-) (Previous year Rs.498500/-)	100000	100000
1050 Equity shares of Rs.10/- each in State Bank of Travancore (Market Value Rs.781883/-) (Previous year Rs.643230/-)	63000	63000
UNQUOTED:		
5000 units of Rs.10/- each in SBI Mutual Fund (Net Asset value : Rs.72800/-, Previous year Rs.70500/-)	50000	50000
10000 Equity shares of Rs.10/- each in Praveen Securities Limited	100000	100000
In Government Securities: National Saving Certificates (Pledged with Government Authorities)	10500	10500
	<u>1194500</u>	<u>1194500</u>
Aggregate value of quoted investments		
- At cost	1034000	1034000
- At market value	2835447	2374530
Aggregate value of unquoted investments - at cost	<u>160500</u>	<u>160500</u>
8. INVENTORIES:		
(As certified by the Management)		
Raw Materials	864115937	722979986
Work-in-progress	51294469	26702116
Finished goods including by-product	1194408793	779974258
Stores and Spares (includes material in-transit of Rs.9105921/- previous year Rs.8500776/-)	28699446	29458692
Scrap	50413120	143778
	<u>2188931765</u>	<u>1559258830</u>
9. SUNDRY DEBTORS: (Unsecured)		
Outstanding for more than six months:		
Considered good	82394276	47166483
Considered doubtful	17093968	17708387
Less: Provision for doubtful debts	<u>17093968</u> <u>0</u>	<u>17708387</u> <u>0</u>
	82394276	47166483
Others: Considered good	459086256	293100421
	<u>541480532</u>	<u>340266904</u>

SCHEDULES TO BALANCE SHEET

	Rs.	As at 31st March, 2011 Rs.	Rs.	As at 31st March, 2010 Rs.
10. CASH AND BANK BALANCES:				
Cash on hand		1360468		330758
Cash at scheduled banks:				
In current accounts		216298937		139565844
In dividend account		10872513		9137257
In fixed deposits		546038359		949910000
[Of the above Rs.546028359/- (previous year Rs.659900000/-) pledged to Banks towards margin on Letters of Credit and Rs.10000/- (previous year Rs.10000/-) pledged to Government authorities.]		<u>774570277</u>		<u>1098943859</u>
11. OTHER CURRENT ASSETS:				
Interest accrued on deposits and investments		<u>20442289</u>		12181854
		<u>20442289</u>		<u>12181854</u>
12. LOANS AND ADVANCES:				
(Unsecured, recoverable in cash or in kind or for value to be received)				
Considered good:				
Deposits		8568467		6578358
Other advances and receivables		114826105		90113713
Prepaid expenses		12676983		9833037
Prepaid Taxes (net of provision for taxation)		0		42367504
MAT credit entitlement		0		16700000
Considered doubtful:				
Other advances and receivables	11231895		26647267	
Less: Provision for doubtful advances	<u>11231895</u>	0	<u>26647267</u>	0
		<u>136071555</u>		<u>165592612</u>
13. CURRENT LIABILITIES:				
Dues of Micro and Small Enterprises		0		0
Dues of creditors other than Micro and Small Enterprises		2109126460		2125638807
Central Excise liability on closing stock of finished goods	80238626		22126087	
Less: Central Excise deposit	<u>51356050</u>	28882576	<u>17775681</u>	4350406
Unclaimed dividend		10872513		9137257
(There is no amount due and outstanding to be credited to Investor Education and Protection Fund)		<u>2148881549</u>		<u>2139126470</u>
14. PROVISIONS:				
Provision for taxation (net of prepaid Taxes)		4851559		0
Provision for gratuity and leave encashment		17710158		11297811
Proposed Dividend		62280000		50100000
Provision for Corporate Dividend Tax		10103373		8320984
		<u>94945090</u>		<u>69718795</u>

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the Year ended 31st March, 2011 Rs.	For the year ended 31st March, 2010 Rs.
15. OTHER INCOME:		
Dividend on long term non trade investments	63760	62580
Dividend on current non trade investments	1172426	0
Foreign Exchange fluctuations	0	74395043
Miscellaneous income	19197130	103539749
Provision for diminution in the value of investments no longer required	0	396238
Interest earned (Gross) (TDS Rs.7059765/- Previous Year Rs.4749412/-) (including interest on long term investment of Rs.1004/- previous year Rs.1004/-)	77662827	40468207
Provision for doubtful advances no longer required	0	1035933
Prior year adjustments (net)	0	13009228
	<u>98096143</u>	<u>232906978</u>
16. INCREASE / (DECREASE) IN STOCKS:		
OPENING STOCK:		
Finished goods including by-product	779974258	1035516387
Work in progress	26702116	8708656
Scrap	143778	6859812
	<u>806820152</u>	<u>1051084855</u>
CLOSING STOCK:		
Finished goods including by-product	1194408793	779974258
Work in progress	51294469	26702116
Scrap	50413120	143778
	<u>1296116382</u>	<u>806820152</u>
Excise Duty adjustment on finished goods inventory	(60025071)	(12569311)
Increase / (Decrease) in stocks	<u>429271159</u>	<u>(256834014)</u>
17. RAW MATERIALS CONSUMED:		
Opening stock	722979986	179676364
Add: Purchases	5584189897	3121238571
	<u>6307169883</u>	<u>3300914935</u>
Less: Closing stock	864115937	722979986
	<u>5443053946</u>	<u>2577934949</u>
18. MANUFACTURING EXPENSES:		
Stores consumed	39133162	45853119
Power and fuel	83968570	43470013
Repairs and maintenance to:		
– Buildings	1220248	1330589
– Plant and machinery	67622709	70882072
	<u>191944689</u>	<u>161535793</u>



SATHAVAHANA ISPAT LIMITED

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the Year ended		For the year ended	
	Rs.	Rs.	Rs.	Rs.
19. SALARIES, WAGES AND OTHER ALLOWANCES TO STAFF:				
Salaries, wages, bonus, gratuity and other benefits		106082443		83164253
Workmen and staff welfare expenses		3086359		3254744
Contribution to Provident Fund		4908802		3952260
Contribution to E.S.I.		263098		161918
		<u>114340702</u>		<u>90533175</u>
20. INTEREST ON LOANS:				
On Fixed Loans		155008167		127191432
On Working capital loans and import and inland bills		62835448		76020454
On Others		31391955		1674471
		<u>249235570</u>		<u>204886357</u>
21. OTHER EXPENSES:				
Managerial remuneration		20825292		9987519
Directors' fees		330000		286000
Rent		3970823		3671782
Printing and stationery		1860249		1534405
Communication expenses		2306904		1689438
Advertisement		461941		176111
Travelling and conveyance		7849135		6305363
Carriage and freight		179379958		180870796
Licence, taxes and fees		3586625		4826719
Repairs and maintenance to other assets		272542		313558
Vehicle maintenance		9722724		8329424
Insurance		13277587		7469710
Payments to Auditors		3115667		2444583
Legal and professional charges		7155023		8955949
Commission		21872715		23624582
General expenses		22605188		15042914
Foreign exchange fluctuations		17184869		0
Donations		361964		552060
Bank charges, Commission and other charges		27426112		40727395
Loss on sale of Assets (net)		42054		1500
Advances written off	15415372			
Less: provision for doubtful advances no longer required	<u>15415372</u>	0		0
Bad debts written off	3349581		7216844	
Less: provision for doubtful debts no longer required	<u>2469397</u>	880184	<u>7004298</u>	212546
Book deficit on assets discarded		10355066		13043131
Provision for doubtful debts		1854978		0
Prior year adjustments(Net)		1044576		0
		<u>357742176</u>		<u>330065485</u>

22. NOTES TO ACCOUNTS:

1. Significant Accounting Policies:

a) Fixed Assets:

- i) Fixed assets are stated at cost of acquisition inclusive of inland freight, duties and taxes and incidental expenses related to acquisition.
- ii) Expenditure during construction period is treated as un-allocated expenditure and the same is allocated to the respective fixed assets on commencement of commercial production.
- iii) Blast Furnace relining is capitalised. The written down value of the asset consisting of lining/relining expenditure embedded in the cost of the furnace is written off in the year of fresh relining.

b) Depreciation:

- i) Depreciation is provided on fixed assets used during the year under Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956 excepting Blast Furnace lining/relining at Haresamudram. Depreciation on Blast Furnace lining/relining is provided on straight line method at an accelerated rate of 33.33% per annum considering the estimated useful life of three years.
- ii) Depreciation is provided at one hundred per cent for assets costing less than Rs. 5,000/-.

c) Excise Duty:

Excise duties recovered are included in "Gross Sales". Excise duty on despatches is shown as an item of expense and deducted from gross sales. The value of closing stock of finished goods includes excise duty paid/payable on such stocks.

d) Investments:

Investments made by the Company in various securities are primarily meant to be held over long term period and are valued at cost. Provision is made for decline, other than temporary, in the value of long term investments.

e) Inventories:

- i) Inventories are valued at cost and net realisable value which ever is lower except for by-product and scrap. By-product and scrap are valued at net realisable value. Cost is determined using first-in-first-out (FIFO) method.
- ii) Stationery, medical and canteen expenses are charged off to the revenue at the time of purchase.

f) Retirement Benefits:

A. Defined Contribution Plans:

Provident Fund: Contribution to Provident Fund is made at the prescribed rates to the Employees Provident Fund Scheme by the Central Government and is charged to the Profit and Loss Account.

B. Defined Benefit Plans:

- i) Gratuity: Accruing liability towards gratuity is provided on the basis of actuarial valuation made by an independent Actuary. The actuarial valuation is done as per Projected unit credit method. Actuarial gains/losses are immediately taken to Profit and Loss Account.
- ii) Leave Encashment Benefit: The Company records its unavailed leave liability based on actuarial valuation using projected unit credit method.

C. Short Term Employee benefits:

Short term employee benefits are recognised as an expense as per the Company's scheme based on expected obligation on undiscounted basis.

D. State Plans:

Employers' contribution to Employee's State Insurance is charged to Profit and Loss Account.

- g) **Foreign Exchange Transactions:**
Transactions in foreign exchange, other than those covered by forward contracts are accounted for at the exchange rates prevailing on the date of transactions. Assets and Liabilities remaining unsettled at the end of the year other than those covered by forward contracts are translated at the closing rate. Realised gains and losses on foreign exchange transactions are recognised in the Profit and Loss Account.
- h) **Forward Exchange Contracts not intended for trading or speculation purposes:**
The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract and the same is recognised in statement of profit and loss. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or expense for that year.
- i) **Revenue Recognition:**
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be readily measured.
- i) **Sales:** Gross sales includes excise duty and adjustments for price variation.
- ii) **Interest:** Revenue is recognised on a time proportion basis taking into account the amount outstanding and the applicable rate.
- iii) **Dividend:** Revenue is recognised when the shareholders' right to receive payment is established by the Balance Sheet date.
- j) **Accounting Convention:**
The financial statements are prepared under the historical cost convention on an accrual basis and in accordance with notified accounting standards issued by the Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956.
- k) **Operating leases:**
Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.
- l) **Taxation:**
Tax expense or saving is the aggregate of Current Year Tax, and Deferred Tax charged or credited, as the case may be to the Profit and Loss Account for the year.
- i) **Current year charge:**
The provision for taxation is made based on an estimate of assessable income determined by the Company under the Income Tax Act, 1961.
- ii) **Deferred Tax:**
Deferred income taxes are recognised for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised and carried forward only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.
- iii) **Minimum Alternate Tax (MAT) Credit Entitlement:**
In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

m) Dividends:

Dividends as proposed by the Board of Directors are accounted in the books of account, pending approval at the Annual General Meeting.

n) Contingent Liabilities:

Contingent Liabilities are disclosed by way of Notes on the Balance Sheet. Provision is made in the accounts in respect of those contingencies which are likely to materialise into liability after the year end, till the finalisation of accounts and have material effect on the position stated in the Balance Sheet.

o) Provisions:

A provision is recognised when there is a present obligation as a result of past event. It is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

p) Borrowing Costs:

Borrowing costs that are attributable to the acquisition or construction of a qualifying asset are capitalised as a part of cost of such asset till such time the asset is ready for its intended use.

q) Earnings Per Share:

Basic Earnings Per Share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of Equity Shares during the year.

Diluted Earnings per Share are calculated by dividing the net profit or loss for the year by the weighted average number of Equity Shares outstanding during the year as adjusted for the effects of all dilutive potential Equity Shares.

r) Use of Estimates:

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known/materialised.

2. Contingent Liabilities Not Provided For:

	2010-11	2009-10
	Rs.	Rs.
i) Claims against the Company not acknowledged as debt	12168141	12466141
ii) Taxes and Duty demands and show cause notices contested by the Company	198768	190301
iii) On account of Bank Guarantees executed by the bankers	14314025	9467212
Total	<u>26680934</u>	<u>22123654</u>

3. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)

146700705 109026730

4. Managerial Remuneration:

i. WHOLE-TIME DIRECTORS' REMUNERATION:

	2010-11	2009-10
	Rs.	Rs.
Salary and Allowances	4663258	3467290
Contribution to Provident Fund	18720	18720
Perquisites	26762	39489
Commission	16116552	6462020
Total	<u>20825292</u>	<u>9987519</u>

- ii. Computation of net profit in accordance with Section 198 of the Companies Act, 1956 with relevant details of calculation of commission payable by way of percentage of such profits to Managing Director and Executive Vice Chairman for the year ending 31st March, 2011.

Profit Before Tax as per Profit and Loss account	790281927
Add: i) Directors' remuneration, perquisites and other benefits	20825292
ii) Directors' sitting fees	330000
iii) Loss on sale of Assets	42054
iv) Wealth Tax	23085
v) Asset discarded	10355066
vi) Provision for doubtful debts	1854978
vii) Depreciation as per books	167721074
Sub Total	<u>991433476</u>
Less: i) Depreciation as envisaged under section 350 of the Companies Act*	167721074
ii) Provision for doubtful advances no longer required	15415372
iii) Provision for doubtful debts no longer required	2469397
NET PROFIT UNDER SECTION 198(1) OF THE COMPANIES ACT, 1956	<u>805827633</u>
Commission on the net profits to Managing Director and Executive Vice Chairman @1% each thereof	<u>16116552</u>

*The company depreciates Blast Furnace lining / relining based on estimated useful life that is lower than those implicit in Schedule XIV of the Companies Act 1956. Accordingly, the rates of depreciation used by the Company in such cases are higher than the minimum rates prescribed by Schedule XIV.

5. Additional information:

	As at	As at
	<u>31.03.2011</u>	<u>31.03.2010</u>
i) Details of capacities and production:		
Licenced capacity	N.A.	N.A.
ii) Installed capacity : Pig Iron (MTs)	210000	210000
: Metallurgical Coke (MTs)*	450000	300000
: Co-generation Power (MW)	30	30
(As certified by the management but not verified by the Auditors)		
iii) Actual production : Pig Iron (MTs)	113103	143413
Slag (MTs)	39586	48425
Metallurgical Coke (MTs)#	283063	147448
Power (KWH)	72135000	74174520

* Increased from 300000 MTs to 450000 MTs w.e.f.23.12.2010

Excluding job work of Nil MTs (previous year 45829 MTs)

iv) Details of opening, purchases and closing stock of finished goods:

	2010-11		2009-10	
	Quantity MT	Value Rs.	Quantity MT.	Value RS.
Opening stock:				
Pig Iron	10926	245262047	13821	267682549
Slag	386	170409	29927	10527768
Metallurgical Coke	37922	534541802	51025	757306070
Total:		<u>779974258</u>		<u>1035516387</u>
Closing stock:				
Pig Iron	20481	551436491	10926	245262047
Slag	23229	10248716	386	170409
Metallurgical Coke	39941	632723586	37922	534541802
Total:		<u>1194408793</u>		<u>779974258</u>

v) Details of Turnover:

	2010-11		2009-10	
	Quantity MT	Value Rs.	Quantity MT.	Value RS.
Pig Iron	103548	2883772592	146308	3123403558
Slag	16743	7393086	77966	33651379
Metallurgical Coke:				
-Captive consumption	94886	0	118534	0
- Sales	186158	3843871394	42017	638304738
Co-Generation Power:	KWH		KWH	
-Captive Consumption*	17244000	0	14525520	0
-Sales	55654500	301907355	60628500	244850056
Others		38854088		37465491
Total:		<u>7075798515</u>		<u>4077675222</u>

*Includes 763500 kwh(previous year 979500 Kwh) power import.

vi) Details of raw materials consumed:

	2010-11		2009-10	
	Quantity MT	Value Rs.	Quantity MT.	Value RS.
Coking Coal	389409	4724778830	217723	2093334864
Iron Ore	186708	656732369	227827	406156210
Others		61542747		78443875
Total:		<u>5443053946</u>		<u>2577934949</u>

vii) Value of imported and indigenous raw materials and spares and components and their percentage to total consumption:

	2010-11		2009-10	
	Value Rs.	%	Value Rs.	%
Raw materials:				
Imported	4724778830	86.80	2053816259	79.67
Indigenous	718275116	13.20	524118690	20.33
Total:	5443053946	100.00	2577934949	100.00
Spares and Components:				
Imported	100488	3.25	0	0.00
Indigenous	2987709	96.75	4734750	100.00
Total:	3088197	100.00	4734750	100.00
viii) Expenditure in foreign currency (on accrual basis):			2010-11	2009-10
			Rs.	Rs.
Usance interest			33405256	29839425
Travelling expenses			1695169	1770133
ix) Earnings in foreign exchange:				
F.O.B value of Exports			Nil	Nil
x) CIF Value of Imports:				
Raw materials and stores and spares			4383419552	2336199387
Capital goods			1132985	383892264
xi) Dividend remitted in foreign currency:				
a) No. of non-resident shareholders			3	3
b) No. of shares held			4901500	4901500
c) Dividend remitted Rs.			7352250	7352250
d) Year to which relates			2009-10	2008-09

6. Confirmation letters have been issued in respect of sundry debtors, loans and advances and sundry creditors of the Company but not responded to in some cases. Hence unconfirmed balances are subject to reconciliation and consequent adjustments, if any, would be determined/made on receipt of confirmation. However, in the opinion of the Board of Directors the current assets, loans and advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated and provision for all known liabilities has been made.
7. Excise Duty on sales for the year has been disclosed as reduction from turnover. Excise Duty relating to the difference between closing stock and opening stock has been included in Schedule 16 "Increase/(Decrease) in stocks".
8. Deposits include an amount of Rs. 1215000/- (previous year Rs.810000/-) due from a Director of the Company towards rental deposit of office premises. Maximum amount outstanding during the year Rs. 1215000/- (Previous year: Rs. 810000/-).
9. Previous year figures have been regrouped / rearranged wherever necessary and paise have been rounded off to the nearest rupee.
10. Information as required to be disclosed under schedule VI of the Companies Act, 1956 with reference to Micro, Small and Medium Enterprises Development Act, 2006 (Act) as given below and the information mentioned at Schedule No.13 -Current Liabilities with reference to dues of Micro, Small and Medium enterprises, has been determined to the extent such parties have been identified on the basis of information available with the Company and relied on by the Auditors:

	2010-11	2009-10
	Rs.	Rs.
Particulars		
Principal amount remaining unpaid as on March 31	Nil	Nil
Interest due thereon as on March 31.	Nil	Nil
Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprise Development Act, 2006 along with the amount of payment made to the supplier beyond the appointed day during the year	Nil	Nil
Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Act.	Nil	Nil
Interest accrued and remaining unpaid as at March 31.	Nil	Nil
Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Act.	Nil	Nil
11. In terms of approval accorded by the Company at the Extraordinary General Meeting held on 15 th December 2010, the Company on 15 th March 2011 allotted by a preferential issue to Ganapati Adusumilli Fininvest Private Limited, an associate entity of Promoters' group, 4200000 Share Warrants at an issue price of Rs.60/- (including Share Premium of Rs.50/- for each) per Share Warrant against twenty five percent upfront payment of Rs.63000000/-. Each Share Warrant carries a right to apply for 1 (one) Equity Share of Rs.10/- each at a premium of Rs.50/- per share within a period not exceeding eighteen months from the date of allotment of Share Warrants. The allottee has since exercised option of conversion of 400000 Share Warrants by paying the balance seventy five percent of the outstanding amount of Rs.18000000/-. On exercise of this option, the Company appropriated a sum of Rs.4000000/- towards paid up capital and balance of Rs.20000000/- towards Share Premium account. The balance 3800000 Share Warrants where an amount of Rs.15/- per Share Warrant (Rs.2.50/- towards share capital and Rs.12.50/- towards share premium) paid up aggregating to Rs.57000000/- has been shown as "Money received against Share Warrants" under Shareholders' funds. On exercise of option of conversion of these outstanding Share Warrants, the paid up Share Capital and Share Premium will increase by Rs.38000000/- and Rs.190000000/- respectively. The upfront payment would stand forfeited if the option of conversion is not exercised within stipulated time.		
During the year, the Company has also by way of the above preferential issue, allotted 800000 Equity Shares of Rs.10/- each at a premium of Rs.50/- per share on a private placement by preferential allotment basis to Stemcor AG on 15 th March 2011 in terms of approval accorded by the Company at the Extraordinary General Meeting held on 15 th December 2010, whereby the paid up capital has gone up by Rs.8000000/- and the Share Premium account by Rs.40000000/-.		
Disclosure on Utilisation of proceeds of Preferential Issues in terms of SEBI (ICDR) Regulations 2009 :		
i) The proceeds of preferential issue made in January 2008 amounting to Rs.426000000/- has been fully utilised for project and other related business expenditure.		
ii) The Proceeds of preferential issue made in December 2010 has been utilised as per the following details:		
		Rs.
1. Amount in Current Account with Bank		129000000
2. Amount incurred on project and other related business expenditure		0
Total		<u>129000000</u>

12. Unallocated Expenditure pending capitalisation upto 31st March 2011:

Sl. No.	PARTICULARS	Upto 31.03.2010 Rs.	For the year Rs.	Amount Capitalised Rs.	Upto 31.03.2011 Rs.
1.	Salaries, Wages and other benefits	0	2126533	2126533	0
2.	Workmen and staff and welfare expenses	0	1250	275	975
3.	Interest on fixed loans	12878813	93486911	63395154	42970570
4.	Finance charges	15035394	1415228	10658305	5792317
5.	Printing and stationery	25760	14653	0	40413
6.	Licence, Taxes and Fee	0	75000	0	75000
7.	Communication expenses	2467	6580	4081	4966
8.	Travelling and conveyance	311794	419195	328169	402820
9.	Payment to auditors	193025	187510	176480	204055
10.	Legal and professional	265450	1170885	0	1436335
11.	General expenses	0	362825	100	362725
12.	Trial run expenses	0	53677416	53677416	0
	Total	28712703	152943986	130366513	51290176

13. Amounts paid / payable to Auditors :

	2010-11 Rs.	2009-10 Rs.
Audit fees	1200000	1200000
Income Tax audit fees	600000	450000
Quarterly reviews	375000	300000
Certification*	902730	453025
Tax matters	150000	150000
Reimbursement of expenses	75447	84583
Total	3303177	2637608

* Rs.187510 (Previous year Rs. 193025) included in unallocated expenditure pending capitalisation.

14. Information on Employee benefits as required under Accounting Standard 15 (Revised):

Particulars	2010-11		2009-10	
	Rs.		Rs.	
A. Defined Contribution Plans:				
i. Contribution to Provident Fund	4927522			3970980
B. Defined Benefit Plans:				
Disclosures (as per Actuary Certification)				
	Gratuity	Leave	Gratuity	Leave
	(Unfunded)	Encashment	(Unfunded)	Encashment
	(Unfunded)	(Unfunded)	(Unfunded)	(Unfunded)
PROFIT AND LOSS ACCOUNT:				
Current service cost	663521	189043	452531	385042
Interest cost on benefit obligation	628030	275795	481052	166824
Expected return on plan assets	Nil	Nil	Nil	Nil
Net Actuarial (gain)/ loss recognised in the year	4597463	336957	1335501	807407
Past service cost	558444	Nil	Nil	Nil
Net benefit expenses	6447458	801795	2269084	1359273
BALANCE SHEET:				
Change in the present value of the defined benefit obligation are as follows:				
Opening defined benefit obligation	7850373	3447438	6215144	2155350
Interest cost	628030	275795	481052	166824
Current services cost	663521	189043	452531	385042
Past service cost	558444	Nil	Nil	Nil
Benefits paid	(669482)	(167424)	(633855)	(67185)
Actuarial (gain)/loss on obligation	4597463	336957	1335501	807407
Closing defined benefit obligation	13628349	4081809	7850373	3447438
C. The Principal assumptions used in determining gratuity and leave encashment	%	%	%	%
Salary rise	4	4	4	4
Discount rate	8	8	8	8
Attrition rate	3	3	3	3
D. STATE PLANS:				
Contribution to E.S.I.	263098			161918

15. The Company's business consists of two reportable segments viz., Pig Iron and Metallurgical Coke with Co-generation Power as per Accounting Standard 17 "Segment Reporting" issued under the Companies (Accounting Standard) Rules 2006.

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company. Inter segment transfers are eliminated on consolidation.

The following tables present the revenue, profit, assets and liabilities information relating to the business/ geographical segment for the year ended 31st March 2011:

Primary Segment Reporting:

Rs.

Reportable Segment	2010-11			2009-10		
	Pig Iron	Metallurgical Coke with Co-generation power	Total	Pig Iron	Metallurgical Coke with Co-generation power	Total
Revenue:						
External sales (net)	2660955109	5712358327	8373313436	2964635322	2844393158	5809028480
Inter/intra segment sales	-	1586360654	1586360654	-	1961238364	1961238364
Total Revenue	2660955109	4125997673	6786952782	2964635322	883154794	3847790116
Result:						
Segment result	282861574	758823220	1041684794	117669420	397793104	515462524
Interest (net)	-	-	171572743	-	-	164418150
Other un-allocable expenditure(net)	-	-	79830124	-	-	42837163
Profit before Tax	-	-	790281927	-	-	308207211
Provision for Tax	-	-	224874986	-	-	53709669
Profit after Tax	-	-	565406941	-	-	254497542
Other information:						
Segment assets	1311594251	5314372440	6625966691	1613868796	4505534194	6119402990
Unallocated assets	707556761	-	707556761	169578627	-	169578627
Total Assets	2019151012	5314372440	7333523452	1783447423	4505534194	6288981617
Segment liabilities	786592849	3480802214	4267395063	1075332366	3004582378	4079914744
Unallocated liabilities	308130872	-	308130872	121267910	-	121267910
Total liabilities	1094723721	3480802214	4575525935	1196600276	3004582378	4201182654
Capital expenditure:						
Tangible assets	778575009	4482314	783057323	51371358	10949374	62320732
Depreciation	72810545	94910529	167721074	50373162	100326948	150700110

Secondary Segment Reporting:

As a part of secondary segment reporting, revenues are attributed to geographic areas on the location of the customers as detailed below:

Particulars	2010-11		2009-10	
	Rs.	%	Rs.	%
Domestic	7075798515	100.00	4077675222	100.00
Export	0	0.00	0	0.00
Total	7075798515	100.00	4077675222	100.00

Note: The Company does not track its assets and liabilities by geographical area.

16. As per Accounting Standard (AS - 18) transactions with the related parties as defined in the said accounting standard are given below:

Sl No	Name of the Related Party / Nature of Transaction	2010-11		2009-10	
		Amount of Transaction Rs.	Amount Outstanding Rs.	Amount of Transaction Rs.	Amount Outstanding Rs.
1.	Key Management Personnel:				
a.	Managerial remuneration:				
	Shri A.S.Rao	10047144	8194643 Cr.	4517660	3202610 Cr.
	Shri A. Naresh Kumar	10778148	8711952 Cr.	5469859	3202610 Cr.
b.	Rent:				
	Shri A.Naresh Kumar	583200	174960 Cr.	583200	116640 Cr.
c.	Rent Deposit:				
	Shri A. Naresh Kumar	405000	1215000 Dr.	—	810000 Dr.
2.	Relatives of key management personnel:				
a.	Rent:				
	Smt. A. Mutya Bai	897000	678828 Cr.	857400	315408 Cr.
	Shri A. Ashok Kumar	1000800	750600 Cr.	1000800	110160 Cr.
b.	Rent Deposit				
	Smt. A. Mutya Bai	365400	473400 Dr.	—	108000 Dr.
	Shri A. Ashok Kumar	885600	1515600 Dr.	—	630000 Dr.
3.	Concerns in which key management personnel are interested:				
a.	Share deposits:				
	Maruthi Industries Limited	—	5750000 Dr.	—	5750000 Dr.
	Vamsadhara Polymers Limited	—	2400000 Dr.	—	2400000 Dr.
b.	Other advances:				
	Maruthi Industries Limited	—	18851 Dr.	—	18851 Dr.
	Vamsadhara Polymers Limited	—	999724 Dr.	—	999724 Dr.
c.	Allotment of Equity Shares including share premium:				
	Ganapati Adusumilli Fininvest Private Limited	24000000	—	—	—
d.	Allotment of Share Warrants including premium				
	Ganapati Adusumilli Fininvest Private Limited	57000000	—	—	—

17. Details of foreign currency exposures that are not hedged by a derivative instruments or otherwise:

SNo.	Particulars	Type of Foreign Currency	2010-11		2009-10	
			Amount in Foreign Currency	Equivalent in INR	Amount in Foreign Currency	Equivalent in INR
1.	Payable for supplies and services	USD	37952222	1694624705	37887615	1725666804
2.	Advance for supplies	USD	775000	34603750	-	-

18. Information on leases as per Accounting Standard 19 "Leases" issued under the Companies (Accounting Standard) Rules 2006:

Operating lease expenses:

The Company has various operating leases for various premises that are renewable on a periodic basis and cancellable at its option. Rental expenses for operating leases recognised in the Profit and Loss Account for the year is Rs.3970823/- (previous year Rs.3671782/-)

19. **Earnings Per Share (EPS)** - The numerator and denominator used to calculate Earnings per Share:

	Year ended	Year ended
	31.03.2011	31.03.2010
- Profit attributable to the Equity Shareholders (Rs.) (A)	565406941	254497542
- Basic/Weighted average number of Equity Shares outstanding during the year - (B)	33441644	32905123
- Diluted/Weighted average number of Equity Shares outstanding during the year - (C)	33632877	32905123
- Face value of Equity Share Rs.	10/-	10/-
- Basic Earnings Per Share (Rs.)-(A/B)	16.91	7.73
- Diluted Earnings Per Share (Rs.)-(A)/(C)	16.81	7.73

20. **Provision for taxation:**

- The provision for taxation is made based on an estimate of assessable income determined by the Company under the Income Tax Act, 1961.
- The Company estimates the deferred tax charge / (credit) using the applicable rate of taxation based on the impact of timing differences between financial statements and estimated taxable income for the current year. The movement of provision for deferred tax is given below:

Particulars	Opening as at 01.04.2010 Rs.	Charge / (Credit) during the year Rs.	Closing as at 31.03.2011 Rs.
Deferred Tax Liabilities:			
(a) Depreciation	203752599	44129829	247882428
(b) Others	6965768	499671	7465439
Total (A)	210718367	44629500	255347867
Deferred Tax Assets:			
(a) Expenses allowable on payment basis under Income Tax Act, 1961.	4384070	1998027	6382097
(b) Others	14733839	(5543513)	9190326
Total (B)	19117909	(3545486)	15572423
Total (A)-(B)	191600458	48174986	239775444

21. Leasehold land represents land purchased admeasuring 88.57 acres under lease-cum-sale agreement with Karnataka Industrial Area Development Board (KIADB), Government of Karnataka.

22. During the year Company purchased 9994004 units, accumulated 117172 units and sold 10111176 units of Rs.10/- each in Ultra Short Term Fund - Institutional plan- Daily Dividend of SBI Mutual Fund. Dividend earned thereof is Rs.1172426/-.

23. The schedules referred to in the Balance Sheet and Profit and Loss statements form an integral part of the accounts.

24. Information as required under part IV of Schedule VI to the Companies Act, 1956 is as per Annexure.

Per our report of even date

For **P V R K NAGESWARA RAO & CO.,**
Chartered Accountants
Firm's Registration No.0022835

P V R K NAGESWARA RAO
Partner
Membership No. 18840

Hyderabad
Date: 30.05.2011

K.V.KRISHNA RAO
Chief Financial Officer &
Company Secretary

For and on behalf of the Board

K.THANU PILLAI
Chairman

KHAJA RUKNUDDIN
Director

SYED ANIS HUSSAIN
Director

A.NARESH KUMAR
Managing Director

A.S. RAO
Executive Vice Chairman

S.N. RAO
Director

**BALANCE SHEET ABSTRACT AND COMPANIES GENERAL BUSINESS PROFILE**

i) Registration details

Registration No. 10654 State code 01

Balance Sheet date 31.03.2011

ii) Capital raised during the year (Amount in Rs. Thousands)

Public Issue : Nil

Rights Issue : Nil

Bonus Issue : Nil

Private Placement : 12000

(On allotment of 800000 Equity Share and on Conversion of 400000 Share Warrants to 400000 Equity Shares of Rs.10/- each full paid up)

iii) Position of Mobilisation and Deployment of Funds (Amount in Rs. thousands)

Total Liabilities..... 5089697 Total Assets..... 5089697**Sources of Funds:**

Paid-Up Capital 346000 Share Warrants 57000

Secured Loans 2223969 Reserves & Surplus 2115222

Deferred Tax Liability (net) 239776 Unsecured Loans 107730

Application of funds:

Net Fixed Assets 3670833 Investments 1194

Net Current Assets 1417670

Misc. Expenditure NIL Accumulated Losses NIL

iv) **Performance of Company** (Amount in Rs. thousands)

Turnover 7314320 Total Expenditure 6524038

Profit Before Tax 790282 Profit After Tax 565407

Earnings Per Share in Rs 16.91 Dividend rate(%) 18.00

v) Generic Names of Three Principal Products/Services of Company (as per Monetary items)

1. Item Code No.(ITC Code) : 72011000

Product Description : PIG IRON

2. Item Code No.(ITC Code) : 27040030

Product Description : METALLURGICAL COKE

3. Item Code No. (ITC Code) : N.A.

Product Description : POWER



CODE OF BUSINESS CONDUCT AND ETHICS

1. INTRODUCTION:

1.1 Good business and good ethics are identical if viewed from moral, legal and practical stand points. As we understand, ethics is the discipline dealing with what is good and bad, or right or wrong or with moral duty and obligation. Viewed from this sense of understanding, business ethics is the application of ethical principles to business relationships and activities. The trust and respect of all stakeholders are biggest assets which cannot be purchased but earned. Therefore, the business of a corporate must be conducted according to the highest ethical standards.

1.2 This Code is aimed at adding ethics to the business curriculum. The present written Code of Business Conduct and Ethics is expected to make the users ethically sensitized and would improve the business practices. When confronted with ethical dilemmas, this Code is expected to offer some guidance in resolving them and therefore, the users are encouraged to review and imbibe the same in their day to day functioning.

1.3 This Code is only a guidance note and is not exhaustive. The users may well take this as a basic and minimum discipline for taking any business decision or conduct of business. The users are always encouraged to follow any improved set of ethical standards in the given circumstances and set an example for others and thus represent our business as a role model.

2. POLICY STATEMENT:

2.1 This Code of Business Conduct and Ethics (herein after referred to as "Code") embodies the commitment of Sathavahana Ispat Limited to conduct our business in accordance with highest standards of ethics and with all applicable laws, rules and regulations. This Code forms an integral part of the Corporate Governance policy of the Company and all the members of the Board of Directors and Senior Management must adhere

to the policy of Corporate Governance and the present Code in its true spirit. The members of the Board of Directors and Senior Management are expected to and advised to follow the principles and procedures set forth in this Code in their respective functioning and thus set highest ethical standards in their business and personal dealings.

3. OBJECTIVE:

3.1 In line with the avowed policy on Corporate Governance, the objective of this Code is to bring in highest standards in the conduct of Company's business while ensuring honesty and integrity in managing the affairs of the Company. The Code is aimed at providing accountability, transparency and control systems and encourages value creation. We, at Sathavahana Ispat Limited believe that we are the trustees of all the stakeholders involved in the Company and in terms of this trusteeship, we should strive hard to protect and further the interest of our stakeholders in perpetuity.

4. AUTHORITY:

4.1 The Board of Directors of the Company is the authority for setting the standards of the Code. Should there arises a need for review, refinement, improvement, modification and update of the Code, the Board of Directors of the Company is alone empowered to do so on a periodical basis while ensuring its continuing relevance, effectiveness and responsiveness to the needs of all stakeholders as also to reflect corporate, legal and regulatory developments.

4.2 It is the intention of the Company that this Code will also be The Code of Conduct and Ethics for the Board of Directors and Senior Management stated in the listing requirements of clause 49 of the Listing Agreements entered into by the Company with the Stock Exchanges where the Company's equity shares are listed.



4.3 In the event of any difficulty in understanding and interpretation of the Code, the Board of Directors shall be the sole authority to clarify and apply the meaning to the issue on hand.

5. APPLICATION:

5.1 This Code shall apply to all the Board of Directors of the Company irrespective of executive and non-executive directors. This Code shall also apply to all the Senior Management of the Company covering all functional heads upto the level of Managers. Each person covered by the Code shall submit a signed annual declaration to the Company certifying therein, inter alia, the compliance of the Code.

6. DISCLOSURE:

6.1 It is the intention of the Company that this Code shall be included in the next annual report of the Company to the shareholders as an exhibit to the report on Corporate Governance and be included so thereafter as may be decided by the Board of Directors in every annual report of the Company to the shareholders. The Code be also posted and maintained on the website of the Company, as and when the Company hosts its website.

6.2 The Managing Director in his capacity as Chief Executive Officer of the Company shall make an annual statement in the Annual Report of the Company addressed to all stake holders to the shareholders that all the Directors and Senior Management of the Company has complied with the standards of the Code and a certificate from every person affirming the compliance has been obtained.

6.3 Any update and modification to the Code shall be promptly disseminated and notified to all the members of the Board of Directors and senior management of the Company and so also to the Stock Exchanges where the equity shares of the Company are listed.

7. STANDARDS:

7.1 Fiduciary duty and Conflict interest:

7.1.1 Directors and Senior Management owe a fiduciary duty to the Company to act always in the best interests of the Company and have a bounden duty to advance its legitimate business interests to itself whenever the opportunity to do so arises and must avoid any situation in which personal interests conflict or have potential of conflict with the Company interests.

7.1.2 Directors and Senior Management are prohibited from taking any benefit or advantage for themselves or through a third party entity where they have a direct or indirect relation, any corporate or business opportunity that is discovered through the use of Company's property, information or position unless Company itself has been given or afforded a first right of opportunity or option to take advantage of such opportunity and /or refusal and the Company has turned down such opportunity or option and refused to take such opportunity. Directors and Senior Management should desist from taking any personal gain, directly or indirectly through any related party, out of any corporate or business opportunity which otherwise would have genuinely belonged to the Company by virtue of deployment of its resources.

7.1.3 In the event of any conflict of interest in a particular situation, the proper course would be to have an approval of the Board of Directors of the Company beforehand. Where any personal benefit or gain made or accrued out of any corporate or business opportunity in which Company's property or services were used, the Directors and Senior Management must promptly account for such benefit or gain to the Company.

8.1 Confidentiality:

8.1.1 All confidential information concerning the Company is the property of the Company and



must be closely guarded and / or protected and shall not be disclosed to any third party save and except mandated to do so by Law or authorized by the Company.

8.1.2 Confidential information concerning Company include possible / future business opportunities, customer and supplier data or profile, financial performance, unpublished financial information and / or financial data, unpublished securities information, technology and technical information, technical advancements, patents, trade marks, copy rights or any other information, expertise, knowledge which are in the exclusive domain of the Company.

8.1.3 Directors and Senior Management are prohibited from disclosing or using the same for personal gain any confidential information concerning the Company, which they acquire in the course of their association / employment with the Company. Such prohibition shall extend not only to work place but also to any other outside place and covers a period of say, one year after their dis-association or cessation of employment with the Company.

9.1 Insider Trading:

Trading of Securities of the Company on the basis of confidential information acquired through your association / employment with the Company is restricted and / or prohibited.

9.2 Directors and Senior Management are bound by Securities and Exchange Board of India's (SEBI's) Insider Trading Regulations and Company's policy thereof. Directors and Senior Management are accordingly restricted from dealing in the Company's securities based on the unpublished price sensitive information concerning the Company during the opening of 'Window' period as provided in the above Regulations. Directors and Senior Management are strictly prohibited from dealing in the Company's securities based on any unpublished price sensitive information.

9.3 Any clarifications in this regard Director/Senior Management may always take assistance from Company Secretary and Compliance Officer of the Company.

10.1 Protection of Company's Assets:

10.1.1 Protection of Company's Assets is of paramount importance and it is our duty to protect Company's Assets and also put the same to proper use.

10.1.2 Company's assets are exclusive property of the Company and they are to be used solely for legitimate business purposes of the Company only. Directors and Senior Management in their capacities as 'trustees' of the Company's properties shall always endeavor to protect the Company's assets and also bound to put the same to proper use.

10.1.3 Company's assets should not be used for personal purposes both in the course of employment or association and after cessation of employment or association with the Company.

11.1 Compliance with Laws and Regulations:

11.1.1 The Company seeks to comply in letter and spirit with all applicable laws and regulations in force and at all times and wherever operated.

11.1.2 Company's business is guided by several laws and regulations some of which are stringent. Directors and Senior Management must endeavor to comply with all the applicable laws and regulations with respect to conduct of Company's business and personal conduct both within and outside work place.

11.1.3 Violation of any laws will attract personal indictment and penalties, and the Company will also similarly be subjected to such penalties. Directors and Senior Management should ensure total compliance of laws and regulations to avoid any such penalties. They should familiarize themselves about the laws of land and keep abreast of all changes / amendments from time to time.

12.1 Fair Business Practice and Dealings:

- 12.1.1 The Company believes in fair dealings in the conduct of its business and encourages honest business competition.
- 12.1.2 Fair dealings imply conducting ourselves with honesty and integrity and showing transparency and openness when dealing with Company's customers, suppliers, competitors and employees.
- 12.1.3 Directors and Senior Management are discouraged from engaging in unfair methods of competition and unfair or deceptive acts and practices. Directors and Senior Management are also discouraged from taking unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or other unfair dealings.
- 12.1.4 Directors and Senior Management shall not authorize any third party to represent the Company whose business conduct and ethics are known to be inconsistent with the Code.
- 12.1.5 Directors and Senior Management are discouraged from accepting any gifts, contributions, donations other than customary nature from any parties and discourage offering such things to any third parties in the conduct of Company's business.

13.1 Dissemination / Disclosure of Company's Information:

- 13.1.1 The Company encourages dissemination or disclosure of timely, accurate and complete information to all stakeholders and law enforcing authorities through proper channel.
- 13.1.2 The Company is required to disclose information concerning its business affairs from time to time through media, publication, letters, notes, memoranda etc., the object being to keep the stakeholders, law enforcing authorities and public at large informed of the Company's plans, policies, compliances, achievements, accomplishments etc.

- 13.1.3 Directors and Senior Management should ensure that dissemination / disclosure are time bound, accurate, complete, true and fair. Disclosure / dissemination of non-public information is strictly prohibited. Inter action with media should be only through authorized persons. Information sought by the law enforcing authorities should be furnished as early as possible. All disclosures / dissemination of information shall be for and on behalf of the Company.

14.1 Health, safety and Environment:

- 14.1.1 The Company abides by the health, safety and environment norms guidelines and is committed to preserve quality of life of all concerned with Company's business.
- 14.1.2 Protection / perseverance of health, safety and quality of life of all involved in the business of Company in a conducive external and internal environment is of utmost importance for a sustainable development and therefore deserves highest priority.
- 14.1.3 Directors and Senior Management shall ensure compliance with the health, safety and environment laws and regulations and strive hard to adopt best practices concerning these issues.

15.1 Reporting violations:

- 15.1.1 Any activities that are in violation or having potential of violation of the Code should be promptly brought to the notice of the immediate supervisors or to the Chairman of the Board.
- 15.1.2 All employees are encouraged to report any violations or situations having potential of any violation should be brought to the notice of immediate supervisors or to the Chairman of the Company.
- 15.1.3 Directors / Senior Management should always welcome to receive information about violations of the Code from colleagues and sub ordinates such information and desist from taking punitive or vengeful action or punishment against the reporting employees.



SATHAVAHANA ISPAT LIMITED

SATHAVAHANA ISPAT LIMITED

Regd. Office : 314, Sri Rama Krishna Towers, Nagarjuna Nagar, Ameerpet, Hyderabad-500 073

TWENTY SECOND ANNUAL GENERAL MEETING

ATTENDANCE SLIP

(To be filled in by the Shareholder)

Folio No.	Client Identity No.	D.P. Identity No.	No. of Shares

I, hereby, record my presence at the TWENTY SECOND ANNUAL GENERAL MEETING of the Company being held on Friday, the 30th September, 2011 at 3.00 p.m. at Sri Sagi Ramakrishnam Raju Community Hall, Madhuranagar, Hyderabad - 500 038.

Name of Member/Proxy

Signature of Member/Proxy

Note:

1. A Member / Proxy attending the meeting must complete this Attendance Slip and hand it over at the entrance.
2. Member intending to appoint a Proxy should complete the Proxy Form below and deposit it at the Company's Corporate Office not later than 48 hours before the commencement of the meeting.

SATHAVAHANA ISPAT LIMITED

Regd. Office : 314, Sri Rama Krishna Towers, Nagarjuna Nagar, Ameerpet, Hyderabad-500 073

TWENTY SECOND ANNUAL GENERAL MEETING

PROXY FORM

(To be filled in by the Shareholder)

Folio No.	Client Identity No.	D.P. Identity No.	No. of Shares

I/We being a Member/Members of **SATHAVAHANA ISPAT LIMITED**, hereby appoint.....of in the district of.....or failing himof.....in the district of as my/our Proxy to vote for me/us on my/our behalf at the **TWENTY SECOND ANNUAL GENERAL MEETING** of the Company to be held on Friday the 30th day of September, 2011 and at any adjournment thereof.

Signed this.....day of.....2011

Name

Address.....

Affix Revenue Stamp

Note: The Proxy duly filled in and signed should be deposited at the Corporate Office of the Company at least 48 hours before the commencement of the meeting.

No Gifts will be distributed at the Annual General Meeting

Book Post Printed Matter



If Underlivered please return to :

Sathavahana Ispat Limited

505, 5th Floor, Block - 1,

Divyashakti Complex,

Ameerpet, Hyderabad- 500 016