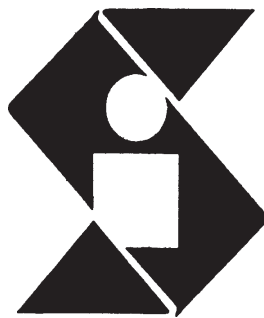


SATHAVAHANA ISPAT LIMITED



**24TH
ANNUAL REPORT
2012 - 13**

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AGM	:	24 th Annual General Meeting.
Day and Date	:	Monday, the 30 th September, 2013
Time	:	03.00 p.m.
Venue	:	Sri Sagi Ramakrishnam Raju Community Hall, Madhura Nagar, Hyderabad - 500 038
Date of book Closure		
i) Physical mode	:	16.09.2013 to 30.09.2013 (both days inclusive)
ii) Electronic mode	:	15.09.2013
ISIN No.	:	INE 176C01016
Listing	:	BSE Limited (BSE) (Stock Code : 526093) National Stock Exchange of India Limited (NSE) (Stock Code : sathaispat)

General Corporate Information

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

NOTICE OF 24TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 24th 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 Monday, the 30th September, 2013 at 03.00 p.m. to transact the following business:

AS ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st March, 2013 along with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri K. Thanu Pillai, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Khaja Ruknuddin, 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: 0022835) Hyderabad, retiring Auditors of the Company, be and are hereby reappointed as Auditors of the Company till the conclusion of next Annual General Meeting on a remuneration to be decided by the Board of Directors of the Company plus service tax and out of pocket expenses”.

By order of the Board

Hyderabad
Date: 30.05.2013

(A. NARESH KUMAR)
MANAGING DIRECTOR

NOTES:

1. THE RELEVANT DETAILS OF DIRECTORS, AS REQUIRED BY CLAUSE 49 OF THE LISTING AGREEMENTS ENTERED INTO WITH THE STOCK EXCHANGES, SEEKING RE-APPOINTMENT UNDER ITEM NOS. 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 **16.09.2013 TO 30.09.2013** (BOTH DAYS INCLUSIVE) FOR TRANSFERS IN PHYSICAL MODE AND ON CLOSING OF **15.09.2013** 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, 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, 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 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 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 AT LEAST 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
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 BSE LIMITED (FORMERLY 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 K Thanu Pillai	Shri Khaja Ruknuddin
Date of Birth	14.05.1935	03.01.1933
Date of Appointment	29.01.1999	30.07.2001
Qualifications	B.Com., M.B.A., C.A.I.I.B.	B.A., LL.B., C.A.I.I.B.
Expertise in specific functional areas	Over 35 years in Commercial Banking and Financial Management	Commercial Banking, Human Resources and Financial Management
List of Companies in which outside directorship held as on 31 st March, 2013.	<ol style="list-style-type: none"> 1. Aishu Castings Ltd. 2. Amar Bio-Tech Limited 3. BSCPL Infra Projects Limited 4. Bollineni Developers Limited 5. Krishna Institute of Medical Sciences Ltd. 6. Sagar Cements Limited 7. Simhapuri Expressway Limited 8. DNN Realtors Pvt. Ltd. 9. RAA Advisory Services Pvt. Ltd. 10. Venkateswara Financiers Hyderabad Pvt. Ltd. 	1. Babuji Estates (P) Limited
Chairman / Member of the Committees of the Board of the other Companies in which he is a Director as on 31 st March, 2013.	<ol style="list-style-type: none"> 1. Member, Audit Committee, Krishna Institute of Medical Sciences Limited. 2. Member, Audit Committee, Sagar Cements Limited. 3. Member, Remuneration Committee, Sagar Cements Limited. 4. Member, Audit Committee, Venkateswara Financiers Hyderabad Pvt. Ltd. 	Nil

By order of the Board

Hyderabad
Date: 30.05.2013

(A. NARESH KUMAR)
MANAGING DIRECTOR

DIRECTORS' REPORT

To

**The Members,
SATHAVAHANA ISPAT LIMITED,**

Your Directors have pleasure in presenting the 24th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2013.

FINANCIAL RESULTS:

Your Directors report the following financial results for the year 2012-13:

(Amount in ₹)			
SL NO.	Particulars	Year ended 31-03-2013	Year ended 31-03-2012
1.	Gross Revenue from operations	8042717802	6885378047
2.	Other Income	128454013	120604176
3.	Operating profit/(loss) before finance costs and depreciation	1005446905	(237348923)
4.	Finance costs	715019240	433439056
5.	Depreciation and Amortisation	232506274	198998588
6.	Profit/(loss) before Tax	57921391	(869786567)
7.	Tax expense	35927147	(75307698)
8.	Net Profit/(loss) after Tax	21994244	(794478869)
9.	Add: Profit/(loss) brought forward from last year	(96319796)	698159073
10.	Balance carried forward	(74325552)	(96319796)
11.	Earning/(loss)per Equity Share-Basic	0.59	(22.96)
12.	Earning/(loss)per Equity Share-Diluted	0.57	(22.96)

Your Directors report that the performance of the Company during the year under review is satisfactory as the Company is able to maintain its sales trend despite capital shut down of Blast Furnace; slackening demand and general slow down in the economy. Although the Company was able to maintain the sales trend, yet the profitability has not improved due to lower margins; high interest costs and adverse foreign exchange fluctuations. However the Company is successfully able to stop the loss and return to its profitability track record despite adverse economic conditions. The gross revenue from operations at ₹8042717802/- is higher as compared to previous year's revenue of ₹6885378047/-. The year ended with a Profit before tax of ₹57921391/- as against Loss before tax of ₹869786567/- in the previous year. Accordingly, the earnings per share accounted for at ₹0.59 as compared with Loss per share of ₹22.96 in the previous year.

DIVIDEND:

The Board of Directors has not recommended any Dividend for the year 2012-13, due to very tight cash flows in view of the moderate profit during the year and funds commitment to the ongoing integrated 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:

- i) The applicable Accounting Standards have been followed in the preparation of annual accounts for the financial year 2012-13;
- 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 2013 and of the Profit of the Company for the year ended on the date;
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and,
- iv) The annual accounts have been prepared on a going concern basis.

AUDIT COMMITTEE:

The Audit Committee comprises Chairman -Shri K.Thanu Pillai, independent Director and three other independent Director members -Shri Khaja Ruknuddin, Shri Syed Anis Hussain and Shri S.N.Rao. The Audit Committee at its meeting held on 30th May 2013 has considered and approved the Audited Accounts for the financial year ended 31st March 2013. The Audited Accounts for the financial year ended 31st March 2013, as approved and recommended by the Audit Committee, do not require any explanations from the Board.

CORPORATE GOVERNANCE:

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

PROJECT:

The 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. Modernisation of Blast Furnace has been completed and re-commissioned on 8th January 2013. Sinter Plant is under trial runs. Major Orders for DI Pipe making plant and captive Power plant have been placed. There is some change in the scope of the project and the same has been appraised by the Consortium of banks and requests for additional term loans are under process. Accordingly the commissioning of the project stands postponed to March 2014.

DIRECTORS:

Shri K. Thanu Pillai and Shri Khaja Ruknuddin, Directors are liable for retirement by rotation at the end of the ensuing 24th 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 1970000 Share Warrants (out of 1970000 Share Warrants outstanding at the beginning of the year) to 1970000 Equity Shares. Accordingly, as on 31st March 2013, the Share Warrants issued and allotted stands fully subscribed. Subsequent to the above exercise of option the paid up share capital has gone up by ₹1,97,00,000/- and Securities Premium by ₹9,85,00,000/- while squaring off the Money Received on Share Warrants account. Accordingly the Paid up capital now stands at ₹38,40,00,000/- and Securities Premium Account at ₹60,50,00,000/-

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 BSE Ltd (formerly The Bombay Stock Exchange Limited) 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 (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: 30.05.2013

(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 SINO STEEL for the Pig Iron plant 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	:	4656712017
ii) Capital goods	:	522618099
iii) Components and spare parts	:	1035053
b) Travelling expenses	:	2512850
c) Usance interest	:	96226199

for and on behalf of the Board

Place: Hyderabad

Date: 30.05.2013

(K. Thanu Pillai)

Chairman

REPORT ON CORPORATE GOVERNANCE

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

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

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

2. BOARD OF DIRECTORS:

The Board of Directors consists of six Directors of which two are Executive and four are Non-executive Directors and among these two are Promoter Directors and four are Independent Directors. The Independent Directors constitute 66.67% of the Board's strength. Again 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	4	No
Shri A.S.Rao	5	5	Yes
Shri Khaja Ruknuddin	5	4	Yes
Shri Syed Anis Hussain	5	5	Yes
Shri A.Naresh Kumar	5	5	Yes
Shri S.N.Rao	5	5	Yes

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

Name of the Director	Board of Directors		Board Committees	
	Director	Chairman	Member	Chairman
Shri K.Thanu Pillai	10	None	3	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 2012; 14th August 2012; 29th September 2012; 10th November 2012; and 14th February 2013. The maximum interval between any two meetings was not more than four calendar months.

- Reappointment of Directors at the 24th Annual General Meeting:

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

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

Independent Director on the Board of Directors of the Company. Mr. Thanu Pillai is also a Director on several other companies with rich experience in commercial banking and financial management.

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

3. AUDIT COMMITTEE:

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

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

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

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 2012-13.

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	2884839	151966	956773	3993578
2. Shri A. Naresh Kumar Managing Director	3420000	212679	956773	4589452
Total	6304839	364645	1913546	8583030

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	48000	35000	83000	2000
2. Shri Khaja Ruknuddin Director	48000	102000	150000	1000
3. Shri Syed Anis Hussain, Director	60000	35000	95000	1000
4. Shri S.N.Rao, Director	60000	32000	92000	Nil
Total	216000	204000	420000	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 12 shareholders' complaints. All these complaints were redressed / replied to the satisfaction of the shareholders and no complaints were outstanding as on 31st March 2013.

Share transfers in dematerialisation mode pending on 31st March 2013 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 2012-13 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 2012-13 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 2012-13 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
2009-10	AGM	Sri Saji Rama Krishnam Raju Community Hall, Madhuranagar, Hyderabad-500 038	30.09.2010	3.00 PM
2010-11	AGM	Same as above	30.09.2011	3.00 PM
2011-12	AGM	Same as above	29.09.2012	12.30 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	Nil	Nil	1056000

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.
- d) Cost Audit : Company appointed M/s. S. Mahadevan & Co, Coimbatore, Cost Accountants, as cost auditors for the financial year 2011-12. The cost compliance report for the financial year 2011-12 has been filed with the Central Government with in due date.

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.corpfilings.co.in. The financial results and Annual Reports would 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 : 24th Annual General Meeting
Day and Date : Monday, the 30th September 2013
Time : 3.00 p.m.
Venue : Sri Sagi Ramakrishnam Raju Community Hall, Madhura Nagar, Hyderabad – 500 038.

- b) Financial Calendar: Tentative schedule is as under.
- i) Unaudited Financial Results
1. First quarter : First fortnight of August 2013.
 2. Half yearly : First fortnight of November 2013.
 3. Third quarter : First fortnight of February 2014.
- ii) Audited Financial Results: Last week of May 2014.

- c) Date of book closure:

- i) Physical mode : 16.09.2013 to 30.09.2013 both days inclusive.
- ii) Electronic mode : 15.09.2013.

- d) Listing on Stock Exchanges, Stock Code, Demat Code:

Name of the Stock exchange	Stock code
BSE 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

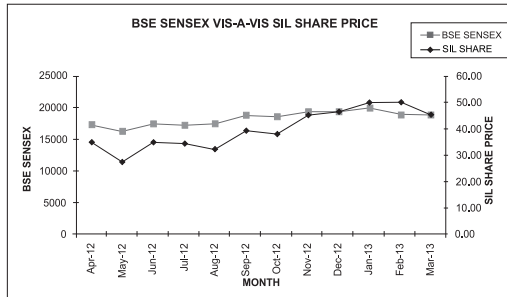
*The Listing Agreement with the said Exchange is not in force as the said Exchange was derecognised by the Securities and Exchange Board of India.

The fee to the above Stock Exchanges (except HSE) has been paid upto financial year 2013-14.

- e) Market price data: high/low during each month in last financial year 2012-13.

₹					
Month	High	Low	Month	High	Low
April	36.00	31.05	October	42.90	37.00
May	35.55	26.80	November	48.70	37.50
June	35.15	26.40	December	52.90	44.50
July	36.40	32.50	January	52.40	46.00
August	36.55	30.65	February	55.00	45.00
September	40.05	31.00	March	50.40	43.00

- f) Market price (closing) performance in comparison to broad based index of The BSE 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 2013:

No. of shares		No. of Shareholders		Shareholding	
From	To	Nos.	% to total	Nos.	% to total
1	500	14721	82.61	3134723	8.16
501	1000	1594	8.94	1411366	3.68
1001	2000	652	3.66	1052945	2.74
2001	3000	224	1.26	591532	1.54
3001	4000	105	0.59	389601	1.02
4001	5000	112	0.63	533464	1.39
5001	10000	175	0.98	1344667	3.50
10001 and above		237	1.33	29941702	77.97
Total		17820	100.00	38400000	100.00

The shareholding pattern as on 31st March 2013:

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	254	1715065	4.47
	Individuals	17304	14181384	36.93
	Trust	2	2800	0.01
	Non Resident Indians	189	279404	0.73
	Clearing members	50	90957	0.24
	Foreign Bodies Corporate	1	5700000	14.84
Grand Total		17820	38400000	100.00

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 35241779 shares constituting 91.78% 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: 30.05.2013

(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. The Company has modernised the Blast Furnace by Sino-Steel 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 6.11 million tons in 2012-13. 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 2012-13 is at 6.1 million tons as against 5.37 million tons in the previous year, registering a comfortable 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. The Company also is operating a Co-generation Power plant where the surplus power after meeting the captive needs is being sold to third parties.

Global scenario:

The Global Iron and Steel industry grew moderately in the year 2012 on the back of untamed Euro zone crisis, continued slide in the western economies; slowing economic growth in China and other emerging economies. Amidst this subdued scenario the steel production improved from 1.490 billion tons to 1.510 billion tons, registering a moderate growth of 1.34%. Asia continues to be leading producer and consumer of Iron and Steel. The Asian Steel production accounted for about 65.07% of the global production in 2012 as against 64.03% in 2011. China, with its 708 million tons production, continues to be the world's largest steel producer accounting for 46.93% of global steel production and 72.13% of Asian steel Production. Japan, India and South Korea together account for 16.77% of global steel production and 25.77% of the Asian steel production. The global Pig Iron production, in line with the steel production also moderately grew from 1.083 billion tons to 1.101 billion tons, registering a growth of 1.66%. Sluggish market conditions for Iron and Steel and high steel raw material prices during most part of 2012, exerted pressure on the performance of global Iron and Steel industry.

Indian Scenario:

The Indian steel industry fared better during the year 2012-13 where it achieved a production of 74.6 million tons as against 70.7 million tons a year before registering a growth of 5.52%. India continues to rank the fourth largest steel producer in the world. The imports at 6.2 million tons and exports of 4.6 million tons continue to have uptrend. The real consumption at 69.1 million tons during the year as against 66.0 million tons a year before shows that the tempo is on. The Pig Iron industry with its 6.12 million tons production as compared to 5.37 million tons a year before panned better despite slowdown in the economy. The real consumption of Pig Iron also improved from 4.97 million tons to 5.7 million tons during the year. High raw material prices during most of the part of the year, anti inflationary policy measures, volatile foreign exchange fluctuations and high interest rates exerted pressure on the margins of the Pig Iron industry.

Price Trends:

The year saw falling price trends both in raw materials and finished goods but the fall in sale prices trend of raw materials was not in tune with the falling trend in finished goods prices, resulting in lower or negative margins. The Coking Coal prices which were at US\$230/MT F.O.B Australia during the year beginning moderated to about US\$150/MT F.O.B Australia. The Iron Ore prices too have fallen from Rs.6000/MT to about Rs.5000/MT towards year end. The finished steel prices have fallen from Rs.48000/MT to about Rs.41000/MT towards year end. The Metallurgical Coke prices that were ruling at Rs.23500/MT initially have corrected to about Rs.18000/MT levels. The prices of Pig Iron which were at Rs.31000/MT have also moderated to about Rs.24000/MT. The margins were under pressure through out the year since on the one hand the benefit of fall in raw material prices were partially offset by Rupee depreciation and on the other the price correction in finished goods was much sharper.

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. During the year, ban was partially lifted and major mines were allowed to operate.
 - 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. Moreover the forward integration into Ductile Iron Pipe making under implementation would further minimise such 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 60485 MTs as against 85648 MTs in the previous year. The Blast Furnace during the year was under capital shut down for modernisation and this resulted in lower production. The actual sales in volume terms were 62878 MTs as against 92625 MTs in the previous year. The Company's market share in Pig Iron constitutes about 1.10% of the domestic consumption. The Company produced 340178 MTs of Metallurgical Coke, (including job work of 41826 MTs) as against 250624 MTs in the year before. Out of the total production, 62715 MTs was captively consumed as against 84128 MTs in the previous year. The Company sold 223186 MTs of Metallurgical Coke as against 157438 MTs in the last year in the nearby markets. The Co-generation Power plant at Kudithini generated 281932917 kwh of Power as against 123223094 kwh (including 41033290 kwh considered in trial run expenses) in the year before, of which 247764000 kwh, previous year 62586710 kwh was sold and 35515917 kwh (previous year 21881294 kwh) were captively consumed (including power plant auxiliary load) that includes power import of 1347000 kwh (previous year 2278200 kwh). The gross sales revenues of products and services in value terms were ₹8042717802/- as compared to ₹6885378047/- in the last year.

4. OUTLOOK:

The outlook for the Iron and Steel industry is bearish in the short term considering the fact of slowdown in the global markets that stemmed due to

uncertainties in Euro zone and sluggish Western markets. However in the medium to long term the outlook for Iron and Steel industry is encouraging particularly in view of the resilience exhibited by China and other emerging economies in the Iron and Steel production despite moderated growths and some improvement in the US economy in the recent past. The Iron and Steel prices as also the steel raw materials have bottomed out in the recent past and there is stiff resistance for further corrections which means going forward the industry would move only in positive direction. The outlook for the Indian Iron and Steel industry appears to be encouraging following the slew of measures of various regulatory authorities like softening anti inflationary policy measures, Government's effort to tame both current and fiscal deficits apart from initiating steps to boost the industrial output, freeing of mining of Iron Ore in the Bellary-Hospet belt etc. It is expected that the benefits of these measures would flow in the near term.

The medium to long term outlook for the Indian Pig Iron industry appears to be positive and in the short term the outlook in line with steel industry is bearish. The volatile raw material prices and heavy dependence on the imported Coking Coal / Metallurgical Coke; mismatch in the sales realisation and raw material prices and Rupee depreciation are cause for concern for the industry. Your Company is striving hard to sustain its growth path by strategies in the form of backward and forward integration which upon completion would strengthen your Company financially.

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	Year	Increase / (Decrease)%
	2012-13	2011-12	
I In volume terms			
Production - Pig Iron (mt)	60485	85648	(29.38)
- Metallurgical Coke (mt)*	340178	250624	35.73
- Power (kwh)#	281932917	123223094	128.80
Sales - Pig Iron (mt)	62878	92625	(32.12)
- Metallurgical Coke (mt)	223186	157438	41.76
- Power (kwh)	247764000	62586710	295.87
II In value terms:	₹	₹	
Gross Revenue from operations	8042717802	6885378047	16.81
Net Revenue from operations	7513607397	6336387609	18.58
III Operating Profit / (Loss) before finance costs and Depreciation	1005446905	(237348923)	(523.62)
IV Finance costs	715019240	433439056	64.96
V Depreciation	232506274	198998588	16.84
VI Net Profit / (loss) before tax	57921391	(869786567)	(106.66)
VII Tax expense	35927147	(75307698)	(147.71)
VIII Net Profit / (loss) after tax	21994244	(794478869)	(102.77)

(*Includes Job work of 41826 MTs Previous year Nil.)

(#Includes nil KWH, previous year 41033290 kwh considered in Trial Run expenses account)

The operational performance during the year has improved due to improved volumes of Metallurgical Coke and Power. The profitability improved only marginally due to unprecedented / volatile foreign exchange fluctuations; and high interest costs. This resulted in moderate profits during the year. The production volume of Pig Iron at 60485 MTs as compared with 85648 MTs in the year before was lower by 29.38% which is due to capital shut down of Blast Furnace for modernisation including some supply constraints of Iron Ore and high rise in prices. Consequently the Pig Iron sales were also lower at

62878 MTs as against 92625 MTs in the year before which is partially due to slump in the markets. Metallurgical Coke production was at 340178 MTs (including Job work of 41826 MTs) as against 250624 MTs in the previous year. Metallurgical Coke sales volumes have also gone up from 157438 MTs in the previous year to 223186 MTs in the current year. On the Co-generation Power front at Kudithini plant, the Company generated 281932917 kwh as against 123223094 kwh (including 41033290 kwh considered in Trial Run expenses) in the year before and sold 247764000 kwh as against 62586710 kwh (excluding 41033290 kwh considered in Trial Run expenses) 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 ₹8042717802/- as compared to ₹6885378047/- in the year before, which is higher by 16.81%. In consequence the net sales also posted a higher growth of 18.58% up from previous year's level of ₹6336387609/- to ₹7513607397/-. The sales revenue would have been better but for the slump in the markets and capital shut down of Blast Furnace. The average sales realisation on Pig Iron during the year under review works out to ₹31242/MT as against ₹30965/MT during the last year. The average sales realisation on sale of surplus Metallurgical Coke was at ₹20161/MT as compared to ₹22395/MT in the previous year. The average sales realisation on power sold was at ₹5.57/kwh as against ₹4.71/kwh in the last year. The average cost of Iron Ore and Iron Ore fines consumed was at ₹5716/MT as compared with ₹5252/MT in the last year, which in percentage terms works to 8.83% higher. The average cost of Coking Coal consumed was at ₹12379/MT as against ₹14662/MT in the year before, accounting for a decrease of 15.57%. The increase/decrease in sales prices during the year were not commensurate with increase/decrease in the prices of raw material and this resulted in lower and negative margins on the finished goods.

On the financial performance front the operating profit before finance costs and depreciation and amortisation was at ₹1005446905/- as against operating loss of ₹237348923/- in the last year.

Consequently the year ended with net profit before tax of ₹57921391/- as compared with a net loss before tax of ₹869786567/- and Net profit after tax of ₹21994244/- as against net loss after tax of ₹794478869/- in the year before. The performance would have been better but for volatile foreign exchange fluctuations; high interest costs and narrowed delta between sales realisation and raw material prices. The finance costs were higher mainly due to increase in foreign exchange loss and charging of interest relating to borrowal for modernisation of Blast Furnace to Statement of Profit and Loss. The increase in other income was due to Job work undertaken by the Company, sales of scrap and waste. The current tax charge is on account of application of Deferred Tax provisions which resulted in increase in Deferred Tax liability.

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 921 persons excluding working Directors as on 31st March 2013.

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, 2013, 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 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
30.05.2013

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

INDEPENDENT AUDITORS' REPORT

To

The Members of

SATHAVAHANA ISPAT LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **SATHAVAHANA ISPAT LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- b. in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e. on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

30.05.2013

ANNEXURE TO INDEPENDENT AUDITOR'S REPORT REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING OF 'REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS' OF OUR REPORT OF EVEN DATE

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
(b) As explained to us, 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.
(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 31.03.2013 and maximum amount involved during the year was Rs.1,13,54,000/-
(b) In our opinion the terms and conditions of rent deposits given to parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interests of the company.
(c) The Company is regular in receipt of principal amounts as stipulated and restipulated.
(d) The Company has taken unsecured loan from a party listed in the register maintained under section 301 of the Companies Act, 1956. The balance as on 31-03-2013 and maximum amount involved during the year was Rs.88,00,000/-
(e) In our opinion the rate of interest and other terms and conditions of unsecured loan taken from a party 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, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rs. 5,00,000/- in respect of each party have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
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 31.3.2013 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 Wealth Tax, Service Tax, Customs duty and Cess which have not been deposited on account of any dispute as on 31.03.2013 except Income Tax, 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	1,90,301	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	The Customs, Excise and Service Tax Appellate Tribunal, Bangalore
3.	Central Sales Tax Act, 1956	Sales tax payable on third party exports.	2005-06	46,59,190	Sales Tax Appellate Tribunal, Hyderabad.
4.	Income Tax Act, 1961	Interest on Dividend Distribution Tax	2009-10	13,79,100	Rectification of mistake filed with Deputy Commissioner of Income Tax, Circle 3(1), 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 not incurred any cash loss. Further during the previous year the company has incurred cash loss of Rs.65,95,49,300/-.
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. According to records and on an overall examination of the balance sheet of the company, we report that the funds raised on short term basis have not been used for long term investments.
18. The Company has made preferential allotment of shares to a party covered in the Register maintained under section 301 of the Companies Act, 1956 during the year. In our opinion and according to the information and explanations given to us, the price at which shares have been issued is not prejudicial to the 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
30.05.2013

BALANCE SHEET AS AT 31ST MARCH 2013

Particulars	Note No.	(Amount in ₹)	
		As at 31st March 2013	As at 31st March 2012
I. EQUITY AND LIABILITIES			
(1) Shareholder's funds:			
(a) Share capital	1	384000000	364300000
(b) Reserves and surplus	2	1532737448	1412243204
(c) Money received against share warrants	3	0	29550000
Sub total		<u>1916737448</u>	<u>1806093204</u>
(2) Non-current liabilities:			
(a) Long-term borrowings	4	1915017980	1260676319
(b) Deferred tax liabilities (net)	5	206102405	170012516
(c) Other long-term liabilities	6	84298653	64534192
(d) Long-term provisions	7	17929802	21359142
Sub total		<u>2223348840</u>	<u>1516582169</u>
(3) Current liabilities:			
(a) Short-term borrowings	8	3399273175	3673760951
(b) Trade payables	9	2125190517	3150002772
(c) Other current liabilities	10	843099679	1062177326
(d) Short-term provisions	11	10150476	746919
Sub total		<u>6377713847</u>	<u>7886687968</u>
TOTAL		<u>10517800135</u>	<u>11209363341</u>
II. ASSETS			
(1) Non-current assets:			
(a) Fixed Assets:			
(i) Tangible assets	12	3740263568	3462606996
(ii) Intangible assets	12	806814	0
Sub total		<u>3741070382</u>	<u>3462606996</u>
(iii) Capital work-in-progress		1115970722	529983687
(iv) Expenditure during construction period pending capitalisation	13	143500082	40130205
Sub total		<u>5000541186</u>	<u>4032720888</u>
(b) Non-current investments	14	1771423	1184000
(c) Long-term loans and advances	15	193855187	109593288
(d) Other non-current assets	16	90664161	94581534
Sub total		<u>5286831957</u>	<u>4238079710</u>
(2) Current Assets:			
(a) Current investments	17	0	50022332
(b) Inventories	18	2547180990	3475436314
(c) Trade receivables	19	1324024966	1321668220
(d) Cash and bank balances	20	1114992069	1779006805
(e) Short-term loans and advances	21	198695940	314357322
(f) Other current assets	22	46074213	30792638
Sub total		<u>5230968178</u>	<u>6971283631</u>
TOTAL		<u>10517800135</u>	<u>11209363341</u>
Summary of Significant Accounting Policies and Other Explanatory Information	31		

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: 30.05.2013

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 31 ST MARCH 2013

(Amount in ₹)

Particulars	Note No.	For the Year ended 31st March 2013	For the Year ended 31st March 2012
REVENUE:			
I. Revenue from operations			
(a) Sale of products		7960578852	6878243223
(b) Sale of services	23	82136383	35845
(c) Other operating income	24	2567	7098979
		8042717802	6885378047
(d) Less: Excise duty		529110405	548990438
		7513607397	6336387609
II. Other income	25	128454013	120604176
III. Total revenue (I+II)		7642061410	6456991785
IV. EXPENSES:			
(a) Cost of raw materials consumed	26	5960513802	5809086175
(b) Purchases of stock-in-trade		30490850	0
(c) Changes in inventories of finished goods and work-in-progress	27	(89039705)	(94263079)
(d) Employee benefits expense	28	144266950	142319697
(e) Finance costs	29	715019240	433439056
(f) Depreciation and amortisation expense	12	232506274	198998588
(g) Other expenses	30	590382608	837197915
Total expenses		7584140019	7326778352
V. Profit / (Loss) before tax (III-IV)		57921391	(869786567)
VI. Tax Expense:			
(a) Deferred tax		36089889	(69762928)
(b) Income tax adjustment		(162742)	(5544770)
Total tax expense		35927147	(75307698)
VII. Profit / (Loss) after tax (V-VI)		21994244	(794478869)
VIII. Earnings / (Loss) per equity share:			
(Face value ₹10/- per share)			
(a) Basic		0.59	(22.96)
(b) Diluted		0.57	(22.96)

Summary of Significant Accounting Policies and Other Explanatory Information 31

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:30.05.2013

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 2013	Year ended 31st March 2012
A. CASH FLOW / (USED) FROM OPERATING ACTIVITIES:		
Net profit / (loss) before tax and extraordinary items	57921391	(869786567)
Adjustments for:		
Depreciation (net)	232506274	198998588
Interest expense	354203296	371712220
Interest income	(62906500)	(80616911)
Dividend earned	(152322)	(100292)
Unrealised foreign exchange loss / (gain)	89902487	9941890
Provision for diminution in the value of investments	12577	0
Book deficit on assets discarded	28639095	0
Loss on sale of fixed asset (net)	101221	26595
Bad debts written off	3328087	1296789
Operating profit before working capital changes	70355606	(368527688)
Add / (less) Adjustments for working capital changes:		
(Increase) in trade receivables	(2130416)	(824144498)
(Increase) / Decrease in inventories	928255324	(1286504549)
Decrease in long term loans and advances	38867982	92917098
(Increase) in other non current assets	(2438999)	(5423280)
(Increase) / Decrease in fixed deposits pledged with Banks and dividend accounts with banks	442495821	(554385811)
(Increase) / Decrease in short term loans and advances	85681231	(232801569)
(Increase) in other current assets	(16100000)	(11894139)
Increase / (Decrease) in trade payables	(1141676483)	1264165166
Increase / (Decrease) in other current liabilities	(151509073)	435123551
Increase / (Decrease) in short term provisions	9403557	(4576866)
Increase in other long term liabilities	30444596	31719112
Increase / (Decrease) in long term provisions	(3429340)	4121210
Cash generated from operations	921419806	(1460212263)
Taxes paid (net)	(10971935)	(24419034)
Net cash flow / (used) from operating activities	910447871	(1484631297)
B. CASH FLOW / (USED) FROM INVESTING ACTIVITIES:		
Purchase of fixed assets including capital work in progress	(1384794716)	(717790343)
Sale of fixed assets	1754033	58660
Purchase of current investments	(600000)	(50011832)
Sale of current investments	50022332	0
Interest received	66526880	74466182
Dividend earned	152322	100292
Net cash flow / (used) in investing activities	(1266939149)	(693177041)

(Contd...)

CASH FLOW STATEMENT (Contd...)

Particulars	(Amount in ₹)	
	Year ended 31st March 2013	Year ended 31st March 2012
C. CASH FLOW / (USED) FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowings	1002524249	250000000
Repayment of long-term borrowings	(346477730)	(356477970)
Proceeds of share capital including share warrants and premium thereon	88650000	82350000
Proceeds from short-term borrowings	0	3096022845
Repayment of short-term borrowings	(258033165)	0
Interest paid	(351690991)	(371730233)
Dividend and corporate dividend tax paid	0	(72383373)
Net cash flow / (used) from financing activities	134972363	2627781269
Net increase / (decrease) in cash and cash equivalents	(221518915)	449972931
Effect of exchange differences on cash and cash equivalents held in foreign currency	0	77786
Cash and cash equivalents at the beginning of the year	667710122	217659405
Cash and cash equivalents at the end of the year	446191207	667710122

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 Summary of Significant Accounting Policies and Other Explanatory Information (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:30.05.2013

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 2013	As at 31st March 2012
1 SHARE CAPITAL:			
(a) Authorised:			
4,00,00,000 Equity Shares of ₹10/- each	₹	<u>40000000</u>	<u>40000000</u>
(b) Issued:			
3,84,00,000 (previous year 3,64,30,000) Equity Shares of ₹10/- each	₹	<u>38400000</u>	<u>36430000</u>
(c) Subscribed and paid up:			
3,84,00,000 (previous year 3,64,30,000) Equity Shares of ₹10/- each fully paid up	₹	<u>38400000</u>	<u>36430000</u>
(d) Reconciliation of the number of Equity Shares outstanding is set out below:			
Equity Shares outstanding at the beginning of the year	Nos.	36430000	34600000
Add : Equity Shares issued during the year	Nos.	1970000	1830000
Equity Shares outstanding at the end of the year	Nos.	38400000	36430000
(e) The details of Shareholders holding more than 5% Equity Shares:			
(i) Promoters' Group			
Smt. A.Mutya Bai	Nos	4921585	4921585
	%	12.82	13.51
Shri A.Naresh Kumar	Nos	2019105	2019105
	%	5.26	5.54
Shri A. Ashok Kumar	Nos	3319110	3319110
	%	8.64	9.11
Ganapati Adusumilli Fininvest Private Limited	Nos	4200000	2230000
	%	10.94	6.12
(ii) Other than Promoters' group:			
Stemcor AG.	Nos	5700000	5700000
	%	14.84	15.65
(f) 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.			
(g) 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	₹	<u>2000000</u>	<u>2000000</u>
	₹	<u>2063000</u>	<u>2063000</u>
(b) Securities Premium Account:			
Amount at the beginning of the year	₹	506500000	415000000
Add: Amount received during the year on conversion of Share Warrants	₹	98500000	91500000
Amount at the end of the year	₹	<u>605000000</u>	<u>506500000</u>
(c) General Reserve	₹	<u>1000000000</u>	<u>1000000000</u>

NOTES TO BALANCE SHEET

		As at 31 st March 2013	As at 31 st March 2012
(d) Balance in Statement of Profit and Loss (surplus / (deficit):			
Profit / (loss) brought forward from last year	₹	(96319796)	698159073
Add / Less: Profit / (loss) as per Statement of Profit and Loss	₹	21994244	(794478869)
Loss carried forward to next year	₹	(74325552)	(96319796)
	₹	<u>1532737448</u>	<u>1412243204</u>

3 MONEY RECEIVED AGAINST SHARE WARRANTS:

Amount at the beginning of the year	₹	29550000	57000000
Amount received on allotment/exercise of conversion option	₹	88650000	82350000
Amount adjusted on exercise of option of conversion	₹	118200000	109800000
Amount at the end of the year	₹	<u>0</u>	<u>29550000</u>

During the year on exercise of option of conversion by the allottee, 19,70,000 (previous year 18,30,000) Share Warrants to 19,70,000 (previous year 18,30,000) Equity Shares were allotted and accordingly a sum of ₹1,97,00,000/- (previous year ₹1,83,00,000/-) and ₹9,85,00,000/- (previous year ₹9,15,00,000/-) were added to Paid-up Capital (at ₹10/- per share) and Securities Premium account (at ₹50/- per share) respectively.

NON-CURRENT LIABILITIES:
4 LONG-TERM BORROWINGS:

Term Loans:

i. From Banks (Secured)	₹	2221903963	1530392117
Less: Current maturities of long term debt	₹	(308464000)	(308464000)
	₹	<u>1913439963</u>	<u>1221928117</u>
ii. From Other parties (Secured)	₹	2399053	5213642
Less: Current maturities of long term debt	₹	(821036)	(4952578)
	₹	<u>1578017</u>	<u>261064</u>
iii. Deferred payment liabilities (unsecured):			
Sales Tax Deferment	₹	38487138	71137877
Less: Current maturities of long term debt	₹	(38487138)	(32650739)
	₹	<u>0</u>	<u>38487138</u>
	₹	<u>1915017980</u>	<u>1260676319</u>

- 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.

The period of maturity with reference to four term loan borrowings from Balance Sheet date are: (a) Loan 1 comprises four quarterly installments of ₹37188000/- each and one installment of ₹37172000/- (b) Loan 2 comprises eight quarterly installments of ₹27375000/- each; eight quarterly installments of ₹32625000/- each and six quarterly installments of ₹7875000/- each and (c) Loan 3 comprises twenty 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.

NOTES TO BALANCE SHEET

- 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 two installments of ₹132004/- each and (b) loan 2 comprises forty installments of ₹64335/- 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 one installment of ₹38487138/-.
- iv. The above borrowings and interest due thereon have been paid upto date and there are no continuing defaults.

	As at	As at
	31st March 2013	31st March 2012
5 DEFERRED TAX LIABILITIES (NET):		
Refer Note No. 31 (II)(13)		
Deferred Tax Liabilities:		
Opening balance at the beginning of the year	₹ 277473741	255347867
Adjustment for the year	₹ 48687556	22125874
Closing balance at the end of the year (A)	₹ <u>326161297</u>	<u>277473741</u>
Deferred Tax Asset:		
Opening balance at the beginning of the year	₹ 107461225	15572423
Adjustment for the year	₹ 12597667	91888802
Closing balance at the end of the year (B)	₹ <u>120058892</u>	<u>107461225</u>
Deferred Tax Liabilities (net) (A-B)	₹ <u>206102405</u>	<u>170012516</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	₹ 39554720	14637947
Refer Note No.9		
Others:		
Advance from customers	₹ 11617339	15897031
Creditors for capital works	₹ 17470111	17643115
Other payables	₹ 15656483	16356099
	₹ <u>84298653</u>	<u>64534192</u>
7 LONG-TERM PROVISIONS:		
i. Provision for employee benefits:	₹ 17929802	21359142
Refer Note No.31 (II) (8)	₹ <u>17929802</u>	<u>21359142</u>

NOTES TO BALANCE SHEET

		As at 31st March 2013	As at 31st March 2012
CURRENT LIABILITIES:			
8	SHORT-TERM BORROWINGS:		
	(i) Working capital loans from banks: (Repayable on demand, Secured)	₹ 795424362	793192492
	(ii) Buyer's credit	₹ 2445048813	2871768459
	(iii) Loans and advances from related parties (unsecured)	₹ 8800000	8800000
	(iv) Loans from bodies Corporate (unsecured)	₹ 150000000	0
		₹ <u>3399273175</u>	<u>3673760951</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 6m LIBOR +90 bps to 6m LIBOR + 250 bps p.a.		
	ii. The rate of interest in respect of loans from related parties is 12% p.a.		
	iii. Loans from bodies corporate are in the nature of inter-corporate deposits which are repayable within forty five days from the date of acceptance, carrying rate of interest at 23% p.a.		
	iv. 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	₹ 2125190517	3150002772
		₹ <u>2125190517</u>	<u>3150002772</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) Principal 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.	₹ Nil	Nil

NOTES TO BALANCE SHEET

		As at 31 st March 2013	As at 31 st March 2012
10	OTHER CURRENT LIABILITIES		
	i. Current maturities of Long-Term Debt	₹ 347772174	346067316
	ii. Interest accrued but not due on borrowings	₹ 2526186	13881
	iii. Unclaimed dividends (Of the above there is no amount due and outstanding to be credited to Investor Education and Protection Fund)	₹ 9396132	10923108
	iv. Advance from customers	₹ 151486795	143348800
	v. Other payables		
	Creditors for capital works	₹ 143261323	215047060
	Employee benefits payable	₹ 27286940	12661428
	Statutory Liabilities	₹ 26705387	114587623
	Others	₹ 134664742	219528110
		₹ <u>843099679</u>	<u>1062177326</u>
11	SHORT-TERM PROVISIONS:		
	(i) Provision for employee benefits Refer Note No.31 (II) (8)	₹ 10150476	746919
		₹ <u>10150476</u>	<u>746919</u>

12 TANGIBLE / INTANGIBLE ASSETS:

Sl. NO.	Description	GROSS CARRYING AMOUNT				DEPRECIATION / AMORTISATION				NET CARRYING AMOUNT	
		Cost as at 01.04.2012	Additions during the year	Deductions during the year	Total Upto 31.03.2013	Upto 31.03.2012	For the year	On deductions	Total upto 31.03.2013	As at 31.03.2013	As at 31.03.2012
		₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
A.	Tangible Assets:										
1	Freehold 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	209248389	0	0	209248389	42720716	3469740	0	46190456	163057933	166527673
4	Plant and equipment	4190342955	551099848	108941283	4632501520	971830919	223558731	63633482	1131756168	3500745352	3218512036
5	Furniture and fixtures	3919203	714356	0	4633559	2453746	408620	0	2862366	1771193	1465457
6	Vehicles	62467181	2805341	12585569	52686953	36200786	4072823	11304460	28969149	23717804	26266395
7	Office equipment	9579303	665541	6153	10238691	4271867	471398	715	4742550	5496141	5307436
8	Data Processing equipment	5131952	1401602	0	6533554	3992714	454456	0	4447170	2086384	1139238
	Sub Total:	4524077744	556686688	121533005	4959231427	1061470748	232435768	74938657	1218967859	3740263568	3462606996
B.	Intangible Assets										
9	Software	0	877320	0	877320	0	70506	0	70506	806814	0
	Sub Total:	0	877320	0	877320	0	70506	0	70506	806814	0
	Total:	4524077744	557564008	121533005	4960108747	1061470748	232506274	74938657	1219038365	3741070382	3462606996
	Previous year Total:	3639865248	884325996	113500	4524077744	862500405	198998588	28245	1061470748	3462606996	

NOTES TO BALANCE SHEET
13 EXPENDITURE DURING CONSTRUCTION PERIOD PENDING CAPITALISATION:

Sl. No.	PARTICULARS	As at	For the year	Capitalised	As at
		01.04.2012		during the year	31.03.2013
		₹	₹	₹	₹
1	Salaries, wages and other benefits	1063760	26986413	21111239	6938934
2	Contribution to Provident and other funds	0	2962546	1027587	1934959
3	Staff welfare expenses	6900	223935	0	230835
4	Interest expense	8828990	83390101	23163246	69055845
5	Other borrowing cost	29497872	20185626	14324469	35359029
6	Insurance	4894399	4139876	1793789	7240486
7	Printing and stationary	40796	101741	41171	101366
8	Communication expenses	0	4755	1165	3590
9	Travelling and conveyance	1137132	4951297	1659246	4429183
10	Payment to auditors-certification charges	60000	102500	43980	118520
11	Legal and professional charges	512152	2804309	935764	2380697
12	Depreciation	0	1083940	0	1083940
13	Power and fuel	0	26408573	7792804	18615769
14	General expenses	713097	13822570	1939781	12595886
15	Rates and taxes	0	422495	154844	267651
16	Bank charges	206770	60326	89269	177827
17	Trial run expenses	0	7080472	28132	7052340
	Sub total	46961868	194731475	74106486	167586857
18	Less: Interest income	6831663	27330750	10075638	24086775
	Total	40130205	167400725	64030848	143500082

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)

	As at 31st March 2013	As at 31st March 2012
(i) 10,720 Equity Shares of ₹10/- each in Industrial Development Bank of India	₹ 871000	871000
Less: Provision for diminution in book value of investment	₹ 10720	0
(Market value ₹860280/-, previous year ₹1151328/-)	₹ 860280	871000
(ii) 10,000 Equity Shares of ₹10/- each in IFCI Limited	₹ 100000	100000
(Market value ₹261000/-, previous year ₹418500/-)		
(iii) 1,050 Equity Shares of ₹10/ each in State Bank of Travancore	₹ 63000	63000
(Market value ₹544793/-, previous year ₹610155/-)		
Unquoted:		
(iv) 10,000 Equity Shares of ₹10/- each in Praveen Securities Limited	₹ 100000	100000
(b) In Mutual Funds:		
5,000 units of Rs.10/- each in SBI Mutual Fund	₹ 50000	50000
(Fair value ₹80878/-, previous year ₹68900/-)		
46,393.97 Units of ₹10/- each in Canara Robeco Mutual Fund	₹ 600000	0
(Indigo Growth Fund)		
Less: Provision for diminution in book value of investment	₹ 1857	0
(Fair value ₹598143/-, previous year ₹Nil/-)	₹ 598143	0
	₹ 1771423	1184000
(i) Aggregate amount of quoted investments	₹ 1034000	1034000
(ii) Aggregate market value of quoted investments	₹ 1666073	2179983
(iii) Aggregate amount of unquoted investments	₹ 750000	150000
(iv) Aggregate provision made for diminution in value of Investments	₹ 12577	Nil

NOTES TO BALANCE SHEET

	As at 31st March 2013	As at 31st March 2012
15 LONG-TERM LOANS AND ADVANCES:		
Unsecured, considered good		
(a) Capital advances	₹ 110176313	28161260
(b) Security deposits (includes an amount of ₹1215000/-, previous year ₹ 1215000/- due from a Director towards rental deposit of office premises)	₹ 13389362	8733468
(c) Loans and advances to related parties: (Refer Note No.31 (II) (10))		
Unsecured, considered good:	₹ 999724	999724
Unsecured, considered doubtful	₹ 18851	18851
Less: Provision for doubtful advances	₹ (18851)	(18851)
	₹ 0	0
(d) Advance to suppliers	₹ 16139259	48119031
(e) Prepaid taxes (net of provision for taxation)	₹ 41114828	0
(f) Other loans and advances		
i. Prepaid expenses	₹ 1764826	1875093
ii. Other advances	₹ 10270875	21704712
	₹ 193855187	109593288
16 OTHER NON-CURRENT ASSETS:		
(a) Long-term trade receivables		
i. Un-secured-considered good	₹ 61603802	65158219
ii. Un-secured-considered doubtful	₹ 17093968	17093968
Less: Provision for doubtful debts	₹ (17093968)	(17093968)
	₹ 0	0
(b) Share deposits to related parties Refer Note No.31(II) (10)		
Unsecured, considered good	₹ 2400000	2400000
Unsecured, considered doubtful	₹ 5750000	5750000
Less: Provision for doubtful advances	₹ (5750000)	(5750000)
	₹ 0	0
(c) Other receivables	₹ 26660359	27023315
	₹ 90664161	94581534
CURRENT ASSETS:		
17 CURRENT INVESTMENTS:		
(a) Investment in mutual funds (Unquoted, at lower of cost and fair value) Nil units (previous year 49860.286) in SBI Premier Liquid fund - daily dividend	₹ 0	50022332
	₹ 0	50022332
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* (Stock in transit ₹ 586730069 previous year ₹ 1687234135/-)	₹ 1053793040	2093446275
(ii) Work-in-progress	₹ 52960764	53366836
(iii) Finished goods (Stock in transit ₹ Nil/- previous year ₹ 66685210/-)	₹ 1411731560	1293427295
(iv) Stores and spares (Stock in transit ₹ 3085882/- previous year ₹ 4375530/-)	₹ 28695626	35195908
* Includes ₹ 2296815/- from Trial Run production		
	₹ 2547180990	3475436314

NOTES TO BALANCE SHEET

	As at 31st March 2013	As at 31st March 2012
19 TRADE RECEIVABLES:		
(Unsecured, considered good)		
(i) Outstanding for a period exceeding six months from the date they became due for payment	₹ 18930035	12429034
(ii) Others	₹ 1305094931	1309239186
	₹ <u>1324024966</u>	<u>1321668220</u>
20 CASH AND BANK BALANCES:		
Cash and Cash Equivalents:		
(i) Cash on hand	₹ 2509604	911246
(ii) Balances with banks:		
(a) In current accounts	₹ 390806748	515920452
(b) In fixed deposits held for maturity of three months	₹ 52874855	150878424
	₹ <u>446191207</u>	<u>667710122</u>
Other than cash and cash equivalents:		
(i) Other bank balances:		
(a) In unclaimed dividend accounts	₹ 9396132	10923108
(b) Balances with banks to the extent held as margin money (Pledged to banks towards margin on letters of credit etc.).	₹ 600504730	1100373575
(c) In fixed deposits held for maturity of more than three months but less than twelve months	₹ 58900000	0
	₹ <u>668800862</u>	<u>1111296683</u>
	₹ <u>1114992069</u>	<u>1779006805</u>
21 SHORT-TERM LOANS AND ADVANCES:		
(Unsecured, considered good)		
(a) Deposits	₹ 9500000	26000000
(b) Central excise duty deposits	₹ 82816670	119737568
(c) Other advances and receivables	₹ 20341955	21475839
(d) Prepaid expenses	₹ 21169311	36651850
(e) Advances to suppliers	₹ 56821247	70565639
(f) Advances to staff	₹ 2172900	4072418
(g) Prepaid taxes (net of provision for taxation)	₹ 0	29980151
(h) MAT credit entitlement	₹ 5873857	5873857
	₹ <u>198695940</u>	<u>314357322</u>
22 OTHER CURRENT ASSETS:		
Interest accrued on deposits and investments	₹ 22972638	26593018
Claims receivable	₹ 2801955	0
Scrap value of discarded assets	₹ 20299620	4199620
	₹ <u>46074213</u>	<u>30792638</u>

NOTES TO STATEMENT OF PROFIT AND LOSS

		For the year ended 31st March 2013	For the year ended 31st March 2012
23 SALE OF SERVICES:			
Job work services	₹	<u>82136383</u>	<u>35845</u>
24 OTHER OPERATING INCOME:			
Sale of scrap arising out of manufacturing process	₹	<u>2567</u>	<u>7098979</u>
25 OTHER INCOME:			
(a) Interest income	₹	62906500	80616911
(b) Dividend income from long-term non-trade investments	₹	152322	77960
(c) Dividend income from current investments	₹	0	22332
(d) Sale of other scrap	₹	13532402	33771339
(e) Liabilities no longer required written back	₹	26306610	319019
(f) Other non-operating income (net of expenses directly attributable to such income)	₹	25556179	5796615
	₹	<u>128454013</u>	<u>120604176</u>
26 COST OF RAW MATERIALS CONSUMED:			
i. Opening inventory	₹	2093446275	914529057
ii. Add: Purchases during the year	₹	4918563752	6988003393
	₹	7012010027	7902532450
iii. Less: Closing inventory	₹	1051496225	2093446275
iv. Raw Material consumed	₹	<u>5960513802</u>	<u>5809086175</u>
Particulars of raw material consumed:			
(a) Coking Coal	₹	4706906807	4886697095
(b) Iron Ore and Iron Ore fines	₹	573367510	815737502
(c) Steam Coal	₹	605716065	54288195
(d) Others	₹	74523420	52363383
	₹	<u>5960513802</u>	<u>5809086175</u>
27 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS:			
(a) Opening inventory:			
(i) Finished goods including by-product	₹	1293427295	1194408793
(ii) Work-in-progress	₹	53366836	51294469
	₹	<u>1346794131</u>	<u>1245703262</u>
(b) Closing inventory:			
(i) Finished goods including by-product	₹	1411731560	1293427295
(ii) Work-in-progress	₹	52960764	53366836
	₹	<u>1464692324</u>	<u>1346794131</u>
Adjustment for excise duty on finished goods	₹	<u>(28858488)</u>	<u>(6827790)</u>
	₹	<u>(89039705)</u>	<u>(94263079)</u>
28 EMPLOYEE BENEFITS EXPENSE:			
(a) Salaries, wages, bonus and other benefits	₹	132112815	128688700
(b) Contribution to provident and other funds	₹	8910307	10442084
(c) Contribution to employee state insurance	₹	281273	286942
(d) Staff welfare expenses	₹	2962555	2901971
	₹	<u>144266950</u>	<u>142319697</u>

NOTES TO STATEMENT OF PROFIT AND LOSS

		For the year ended 31st March 2013	For the year ended 31st March 2012
29 FINANCE COSTS:			
(a) Interest expense	₹	354203296	371712220
(b) Other borrowing costs	₹	79699491	52607500
(c) Net loss on foreign currency transactions and translation	₹	281116453	9119336
	₹	<u>715019240</u>	<u>433439056</u>
30 OTHER EXPENSES:			
i Consumption of stores and spare parts	₹	46898577	33011805
ii Power and fuel	₹	39823078	54946729
iii Rent	₹	4510663	4503210
iv Repairs to buildings	₹	1629850	2225481
v Repairs to machinery	₹	137169100	98682285
vi Repairs to others	₹	852438	723447
vii Insurance	₹	19683349	16444215
viii Rates and taxes, excluding taxes on income	₹	3291074	4164620
ix Payments to auditors:			
(a) As auditors	₹	1200000	1200000
(b) As tax auditors	₹	650000	600000
(c) For taxation matters	₹	200000	200000
(d) For quarterly reviews	₹	600000	450000
(e) For certification	₹	374045	625600
(f) For reimbursement of expenses	₹	213659	106852
(g) Total fees	₹	3237704	3182452
x Printing and stationery	₹	1867304	1289465
xi communication expenses	₹	1560835	1954976
xii Advertisement	₹	197233	188179
xiii Traveling and conveyance	₹	6398555	6043248
xiv Vehicle maintenance	₹	7464133	5634379
xv Legal and professional charges	₹	12527562	11484219
xvi Net loss on foreign currency transaction and translation (other than considered as finance cost)	₹	77684659	364309298
xvii Donations	₹	41848	413137
xviii Loss on sale of assets (net of profit on sale of asset of ₹444548/- previous year ₹ nil)	₹	101221	26595
xix Bad debts written off	₹	3328087	1296789
xx Carriage and freight	₹	120963924	166204422
xxi Discounts	₹	21870148	6708038
xxii Directors fees	₹	420000	376000
xxiii Bank charges	₹	646293	1834676
xxiv Book deficit on assets discarded	₹	28639095	0
xxv Commission on sales	₹	10532664	23056279
xxvi Provision for diminution in value of long term investments	₹	12577	0
xxvii Advances written off	₹	0	5463044
Less: Provision for doubtful advances no longer required	₹	0	5463044
	₹	0	0
xxviii Miscellaneous expenses	₹	35224030	27782677
xxix Prior year adjustments (net)	₹	3806607	711294
	₹	<u>590382608</u>	<u>837197915</u>

31. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION:**I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

- (a) Basis of preparation:
The financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on an accrual basis in all material respects with the notified Accounting Standards by the Companies (Accounting Standards) Rules, 2006 (as amended), other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year. All assets and liabilities have been classified as current or non-current as per the company's normal operating cycle and other criteria set out in Revised Schedule VI to the Companies Act, 1956. Based on the nature of products and time between acquisition of assets for processing and their realization in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.
- (b) Use of Estimates:
The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of financial statements and reported amounts of revenues and expenses for the year. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Difference between actual results and estimates are recognised 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 directly relating to construction activity is capitalised. Indirect expenditure is capitalized to the extent those relate to the construction activity or is incidental thereto. Income earned during the construction period is deducted from the total expenditure relating to construction activity.
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 on fixed assets is provided under Straight Line Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.
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 Expenditure during construction period pending capitalisation.
- (e) Intangible assets and amortisation
Cost relating to intangible assets, which are acquired, is capitalised and amortised over a period of 3 years, which is based on their estimated useful life.
- (f) Impairment of Assets:
The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of amortised historical cost.
- (g) Excise Duty:
Excise duties recovered are included in "Gross Sales". Excise duty on sales 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 wherever applicable.
- (h) Investments:
i. Investments that are readily realisable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long term investments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

- ii. Current investments are carried at lower of cost and fair value determined on individual investment basis.
 - iii. Long-term investments are carried 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 credited to the Statement of Profit and Loss.
- (i) Inventories:
- i. Raw materials, stores, spares and consumables are valued at lower of cost, calculated on first-in-first-out (FIFO) basis. Items held for use in the production of inventories are not written down below cost if the finished product in which these will be incorporated are expected to be sold at or above cost.
 - ii. Finished goods and work-in-progress are valued at lower of cost and net realisable value except for By-products and Scrap which are valued at net realisable value. Cost includes materials, labour and a proportion of appropriate overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a First-in-First-out (FIFO) basis.
 - iii. Trading goods are valued at lower of cost and net realisable value.
 - iv. Net realisable value is the estimated selling price in the ordinary course of business, reduced by the estimated costs of completion and costs to effect the sale.
- (j) 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 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. Actuarial gains / losses arising during the year are recognised in Statement of Profit and Loss.
 - iii. Terminal benefits are recognised as an expense as and when incurred.
- (k) Foreign exchange transactions:
- i. Initial Recognition: Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.
 - ii. Conversion: Foreign currency monetary items are reported at year-end rates. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction.
 - iii. Exchange difference: Exchange differences arising on the settlement of monetary items or on reporting monetary items of Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise.
 - iv. Forward exchange contracts not intended for trading purpose: In case of forward exchange contracts, difference between forward rate and the exchange rate on the date of transaction is recognised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the Statement of Profit and Loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.
- (l) 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

- i. Sales:

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of products are transferred to the customers. Gross sales includes excise duty and adjustments for price variation.

Revenue from product sales is stated exclusive of returns, sales tax and applicable trade discounts and allowances.
 - ii. Interest:

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the applicable rate.
 - iii. Dividend:

Dividend is recognised when the shareholders' right to receive payment is established by the Balance Sheet date.
 - iv. Service income is recognised as per the terms of the contracts with customers when the related services are performed or the agreed milestones are achieved.
- (m) 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.
- (n) Taxes on Income:
- i Tax expense or saving is the aggregate of Current Year Tax, Deferred Tax charged or credited to the Statement of Profit and Loss for the year.
 - ii. 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. The Company also provides for such disallowances made on completion of assessment pending appeals, as considered appropriate depending on merits of each case.
 - iii. Deferred tax:

Deferred Income Taxes are recognized for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect of a change in tax rates on deferred tax assets and liabilities 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 recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all Deferred Tax Assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

In the situations where the company is entitled to tax holiday under Income tax Act, 1961 no deferred tax is recognized in respect of timing differences which reverse during the tax holiday period, to the extent company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the year in which timing difference originate.

Unrecognized Deferred Tax Assets of earlier years are reassessed and recognized to the extent that it has become reasonably certain or virtually certain, as the case may be that future taxable income will be available against which such Deferred Tax Assets can be realized.

The carrying amount of Deferred Tax Assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a Deferred Tax Asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which Deferred Tax Asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.
 - iv. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

- (o) Proposed / Interim Dividend:
Dividend as proposed, if any, by the Board of Directors is accounted in the books of account, pending approval at the Annual General Meeting.
- (p) 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.
- (q) Borrowing Costs:
Borrowing cost includes interest, ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.
Borrowing costs directly attributable to acquisition or construction of Fixed Assets which necessarily take a substantial period of time to get ready for their intended use, incurred till the time of commencement of commercial production or their intended use are capitalized. All other borrowing costs are expensed in the period they occur.
- (r) Earnings Per Share:
i. The basic Earnings Per Share (EPS) is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of Equity Shares outstanding during the year.
ii. Diluted Earnings Per Share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of Equity Shares outstanding during the year as adjusted for the effects of all dilutive potential Equity Shares.
- (s) 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.
- (t) 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.

II. OTHER EXPLANATORY INFORMATION::
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 Anantapuram 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 BSE Limited and The National Stock Exchange of India Limited.

- 2 Previous year figures have been regrouped/ recast/ rearranged wherever necessary to conform to current year classification.

		As at	As at
		31st March 2013	31st March 2012
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	₹ 22098289	36124135
	iii. Taxes and duty demands contested by the Company.	₹ 8135807	6756707
		₹ <u>42402237</u>	<u>55048983</u>
B	Commitments:		
	i. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	₹ 1296547179	<u>918233772</u>

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

- 4 Confirmation letters have been issued in respect of trade receivables and other receivables, loans and advances and trade payables and other payables of the Company. Balances where confirmations are not forthcoming such balances are subject to reconciliation and consequential adjustment required, if any, would be determined/made on receipt of confirmation. However, 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 at least 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 and work-in-progress."

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

		As at 31st March 2013	As at 31st March 2012
(a) Payable for supply and services:			
i. Amount in foreign currency	US\$	25224950	38762304
ii. Amount equivalent in Indian currency	₹	1369336404	1982943839
(b) Buyer's credit:			
i. Amount in foreign currency	US\$	45040966	56681956
ii. Amount equivalent in Indian currency	₹	2445048813	2871768459

7 **DISCLOSURE ON UTILISATION OF PROCEEDS OF PREFERENTIAL ISSUES IN TERMS OF SEBI (ICDR) REGULATIONS 2009:**

1 The proceeds of preferential issue made in the year 2010-11 has been utilised as per the following details:

i. Amount raised in financial year 2010-11	₹	129000000
ii. Amount raised in financial year 2011-12	₹	82350000
iii. Amount raised in financial year 2012-13	₹	88650000
Total amount raised	₹	300000000
iv. Amount incurred on project and other related business expenditure	₹	299890056
v. Amount in current account with bank	₹	109944
Total amount utilised	₹	300000000

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

<u>Particulars</u>		For the Year ended 31st March 2013	For the Year ended 31st March 2012
(a) DEFINED CONTRIBUTION SCHEMES:			
Contributions to defined contribution schemes charged off for the year are as under:			
i. Contribution to Provident Fund	₹	6073118	6154899
ii. Contribution to Employee State Insurance	₹	281273	286942
(b) DEFINED BENEFIT PLANS:			
(Disclosures as per actuary certification)			
i. Gratuity (unfunded)			
(i) Statement of Profit and Loss:			
(a) Current service cost	₹	1119181	890588
(b) Interest cost on benefit obligation	₹	1384420	1090268
(c) Expected return on plan assets	₹	Nil	Nil
(d) Net actuarial (gain) / loss recognised in the year	₹	2398054	2325049
(e) Past service cost	₹	Nil	Nil
(f) Net benefit expenses	₹	4901655	4305905

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

		For the Year ended 31st March 2013	For the Year ended 31st March 2012
(II) Balance Sheet:			
Change in the present value of the defined benefit obligation are as follows:			
(a) Opening defined benefit obligation	₹	17305251	13628349
(b) Interest cost	₹	1384420	1090268
(c) Current services cost	₹	1119181	890588
(d) Past services cost	₹	0	0
(e) Benefits paid	₹	(173607)	(629003)
(f) Actuarial (gain)/loss on obligation	₹	2398054	2325049
(g) Closing defined benefit obligation	₹	22033299	17305251
ii. Leave Encashment (unfunded)			
(I) Statement of Profit and Loss:			
(a) Current service cost	₹	371358	214262
(b) Interest cost on benefit obligation	₹	384065	326545
(c) Expected return on plan assets	₹	Nil	Nil
(d) Net actuarial (gain) / loss recognised in the year	₹	548742	314520
(e) Past service cost	₹	Nil	Nil
(f) Net benefit expenses	₹	1304165	855327
(II) Balance Sheet:			
Change in the present value of the defined benefit obligation are as follows:			
(a) Opening defined benefit obligation	₹	4800810	4081809
(b) Interest cost	₹	384065	326545
(c) Current services cost	₹	371358	214262
(d) Benefits paid	₹	(57996)	(136326)
(e) Actuarial (gain)/loss on obligation	₹	548742	314520
(f) Closing defined benefit obligation	₹	6046979	4800810
(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 of 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 of 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 2013.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION
Primary Segment Reporting:

Reportable Segment	2012-13			2011-12		
	Pig Iron	Metallurgical Coke with Co-generation Power	Total	Pig Iron	Metallurgical Coke with Co-generation Power	Total
	₹	₹	₹	₹	₹	₹
Revenue:						
Revenue from operations (net)	1879726949	6650832865	8530559814	2769525271	5316805392	8086330663
Inter/Intra segment sales	0	1016952417	1016952417	0	1749943054	1749943054
Total Revenue	1879726949	5633880448	7513607397	2769525271	3566862338	6336387609
Result:						
Segment result / (loss)	(357311726)	758942765	401631039	(349205420)	(184637731)	(533843151)
Interest (net)	Nil	Nil	291296796	Nil	Nil	291095309
Other un-allocable expenditure (net)	Nil	Nil	52412852	Nil	Nil	44848107
Profit / (loss) before tax	Nil	Nil	57921391	Nil	Nil	(869786567)
Provision for tax	Nil	Nil	35927147	Nil	Nil	(75307698)
Profit / (loss) after tax	Nil	Nil	21994244	Nil	Nil	(794478869)
Other information:						
Segment assets	3770012966	6689520985	10459533951	2940569010	8088450583	11029019593
Unallocated assets	58266184	0	58266184	180343748	0	180343748
Total Assets	3828279150	6689520985	10517800135	3120912758	8088450583	11209363341
Segment liabilities	3453736232	4931827918	8385564150	1737523062	7484811451	9222334513
Unallocated liabilities	9396132	0	9396132	10923108	0	10923108
Total liabilities	3463132364	4931827918	8394960282	1748446170	7484811451	9233257621
Capital expenditure:						
Tangible assets	552231430	4455258	556686688	3386864	880939132	884325996
Intangible assets	877320	0	877320	0	0	0
Depreciation and amortisation	47766367	184739907	232506274	55520605	143477983	198998588

Secondary Segment Reporting:

Secondary segment reporting is not applicable as the Company does not have exports during the year.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION
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	2012-13		2011-12	
		Amount of Transaction ₹	Amount Outstanding ₹	Amount of Transaction ₹	Amount Outstanding ₹
1	Key Management Personnel:				
a.	Managerial Remuneration:				
	Shri A.S.Rao	3993578	3542403 Cr.	2334198	1493216 Cr.
	Shri A. Naresh Kumar	4589452	4275163 Cr.	2409360	2069429 Cr.
b.	Rent:				
	Shri A.Naresh Kumar	583200	1137240 Cr.	583200	612360 Cr.
c.	Rent Deposit:				
	Shri A. Naresh Kumar	Nil	1215000 Dr.	Nil	1215000 Dr.
d.	Interest on unsecured loans:				
	Shri A.S.Rao	Nil	Nil	300196	Nil
	Shri A. Naresh Kumar	1056000	1318557 Cr.	660228	262557 Cr.
2	Relatives of Key Management Personnel:				
a.	Rent:				
	Smt. A. Mutya Bai	940560	1347015 Cr.	940560	1018155 Cr.
	Shri A. Ashok Kumar	1000800	2552040 Cr.	1000800	1651320 Cr.
b.	Rent Deposit:				
	Smt. A. Mutya Bai	Nil	473400 Dr.	Nil	473400 Dr.
	Shri A. Ashok Kumar	Nil	1515600 Dr.	Nil	1515600 Dr.
3	Acceptance of unsecured loans:				
	Shri. A.Naresh Kumar	Nil	8800000 Cr.	18300000	8800000 Cr.
	Shri A.S.Rao	Nil	Nil	8400000	Nil
4	Repayment of unsecured loans:				
	Shri. A.Naresh Kumar	Nil	Nil	9500000	Nil
	Shri A.S.Rao	Nil	Nil	8400000	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	118200000	Nil	109800000	Nil

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION
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 cancelable at its option. Rental expenses for operating leases recognised in the Statement of Profit and Loss for the year is ₹4510663/- (previous year ₹4503210/-)

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 2013	Year ended 31st March 2012
(i) Profit / (Loss) attributable to the Equity Shareholders (A)	₹	21994244	(794478869)
(ii) Basic/weighted average number of Equity Shares outstanding during the year (B)	Nos.	37514849	34610000
(iii) Diluted / weighted average number of Equity Shares outstanding during the year (C)	Nos.	38400000	34610000
(iv) Face value of Equity Share	₹	10	10
(v) Basic earnings / (loss) per Share (A/B)	₹	0.59	(22.96)
(vi) Diluted earnings / (loss) per Share (A)/(C)	₹	0.57	(22.96)

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 01.04.2012 ₹	(Charge) / Credit during the year ₹	Closing as at 31.03.2013 ₹
(i) Deferred Tax Liabilities			
(a) Depreciation	269865136	48059114	317924250
(b) Others	7608605	628442	8237047
Total (A)	<u>277473741</u>	<u>48687556</u>	<u>326161297</u>
(ii) Deferred Tax Assets			
(a) Expenses allowable on payment basis under Income Tax Act 1961	5667850	2656847	8324697
(b) Others	101793375	9940820	111734195
Total (B)	<u>107461225</u>	<u>12597667</u>	<u>120058892</u>
(iii) Deferred Tax Liability (net) (A)-(B)	<u>170012516</u>	<u>36089889</u>	<u>206102405</u>

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

		For the Year ended 31st March 2013	For the Year ended 31st March 2012
14	DETAILS OF FINISHED GOODS:		
A.	Sales value:		
i.	Pig Iron	₹ 1964458361	2868110943
ii.	Granulated Slag	₹ 9849575	21574916
iii.	Metallurgical Coke	₹ 4499606742	3525771482
iv.	Co-generation Power	₹ 1380754411	294975979
v.	Others:	₹ 105909763	167809903
		₹ <u>7960578852</u>	<u>6878243223</u>
B.	Closing inventory:		
i.	Pig Iron	₹ 297254222	416746048
ii.	Granulated Slag	₹ 1223178	1460371
iii.	Metallurgical Coke	₹ 1113254160	875220876
		₹ <u>1411731560</u>	<u>1293427295</u>
C.	Opening inventory:		
i.	Pig Iron	₹ 416746048	551436491
ii.	Granulated Slag	₹ 1460371	10248716
iii.	Metallurgical Coke	₹ 875220876	632723586
		₹ <u>1293427295</u>	<u>1194408793</u>
15	DETAILS OF WORK-IN -PROGRESS:		
i.	Pig Iron	₹ 7175222	7780581
ii.	Metallurgical Coke	₹ 45785542	45586255
		₹ <u>52960764</u>	<u>53366836</u>
16	VALUE OF IMPORTS CALCULATED ON C.I.F BASIS:		
(a)	Raw materials	₹ 4656712017	4242959926
(b)	Components and spare parts	₹ 1035053	121249
(c)	Capital goods	₹ 522618099	324594135
17	VALUE OF IMPORTED AND INDIGENOUS RAW MATERIALS, SPARE PARTS AND COMPONENTS AND THEIR PERCENTAGES TO TOTAL CONSUMPTION:		
(a)	Raw Materials:		
	Value:		
i.	Imported	₹ 5271136845	4860209171
ii.	Indigenous	₹ 689376957	948877004
		₹ <u>5960513802</u>	<u>5809086175</u>
	Percentages to total consumption		
i.	Imported	%	88.43
ii.	Indigenous	%	16.33
		%	<u>100.00</u>

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

		For the Year ended 31st March 2013	For the Year ended 31st March 2012
(b) Spare Parts and Components:			
Value:			
i. Imported	₹	1035053	121249
ii. Indigenous	₹	3444481	2102940
	₹	<u>4479534</u>	<u>2224189</u>
Percentages to total consumption			
i. Imported	%	23.11	5.45
ii. Indigenous	%	76.89	94.55
	%	<u>100.00</u>	<u>100.00</u>
18 EARNINGS IN FOREIGN EXCHANGE:		Nil	Nil
19 EXPENDITURE IN FOREIGN CURRENCY (ON ACCRUAL BASIS):			
(a) Usance interest	₹	96226199	75570405
(b) Travelling	₹	2512850	963562
	₹	<u>98739049</u>	<u>76533967</u>
20 AMOUNT REMITTED IN FOREIGN CURRENCY ON ACCOUNT OF DIVIDENDS:			
(a) Total number of non-resident shareholders	Nos.	0	3
(b) Total number of shares held by them	Nos.	0	5701500
(c) The year to which the dividend relates	Year	0	2010-11
(d) Amount of dividend remitted	₹	0	10262700
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 Summary of Significant Accounting Policies and other Explanatory Information form 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: 0022835

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

Hyderabad
Date:30.05.2013

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
1. INTRODUCTION:

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

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

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

2. POLICY STATEMENT:

2.1 This Code of Business Conduct and Ethics (herein after referred to as "Code") embodies the commitment of Sathavahana Ispat Limited to conduct our business in accordance with highest standards of ethics and with all applicable laws, rules and regulations. This Code forms an integral part of the Corporate Governance policy of the Company and all the members of the Board of Directors and Senior Management must adhere to the policy of Corporate Governance and the present Code in its true spirit. The members of the Board of Directors and Senior Management are expected to and advised to follow the principles and procedures set forth in this Code in their respective functioning and thus set highest ethical standards in their business and personal dealings.

3. OBJECTIVE:

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

4. AUTHORITY:

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

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

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

5. APPLICATION:

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

6. DISCLOSURE:

6.1 It is the intention of the Company that this Code shall be included in the next annual report of the Company

- to the shareholders as an exhibit to the report on Corporate Governance and be included so thereafter as may be decided by the Board of Directors in every annual report of the Company to the shareholders. The Code be also posted and maintained on the website of the Company, as and when the Company hosts its website.
- 6.2 The Managing Director in his capacity as Chief Executive Officer of the Company shall make an annual statement in the Annual Report of the Company addressed to all stake holders to the shareholders that all the Directors and Senior Management of the Company has complied with the standards of the Code and a certificate from every person affirming the compliance has been obtained.
- 6.3 Any update and modification to the Code shall be promptly disseminated and notified to all the members of the Board of Directors and senior management of the Company and so also to the Stock Exchanges where the equity shares of the Company are listed.
- 7. STANDARDS:**
- 7.1 Fiduciary duty and Conflict interest:
- 7.1.1 Directors and Senior Management owe a fiduciary duty to the Company to act always in the best interests of the Company and have a bounden duty to advance its legitimate business interests to itself whenever the opportunity to do so arises and must avoid any situation in which personal interests conflict or have potential of conflict with the Company interests.
- 7.1.2 Directors and Senior Management are prohibited from taking any benefit or advantage for themselves or through a third party entity where they have a direct or indirect relation, any corporate or business opportunity that is discovered through the use of Company's property, information or position unless Company itself has been given or afforded a first right of opportunity or option to take advantage of such opportunity and /or refusal and the Company has turned down such opportunity or option and refused to take such opportunity. Directors and Senior Management should desist from taking any personal gain, directly or indirectly through any related party, out of any corporate or business opportunity which otherwise would have genuinely belonged to the Company by virtue of deployment of its resources.
- 7.1.3 In the event of any conflict of interest in a particular situation, the proper course would be to have an approval of the Board of Directors of the Company beforehand. Where any personal benefit or gain made or accrued out of any corporate or business opportunity in which Company's property or services were used, the Directors and Senior Management must promptly account for such benefit or gain to the Company.
- 8.1 **Confidentiality:**
- 8.1.1 All confidential information concerning the Company is the property of the Company and must be closely guarded and / or protected and shall not be disclosed to any third party save and except mandated to do so by Law or authorized by the Company.
- 8.1.2 Confidential information concerning Company include possible / future business opportunities, customer and supplier data or profile, financial performance, unpublished financial information and / or financial data, unpublished securities information, technology and technical information, technical advancements, patents, trade marks, copy rights or any other information, expertise, knowledge which are in the exclusive domain of the Company.
- 8.1.3 Directors and Senior Management are prohibited from disclosing or using the same for personal gain any confidential information concerning the Company, which they acquire in the course of their association / employment with the Company. Such prohibition shall extend not only to work place but also to any other outside place and covers a period of say, one year after their dis-association or cessation of employment with the Company.
- 9.1 **Insider Trading:**
- 9.2 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 it's 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 FOURTH 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 FOURTH ANNUAL GENERAL MEETING of the Company being held on Monday, the 30th September, 2013 at 03.00 p.m. at Sri Sagi Ramakrishnam Raju Community Hall, Madhuranagar, Hyderabad - 500 038.

Name of Member/Proxy

Signature of Member/Proxy

Note:

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

SATHAVAHANA ISPAT LIMITED

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

TWENTY FOURTH 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.....orfailing himof.....in the district of..... as my/our Proxy to vote for me/us on my/our behalf at the **TWENTY FOURTH ANNUAL GENERAL MEETING** of the Company to be held on Monday, the 30th day of September, 2013 and at any adjournment thereof.

Signed this.....day of.....2013

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

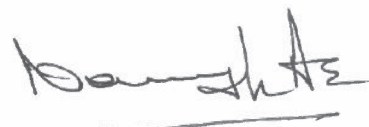



Book Post Printed Matter



If Underlivered please return to :
Sathavahana Ispat Limited
505, 5th Floor, Block - 1,
Divyashakti Complex,
Ameerpet, Hyderabad- 500 016

FORM A

**Format of covering letter of the annual audit report
to be filed with the stock exchanges**

1.	Name of the Company:	Sathavahana Ispat Limited Stock Code: BSE- 526093 NSE- SATHAISPAT
2.	Annual financial statements for the year ended	31st March 2013
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	Not Applicable
5.	To be signed by-	<p><input type="checkbox"/> CEO/Managing Director</p> <p align="center">  <u>Naresh Kumar</u> Naresh Kumar Managing Director </p> <p><input type="checkbox"/> CFO</p> <p align="center">  K.V. Krishna Rao Chief financial officer </p> <p><input type="checkbox"/> Auditor of the company</p> <p align="center">  M. V. Rajagopalan </p> <p><input type="checkbox"/> Audit Committee Chairman</p> <p align="center">  (K. THANU PILLAI) </p>