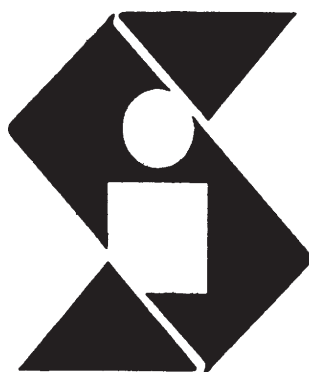


SATHAVAHANA ISPAT LIMITED



23RD
ANNUAL REPORT
2011 - 12

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AGM	:	23 rd Annual General Meeting.
Day and Date	:	Saturday, the 29th September, 2012
Time	:	12.30 p.m.
Venue	:	Sri Sagi Ramakrishnam Raju Community Hall, Madhura Nagar, Hyderabad - 500 038
Date of book Closure		
i) Physical mode	:	15.09.2012 to 29.09.2012 (both days inclusive)
ii) Electronic mode	:	14.09.2012
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	1. Haresamudram Village,	Bommanahal Mandal,
		Ananthapur District,
		Andhra Pradesh.
	2. Kudithini Village,	Korugodu Road,
		Bellary District,
		Karnataka.

NOTICE OF 23RD ANNUAL GENERAL MEETING

NOTICE is hereby given that the 23rd 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 Saturday, the 29th September, 2012 at 12.30 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, 2012 along with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Syed Anis Hussain, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri S.N.Rao, who retires by rotation and being eligible, offers himself for reappointment.
4. 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: 002283S) 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: 30.05.2012

(A. NARESH KUMAR)
MANAGING DIRECTOR

NOTES:

1. THE RELEVANT DETAILS OF DIRECTORS, AS REQUIRED UNDER CLAUSE 49 OF THE LISTING AGREEMENTS ENTERED INTO WITH THE STOCK EXCHANGES, SEEKING RE-APPOINTMENT UNDER ITEM NOS. 2 AND 3 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 **15.09.2012 TO 29.09.2012** (BOTH DAYS INCLUSIVE) FOR TRANSFERS IN PHYSICAL MODE AND ON CLOSING OF **14.09.2012** FOR ELECTRONIC MODE FOR DETERMINING THE NAMES OF MEMBERS ELIGIBLE FOR THE PURPOSES OF ANNUAL GENERAL MEETING.
4. THE MEMBERS WHO HAVE SO FAR NOT ENCASHED THEIR DIVIDEND WARRANTS RELATING TO THE DIVIDEND DECLARED FOR THE FINANCIAL YEARS ENDING 31ST MARCH, 2005, 31ST MARCH, 2006, 31ST MARCH 2007, 31ST MARCH 2008, 31ST MARCH 2009, 31ST MARCH 2010 AND 31ST MARCH 2011 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 2005, 31ST MARCH, 2006, 31ST MARCH 2007, 31ST MARCH 2008, 31ST MARCH 2009; 31ST MARCH 2010 AND 31ST MARCH 2011 WILL HAVE TO BE CLAIMED BY THE SHAREHOLDERS ON OR BEFORE 29TH SEPTEMBER 2012, 29TH SEPTEMBER 2013, 29TH SEPTEMBER 2014, 29TH SEPTEMBER 2015, 29TH SEPTEMBER 2016, 29TH SEPTEMBER 2017 AND 29TH SEPTEMBER 2018 RESPECTIVELY AND THEREAFTER IT WILL BE TRANSFERRED TO INVESTOR EDUCATION AND PROTECTION FUND ON OR BEFORE 28TH OCTOBER 2012, 28TH OCTOBER 2013, 28TH OCTOBER 2014, 28TH OCTOBER 2015, 28TH OCTOBER 2016, 28TH OCTOBER 2017 AND 28TH OCTOBER 2018 AS THE CASE MAY BE.
5. MEMBERS DESIROUS OF SEEKING CLARIFICATIONS ON ACCOUNTS ARE REQUESTED TO SEND THEIR QUERIES TO THE CORPORATE OFFICE ADDRESS OF THE COMPANY ATLEAST SEVEN DAYS BEFORE THE

- DATE OF THE ANNUAL GENERAL MEETING TO ENABLE THE COMPANY TO COMPILE AND FURNISH REQUIRED INFORMATION.
6. 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, BANAJARA HILLS, HYDERABAD – 500 034.
 7. 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, BANAJARA HILLS, HYDERABAD – 500 034 OR TO THE SECRETARIAL DEPARTMENT OF THE COMPANY AT 505, 5TH FLOOR, BLOCK-1, DIVYASHAKTI COMPLEX, AMEERPET, HYDERABAD – 500 016.
 8. 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.
 9. 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.
 10. 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.
 11. 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 DERECOGNISED 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 Syed Anis Hussain	Shri S.N.Rao
Date of Birth	29.05.1938	27.10.1948
Date of Appointment	15.12.2005	01.02.1999
Qualifications	M.A.(Econ), C.A.I.I.B.,	B.E.(Mech.)
Expertise in specific functional areas	Over 44 years in Banking-specialized in currency management, Urban Co-operative banking and administration	Over 39 years experience with several leading Companies in India engaged in manufacture of Iron & Steel, Chemicals etc.
List of Companies in which outside directorship held as on 31 st March, 2012.	1. Godavari Drugs Limited. 2. Bio Chemicals & Synthetic Products Limited.	Nil
Chairman / Member of the Committees of the Board of the other Companies in which he is a Director as on 31 st March, 2012.	Nil	Nil

By order of the Board

Hyderabad
Date: 30.05.2012

(A. NARESH KUMAR)
MANAGING DIRECTOR

DIRECTORS' REPORT

To

The Members,

SATHAVAHANA ISPAT LIMITED,

Your Directors have pleasure in presenting the 23rd Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2012.

FINANCIAL RESULTS:

Your Directors report the following financial results for the year 2011-12:

(Amount in ₹)			
SL NO.	Particulars	Year ended 31-03-2012	Year ended 31-03-2011
1.	Gross Revenue from operations	6885378047	7075798516
2.	Other Income	120604176	98096143
3.	Operating profit /(loss) before finance costs and depreciation	(237348923)	1234151494
4.	Finance costs	433439056	276148493
5.	Depreciation	198998588	167721074
6.	Profit / (loss) before tax	(869786567)	790281927
7.	Tax expense	(75307698)	224874986
8.	Net Profit / (loss) after tax	(794478869)	565406941
9.	Add: Profit brought forward from last year	698159073	455135505
10.	Available for appropriation	(96319796)	1020542446
11.	Less: Transfer to General Reserve	0	250000000
12.	Less: Proposed Dividend	0	62280000
13.	Less: Provision for Corporate Dividend Tax	0	10103373
14.	Balance carried forward	(96319796)	698159073
15.	Earnings/(loss) per Equity Share-Basic	(22.96)	16.91
16.	Earnings/(loss) per Equity Share-Diluted	(22.96)	16.81

Your Directors report that the performance of the Company during the year is satisfactory as the Company is able to maintain its sales trend despite serious and unprecedented setbacks on raw material; worst ever depreciation of Rupee vis-à-vis US Dollar and slackening demand. The mining ban in the Bellary-Hospet belt adversely affected not only the Pig Iron production but also Metallurgical Coke as other Steel units in the belt who were buying the said product from your Company also were affected. Although the Company was able to maintain the sales trend, yet the profitability turned to be negative. The gross revenue from operations at ₹6885378047/- is marginally lower as compared to previous year's turnover of ₹7075798516/-. The year ended with a Loss before tax of ₹869786567/- as against profit before tax of ₹790281927/- in the previous year. Accordingly, the Loss per share accounted for at ₹22.96 as compared with earnings per share of ₹16.91 in the previous year.

DIVIDEND:

The Board of Directors has not recommended any Dividend for the year 2011-12, due to very tight cash flows in view of the losses suffered by the Company during the year and funds commitment for implementation of the integrated expansion project at Haresamudram plant.

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:

- The applicable Accounting Standards have been followed in the preparation of annual accounts for the financial year 2011-12;

- 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 2012 and of the Loss 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 2012 has considered and approved the Audited Accounts for the financial year ended 31st March 2012. The Audited Accounts for the financial year ended 31st March 2012, 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:

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 increasing the installed Power generating capacity to 50 MW has been commissioned on 08th March 2012. The Integrated expansion project at Haresamudram village for manufacture of DI Pipes, setting up Sinter plant and captive Power plant as also the modernisation of Blast Furnace is in progress.

DIRECTORS:

Shri Syed Anis Hussain and Shri S.N.Rao, Directors are liable for retirement by rotation at the end of the ensuing 23rd Annual General Meeting and being eligible, offers 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 not given as there were no employees drawing more than the stipulated limits.

SHARE CAPITAL:

During the year Ganapati Adusumilli Fininvest Private Limited, the allottee of Share Warrants, has exercised option of conversion of 1830000 Share Warrants (out of 3800000 Share Warrants outstanding at the beginning of the year) to 1830000 Equity Shares. Accordingly, as on 31st March 2012, 1970000 Share Warrants are outstanding where an amount of ₹ 15/- per Share Warrant is paid up aggregating to ₹ 2,95,50,000/-. Subsequent to the above issue / allotment the Paid-up share capital has gone up by ₹ 1,83,00,000/- and securities premium by ₹ 9,15,00,000/-. Accordingly the Paid-up capital now stands at ₹ 36,43,00,000/- and Securities Premium Account at ₹ 50,65,00,000/-

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 fixed deposits within the meaning of Section 58-A of the Companies Act, 1956. 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: 30.05.2012

(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 a 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 :

(Amount in ₹)

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	:	4242959926
ii) Capital Goods	:	324594135
iii) Components and spare parts	:	12149
b) Travelling expenses	:	963562
c) Usance interest	:	75570405
d) Dividend	:	10262700

for and on behalf of the Board

Place: Hyderabad

Date: 30.05.2012

(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 whom 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	
a) Independent	1. Shri K. Thanu Pillai
	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	5	5	Yes
Shri A.S.Rao	5	5	Yes
Shri Khaja Ruknuddin	5	5	Yes
Shri Syed Anis Hussain	5	4	Yes
Shri A.Naresh Kumar	5	5	Yes
Shri S.N.Rao	5	2	No

• 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	13	None	4	1
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	4	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 five Board of Directors meetings. The dates on which these meetings held were: 30th May 2011; 13th August 2011; 30th September 2011; 14th November 2011; and 14th February 2012. The maximum interval between any two meetings was not more than three calendar months.

• Reappointment of Directors at the 23rd AGM:

Shri Syed Anis Hussain and Shri S.N.Rao 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 Syed Anis Hussain had his entire career in Reserve Bank of India and retired as its 'Executive Director' in the year 1998. He also served as Banking Ombudsman for Andhra Pradesh for over three years. Mr. Hussain is an M.A.(Econ), C.A.I.I.B., with

specializations in Banking-specialized in currency management, Urban Co-operative banking and administration. Earlier he was on the Boards of i) Bharatiya Reserve Bank Note Mudran Private Limited, 2) Indian Immunologicals Limited and 3) RBI nominee Director on the Boards of three nationalised banks Viz; Andhra Bank, United Bank of India and Indian Bank. At present he is a Director on the boards of a few other companies. He is associated with the Company for the last six years.

Shri S.N.Rao is a Mechanical Engineer by profession and has gained wide experience with several leading companies in India engaged in manufacture of Iron & Steel, Chemicals etc. In his nine years of employment as Executive Director (Works), Shri S.N.Rao contributed significantly to the operations of the Company. The Company also achieved a good progress during his tenure as Executive Director (Works). Shri S.N.Rao, upon attainment of superannuation, has retired as Executive Director (Works) on 31st January 2008 but continues to be on the Board of Company as an Independent, professional Director with effective from 1st February 2008. He has also been appointed as member of Audit Committee effective from 30th April 2009.

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 4/4; Shri Syed Anis Hussain 3/4 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 2011-12.

Details of remuneration to all the Directors:

a) Executive Directors:

Name of the Director	Salary and Allowances	Benefits	Commission	₹
				Total
1. Shri A.S.Rao Executive vice Chairman	2324838	9360	0	2334198
2. Shri A. Naresh Kumar Managing Director	2400000	9360	0	2409360
Total	4724838	18720	0	4743558

Note: The above salary and allowances are net of recoveries made and in terms approval accorded by the Remuneration Committee in accordance with Schedule XIII of the Companies Act 1956.

b) Non-Executive Directors:

Name of the Director	Sitting fee (in ₹)			No. of Equity Shares held
	As a Director	As a Committee Member	Total	
1. Shri K. Thanu Pillai Director / Chairman	60000	35000	95000	2000
2. Shri Khaja Ruknuddin Director	60000	106000	166000	1000
3. Shri Syed Anis Hussain, Director	48000	27000	75000	1000
4. Shri S.N.Rao, Director	24000	16000	40000	Nil
Total	192000	184000	376000	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, Chief Financial Officer & 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 21 shareholders' complaints. All these complaints were redressed / replied to the satisfaction of the shareholders and no complaints were outstanding as on 31st March 2012.

Share transfers in dematerialisation mode pending on 31st March 2012 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 2011-12 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 2011-12 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 Chief Financial Officer have furnished to the Board of Directors a certificate certifying therein, inter alia, that the financial statements for the financial year 2011-12 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 Meetings (AGM) held:

Year	Type of meeting	Venue	Date	Time
2008-09	AGM	Sri Sagi Rama Krishnam Raju Community Hall, Madhuranagar, Hyderabad-500 038	30.09.2009	3.00 PM
2009-10	AGM	Same as above	30.09.2010	3.00 PM
2010-11	AGM	Same as above	30.09.2011	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:

- (i) Rental Agreements:

Name of the Related Party	Nature of transaction Rental Income
Shri A.Naresh Kumar, Managing Director	₹ 583200
Shri A. Ashok Kumar, Relative of two directors	1000800
Smt. A. Mutya Bai, Relative of two directors	940560

(ii) Acceptance / Repayment of Loans and interest:

Name of the Related Party	Nature of transaction		
	Acceptance of Loans	Repayment of Loans	Interest Paid
Shri A.Naresh Kumar, Managing Director	18300000	9500000	660228
Shri A.S.Rao, Executive Vice Chairman	8400000	8400000	300196

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 Exchanges 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 SHAREHOLDERS INFORMATION:

- a) AGM : 23rd Annual General Meeting
Day and Date : Saturday, the 29th September 2012
Time : 12.30 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 2012.
2. Half yearly : First fortnight of November 2012.
3. Third quarter : First fortnight of February 2013.

ii) Audited Financial Results: Last week of May 2013.

c) Date of book closure:

- i) Physical mode : 15.09.2012 to 29.09.2012 both days inclusive.
- ii) Electronic mode : 14.09.2012.

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	INE 176C01016

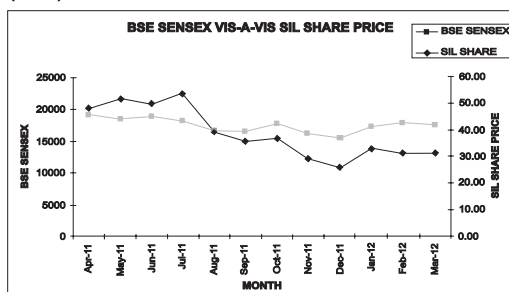
*The Listing Agreement with the said Exchange is not in force as the said Exchange was derecognised by the Securities and Exchange Board of India.

The fee to the above Stock Exchanges (except HSE) has been paid upto financial year 2012-13.

e) Market price data: high/low during each month in last financial year 2011-12.

₹					
Month	High	Low	Month	High	Low
April	52.40	42.75	October	37.55	34.25
May	53.60	45.00	November	38.00	28.20
June	54.90	44.50	December	30.55	24.15
July	63.35	48.60	January	36.00	24.80
August	54.75	35.35	February	39.00	28.90
September	45.20	35.25	March	32.25	30.50

- 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 2012*:

No. of shares		No. of Shareholders		Shareholding	
From	To	Nos.	% to total	Nos.	% to total
1	500	16063	81.68	3447096	8.98
501	1000	1856	9.44	1634690	4.26
1001	2000	779	3.96	1255353	3.27
2001	3000	287	1.46	760085	1.98
3001	4000	132	0.67	488812	1.27
4001	5000	133	0.68	634728	1.65
5001	10000	202	1.03	1554714	4.05
10001 and above		213	1.08	28624522	74.54
Total		19665	100.00	38400000	100.00

The shareholding pattern as on 31st March 2012*:

SNo.	Category of shareholder	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	7	12800	0.03
B.2	Bodies Corporate	301	1486776	3.88
	Individuals	19043	14159114	36.88
	Trusts	3	4200	0.01
	Non Resident Indians	238	457204	1.19
	Clearing members	59	162316	0.42
	Foreign Bodies Corporate	1	5700000	14.84
	Total	19665	38400000	100.00

* The above shareholding includes 1970000 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 31387984 Lakhs shares constituting 81.74% of expanded Share Capital have been converted into fungible form.

- j) Plant locations:

1. Haresamudram Village, Bommanahal Mandal, Anantapur 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: 30.05.2012

(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 5.00 million tons in 2011-12. The production of Pig Iron as per statistics (provisional) released by the Joint Plant Committee (JPC) attached to the Ministry of Steel for the financial year 2011-12 is at 5.00 million tons as against 4.89 million tons in the previous year, registering a marginal 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 continued financial crisis in the European and Western economies 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 although moderately grew in 2011, yet the growth is said to have slowed down mainly on concerns of rising uncertainty in the Euro zone, slide in Western economies, tapering of growth in China. The weakening growth in construction sector and moderating industrial production had impacted the Iron and Steel demand significantly. Amidst this volatile scenario the Steel production improved from 1.414 billion tons to 1.490 billion tons, registering a growth of 5.37%. The Asian Iron and Steel production continues to dominate the global scene. The Asian Steel production accounted for about 64.03% of the global production in 2011 as against 62.34% in 2010. China, with its 683 million tons production, continues to be the world's largest Steel producer accounting for 45.83% of global Steel production and 71.61% of Asian Steel production. Japan, India and South Korea together account for 16.66% of global Steel production and 26.02% of the Asian Steel production. The global Pig Iron production, in line with the Steel production also improved from 1.030 billion tons to 1.083 billion tons, registering a growth of 5.3%. Led by Asian demand for Steel raw materials, the industry continues to suffer from tight raw material situation and high price trends which impacted the industry in a hard way.

Indian Scenario:

During the year 2011-12, the Indian Steel industry achieved a milestone of crossing 70 Million tons and thus grading itself to be the fourth largest Steel producer in the world and third largest in Asia. The Steel production during the year 70.4 million tons as against 66.01 million tons a year before, registering a growth of 6.65%. The imports at 6.8 million tons and exports of 4.1 million tons continue to have uptrend. The real consumption at 69.2 million tons as against 65.6 million tons a year before shows a healthy trend. The Pig Iron industry with its 5.60 million tons production as compared to 5.54 million tons a year before also exhibited resilience despite slowing industrial production. The real consumption of Pig Iron remained at 5.1 million tons during the year. Anti inflationary policy measures, a very high volatile foreign exchange fluctuations, weak external demand, high price trends for raw materials; ban on

mining of Iron Ore in the State of Karnataka had acted as deterrents in the growth of the Pig Iron industry.

Price Trends:

Although the year started with comfortable price trend lines, yet the cost of raw materials was a major cause for concern. The Coking Coal saw a peak at US\$ 335/mt F.O.B Australia, which remained firm almost during the first half of the year although the trend during the second half of the year declined to about US\$240/mt levels. Similarly the Iron Ore prices that were at about ₹4000/MT during the start of the year went up to ₹6000/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 ₹40000/MT in the beginning of the year have gone up to ₹46000/MT towards year end. In line with Coking Coal prices, the Metallurgical Coke prices have come down from ₹24500/MT to about ₹20500/MT towards year end mainly due to softened Coking Coal prices. The sharp depreciation of Rupee vis-à-vis US Dollar and the resultant increase in costs of Coking Coal in Rupee terms that has offset softening F.O.B prices, could not be passed on in the Metallurgical Coke prices due to sluggish market conditions. The Pig Iron prices during the year also improved from ₹28000/MT to ₹30000/MT mainly due to increased input costs. The increase in sale prices was not commensurate with the increase in the prices of inputs and this resulted in the sharp decline and negative margins.

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 in the industry 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 is also implementing a project 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) Ban on Iron Ore mining in the vicinity of the plant is a threat in sourcing the key raw material viz., Iron Ore. The Company is able to source the Iron Ore through e-auction process held from time to time by the Government nominated committee. It is expected that this arrangement will continue until the ban on mining of Iron Ore is completely lifted.
- vi) 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.
- vii) 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.
- viii) 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.

- ix) 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 of 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 85648 MTs as against 113103 MTs in the previous year. The setback on raw material front in the form of non availability of Iron Ore which in turn was due to total ban imposed by the Supreme Court on mining of Iron Ore in the Bellary-Hospet belt has resulted in lower production. The actual sales in volume terms were 92625 MTs as against 103548 MTs in the previous year. The Company's market share in Pig Iron constitutes about 1.53% of the domestic consumption. The Company produced 250624 MTs of Metallurgical Coke as against 283063 MTs in the year before. Out of the total production, 84128 MTs was captively consumed as against 94886 MTs in the previous year. The Company sold 157438 MTs of Metallurgical Coke as against 186158 MTs in the last year in the nearby markets. The Co-generation Power plant at Kudithini generated 123223094 kwh of Power (including 41033290 kwh considered in trial runs expenses) as against 72135000 kwh in the year before, of which 62586710 kwh, previous year 55654500 kwh (excluding sale 41033290 kwh transferred to trial runs expenses) was sold and 21881294 kwh (previous year 17244000 kwh) were captively consumed (including Power plant auxiliary load) that includes Power import of 2278200 kwh (previous year 979500 kwh). The gross sale of products in value terms were ₹6878243223/- as compared to ₹7075798516/- in the last year.

4. OUTLOOK:

Although the short to medium term outlook for the Iron and Steel industry appears to be subdued, yet in the long term the growth of the industry is encouraging given the resilience of the industry even during the testing times during the last couple of years. Despite uncertainties and volatilities in the global economies the global Iron and Steel demand

has maintained relatively stable recovery momentum. However, the factors like sovereign debt crisis in the euro zone, subdued growth as a result of austerity measures, significant slowdown in the growth of emerging economies and hard landing of China would impact the global Iron and Steel industry in the short term. In the medium to long term, the significant and sustainable growths in the BRICS nations, symptoms of positive growth in the US is expected to give a good momentum to the Iron and Steel growth in the immediate future. The availability and prices of Steel making raw materials, regulatory interventions by the government authorities in the distribution of minerals continues to exert pressure on the bottomline of the Iron and Steel industry. The Indian Iron and Steel industry's dependence on sourcing the key raw materials from abroad and sharp depreciation of Rupee would have impact on the performance of the industry. The anti inflationary policy measures and weak external demand would also act as deterrents in the growth of the Indian Iron and Steel industry. However, rising per capita incomes, impetus to infrastructure by the government, sustainable growth in the end use segments like automobile, construction and capital goods are likely to contribute in the growth of the industry in India.

The outlook for the Indian Pig Iron industry continues to be mixed. The ban on Iron Ore mining in the State of Karnataka and the sharp increase in the prices would impact the performance of the industry. The slowing industrial production and anti inflationary policy stance by the regulatory authorities would also have a bearing on the performance of the industry. The dependence of the Pig Iron industry for the Metallurgical Coke / Coking Coal from outside India and sharp depreciation of Rupee are not conducive for the growth of Pig Iron industry. Your Company is striving hard to overcome the problems faced by the industry and has taken measures to insulate itself from the shocks. Your Company's move to integrate itself both backward and forward and modernisation of Blast Furnace would not only enable it arrest the losses sustained but also enable it to sustain its growth path.

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 2011-12	Year 2010-11	Increase / (Decrease)%
I In volume terms			
Production - Pig Iron (mt)	85648	113103	(24.27)
- Metallurgical Coke (mt)	250624	283063	(11.46)
- Power (kwh)*	123223094	72135000	70.82
Sales - Pig Iron (mt)	92625	103548	(10.55)
- Metallurgical Coke (mt)	157438	186158	(15.43)
- Power (kwh)	62586710	55654500	12.46
II In value terms:	₹	₹	
Gross Revenue from operations	6885378047	7075798516	(2.69)
Net Revenue from operations	6336387609	6786952782	(6.64)
III Operating Profit / (Loss) before finance costs and Depreciation	(237348923)	1234151494	(119.23)
IV Finance costs	433439056	276148493	56.96
V Depreciation	198998588	167721074	18.65
VI Net Profit / (loss) before tax	(869786567)	790281927	(210.06)
VII Tax expense	(75307698)	224874986	(133.49)
VIII Net Profit / (loss) after tax	(794478869)	565406941	(240.51)

(* includes 410233290 kwh, previous year Nil considered in Trail Run expenses account)

Both operational and financial performances of the Company during the year have suffered heavily due to various macro factors like total ban on mining of Iron Ore in the Bellary-Hospet belt; unprecedented

/ volatile foreign exchange fluctuations; and high interest costs. This resulted in significant losses during the year. The production volume of Pig Iron at 85648 mts as compared with 113103 mts in the year before was lower by 24.27% 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 92625 mts as against 103548 mts in the year before which is partially due to slump in the markets. Metallurgical Coke production was at 250624 mts as against 283063 mts in the previous year, which decrease is due to slackened demand which in turn was due to shut down of Iron and Steel plants for want of Iron Ore. Metallurgical Coke sales volumes have also come down from 186158 mts in the previous year to 157438 mts in the current year. On the Co-generation Power front at Kudithini plant, the Company generated 123223094 kwh (including 410233290 kwh, previous year nil considered in trial run expenses) as against 72135000 kwh in the year before and sold 62586710 kwh (excluding 410233290 kwh, previous year nil considered in trial run expenses) as against 55654500 kwh at Kudithini plant in the previous year, while consuming the balance units for auxiliary loads and captive use. In value terms the gross revenue from operations for the year under review was at ₹6885378047/- as compared to ₹7075798516/- in the year before, marginally lower by 2.69%. In consequence the net sales also posted a lower growth of 6.64%, down from previous year's level of ₹6786952782/- to ₹6336387609/-. The sales revenue was down partially due to non availability of Iron Ore consequent to ban on mining imposed in the State of Karnataka and partially due to regulated production of Iron and Steel producers in the belt who were sourcing the Metallurgical Coke from this Company. The average sales realisation on Pig Iron during the year under review works out to ₹30965/mt as against ₹27850/mt during the last year. The average sales realisation on sale of surplus Metallurgical Coke was at ₹22395/mt as compared to ₹20648/mt in the previous year. The average sales realisation on Power sold was at ₹4.71/kwh as against ₹5.42/kwh in the last year. The average cost of Iron Ore consumed was at ₹5252/mt as compared with ₹3517/mt in the last year, which in percentage term works to 49.33% higher. The average cost of Coking Coal was at ₹14662/mt as against ₹12133/mt in the year before, accounting for an increase of 20.84%. The increase in sale prices was disproportionate to the increase in raw material

prices and this resulted in negative margins during most part of the year.

On the financial performance front the operating loss before finance costs and depreciation was at ₹237348923/- as against profit of ₹1234151494/- in the last year. Consequently the year ended with net loss before tax of ₹869786567/- as compared with a net profit before tax of ₹790281927/- and net loss after tax of ₹794478869/- as against net profit after tax of ₹565406941/- in the year before. The finance costs were higher mainly due to increase in interest rates and charging of interest relating to borrowal for expanded capacity of power plant to the statement of Profit and Loss. The increase in other income was due to sales of scrap and waste. The current tax charge is on account of application of deferred tax provisions which increased in deferred tax asset that was recognised and carried forward only to the extent that it has become a reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax assets can be realised.

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 812 persons excluding working Directors as on 31st March 2012.

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, 2012, 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, 2012, 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

HYDERABAD
30.05.2012

P.V.R.K. NAGESWARA RAO
Partner
Membership Number: 18840

AUDITORS' REPORT

To

The Members of

SATHAVAHANA ISPAT LIMITED

1. We have audited the attached Balance Sheet of **SATHAVAHANA ISPAT LIMITED** as at 31st March, 2012, the Statement of Profit and Loss 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - iv) In our opinion, the Balance Sheet, Statement of Profit and Loss 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 31.03.2012, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March, 2012 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, 2012;
 - b) in the case of Statement of Profit and Loss of the **Loss** 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
30.05.2012

P.V.R.K. NAGESWARA RAO
Partner
Membership Number: 18840

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITORS' REPORT OF EVEN DATE ON THE ACCOUNTS OF
SATHAVAHANA ISPAT LIMITED FOR THE YEAR ENDED 31ST MARCH 2012**

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 31.03.2012 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 restituted.
(d) The Company has taken unsecured loans from two parties listed in the register maintained under section 301 of the Companies Act, 1956. The balance as on 31-03-2012 and maximum amount involved during the year were Rs.88,00,000/- and Rs.2,67,00,000/- respectively.
(e) In our opinion the rate of interest and other terms and conditions of unsecured loans taken from the 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.
(f) The Company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest.
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 31.3.2012 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 Income Tax, Wealth Tax, Service Tax, Customs duty and Cess which have not been deposited on account of any dispute as on 31.03.2012 except Sales Tax and 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
2.	Central Excise Act, 1944	Excise duty and penalty on capital goods	February, 2007 to October, 2009	19,07,216	Commissioner of Customs and Central Excise (Appeals), Guntur.
3.	Central Sales Tax Act, 1956	Sales tax payable on third party exports.	2005-06	46,59,190	Sales Tax Appellate Tribunal, Hyderabad.

10. As per the information and explanations given to us and on an overall examination of the financial statements, the company's accumulated losses at the end of the financial year are less than fifty percent of its net worth. During the year the company has incurred cash loss of Rs.65,95,49,300/-. Further during the previous year the company has not incurred any cash losses.
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 amounting to Rs.7,83,45,409/- have been used for long term purposes. The company explained that the utilisation happened pending further drawal of term loans.
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 interests 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
30.05.2012

BALANCE SHEET AS AT 31ST MARCH 2012

		(Amount in ₹)	
Particulars	Note No.	As at 31st March 2012	As at 31st March 2011
I. EQUITY AND LIABILITIES			
(1) Shareholder's funds:			
(a) Share capital	1	364300000	346000000
(b) Reserves and surplus	2	1412243204	2115222073
(c) Money received against share warrants	3	29550000	57000000
Sub total		<u>1806093204</u>	<u>2518222073</u>
(2) Non-current liabilities:			
(a) Long-term borrowings	4	1260676319	1358070003
(b) Deferred tax liabilities (net)	5	170012516	239775444
(c) Other Long-term liabilities	6	64534192	32815080
(d) Long-term provisions	7	21359142	17237932
Sub total		<u>1516582169</u>	<u>1647898459</u>
(3) Current liabilities:			
(a) Short-term borrowings	8	3673760951	618477692
(b) Trade payables	9	3150002772	1844162630
(c) Other current liabilities	10	1062177326	627055441
(d) Short-term provisions	11	746919	77707158
Sub total		<u>7886687968</u>	<u>3167402921</u>
TOTAL		<u>11209363341</u>	<u>7333523453</u>
II. ASSETS			
(1) Non-current assets:			
(a) Fixed Assets:			
(i) Tangible assets	12	3462606996	2777364843
(ii) Capital work-in-progress		529983687	685359369
(iii) Unallocated expenditure pending capitalisation	13	40130205	51290176
Sub total		<u>4032720888</u>	<u>3514014388</u>
(b) Non-current investments	14	1184000	1194500
(c) Long-term loans and advances	15	111993288	204910386
(d) Other non-current assets	16	92181534	86758254
Sub total		<u>4238079710</u>	<u>3806877528</u>
(2) Current Assets:			
(a) Current investments	17	50022332	0
(b) Inventories	18	3475436314	2188931765
(c) Trade receivables	19	1321668220	486926372
(d) Cash and bank balances	20	1779006805	774570277
(e) Short-term loans and advances	21	314357322	51575602
(f) Other current assets	22	30792638	24641909
Sub total		<u>6971283631</u>	<u>3526645925</u>
TOTAL		<u>11209363341</u>	<u>7333523453</u>
Significant Accounting policies and Notes to Accounts			
	31		

Per our report of even date

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
Date: 30.05.2012

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

For and on behalf of the Board of Directors

K.THANU PILLAI
Chairman

K. RUKNUDDIN
Director

S.N. RAO
Director

A.S. RAO
Executive Vice Chairman

SYED ANIS HUSSAIN
Director

A.NARESH KUMAR
Managing Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2012

(Amount in ₹)

Particulars	Note No.	For the Year ended 31st March 2012	For the Year ended 31st March 2011
REVENUE :			
I. Revenue from operations			
(a) Sale of products		6878243223	7075798516
(b) Sale of services	23	35845	0
(c) Other operating income	24	7098979	0
		<u>6885378047</u>	<u>7075798516</u>
(d) Less: Excise duty		548990438	288845734
		<u>6336387609</u>	<u>6786952782</u>
II. Other income	25	120604176	98096143
III. Total revenue (I+II)		<u>6456991785</u>	<u>6885048925</u>
IV. EXPENSES:			
(a) Cost of raw materials consumed	26	5819983038	5443053946
(b) Changes in inventories of finished goods, work-in-progress and scrap	27	(105159942)	(429271159)
(c) Employee benefits expense	28	142319697	135165994
(d) Finance costs	29	433439056	276148493
(e) Depreciation	12	198998588	167721074
(f) Other expenses	30	837197915	501948650
Total expenses		<u>7326778352</u>	<u>6094766998</u>
V. Profit / (Loss) before tax (III-IV)		<u>(869786567)</u>	<u>790281927</u>
VI. Tax Expense:			
(1) Current tax		0	160000000
(2) Deferred tax		(69762928)	48174986
(3) MAT credit entitlement		0	16700000
(4) Income tax adjustment		(5544770)	0
Total Tax expense		<u>(75307698)</u>	<u>224874986</u>
VII. Profit / (Loss) for the year (V-VI)		<u>(794478869)</u>	<u>565406941</u>
VIII. Earnings / (Loss) per equity share:			
(Face value ₹ 10/- per share)			
(1) Basic		(22.96)	16.91
(2) Diluted		(22.96)	16.81

Significant Accounting Policies and Notes to Accounts

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Per our report of even date

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

For and on behalf of the Board of Directors

K.THANU PILLAI
 Chairman

A.S. RAO
 Executive Vice Chairman

P.V.R.K. NAGESWARA RAO
 Partner
 Membership Number: 18840

K. RUKNUDDIN
 Director

SYED ANIS HUSSAIN
 Director

 Hyderabad
 Date: 30.05.2012

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

S.N. RAO
 Director

A.NARESH KUMAR
 Managing Director

CASH FLOW STATEMENT

Particulars	(Amount in ₹)	
	Year ended 31st March 2012	Year ended 31st March 2011
A. CASH FLOW / (USED) FROM OPERATING ACTIVITIES:		
Net profit / (loss) before tax and extraordinary items	(869786567)	790281927
Adjustments for:		
Depreciation (net)	198998588	167721074
Interest expense	371712220	249235570
Interest income	(80616911)	(77662827)
Dividend earned	(100292)	(1236186)
Wealth tax	16347	23085
Unrealised foreign exchange loss / (gain)	9941890	(16693773)
Book deficit on assets discarded	0	10355066
Loss on sale of fixed asset (net)	26595	42054
Provision for doubtful debts no longer required	0	(2469397)
Bad debts written off	1296789	3349581
Operating profit/(loss) before working capital changes	(368511341)	1122946174
Add / (less) Adjustments for working capital changes:		
(Increase) / Decrease in trade receivables	(824144498)	(202093812)
(Increase) / Decrease in inventories	(1286504549)	(629672935)
Increase / (Decrease) in trade payables and other payables	1730552173	32831668
(Increase) / Decrease in loans and advances and other receivables	(157201890)	(12846447)
(Increase) / Decrease in deposits pledged with banks	(554385811)	112136385
Cash generated from operations	(1460195916)	423301033
Taxes paid (net)	(24435381)	(129504022)
Net cash flow / (used) from operating activities	(1484631297)	293797011
B. CASH FLOW / (USED) FROM INVESTING ACTIVITIES:		
Purchase of fixed assets including capital work in progress	(717790343)	(737416405)
Sale of fixed asset	58660	8734
Purchase of current investments	(50011832)	101172426
Sale of current investments	0	(101172426)
Interest received	74466182	69402392
Dividend earned	100292	1236186
Net cash flow / (used) in investing activities	(693177041)	(666769093)

(Contd...)

CASH FLOW STATEMENT (Contd...)

Particulars	(Amount in ₹)	
	Year ended 31st March 2012	Year ended 31st March 2011
C. CASH FLOW / (USED) FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowings	250000000	724050000
Payment of long-term borrowings	(356477970)	(474231588)
Proceeds of share capital including share warrants and premium thereon	82350000	129000000
Proceeds from short-term borrowings	3096022845	89543496
Interest paid	(371730233)	(249235570)
Dividend and corporate dividend tax paid	(72383373)	(58420984)
Net cash flow / (used) from financing activities	2627781269	160705354
Net increase / (decrease) in cash and cash equivalents	449972931	(212266728)
Effect of exchange differences on cash and cash equivalents held in foreign currency	77786	29531
Cash and cash equivalents at the beginning of the year	217659405	429896602
Cash and cash equivalents at the end of the year	667710122	217659405

Notes:

- 1 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
- 2 Significant Accounting Policies and Notes to accounts (Note 31) forms an integral part of Cash Flow Statement.
- 3 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 Number: 0022835

P.V.R.K. NAGESWARA RAO
Partner
Membership Number: 18840

Hyderabad
Date: 30.05.2012

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

For and on behalf of the Board of Directors

K.THANU PILLAI
Chairman

K. RUKNUDDIN
Director

S.N. RAO
Director

A.S. RAO
Executive Vice Chairman

SYED ANIS HUSSAIN
Director

A.NARESH KUMAR
Managing Director

NOTES TO BALANCE SHEET

			As at 31st March 2012	As at 31st March 2011
1	SHARE CAPITAL:			
(a)	Authorised:			
	4,00,00,000 Equity Shares of ₹10/- each	₹	<u>400000000</u>	<u>400000000</u>
(b)	Issued:			
	3,64,30,000 (Previous year 3,46,00,000) Equity Shares of ₹10/- each	₹	<u>364300000</u>	<u>346000000</u>
(c)	Subscribed and paid up:			
	3,64,30,000 (previous year 3,46,00,000) Equity Shares of ₹10/- each	₹	<u>364300000</u>	<u>346000000</u>
(d)	Reconciliation of the number of Equity Shares outstanding is set out below:			
	Equity Shares outstanding at the beginning of the year	Nos.	34600000	33400000
	Add: Equity Shares issued during the year	Nos.	1830000	1200000
	Equity Shares outstanding at the end of the year	Nos.	36430000	34600000
(e)	The details of Shareholders holding more than 5% Equity Shares:			
(i)	Promoters' Group (including Share Warrants)			
	Smt. A.Mutya Bai	Nos	4921585	4921585
		%	13.51	14.22
	Shri A.Naresh Kumar	Nos	2019105	2019105
		%	5.54	5.84
	Shri A. Ashok Kumar	Nos	3319110	3319110
		%	9.11	9.59
	Ganapati Adusumilli Fininvest Private Limited	Nos	4200000	4200000
		%	11.53	12.14
(ii)	Other than Promoters' group:			
	Stemcor AG.	Nos	5700000	5700000
		%	15.65	16.47
(f)	Terms of Securities convertible into Equity Shares:			
	38,00,000 Share Warrants allotted on 15th March 2011 at an issue price of ₹60/- each, comprising of ₹10/- each towards face value and ₹50/- each towards premium are convertible at the option of the holder thereof in one or more tranches to 38,00,000 Equity Shares on or before expiry of 18 months from the date of allotment. The last date for exercise of option by the holder is 15th September 2012.			
(g)	Terms / rights attached to Equity Shares			
	The Company has only one class of Equity Shares having par value of ₹10/- per Share. Each holder of Equity Shares is entitled to one vote per Share. The Company declares and pays dividend in Indian Rupees.			
(h)	During the year ended 31st March 2012, the amount of per Share dividend recognised as distribution to Equity Shareholders was ₹Nil. (Previous year ₹1.80)			
(i)	In the event of liquidation of the Company, the holders of the Equity Shares will be entitled to receive remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of Equity Shares held by the shareholders.			
2	RESERVES AND SURPLUS:			
(a)	Capital Reserve:			
	Forfeited amount on reissued shares	₹	63000	63000
	State Investment Subsidy	₹	2000000	2000000
		₹	<u>2063000</u>	<u>2063000</u>
(b)	Securities Premium Account:			
	Amount at the beginning of the year	₹	415000000	355000000
	Add: Amount received during the year on conversion of Share Warrants	₹	91500000	60000000
	Amount at the end of the year	₹	<u>506500000</u>	<u>415000000</u>
(c)	General Reserve:			
	Amount at the beginning of the year	₹	1000000000	750000000
	Add: Amount transferred from Statement of Profit and Loss	₹	0	250000000
	Amount at the end of the year	₹	<u>1000000000</u>	<u>1000000000</u>

NOTES TO BALANCE SHEET

		As at 31st March 2012	As at 31st March 2011
(d) Balance in Statement of Profit and Loss (surplus):			
Profit brought forward from last year	₹	698159073	455135505
Add / Less: Profit / (loss) as per Statement of Profit and Loss	₹	(794478869)	565406941
Total available for allocations and appropriations	₹	(96319796)	1020542446
Less: Allocations and appropriations:			
Proposed Dividend	₹	0	62280000
Provision for Corporate Dividend Tax	₹	0	10103373
Amount transferred to General Reserve	₹	0	250000000
Profit / (loss) carried forward to next year	₹	(96319796)	698159073
		1412243204	2115222073
3 MONEY RECEIVED AGAINST SHARE WARRANTS:			
Amount at the beginning of the year	₹	57000000	0
Amount received on allotment/exercise of conversion option	₹	82350000	81000000
Amount adjusted on exercise of option of conversion	₹	109800000	24000000
Amount at the end of the year	₹	29550000	57000000
During the year on exercise of option of conversion by the allottee, 18,30,000 (previous year 4,00,000) Share Warrants to 18,30,000 (previous year 4,00,000) Equity Shares were allotted and accordingly a sum of ₹1,83,00,000/- (previous year ₹40,00,000/-) and ₹9,15,00,000/- (previous year ₹2,00,00,000/-) was adjusted to Paid-up Capital (at ₹10/- per share) and Share Premium account (at ₹50/- per share) respectively.			
NON-CURRENT LIABILITIES:			
4 LONG-TERM BORROWINGS:			
Term Loans:			
i. From Banks (secured)	₹	1530392117	1591544506
Less: Current maturities of long term debt	₹	(308464000)	(312103934)
	₹	1221928117	1279440572
ii. From other parties (secured)	₹	5213642	13946812
Less: Current maturities of long term debt	₹	(4952578)	(6455258)
	₹	261064	7491554
iii. Deferred payment liabilities (unsecured):			
Sales Tax Deferment	₹	71137877	107730287
Less: Current maturities of long term debt	₹	(32650739)	36592410
	₹	38487138	71137877
	₹	1260676319	1358070003
i. Term Loan borrowings from banks are 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. The Principal amount on these term loans are generally repayable in 32 equated quarterly installments after moratorium period of one year with interest payable on monthly rests. The interest rates vary from 13.5% to 15.5% p.a. and interest amount payable at monthly rests.			

NOTES TO BALANCE SHEET

The period of maturity with reference to four term Loan Borrowings from Balance Sheet date are: (a) Loan 1 comprises nine quarterly installments comprising eight quarterly installments of ₹ 37188000/- each and one installment of ₹37172000/- (b) Loan 2 comprises twelve quarterly installments of ₹27375000/- each; eight quarterly installments of ₹32625000/- each and six quarterly installments of ₹7875000/- each and (c) Loan 3 comprises twenty four quarterly installments of ₹12550000/- each and one installment of ₹10950000/-. Loan 4 is yet to be drawn fully and hence period of maturities is not determined.

- ii. Borrowings from other parties are on hypothecation of assets and guaranteed by the Managing Director of the Company. These loans are mostly repayable in 36 equated monthly installments including interest. The interest rates vary from 10.5% to 12.5% p.a. The future maturities from the Balance Sheet date comprises (a) loan 1 comprises ten installments of ₹361111/- each and Loan two comprises fourteen installments of ₹132004/- each.
- iii. The Sales Tax Deferment is an interest free loan granted by the Government of Andhra Pradesh on sales tax collections and repayable in ten installments, each installment comprising one year collections. The period of maturities from the Balance Sheet date of this borrowal comprises two installments of ₹32650739/- and ₹38487138/-.
- iv. The above borrowings and interest due thereon have been paid upto date and there are no continuing defaults.

		As at 31st March 2012	As at 31st March 2011
5 DEFERRED TAX LIABILITIES (NET):			
Deferred Tax Liabilities:			
Opening balance at the beginning of the year	₹	255347867	210718367
Adjustment for the year	₹	22125874	44629500
Closing balance at the end of the year (A)	₹	<u>277473741</u>	<u>255347867</u>
Deferred Tax Asset:			
Opening balance at the beginning of the year	₹	15572423	19117909
Adjustment for the year	₹	91888802	(3545486)
Closing balance at the end of the year (B)	₹	<u>107461225</u>	<u>15572423</u>
Deferred Tax Liabilities (net) (A-B)	₹	<u>170012516</u>	<u>239775444</u>
6 OTHER LONG-TERM LIABILITIES:			
Unsecured:			
Trade Payables:			
Dues of micro and small enterprises	₹	0	0
Dues of enterprises other than micro and small enterprises	₹	14637947	14615822
Others:			
Advance from customers	₹	15897031	10607661
Creditors for capital works	₹	17643115	7591597
Other payables	₹	16356099	0
	₹	<u>64534192</u>	<u>32815080</u>
7 LONG-TERM PROVISIONS:			
Provision for employee benefits:	₹	21359142	17237932
	₹	<u>21359142</u>	<u>17237932</u>

NOTES TO BALANCE SHEET

		As at 31st March 2012	As at 31st March 2011
CURRENT LIABILITIES:			
8	SHORT-TERM BORROWINGS:		
	(i) Working capital loans from banks: (Repayable on demand, Secured)	₹ 793192492	618477692
	(ii) Buyer's credit	₹ 2871768459	0
	(iii) Loans and advances from related parties (unsecured)	₹ 8800000	0
		₹ <u>3673760951</u>	<u>618477692</u>
	i. Working capital loans from banks and Buyer's credit are 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. The rate of interest on working capital loans varies from 14.50% to 15.25% p.a. The rate of interest in respect of Buyer's credit varies from LIBOR + 110 bps to LIBOR + 250 bps p.a.		
	ii. The rate of interest in respect of loans from related parties is 12% p.a.		
	iii. The above borrowings and interest due there on have been paid upto date and there are no defaults.		
9	TRADE PAYABLES:		
	Unsecured		
	i. Dues of micro and small enterprises	₹ 0	0
	ii. Dues of enterprises other than micro and small enterprises	₹ 3150002772	1844162630
		₹ <u>3150002772</u>	<u>1844162630</u>
	Information as required to be disclosed under section 22 of Micro, Small and Medium Enterprises Development Act 2006 (MSMEDA 2006) as given below with reference to dues to 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 upon by the Auditors.		
	a) Principle amount remaining unpaid as on March 31	₹ Nil	Nil
	b) Interest due thereon as on March 31	₹ Nil	Nil
	c) Interest paid by the Company in terms of Section 16 of MSMEDA 2006 along with the amount of payment made on to the supplier beyond the appointed day during the year	₹ Nil	Nil
	d) 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 the MSMEDA 2006.	₹ Nil	Nil
	e) Interest accrued and remaining unpaid as at March 31	₹ Nil	Nil
	f) 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 deductible expenditure under section 23 of MSMEDA 2006.	₹ <u>Nil</u>	<u>Nil</u>

NOTES TO BALANCE SHEET

			As at 31st March 2012	As at 31st March 2011
10	OTHER CURRENT LIABILITIES			
i.	Current maturities of long-term debt	₹	346067316	355151602
ii.	Interest accrued but not due on borrowings	₹	13881	31894
iv.	Unclaimed dividends (Of the above there is no amount due and outstanding to be credited to Investor Education and Protection Fund)	₹	10923108	10872513
v.	Advance from customers	₹	143348800	6761193
v.	Central Excise liability on closing stock of finished goods	₹	0	80238626
	Less: Central Excise deposit	₹	0	(51356050)
		₹	0	28882576
vi.	Other payables			
	Creditors for capital works	₹	215047060	33228278
	Statutory Liabilities	₹	114587623	13803851
	Others	₹	232189538	178323534
		₹	1062177326	627055441
11	SHORT-TERM PROVISIONS:			
(i)	Provision for employee benefits	₹	746919	472226
(ii)	Provision for Income Tax (net of prepaid taxes)	₹	0	4851559
(iii)	Proposed dividend	₹	0	62280000
(iv)	Provision for tax on proposed dividend	₹	0	10103373
		₹	746919	77707158

12 TANGIBLE ASSETS:

SL. NO.	Description	GROSS CARRYING AMOUNT				DEPRECIATION				NET CARRYING AMOUNT	
		Cost as at 01.04.2011	Additions during the year	Deductions during the year	Total Upto 31.03.2012	Upto 31.03.2011	For the Year	On deductions	Total upto 31.03.2012	As at 31.03.2012	As at 31.03.2011
		₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
1	Land and site Development	10246139	0	0	10246139	0	0	0	0	10246139	10246139
2	Lease hold land	33142622	0	0	33142622	0	0	0	0	33142622	33142622
3	Buildings	162155052	47093337	0	209248389	38585593	4135123	0	42720716	166527673	123569459
4	Plant and equipment	3355570370	834772585	0	4190342955	783060979	188769940	0	971830919	3218512036	2572509391
5	Furniture and fixtures	3199737	719466	0	3919203	2147731	306015	0	2453746	1465457	1052006
8	Vehicles	62345181	122000	0	62467181	31233117	4967669	0	36200786	26266395	31112064
7	Office equipment	8587779	1105024	113500	9579303	3855576	444536	28245	4271867	5307436	4732203
8	Data Processing equipment	4618368	513584	0	5131952	3617409	375305	0	3992714	1139238	1000959
	TOTAL:	3639865248	884325996	113500	4524077744	862500405	198998588	28245	1061470748	3462606996	2777364843
	Previous year Total:	3063976851	783057323	207168926	3639865248	891542403	167721074	196763072	862500405	2777364843	

NOTES TO BALANCE SHEET
13 UNALLOCATED EXPENDITURE PENDING CAPITALISATION:

Sl. No.	PARTICULARS	As at 31.03.2011 ₹	For the year ₹	Capitalised during the year ₹	As at 31.03.2012 ₹
1	Salaries, wages and other benefits	0	1063760	0	1063760
2	Staff welfare expenses	975	6900	975	6900
3	Interest expense	42970570	56975797	91117377	8828990
4	Printing and stationary	40413	40796	40413	40796
5	Communication expenses	4966	5997	10963	0
6	Travelling and conveyance	402820	1268226	533914	1137132
7	Rates and taxes	75000	0	75000	0
8	Insurance	0	4894399	0	4894399
9	Payment to auditors-certification charges	204055	126180	270235	60000
10	Legal and professional charges	1436335	2794613	3718796	512152
11	Other borrowing cost	5792317	35028237	11322682	29497872
12	General expenses	362725	822712	472340	713097
13	Trial run expenses	0	124082350	124082350	0
14	Network augmentation charges	0	22500000	22500000	0
15	Bank charges	0	206770	0	206770
	Sub total	51290176	249816737	254145045	46961868
16	Less Interest income	0	6831663	0	6831663
	Total	51290176	242985074	254145045	40130205

		As at 31st March 2012	As at 31st March 2011
14 NON-CURRENT INVESTMENTS:			
(Long-term Investment)			
(a) Investment In Equity Instruments:			
Non Trade: Quoted, fully paid up			
(at cost less provision for other than temporary diminution in value)			
(i) 10,720 Equity Shares of ₹10/- each in Industrial Development Bank of India	₹	871000	871000
(Market value ₹1151328/-, previous year ₹1527064/-)			
(ii) 10,000 Equity Shares of ₹10/- each in IFCI Limited	₹	100000	100000
(Market value ₹418500/-, previous year ₹526500/-)			
(iii) 1050 Equity Shares of ₹10/ each in State Bank of Travancore	₹	63000	63000
(Market value ₹610155/-, previous year ₹781883/-)			
Unquoted:			
(iv) 10,000 Equity Shares of ₹10/- each in Praveen Securities Limited	₹	100000	100000
(b) In Government securities: National Saving Certificates	₹	0	10500
(c) In Mutual Funds:			
5,000 units of ₹10/- each in SBI Mutual Fund	₹	50000	50000
(Net asset value ₹68900/-, previous year ₹72800/-)	₹	1184000	1194500
(i) Aggregate amount of quoted investments	₹	1034000	1034000
(ii) Aggregate market value of quoted investments	₹	2179983	2835447
(iii) Aggregate amount of unquoted investments	₹	150000	160500
(vi) Aggregate provision made for diminution in value of Investments	₹	Nil	Nil

NOTES TO BALANCE SHEET

		As at 31st March 2012	As at 31st March 2011
15 LONG-TERM LOANS AND ADVANCES:			
Unsecured, considered good			
(a) Capital advances	₹	28161260	152618527
(b) Security Deposits (includes an amount of ₹1215000 /-, previous year ₹1215000/- due from a Director towards rental deposit of office premises)	₹	8733468	8568467
(c) Loans and advances to related parties:			
Unsecured, considered good:	₹	3399724	3399724
Unsecured, considered doubtful	₹	5768851	5768851
Less: Provision for doubtful advances	₹	(5768851)	(5768851)
	₹	0	0
(d) Other loans and advances			
i. Prepaid expenses	₹	1875093	1814791
ii. Other advances	₹	69823743	38508877
	₹	111993288	204910386
16 OTHER NON-CURRENT ASSETS:			
(a) Long term trade receivables			
i. Unsecured-considered good	₹	65158219	54554159
ii. Un-secured-considered doubtful	₹	17093968	17093968
Less: Provision for doubtful debts	₹	(17093968)	(17093968)
	₹	65158219	54554159
(b) Other receivables	₹	27023315	32204095
	₹	92181534	86758254
CURRENT ASSETS:			
17 CURRENT INVESTMENTS:			
(a) Investment in mutual funds	₹	50022332	0
(Unquoted, at lower of cost and net asset value) 49860.2860 units (previous year Nil) in SBI Premier Liquid fund - daily dividend	₹	50022332	0
18 INVENTORIES :			
(Valued at cost and net realisable value whichever is lower except for by-product and scrap. By-product and scrap are valued at net realisable value).			
(i) Raw materials	₹	2032136292	864115937
(Stock in transit ₹1687234135/- previous year ₹176421595/-)			
(ii) Work-in-progress	₹	53366836	51294469
(iii) Finished goods	₹	1293427295	1194408793
(Stock in transit ₹66685210/- previous year ₹Nil/-)			
(iv) Stores and spares	₹	35195908	28699446
(Stock in transit ₹4375530/- previous year ₹9105921/-)			
(v) Scrap	₹	61309983	50413120
	₹	3475436314	2188931765

NOTES TO BALANCE SHEET

		As at 31st March 2012	As at 31st March 2011
19 TRADE RECEIVABLES:			
(Unsecured, considered good)			
(i) Outstanding for a period exceeding six months from the date they became due for payment	₹	12429034	24258513
(ii) Others	₹	1309239186	462667859
	₹	<u>1321668220</u>	<u>486926372</u>
20 CASH AND BANK BALANCES:			
Cash and Cash Equivalents:			
(i) Cash on hand	₹	911246	1360468
(ii) Balances with banks:			
(a) In current accounts	₹	515920452	216298937
(b) In fixed deposits	₹	150878424	0
	₹	<u>667710122</u>	<u>217659405</u>
Other than cash and cash equivalents:			
(i) Other bank balances:			
(a) In unclaimed dividend accounts	₹	10923108	10872513
(b) Balances with banks to the extent held as margin money (Pledged to banks towards margin on letters of credit).	₹	1100363575	546028359
(ii) Fixed deposits with more than twelve months maturity (Pledged to Government authorities)	₹	10000	10000
	₹	<u>1111296683</u>	<u>556910872</u>
	₹	<u>1779006805</u>	<u>774570277</u>
21 SHORT-TERM LOANS AND ADVANCES:			
Unsecured, considered good			
(a) Deposits	₹	26000000	0
(b) Central Excise duty deposits	₹	119737568	0
(c) Other advances and receivables	₹	96113896	40713410
(d) Prepaid expenses	₹	36651850	10862192
(e) Prepaid taxes (net of provision for taxation)	₹	29980151	0
(f) MAT credit entitlement	₹	5873857	0
	₹	<u>314357322</u>	<u>51575602</u>
22 OTHER CURRENT ASSETS:			
Interest accrued on deposits and investments	₹	26593018	20442289
Scrap value of discarded assets	₹	4199620	4199620
	₹	<u>30792638</u>	<u>24641909</u>

NOTES TO STATEMENT OF PROFIT AND LOSS

		For the year ended 31st March, 2012	For the year ended 31st March, 2011
23 SALE OF SERVICES:			
Job work services	₹	<u>35845</u>	<u>0</u>
24 OTHER OPERATING INCOME:			
Sale of scrap arising out of manufacturing process	₹	<u>7098979</u>	<u>0</u>
25 OTHER INCOME:			
(a) Interest Income	₹	80616911	77662827
(b) Dividend income from long-term non-trade investments	₹	77960	63760
(c) Dividend income from current investments	₹	22332	1172426
(d) Sale of other scrap	₹	33771339	6458780
(e) Other non-operating income (net of expenses directly attributable to such income)	₹	<u>6115634</u>	<u>12738350</u>
	₹	<u>120604176</u>	<u>98096143</u>
26 COST OF RAW MATERIALS CONSUMED:			
i. Opening inventory	₹	864115937	722979986
ii. Add: Purchases during the year	₹	<u>6988003393</u>	<u>5584189897</u>
	₹	<u>7852119330</u>	<u>6307169883</u>
iii. Less: closing inventory	₹	<u>2032136292</u>	<u>864115937</u>
iv. Raw material consumed	₹	<u>5819983038</u>	<u>5443053946</u>
Particulars of raw material consumed:			
(a) Coking Coal	₹	4886697095	4724778830
(b) Iron Ore	₹	826634365	656732369
(c) Steam Coal	₹	54288195	0
(d) Others	₹	<u>52363383</u>	<u>61542747</u>
	₹	<u>5819983038</u>	<u>5443053946</u>
27 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND SCRAP:			
(a) Opening inventory:			
(i) Finished goods including by-product	₹	1194408793	779974258
(ii) Work-in-progress	₹	51294469	26702116
(iii) Scrap	₹	<u>50413120</u>	<u>143778</u>
	₹	<u>1296116382</u>	<u>806820152</u>
(b) Closing inventory:			
(i) Finished goods including by-product	₹	1293427295	1194408793
(ii) Work-in-progress	₹	53366836	51294469
(iii) Scrap	₹	<u>61309983</u>	<u>50413120</u>
	₹	<u>1408104114</u>	<u>1296116382</u>
Adjustment for excise duty on finished goods	₹	<u>(6827790)</u>	<u>(60025071)</u>
	₹	<u>(105159942)</u>	<u>(429271159)</u>
28 EMPLOYEE BENEFITS EXPENSE:			
(a) Salaries, wages, bonus and other benefits	₹	128688700	120460278
(b) Contribution to provident and other funds	₹	10442084	11356259
(c) Contribution to employee state insurance	₹	286942	263098
(d) Staff welfare expenses	₹	<u>2901971</u>	<u>3086359</u>
	₹	<u>142319697</u>	<u>135165994</u>

NOTES TO STATEMENT OF PROFIT AND LOSS

		For the year ended 31st March, 2012	For the year ended 31st March, 2011
29 FINANCE COSTS:			
(a) Interest expense	₹	371712220	249123784
(b) Other borrowing costs	₹	52607500	27024709
(c) Net loss on foreign currency transactions and translation	₹	9119336	0
	₹	433439056	276148493
30 OTHER EXPENSES:			
i Consumption of stores and spare parts	₹	33011805	39133162
ii Power and fuel	₹	54946729	83968569
iii Rent	₹	4503210	3970822
iv Repairs to buildings	₹	2225481	1220248
v Repairs to machinery	₹	98682285	67622709
vi Repairs to others	₹	723447	272541
vii Insurance	₹	16444215	13277587
viii Rates and taxes, excluding taxes on income	₹	4164620	3586626
ix Payments to auditors:			
(a) As auditors	₹	1200000	1200000
(b) As tax auditors	₹	600000	600000
(b) For taxation matters	₹	200000	150000
(e) For quarterly reviews	₹	450000	375000
(f) For certification	₹	625600	715220
(g) For reimbursement of expenses	₹	106852	75447
(h) Total fees	₹	3182452	3115667
x Printing and stationery	₹	1289465	1860249
xi Communication expenses	₹	1954976	2225237
xii Advertisement	₹	188179	543609
xiii Traveling and conveyance	₹	6043248	7849136
xiv Vehicle maintenance	₹	5634379	9722724
xv Legal and professional charges	₹	11484219	7155023
xvi Net loss on foreign currency transaction and translation (other than considered as finance cost)	₹	364309298	17184869
xvii Donations	₹	7121175	361964
xviii Loss on sale of assets	₹	26595	42055
xix Bad debts written off	₹	1296789	3349581
Less: provision for doubtful debts no longer required	₹	0	2469397
	₹	1296789	880184
xx Carriage and freight	₹	166204422	179379958
xxi Directors fees	₹	376000	330000
xxii Bank charges	₹	1834676	513188
xxiii Book deficit on assets discarded	₹	0	10355066
xxiv Commission on sales	₹	23056279	21872715
xxv Provision for doubtful debts	₹	0	1854978
xxvi Advances written off	₹	5463044	15415372
Less: Provision for doubtful advances no longer required	₹	5463044	15415372
	₹	0	0
xxvii Miscellaneous expenses	₹	27782677	22605188
xxviii Prior year adjustments (net)	₹	711294	1044576
	₹	837197915	501948650

31. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS:
I SIGNIFICANT ACCOUNTING POLICIES:

- (a) Accounting convention:
The financial statements are prepared under the historical cost convention on an accrual basis of accounting and in accordance with notified Accounting Standards issued by the Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956 and generally accepted accounting principles in India.
- (b) 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 recognized in the period in which the results are known / materialized.
- (c) Fixed Assets:
 - i. Fixed assets are stated at cost of acquisition inclusive of freight, duties and taxes and incidental expenses related to acquisition and net of CENVAT / VAT credit availed against tax and cess paid on such items.
 - ii. Expenditure during construction period is treated as un-allocated expenditure pending capitalisation 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.
- (d) 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 ₹ 5,000/-.
 - iii. Depreciation on fixed assets used for the project under construction is included under Unallocated Expenditure Pending Capitalisation.
- (e) 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 inventory of finished goods includes excise duty paid/payable on such stocks.
- (f) Investments:
 - i. Investments are classified into short-term and long-term investments.
 - ii. Short-term investments are valued at lower of cost and fair value.
 - iii. Long-term investments are valued at cost of acquisition. Provision is made for decline, other than temporary, in the value of investments.
 - iv. On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged to or credit to the Statement of Profit and Loss.
- (g) 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.
- (h) Employee benefits:
 - i. Short-term benefits:
Short-term benefits are charged off to the Statement of Profit and Loss at the undiscounted amount in the year in which the services have been rendered.

- ii. Long-term benefits:
 - a) The contributions to Provident Fund and Employee State Insurance schemes, which are defined contributions schemes, to the relevant funds administered and managed by the Central Government of India are charged off to Statement of Profit and Loss as and when incurred. The Company has no further obligations under these plans beyond its monthly contributions.
 - b) 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 Statement of Profit and Loss.
 - c) Leave Encashment Benefit: The Company records its unavailed leave liability based on actuarial valuation using projected unit credit method.
- (i) Foreign Exchange Transactions:
 - i. Transactions in foreign exchange, other than those covered by forward contracts are accounted for at the exchange rates prevailing on the date of transactions. Exchange differences, be it gain or loss, arising on foreign currency transactions settled during the year are recognised in the Statement of Profit and Loss.
 - ii. Monetary assets and liabilities denominated in foreign currencies as at the Balance Sheet date other than those covered by forward contracts are translated at the year end rates. The resultant exchange differences are recognised in the Statement of Profit and Loss.
 - iii. Non-monetary assets and liabilities are recorded at the rates prevailing on the date of the transaction.
 - iv. Forward contracts are being entered into to mitigate the foreign currency risk of the underlying outstanding at the Balance Sheet date and also to hedge the foreign currency risk of firm commitments or highly probable forecast transactions.
 In case of forward contracts not intended for trading or speculative purposes, the premium or discount on all such contracts is amortised as income or expense over the life of the contract. Any profit or loss arising on cancellation or renewal of forward contracts is recognised as income or expense for the period. The exchange differences, consisting of the difference between (a) the foreign currency amount of the contract translated at the exchange rate at the reporting date or settlement date where the transaction is settled during the reporting period (b) the same foreign currency amount translated at the latter of the date of inception of the forward exchange contract and the last reporting date, are recognised in the Statement of Profit and Loss in the reporting period in which the exchange rates change.
 - v. In case of other forward contracts, the gain or loss computed considering the exchange difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate is recognised as income or expense in the Statement of Profit and Loss.
- (j) 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.
- (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) Taxes on income:
Tax expense or saving is the aggregate of current year tax, and deferred tax charged or credited, as the case may be to the Statement of Profit and Loss 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 it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.
 - iii. Minimum Alternate Tax (MAT) / MAT credit entitlement:
MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal tax during the specified year. 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 statement of Profit and Loss 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) 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.
- (o) 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. Other borrowing costs are recognised as expense for the period.
- (p) Earning Per Share:
- i. 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.
 - ii. 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.
- (q) Cash and Cash Equivalents:
Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.
- (r) Provisions, Contingent Liabilities and Contingent Assets:
Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities which are possible or present obligations that may probably will not require outflow of resources are not recognised but are disclosed in the Notes to the financial statements. Contingent Assets are neither recognised nor disclosed in the financial statements.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS
II. NOTES TO ACCOUNTS:
1 CORPORATE INFORMATION:

Sathavahana Ispat Limited (the Company) is a listed company in India and is engaged in the manufacture of Pig iron, Metallurgical Coke with Co-generation of Power. The Pig Iron plant is in Anantapur District of Andhra Pradesh and the Metallurgical Coke with Co-generation Power facility is in Bellary District, Karnataka. The Company's head office is at Hyderabad, India. A major portion of Metallurgical Coke is captively used for manufacture of Pig Iron. The Company's turnover is mainly from domestic markets. The Equity Shares of the Company are listed on The Bombay Stock Exchange Limited and The National Stock Exchange of India Limited.

2 PRESENTATION AND DISCLOSURE OF FINANCIAL STATEMENTS:

During the year ended 31st March 2012, the Revised Schedule VI notified under the Companies Act, 1956 has become applicable to the Company for preparation and presentation of its financial statements. The adoption of Revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

		As at 31st March 2012	As at 31st March 2011
3 CONTINGENT LIABILITIES AND COMMITMENTS:			
A Contingent Liabilities:			
i. Claims against the Company not acknowledged as debt	₹	12168141	12168141
ii. On account of bank guarantees issued by the bankers	₹	36124135	14314025
iii. Taxes and duty demands contested by the Company.	₹	6756707	198768
	₹	55048983	26680934
B Commitments:			
i. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	₹	918233772	146700705

4 In the opinion of the Board, assets other than Fixed Assets and non-current investments have a value on realisation in the ordinary course of business atleast equal to the amount at which they are stated and provision for all known liabilities have been made.

5 EXCISE DUTY ON OPENING AND CLOSING STOCKS:

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 Note 27 "Changes in inventories of finished goods, work-in-progress and scrap".

6 FOREIGN CURRENCY EXPOSURES THAT ARE NOT HEDGED BY A DERIVATIVE INSTRUMENTS OR OTHERWISE:

		As at 31st March 2012	As at 31st March 2011
(a) Payable for supply and services:			
i. Amount in foreign currency	US\$	38762304	37952222
ii. Amount equivalent in Indian currency	₹	1982943839	1694624705
(b) Advance for supplies:			
i. Amount in foreign currency	US\$	0	775000
ii. Amount equivalent in Indian currency	₹	0	34603750
(c) Buyer's credit:			
i. Amount in foreign currency	US\$	56681956	0
ii. Amount equivalent in Indian currency	₹	2871768459	0

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS
7 DISCLOSURE ON UTILISATION OF PROCEEDS OF PREFERENTIAL ISSUES IN TERMS OF SEBI (ICDR) REGULATIONS 2009:

1 The proceeds of preferential issue made in December 2010 has been utilised as per the following details:

i.	Amount raised in 2010-11	₹	129000000
ii.	Amount raised in 2011-12	₹	82350000
	Total amount raised	₹	211350000
iii.	Amount incurred on project and other related business expenditure	₹	128989700
iv.	Amount in current account with bank	₹	82360300
	Total amount utilised	₹	211350000

8 DISCLOSURES UNDER ACCOUNTING STANDARD 15 (REVISED) ON EMPLOYEE BENEFITS:

Particulars		For the year ended 31st March, 2012	For the year ended 31st March, 2011
(a) DEFINED CONTRIBUTION SCHEMES:			
Contributions to Defined Contribution Schemes charged off for the year are as under:			
i.	Contribution to Provident Fund	₹ 6154899	4927522
ii.	Contribution to Employee State Insurance	₹ 286942	263098
(b) DEFINED BENEFIT PLANS:			
(Disclosures as per Actuary certification)			
i. Gratuity (unfunded)			
(I) Statement of Profit and Loss:			
(a)	Current service cost	₹ 890588	663521
(b)	Interest cost on benefit obligation	₹ 1090268	628030
(c)	Expected return on plan assets	₹ Nil	Nil
(d)	Net actuarial (gain) / loss recognised in the year	₹ 2325049	4557463
(e)	Past service cost	₹ Nil	558444
(f)	Net benefit expenses	₹ 4305905	6447458
(II) Balance Sheet:			
Change in the present value of the defined benefit obligation are as follows:			
(a)	Opening defined benefit obligation	₹ 13628349	7850373
(b)	Interest cost	₹ 1090268	628030
(c)	Current services cost	₹ 890588	663521
(d)	Past services cost	₹ 0	558444
(e)	Benefits paid	₹ (629003)	(669482)
(f)	Actuarial (gain)/loss on obligation	₹ 2325049	4597463
(g)	Closing defined benefit obligation	₹ 17305251	13628349

		For the year ended 31st March, 2012	For the year ended 31st March, 2011
ii. Leave Encashment (unfunded)			
(I) Statement of Profit and Loss:			
(a) Current service cost	₹	214262	189043
(b) Interest cost on benefit obligation	₹	326545	275795
(c) Expected return on plan assets	₹	Nil	Nil
(d) Net Actuarial (gain) / loss recognised in the year	₹	314520	336957
(e) Past service cost	₹	Nil	Nil
(f) Net benefit expenses	₹	855327	801795
II. Balance Sheet:			
Change in the present value of the defined benefit obligation are as follows:			
(a) Opening defined benefit obligation	₹	4081809	3447438
(b) Interest cost	₹	326545	275795
(c) Current services cost	₹	214262	189043
(d) Benefits paid	₹	(136326)	(167424)
(e) Actuarial (gain)/loss on obligation	₹	314520	336957
(f) Closing defined benefit obligation	₹	4800810	4081809
(c) THE PRINCIPAL ASSUMPTIONS USED IN DETERMINING GRATUITY AND LEAVE ENCASHMENT:			
i. Salary rise per annum	%	4	4
ii. Discount rate per annum	%	8	8
iii. Attrition rate per annum	%	3	3
(d) The present value of obligation in respect of provision for payment leave encashment is determined based on actuarial valuation using the projected unit credit method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation recognised and charged off to Statement of Profit and Loss.			
(e) The estimates of rate of escalation in salary considered in actuarial valuation is determined after taking into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the Actuary.			

9 DISCLOSURES UNDER ACCOUNTING STANDARD 17 ON SEGMENT REPORTING:

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/Intra segment transfers are accounted at selling price to the transferring segment. Inter segment transfers are eliminated on consolidation. The following tables present the revenue, profit or loss, assets and liabilities information relating to the business/geographical segment for the year ended 31st March 2012.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS
Primary Segment Reporting:

Reportable Segment	2011-12			2010-11		
	Pig Iron	Metallurgical Coke with Co-generation power	Total	Pig Iron	Metallurgical Coke with Co-generation power	Total
	₹	₹	₹	₹	₹	₹
Revenue:						
External sales (net)	2762426375	5316769464	8079195839	2660955109	5712358327	8373313436
Inter/Intra segment sales	0	1749943054	1749943054	0	1586360654	1586360654
Total Revenue	2762426375	3566826410	6329252785	2660955109	4125997673	6786952782
Result:						
Segment result / (loss)	(349205420)	(184637731)	(533843151)	282861574	758823220	1041684794
Interest (net)	Nil	Nil	291095309	Nil	Nil	171572743
Other un-allocable expenditure(net)	Nil	Nil	44848107	Nil	Nil	79830124
Profit / (loss) before tax	Nil	Nil	(869786567)	Nil	Nil	790281927
Provision for tax	Nil	Nil	(75307698)	Nil	Nil	224874986
Profit / (loss) after tax	Nil	Nil	(794478869)	Nil	Nil	565406941
Other information:						
Segment assets	2940569010	8088450583	11029019593	1311594251	5314372440	6625966691
Unallocated assets	180343748	0	180343748	707556761	0	707556761
Total Assets	3120912758	8088450583	11209363341	2019151012	5314372440	7333523452
Segment liabilities	1737523062	7484811451	9222334513	786592849	3480802214	4267395063
Unallocated liabilities	10923108	0	10923108	308130872	0	308130872
Total Liabilities	1748446170	7484811451	9233257621	1094723721	3480802214	4575525935
Capital Expenditure:						
Tangible assets	3386864	880939132	884325996	778575009	4482314	783057323
Depreciation	55520605	143477983	198998588	72810545	94910529	167721074

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	2011-12		2010-11	
	₹	%	₹	%
Domestic	6878243223	100.00	7075798515	100.00
Export	0	0.00	0	0.00
Total	6878243223	100.00	7075798515	100.00

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

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS
10 DISCLOSURES UNDER ACCOUNTING STANDARD 18 ON TRANSACTIONS WITH RELATED PARTIES:

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	2011-12		2010-11	
		Amount of Transaction ₹	Amount Outstanding ₹	Amount of Transaction ₹	Amount Outstanding ₹
1	Key Management Personnel:				
a.	Managerial Remuneration:				
	Shri A.S.Rao	2334198	1493216 Cr.	10047144	8194643 Cr.
	Shri A. Naresh Kumar	2409360	2069429 Cr.	10778148	8711952 Cr.
b.	Rent:				
	Shri A.Naresh Kumar	583200	612360 Cr.	583200	174960 Cr.
c.	Rent Deposit:				
	Shri A. Naresh Kumar	Nil	1215000 Dr.	405000	1215000 Dr.
d.	Interest on unsecured loans:				
	Shri A.S.Rao	300196	Nil	Nil	Nil
	Shri A. Naresh Kumar	660228	262557 Cr.	Nil	Nil
2	Relatives of Key Management Personnel:				
a.	Rent:				
	Smt. A. Mutya Bai	940560	1018155 Cr.	897000	678828 Cr.
	Shri A. Ashok Kumar	1000800	1651320 Cr.	1000800	750600 Cr.
b.	Rent Deposit:				
	Smt. A. Mutya Bai	Nil	473400 Dr.	365400	473400 Dr.
	Shri A. Ashok Kumar	Nil	1515600 Dr.	885600	1515600 Dr.
3	Acceptance of unsecured loans:				
	Shri. A.Naresh Kumar	18300000	8800000 Cr.	Nil	Nil
	Shri A.S.Rao	8400000	Nil	Nil	Nil
4	Repayment of unsecured loans:				
	Shri. A.Naresh Kumar	9500000	Nil	Nil	Nil
	Shri A.S.Rao	8400000	Nil	Nil	Nil
5	Concerns in which Key Management Personnel are interested:				
a.	Share Deposits:				
	Maruthi Industries Limited	Nil	5750000 Dr.	Nil	5750000 Dr.
	Vamsadhara Polymers Limited	Nil	2400000 Dr.	Nil	2400000 Dr.
b.	Other Advances:				
	Maruthi Industries Limited	Nil	18851 Dr.	Nil	18851 Dr.
	Vamsadhara Polymers Limited	Nil	999724 Dr.	Nil	999724 Dr.
c.	Allotment of Equity Shares including Share Premium:				
	Ganapati Adusumilli Fininvest Private Limited	109800000	Nil	24000000	Nil
d.	Allotment of Share Warrants including Share Premium:				
	Ganapati Adusumilli Fininvest Private Limited	Nil	Nil	57000000	Nil

11 DISCLOSURES UNDER ACCOUNTING STANDARD 19 ON LEASES:

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 Statement of Profit and Loss for the year is ₹ 4503210/- (previous year ₹ 3970822/-)

12 DISCLOSURES UNDER ACCOUNTING STANDARD 20 ON EARNINGS PER SHARE:

Earnings / (Loss) Per Share – The numerator and denominator used to calculate Earnings / (Loss) per Share:

		Year ended 31st March 2012	Year ended 31st March 2011
(i) Profit / (Loss) attributable to the Equity Shareholders (A)	₹	(794478869)	565406941
(ii) Basic/weighted average number of Equity Shares outstanding during the year (B)	Nos.	34610000	33441644
(iii) Diluted / weighted average number of Equity Shares outstanding during the year (C)	Nos.	34610000	33632877
(iv) Face value of Equity Share	₹	10	10
(v) Basic earnings / (loss) per Share (A/B)	₹	(22.96)	16.91
(vi) Diluted earnings / (loss) per Share (A)/(C)	₹	(22.96)	16.81

13 PROVISION FOR TAXATION:

- (i) 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 01.04.2011 ₹	Charge / (Credit) during the period ₹	Closing as at 31.03.2012 ₹
(i) Deferred Tax Liabilities			
(a) Depreciation	247882428	21982708	269865136
(b) Others	7465439	143166	7608605
Total (A)	<u>255347867</u>	<u>22125874</u>	<u>277473741</u>
(ii) Deferred Tax Assets			
(a) Expenses allowable on payment basis under Income Tax Act 1961	6382097	(714247)	5667850
(b) Others	9190326	92603049	101793375
Total (B)	<u>15572423</u>	<u>91888802</u>	<u>107461225</u>
(iii) Deferred Tax Liability (net) (A)-(B)	<u>239775444</u>	<u>69762928</u>	<u>170012516</u>

		For the year ended 31st March, 2012	For the year ended 31st March, 2011
14 DETAILS OF FINISHED GOODS:			
A. Sales value:			
i. Pig Iron	₹	2868110943	2883772592
ii. Granulated Slag	₹	21574916	7393086
iii. Metallurgical Coke	₹	3525771482	3843871394
iv. Co-generation Power	₹	294975979	301907355
v. Others:	₹	167809903	38854089
	₹	<u>6878243223</u>	<u>7075798516</u>
B. Closing inventory:			
i. Pig Iron	₹	416746048	551436491
ii. Granulated Slag	₹	1460371	10248716
iii. Metallurgical Coke	₹	875220876	632723586
	₹	<u>1293427295</u>	<u>1194408793</u>
C. Opening inventory:			
i. Pig Iron	₹	551436491	245262047
ii. Granulated Slag	₹	10248716	170409
iii. Metallurgical Coke	₹	632723586	534541802
	₹	<u>1194408793</u>	<u>779974258</u>
15 DETAILS OF WORK- IN -PROGRESS:			
i. Pig Iron	₹	7780581	0
ii. Metallurgical Coke	₹	45586255	51294469
	₹	<u>53366836</u>	<u>51294469</u>
16 VALUE OF IMPORTS CALCULATED ON C.I.F BASIS:			
(a) Raw materials	₹	4242959926	4383319064
(b) Components and spare parts	₹	121249	100488
(c) Capital goods	₹	324594135	1132985
17 VALUE OF IMPORTED AND INDIGENOUS RAW MATERIALS, SPARE PARTS AND COMPONENTS AND THEIR PERCENTAGES TO TOTAL CONSUMPTION:			
(a) Raw Materials:			
Value:			
i. Imported	₹	4860209171	4724778830
ii. Indigenous	₹	959773867	718275116
	₹	<u>5819983038</u>	<u>5443053946</u>
Percentages to total consumption			
i. Imported	%	83.51	86.80
ii. Indigenous	%	16.49	13.20
	%	<u>100.00</u>	<u>100.00</u>

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

		For the year ended 31st March, 2012	For the year ended 31st March, 2011
(b) Spare Parts and Components:			
Value:			
i. Imported	₹	121249	100488
ii. Indigenous	₹	2102940	2987709
	₹	2224189	3088197
Percentages to total consumption			
i. Imported	%	5.45	3.25
ii. Indigenous	%	94.55	96.75
	%	100.00	100.00
18 EARNINGS IN FOREIGN EXCHANGE:		Nil	Nil
19 EXPENDITURE IN FOREIGN CURRENCY (ON ACCRUAL BASIS):			
(a) Usance interest	₹	75570405	33405256
(b) Traveling	₹	963562	1695169
	₹	76533967	35100425
20 AMOUNT REMITTED IN FOREIGN CURRENCY ON ACCOUNT OF DIVIDENDS:			
(a) Total number of non-resident shareholders	Nos.	3	3
(b) Total number of shares held by them	Nos.	5701500	4901500
(c) The year to which the dividend relates	Year	2010-11	2009-10
(d) Amount of Dividend remitted	₹	10262700	7352250
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 The Significant Accounting Policies and Notes to Accounts forms an integral part of Balance Sheet, Statement of Profit and Loss and Cash Flow Statement.			

Per our report of even date

For **P.V.R.K. NAGESWARA RAO & CO.,**
Chartered Accountants
Firm's Registration Number: 002283S

P.V.R.K. NAGESWARA RAO
Partner
Membership Number: 18840

Hyderabad
Date:30.05.2012

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

For and on behalf of the Board of Directors

K.THANU PILLAI
Chairman

A.S. RAO
Executive Vice Chairman

K. RUKNUDDIN
Director

SYED ANIS HUSSAIN
Director

S.N. RAO
Director

A.NARESH KUMAR
Managing Director

CODE OF BUSINESS CONDUCT AND ETHICS

- | | |
|---|--|
| <p>1. INTRODUCTION:</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>2. POLICY STATEMENT:</p> <p>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.</p> | <p>3. OBJECTIVE:</p> <p>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.</p> <p>4. AUTHORITY:</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>5. APPLICATION:</p> <p>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, interalia, the compliance of the Code.</p> <p>6. DISCLOSURE:</p> <p>6.1 It is the intention of the Company that this Code shall be included in the next annual report of the Company</p> |
|---|--|

- 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.

FORM FOR FURNISHING BANK PARTICULARS

Dear Member,

With a view to prevent fraudulent encashment of dividend warrants Company wishes to extend facility of recording the bank particulars on the dividend warrants to be issued for the dividend declared at the Annual General Meetings. Members holding shares in physical form are requested to kindly fill in the bank particulars in the attached form and return the form to the Share Transfer Agent before the book closure date. Members holding shares in dematerialized form need not fill this form since their bank particulars as appearing in the books of depositories will be printed on the dividend warrants. Any change in such bank particulars of those shares held in dematerialized form, such members are requested to approach the Depository Participant for any such change. Members are requested to kindly go through carefully the Notes to the Notice of the Annual General Meeting for further clarifications.

Your earliest action in the above matter will help us in serving you better.

Yours faithfully,
For SATHAVAHANA ISPAT LIMITED
A. NARESH KUMAR
MANAGING DIRECTOR

----- ✂ ----- Tear here ----- ✂ -----

FORM FOR FURNISHING BANK PARTICULARS

To
M/s. XL Softech Systems Limited,
(Unit : Sathavahana Ispat Limited)
#3, Sagar Society, Road No.2,
Banjara Hills,
HYDERABAD - 500 034.

RE : BANK PARTICULARS FOR PRINTING ON DIVIDEND WARRANTS

I have read the letter regarding furnishing bank particulars to be printed on the dividend warrants. As requested, I give below the details of my bank account, which you may kindly print the same on dividend warrant against the registered folio number mentioned against point 1.0.

1.0 Registered Folio No.	:																		
2.0 Particulars of the Bank :																			
2.1 Name of the Bank	:																		
2.2 Account type (please tick)	:																		
2.3 Ledger Folio No. (If any) of my bank account	:																		
2.4 Account No.	:																		

I hereby declare that the particulars above given are correct and complete. I undertake to inform any subsequent changes in the above particulars before the relevant book closure date(s). If the particulars are not printed on the dividend warrants for reasons of incomplete or incorrect information or any other reason(s), beyond the control of the Company, I would not hold the Company responsible.

Date: _____

Signature of the first holder

VERIFICATION BY THE BANK

Certified that the particulars furnished above are correct as per our records.

Bank's Stamp:

Date: _____

Signature of the Authorised
Official from the Bank

SATHAVAHANA ISPAT LIMITED

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

TWENTY THIRD 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 THIRD ANNUAL GENERAL MEETING of the Company being held on Saturday, the 29th September, 2012 at 12.30 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 THIRD 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 THIRD ANNUAL GENERAL MEETING** of the Company to be held on Saturday the 29th day of September, 2012 and at any adjournment thereof.

Signed this.....day of.....2012

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