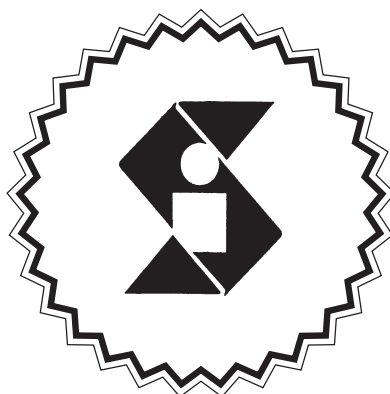


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# **SATHAVAHANA ISPAT LIMITED**



**28<sup>TH</sup>  
ANNUAL REPORT  
2016-17**

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AGM	: 28 <sup>th</sup> Annual General Meeting
Day and Date	: Friday, the 29 <sup>th</sup> September, 2017
Time	: 03.00 p.m.
Venue	: Sri Sagi Ramakrishnam Raju Community Hall, Madhura Nagar, Hyderabad-500 038
Date of Book Closure	
i) Physical Mode	: 16.09.2017 to 29.09.2017 (both days inclusive)
ii) Electronic Mode	: 15.09.2017
iii) Cut off Date/Record Date	: 15.09.2017
SIN 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 Syed Anis Hussain	Director
Shri S.N.Rao	Director
Smt Y.Prameela Rani	Director
Shri M.S.Rama Mohan Rao	Director
Shri A. Naresh Kumar	Managing Director
Dr. Shailendra Dasari	Executive Director (Operations)

**CFO & COMPANY SECRETARY**

Shri K.V. Krishna Rao

**AUDITORS:**

M/s. P.V.R.K. Nageswara Rao & Co.,  
Chartered Accountants, Hyderabad

**SECRETARIAL AUDITORS:**

M/s D.Hanumanta Raju & Co.,  
Practicing Company Secretaries,  
Hyderabad

**COST AUDITORS:**

M/s S. Mahadevan & Co.,  
Practicing Cost Accountants,  
Coimbatore

**BANKERS :**

State Bank of India  
(formerly State Bank of Hyderabad)  
Canara Bank  
Andhra Bank

**REGISTERED OFFICE :**

314, Sri Ramakrishna Towers,  
Nagarjuna Nagar, Ameerpet,  
Hyderabad - 500 073 Telangana

**CORPORATE OFFICE &  
SECRETARIAL DEPARTMENT:**

505, 5th Floor, Block - 1, Divyashakti Complex,  
Ameerpet, Hyderabad - 500 016  
Telangana

**SHARE TRANSFER AGENTS :**

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

**WORKS:**

1. Haresamudram Village,  
Bommanahal Mandal,  
Anantapuramu District,  
Andhra Pradesh.
2. Kudithini Village,  
Korugodu Road,  
Bellary District,  
Karnataka.

**NOTICE OF 28<sup>TH</sup> ANNUAL GENERAL MEETING**

**NOTICE** is hereby given that the 28<sup>th</sup> Annual General Meeting of the shareholders of **SATHAVAHANA ISPAT LIMITED** will be held at Sri Sagi Ramakrishnam Raju Community Hall, Madhura Nagar, Hyderabad – 500 038 on Friday, the 29<sup>th</sup> September, 2017 at 3.00 p.m. to transact the following business:

**AS ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st March, 2017 along with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Dr. Shailendra Dasari (DIN: 07263439) who retires by rotation and being eligible, offers himself for reappointment as Director.
3. To consider the appointment of Majeti & Co., Chartered Accountants, Hyderabad (Firm's Registration Number: 15975S) as Auditors under Sections 139, 141 and other applicable provisions of the Companies Act 2013 and fix their remuneration in place of retiring Auditors M/S.P.V.R.K.Nageswara Rao & Co., Chartered Accountants, Hyderabad, (Firm's Registration Number: 002283S).

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 139,141 and other applicable provisions, if any, of the Companies Act, 2013 and Rules made there under as amended from time to time and for the time being in force, M/s. MAJETI & CO., Chartered Accountants, Hyderabad (Firm's Registration Number: 15975S) be and is hereby appointed as Auditors of the Company to hold office from conclusion of this Annual General Meeting till the conclusion of thirty three Annual General Meeting, on a remuneration plus Goods and Service Tax and travelling/out of pocket expense to be mutually agreed upon by the Board of Directors of the Company and the Auditors".

**AS SPECIAL BUSINESS:**

4. To approve the appointment and fix remuneration payable to Cost Auditors, M/s. S. Mahadevan & Co.,

(Firm's Registration Number:00007) for the year ending 31<sup>st</sup> March 2018 and in this regard to consider and, if thought fit, to pass with or without modification(s) the following resolution as an **ORDINARY RESOLUTION:**

"RESOLVED that pursuant to the provisions of Section 148 and other applicable provisions if any, of the Companies Act 2013 and the Companies (Audit and Auditors) Rules, 2014 including any statutory modification(s) or re-enactment thereof, for the time being in force, the Cost Auditors, M/s. S. Mahadevan & Co., Practicing Cost Accountants (Firm's Registration Number:00007) be and hereby, based on the recommendation of the Audit Committee, appointed as Cost Auditors of the Company to conduct Cost Audit of the Cost Records of the Company for the financial year ending 31<sup>st</sup> March 2018 and be paid a remuneration of Rs.5.00 lakhs (Rupees five lakhs only) plus Service Tax and travelling / out of pocket expenses at actuals.

RESOLVED further that the Board of Directors of the Company be and are hereby authorized to do all such acts, matters, deeds and things as may be necessary to give effect to the above resolution."

By order of the Board

Hyderabad  
Date: 28.08.2017

(A. NARESH KUMAR)  
MANAGING DIRECTOR  
(DIN:00112566)

CIN:L27109TG1989PLC010654  
Regd. Office: 314, Sri Ramakrishna Towers,  
Nagarjuna Nagar, Hyderabad – 500 073

**NOTES:**

- 1) EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT 2013 IS ANNEXED.
- 2) THE RELEVANT DETAILS OF DIRECTORS, AS REQUIRED BY LISTING REGULATIONS SEEKING RE-APPOINTMENT UNDER ITEM NO. 2 ABOVE IS ANNEXED.
- 3) IN COMPLIANCE WITH PROVISIONS OF SECTION 108 OF THE COMPANIES ACT 2013 READ WITH THE RULES MADE THERE UNDER AND IN ACCORDANCE

WITH REGULATION 44 OF LISTING REGULATIONS 2015, THE COMPANY IS FACILITATING REMOTE E-VOTING OPTION FOR ITS MEMBERS TO ENABLE THEM TO CAST THEIR VOTES ELECTRONICALLY. MEMBERS HAVE OPTION TO VOTE EITHER THROUGH REMOTE E-VOTING OR THROUGH THE PHYSICAL BALLOT PAPER. IF A MEMBER HAS OPTED FOR REMOTE E-VOTING, THEN HE/SHE SHOULD NOT VOTE BY PHYSICAL BALLOT ALSO AND VICE-VERSA. HOWEVER, IN CASE MEMBERS CAST THEIR VOTE BOTH VIA PHYSICAL BALLOT AND REMOTE E-VOTING, THEN VOTING THROUGH REMOTE E-VOTING SHALL PREVAIL AND VOTING DONE BY PHYSICAL BALLOT SHALL BE TREATED AS INVALID. FOR THE PURPOSE OF REMOTE E-VOTING, THE COMPANY HAS SIGNED AN AGREEMENT WITH THE CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED ("CDSL") FOR FACILITATING REMOTE E-VOTING.

- 4) A MEMBER DESIRING TO EXERCISE VOTE BY PHYSICAL BALLOT SHALL FILL IN AND COMPLETE IN ALL RESPECTS THE BALLOT PAPER DULY CHECK (✓) MARKED WITH ASSENT (FOR) OR DISSENT (AGAINST) AND SIGN (AS PER SPECIMEN SIGNATURE REGISTERED WITH THE COMPANY) AND SEND THE SAME TO THE SCRUTINIZER IN THE SELF-ADDRESSED BUSINESS REPLY ENVELOPE.
- 5) THE PHYSICAL BALLOT NOTICE IS BEING SENT TO ALL THE MEMBERS, WHOSE NAMES APPEAR IN THE REGISTER OF MEMBERS / LIST OF BENEFICIAL OWNERS RECEIVED FROM NATIONAL SECURITIES DEPOSITORY LIMITED (NSDL)/ CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED AS ON 26<sup>TH</sup> AUGUST, 2017.
- 6) VOTING RIGHTS SHALL BE RECKONED IN PROPORTION TO THE PAID-UP EQUITY SHARES REGISTERED IN THE NAME OF THE MEMBER AS ON CUT OFF DATE / RECORD DATE 15<sup>TH</sup> SEPTEMBER, 2017.
- 7) RESOLUTIONS PASSED BY THE MEMBERS THROUGH PHYSICAL BALLOT ARE DEEMED TO HAVE BEEN PASSED EFFECTIVELY AT THE ANNUAL GENERAL MEETING OF THE MEMBERS. THE SPECIAL RESOLUTION SHALL BE DECLARED AS PASSED IF THE NUMBER OF VOTES CAST IN FAVOUR OF THE SPECIAL RESOLUTION IS NOT LESS THAN THREE TIMES THE NUMBER OF VOTES CAST AGAINST THE SPECIAL RESOLUTION. THE ORDINARY RESOLUTION SHALL BE DECLARED AS PASSED IF THE NUMBER OF VOTES CAST IN FAVOUR OF THE ORDINARY RESOLUTION IS MORE THAN THE VOTES CAST AGAINST THE ORDINARY RESOLUTION.
- 8) A MEMBER ENTITLED TO ATTEND AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND 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. CORPORATE MEMBERS WISHING TO DEPUTE THEIR AUTHORISED REPRESENTATIVES ARE REQUESTED TO SEND A DULY CERTIFIED COPY OF BOARD RESOLUTION AUTHORIZING THEIR REPRESENTATIVES TO ATTEND AT THE GENERAL MEETING.
- 9) THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM **16.09.2017 TO 29.09.2017** (BOTH DAYS INCLUSIVE) FOR TRANSFERS IN PHYSICAL MODE AND ON CLOSING HOURS OF **15.09.2017** FOR ELECTRONIC MODE FOR DETERMINING THE NAMES OF MEMBERS ELIGIBLE FOR THE PURPOSE OF ANNUAL GENERAL MEETING. THE VOTING RIGHTS OF MEMBERS SHALL BE IN PROPORTION TO THEIR SHARES IN THE PAID UP EQUITY SHARE CAPITAL OF THE COMPANY AS ON THE CUT-OFF DATE / RECORD DATE OF 15<sup>TH</sup> SEPTEMBER 2017. ANY PERSON, WHO ACQUIRES SHARES OF THE COMPANY AND BECOMES A MEMBER OF THE COMPANY AFTER DISPATCH OF THE NOTICE AND HOLDING SHARES AS OF THE CUT OFF DATE / RECORD DATE OF 15<sup>TH</sup> SEPTEMBER 2017, MAY OBTAIN USER ID AND PASSWORD BY SENDING A REQUEST AT [SATHAVAHANA@ETH.NET](mailto:SATHAVAHANA@ETH.NET) OR AT [XLFIELD@GMAIL.COM](mailto:XLFIELD@GMAIL.COM)
- 10) THE MEMBERS WHO HAVE SO FAR NOT ENCASHED THEIR DIVIDEND WARRANTS RELATING TO THE DIVIDEND DECLARED FOR THE FINANCIAL YEARS ENDING 31<sup>ST</sup> MARCH 2010 AND 31<sup>ST</sup> MARCH 2011 MAY APPROACH THE COMPANY WITHOUT ANY FURTHER DELAY FOR THE PAYMENT OF THE SAID DIVIDEND WARRANTS. PURSUANT TO PROVISIONS OF SECTION 205C OF THE COMPANIES ACT, 1956 AND / OR SECTION 124 & 125 OF THE COMPANIES ACT 2013 AS AND WHEN NOTIFIED AND AS AMENDED FROM TIME TO TIME 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 THEREAFTER. **ACCORDINGLY THE UNCLAIMED DIVIDEND FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2010 AND 31<sup>ST</sup> MARCH 2011 WILL HAVE TO BE CLAIMED BY THE SHAREHOLDERS ON OR BEFORE 29<sup>TH</sup> SEPTEMBER 2017 AND 29<sup>TH</sup> SEPTEMBER 2018 RESPECTIVELY AND THEREAFTER IT WILL BE TRANSFERRED TO INVESTOR EDUCATION AND PROTECTION FUND ON OR BEFORE 28<sup>TH</sup> OCTOBER 2017 AND, 28<sup>TH</sup> OCTOBER 2018 AS THE CASE MAY BE.** THE COMPANY HAS NOT DECLARED ANY DIVIDEND FOR THE YEAR ENDING 31<sup>ST</sup> MARCH 2012; 31<sup>ST</sup> MARCH 2013; 31<sup>ST</sup> MARCH 2014, 31<sup>ST</sup> MARCH 2015, 31<sup>ST</sup> MARCH 2016 AND 31<sup>ST</sup> MARCH 2017.

- 11) 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.
- 12) THE SHAREHOLDERS HOLDING SHARES IN PHYSICAL MODE ARE REQUESTED TO INTIMATE IMMEDIATELY ANY CHANGE IN THEIR ADDRESS REGISTERED WITH THE COMPANY TO THE SHARE TRANSFER AGENTS M/S XL SOFTECH SYSTEMS LIMITED, #3, SAGAR SOCIETY, ROAD NO.2, BANJARA HILLS, HYDERABAD – 500 034. MEMBERS ARE ALSO REQUESTED TO UPDATE THEIR EMAIL IDS IN ORDER TO COMMUNICATE SPEEDILY AND AS A PART OF GREEN INITIATIVE.
- 13) THE SHAREHOLDERS ARE HEREBY REQUESTED THAT ALL THE CORRESPONDENCE IN CONNECTION WITH THE SHARES BE ADDRESSED TO THE SHARE TRANSFER AGENTS OF THE COMPANY M/S XL SOFTECH SYSTEMS LIMITED, #3, SAGAR SOCIETY, ROAD NO.2, BANJARA HILLS, HYDERABAD – 500 034, EMAIL: XLFIELD@GMAIL.COM OR TO THE SECRETARIAL DEPARTMENT OF THE COMPANY AT 505, 5<sup>TH</sup> FLOOR, BLOCK-1, DIVYASHAKTI COMPLEX, AMEERPET, HYDERABAD – 500 016 EMAIL [SATHAVAHANA@ETH.NET](mailto:SATHAVAHANA@ETH.NET)
- 14) 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 26<sup>TH</sup> 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.

- 15) MEMBERS ARE REQUESTED TO BRING THEIR COPY OF ANNUAL REPORT TO THE MEETING. MEMBERS / PROXIES SHOULD FILL THE ATTENDANCE SLIP FOR ATTENDING THE MEETING. MEMBERS / PROXIES ARE REQUESTED TO FILL IN THE CLIENT ID AND DP ID NUMBERS IN CASE OF ELECTRONIC HOLDING AND FOLIO NUMBER IN CASE OF PHYSICAL HOLDING IN THE ATTENDANCE SLIPS.
- 16) MEMBERS HOLDING SHARES IN PHYSICAL FORM AND DESIROUS OF AVAILING THE BENEFIT OF NOMINATION FACILITY IN TERMS OF SECTION 72 OF THE COMPANIES ACT, 2013 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 REGISTRAR AND SHARE TRANSFER AGENTS M/S. XL SOFTECH SYSTEMS LIMITED OR COMPANY'S SECRETARIAL DEPARTMENT.
- 17) THE EQUITY SHARES OF THE COMPANY ARE LISTED ON BSE LTD (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.

#### **GUIDANCE AND INSTRUCTIONS TO THE MEMBERS FOR VOTING:**

##### **I. VOTING THROUGH PHYSICAL BALLOT PAPER:**

1. A member desiring to exercise vote by Physical Ballot shall fill in and complete in all respects the

enclosed Physical Ballot Paper duly check (✓) marked with assent (for) or dissent (against) and sign and send the same to the Scrutinizer in the self-addressed Business Reply Envelope.

2. Postage will be borne and paid by the Company. However, envelopes containing Physical Ballots will also be accepted, if sent by Courier or by Registered Post at the expense of the Member. The envelopes may also be deposited personally at the address given thereon.
3. The Physical Ballot Paper, duly completed and signed should be returned in the self-addressed postage prepaid envelope so as to reach the Scrutinizer before the close of working hours on or before 28<sup>th</sup> September, 2017. Any Physical Ballot Paper received after last date (after 6.00 P.M. on 28<sup>th</sup> September 2017) shall be treated as if the reply from the shareholders had not been received.
4. The members are requested to exercise their voting rights by using the attached Physical Ballot Paper only. No other Form or photocopy of the Form is permitted.

## II. Remote voting electronically:

Voting electronically is facilitated through Remote E-voting module of Central Depository Systems (India) Limited (CDSL) that can be accessed on <https://www.evotingindia.com>

The voting period begins on 26<sup>th</sup> September 2017 (10.00 hrs.) and ends on 28<sup>th</sup> September 2017 (18.00 hrs.). During this period shareholders of the Company, holding Shares either in physical form or in dematerialized form, as on the cutoff date / record date i.e. 15<sup>th</sup> September 2017 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter (i.e. 18.00 hrs., 28<sup>th</sup> September 2017).

Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue. Shareholders who have not exercised the voting either through Remote E-voting or by sending Physical Ballot Paper can vote at the time and venue of the Annual General Meeting either physical ballot or by electronic mode made available at the venue.

## 1. Login to Remote E-Voting and voting electronically:

- 1.1. Double click on the Internet Explorer Icon located on the desktop of your computer and launch the web browser. Type the following address in the address bar **<https://www.evotingindia.com>** and click on "Enter" key.
- 1.2. Click on SHAREHOLDERS and enter your User id (For NSDL :- 8 Character DP ID followed by 8 Digits Client ID / For CDSL :- 16 digits beneficiary ID / For Members holding Shares in Physical Form - Folio Number registered with the Company) & then enter the Captcha Code as displayed and click on Login.
- 1.3. If you are holding shares in demat form and had logged on to [www.evotingindia.com](https://www.evotingindia.com) and voted on an earlier voting of any Company, then your existing password is to be used. Else enter your PAN & at least one detail amongst Bank Account Number and DOB or Date of Incorporation have to be mentioned.
- 1.4. If you are a first time user follow the steps given below:

For Members holding Shares in Demat Form and Physical Form	
PAN	<ul style="list-style-type: none"> <li>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</li> <li>Members who have not updated their PAN with the Company/ Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN Field.</li> <li>In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. E.g. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN Field.</li> </ul>

DOB	Enter the Date of Birth as recorded in your Demat account or in the Company records for the said Demat account or folio in dd/mm/yyyy format.
Dividend Bank Details	Enter the Dividend Bank Details as recorded in your Demat account or in the Company records for the said folio. Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the Depository or Company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction 1.2

Kindly provide your details as available on the demat account / folio number provided, then click on submit.

- 1.5. The system will mandate for Demat account holder to change their initial password. Password should be minimum 8 characters long. Enter the password of your choice which you wish to keep for e-Voting purpose. Confirm the Password and then click on Submit.
- 1.6. If you are holding Shares in Demat form and had logged on to <https://www.evotingindia.com> and casted your vote earlier for EVSN of any Company, then your existing password is to be used. So after you enter the User ID and Captcha Code and click on Login you will be directed to the screen to enter your password.
- 1.7. The System will check the EVSN for which you are eligible to vote on the day you have logged in. Click on the EVSN for which you wish to vote for.
- 1.8. Members holding Shares in physical form will then directly reach the Company selection screen. However, Members holding Shares in Demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be used also by the Demat holders for e-voting for resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- 1.9. For Members holding Shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

- 1.10. Click on the EVSN for the Company name Sathavahana Ispat Limited (AGM), which you choose to vote.

## 2. To cast your vote:

- 2.1. On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/ NO" for voting. Select the option YES or NO as desired. The option "YES" implies that you assent to the Resolution and option "NO" implies that you dissent to the Resolution.
- 2.2. Read the Resolution Description carefully. In case you want to refer to the entire resolution file, click on "**Resolution file**" link.
- 2.3. After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed if you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- 2.4. The total number of securities you hold is already mentioned in the system. Select whether you assent or dissent for a Resolution.
- 2.5. Repeat the voting process for all the Resolutions on which you want to vote.
- 2.6. You can either vote on all the Resolutions in one login or vote partially on certain Resolutions.
- 2.7. Click on Submit.
- 2.8. You will see a dialog box stating 'Are you sure, you wish to confirm your vote?'
- 2.9. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- 2.10. Once you 'CONFIRM' your vote on the resolution, you will not be allowed to modify your vote.
- 2.11. Once you confirm, dialog box showing "Vote successfully recorded. Do you wish to print current voting status?" would appear.
- 2.12. If you wish to take print out of voting done by you then click on "OK" and you can take out the print out. If you do not wish to take print out then click on

Cancel then a dialog box "Thank you for using evoting system" will appear.

- 2.13. Click **OK** again.
- 2.14. You will be directed to your login home page you can vote for the remaining resolutions or you can re-login later to cast your vote for the remaining resolutions till the expiry of the voting period. The resolutions against which you have cast your vote will not be available for voting but would contain a message in the Choice field.
- 2.15. Select the decision for the Resolution for which you have not voted as yet and click on Submit.
- 2.16. Click on "OK" if you wish to confirm your vote.
- 2.17. The user can re-login after casting his/her vote with the user id and password provided to them any number of times.
- 2.18. If you do not wish to vote after logging in you can simply Logout.

#### **2.19 Note for Non-Individual Shareholders & Custodians:**

- Non-individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves as Corporates and Custodians respectively.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
- After receiving the login details they have to create compliance user using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

#### **3. Reset Password**

- 3.1. For Demat Account Holders - If you have forgotten your password to login to the e-Voting system and wish to vote on resolutions proposed by your Company. The Forgot Password would enable you to login.
- 3.2. After you select Enter the User ID and Captcha Code click on Forgot Password.
- 3.3. After you click on Forgot Password, Enter your PAN and any one detail from Email id, Mobile No, Bank Account Number or DOB or Date of Inc. Please note if your Email id, Mobile No. is uploaded in the Master file by the Company / RTA then you will be able to enter details in this field otherwise this field will not be editable. After entering the details click on submit.
- 3.4. If you enter your email ID the re-set password will come to your email id, if you enter your Mobile no. then an SMS will come informing you about the re-set password.
- 3.5. In case your Email id and Mobile No. is not editable then you can enter either your Bank Account Number or DOB or Date of Incorporation. Once you enter these details click on submit a dialog box showing "Credentials validated. You can change the password now. A new window will open up to allow you to change the password."
- 3.6. Click on OK you will be directed to the change password screen. Enter the New Password of your choice and confirm the same.

#### **4. Frequently asked questions:**

In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com) under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

#### **5. GENERAL:**

- 5.1. Members are requested to register their e-mail id with Registrar and Share Transfer Agent (RTA), at XL Softech Systems Limited (Unit: Sathavahana Ispat Limited), Plot No.3, Sagar Society, Road No.2, Banjara Hills, Hyderabad - 500 034 Phone: +91-40-23545913 Fax +91-40-2355 3214 Email: [xlfield@gmail.com](mailto:xlfield@gmail.com) web: [www.xlsoftech.com](http://www.xlsoftech.com).
- 5.2. The e-voting module will be disabled by CDSL for evoting immediately after the last date and time given herein above.

- |   |   |
|---|---|
| <p>5.3. Voting can be exercised only by the shareholder or his/her duly constituted attorney or in case of bodies corporate or non-individuals, the duly authorized person.</p> <p>5.4. Shareholders holding shares either in physical form or in dematerialized form may cast their vote electronically.</p> | <p>5.5. The Company has appointed M/s D.Hanumanta Raju &amp; Co., Practicing Company Secretaries, B-13, F-1, P.S.Nagar, Vijayanagar, Colony, Hyderabad – 500 057 as Scrutinisers for conducting the voting process in a fair and transparent manner.</p> <p>5.6. The Voting results shall be declared by the Company within two days from the date of conclusion of the Annual General Meeting.</p> |
|---|---|

**EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT 2013 ("ACT") AND LISTING REGULATIONS 2015**

**ITEM 4:**

In terms of provisions of Section 148 and other applicable provisions, if any, of the Companies Act 2013 and Companies (Audit and Auditors) Rules 2014 the Company is required to appoint Cost Auditor for conducting Cost Audit of the Cost Records of the Company. The appointment of Cost Auditor is to be made by the Board of Directors on the recommendation of Audit Committee and fix the remuneration and such remuneration is to be ratified by the Members in the Annual General Meeting.

Accordingly the Board of Directors based on the recommendations of the Audit Committee, has appointed M/s S. Mahadevan & Co., Practicing Cost Auditors (Firm's Registration Number:00007) as Cost Auditors for conducting Cost Audit of the Cost Records of the Company for the year 2017-18 and fixed remuneration as set out in the resolution.

In pursuance of the provisions of Section 148 and other applicable provisions, if any, of the Companies Act 2013, read with Companies (Audit and Auditors) Rules 2014 the remuneration payable for conducting Cost Audit of the Cost Records of the Company for the year ending 31<sup>st</sup> March 2018, to M/s S. Mahadevan & Co., Practicing Cost Accountants is now being placed before the Members in Annual General Meeting for their ratification.

None of the Directors on the Board, Key Managerial Personnel or their respective relatives is concerned or interested in the Resolution.

The Board of Directors commends the resolution for your approval.

**OTHER DETAILS OF DIRECTORS SEEKING RE-APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING**

Name of Director	Dr. Shailendra Dasari
DIN	07263439
Date of Birth	04.11.1954
Date of Appointment	01.10.2015
Qualifications	B.Tech., PGDM(IIMA), Ph.d
Expertise in specific functional areas	Over 32 years in industry and 5 years as a faculty in teaching.
List of Companies in which outside directorship held as on 31 <sup>st</sup> March, 2017.	Nil
Chairman / Member of the Committees of the Board of the other Companies in which he is a Director as on 31 <sup>st</sup> March, 2017.	Nil
No.Shares Held	Nil

By order of the Board

Hyderabad  
Date: 28.08.2017

(A. NARESH KUMAR)  
MANAGING DIRECTOR  
(DIN:00112566)

CIN:L27109TG1989PLC010654  
Regd. Office: 314, Sri Ramakrishna Towers,  
Nagarjuna Nagar, Hyderabad – 500 073

## DIRECTORS' REPORT

To  
**The Members,**  
**SATHAVAHANA ISPAT LIMITED,**

Your Board of Directors has pleasure in presenting the 28<sup>th</sup> Annual Report together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2017:

### FINANCIAL RESULTS:

Your Board of Directors reports the following financial results for the year 2016-17:

(Amount in ₹)

SL NO.	Particulars	Year ended 31-03-2017	Year ended 31-03-2016
1.	Gross revenue from operations	11315975529	12322446236
2.	Other income	118305033	90862164
3.	Operating profit /(loss) before finance costs and depreciation	997101414	904712415
4.	Finance costs	1160614556	1042964018
5.	Depreciation and amortization	484181604	459808405
6.	Profit / (loss) before tax	(647694746)	(598060008)
7.	Tax expense	0	(254570388)
8.	Net Profit / (loss) after tax	(647694746)	(343489620)
9.	Add: Profit/(loss) brought forward from last year	(755967721)	(412478101)
10.	Balance carried forward	(1403662467)	(755967721)
11.	Earning /(loss)per Equity Share-Basic	(12.72)	(6.75)
12.	Earning/(loss)per Equity Share-Diluted	(12.72)	(6.75)

The performance during the year is satisfactory considering the various adverse factors at micro and macro level. On macro front the performance was adversely impacted due to unconducive economic conditions, volatile commodity prices and subdued market conditions. At the micro level the performance was impacted due to working capital constraints which resulted in not only lower capacity utilizations but also prevented deeper market penetration especially the new product that requires higher working capital. The gross revenue at ₹11315975529/- is lower as compared to previous year's revenue of ₹12322446236/-. The year ended with loss before tax of ₹647694746/- as against loss before tax of ₹598060008/- in the previous year. During the year, in the absence of virtual certainty deferred tax asset on account of unabsorbed depreciation and business loss and others amounting to ₹96218957/- has been recognized to the extent it can be realised fully against deferred tax liability. The tax impact accordingly is nil during the year as against reversal of deferred tax liability of ₹254570388/- during the previous year. The year ended with net loss after tax of ₹647694746/- as against net loss after tax of ₹343489620/- in the year before. Accordingly, the loss per share accounted for at ₹12.72 as compared to loss per share of ₹6.75 in the previous year.

### DIVIDEND AND GENERAL RESERVE:

The Board of Directors has not recommended any dividend for the year 2016-17 due to loss incurred during the year and carry forward loss from earlier years. Company cannot declare dividend until the carry forward loss is fully set off against the profits as provided in the Companies Act 2013. The Board of Directors also has not proposed to transfer any amount to General Reserve in view of the carry forward loss.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to the requirement under Section 134(3)(c) of the Companies Act 2013 with respect to Directors' Responsibility Statement, your Directors hereby state and confirm that:

- i) In the preparation of Annual Accounts for the Financial Year 2016-17 the applicable Accounting Standards had been followed with proper explanation relating to material departures;
- 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 31<sup>st</sup> March 2017 and of the Loss of the Company for the year ended on that 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 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) The Annual Accounts have been prepared on a going concern basis;
- v) Internal financial controls to be followed by the Company have been laid down and that such Internal Financial Controls are adequate and were operating effectively; and
- vi) Proper systems had been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**AUDIT COMMITTEE:**

The Audit Committee comprises Chairman -Shri K.Thanu Pillai, Independent Director and four other Independent Director members -Shri Syed Anis Hussain, Shri S.N.Rao, Smt Y. Prameela Rani and Shri M.S. Rama Mohan Rao. The Audit Committee at its meeting held on 30<sup>th</sup> May 2017 has considered and approved the Audited Accounts of the Company for the financial year ended 31<sup>st</sup> March 2017. The Audited Accounts for the financial year ended 31<sup>st</sup> March 2017, as approved and recommended by the Audit Committee, do not require any explanations from the Board.

**CORPORATE GOVERNANCE:**

Pursuant to Listing Regulations 2015 the 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 Code of Corporate Governance are attached to this Report and forms part of the Annual Report. These Reports are to be read in conjunction with this Directors' Report.

**DIRECTORS:**

Dr. Shailendra Dasari is liable for retirement of Directors by rotation at the end of the ensuing 28<sup>th</sup> Annual General Meeting and being eligible, offer himself for re-appointment at the said Annual General Meeting.

Dr. Shailendra Dasari has been appointed as Executive Director (Operations) at 26<sup>th</sup> Annual General Meeting for a period of three years effective from 01.10.2015 to 30.09.2018 and the office of Executive Director (Operations) is liable for retirement of Directors by rotation. Dr. Shailendra Dasari is eligible for re-appointment and approval of the Members for his re-appointment is being sought in the ensuing Annual General Meeting.

In the opinion of the Board the proposed appointee fulfils the conditions specified in the Companies Act 2013 and Rules made thereunder and keeps the Board strengthened.

Policy on selection and appointment of Directors, Composition and category of Directors, attendance of each Director at meetings, Number of other Directorships held by each Director, Number of Board meetings held and dates on which held, Board meetings process, familiarisation programme of each Independent Directors, Board's evaluation process are discussed in the Report on Corporate Governance which forms part of this Report.

The Board of Directors confirms that based on the declarations given by all the Independent Directors in pursuance of provisions of Section 149(7) of the Companies Act 2013 they meet the criteria of independence as provided in Section 149(6) of the Companies Act 2013. Shri M.S. Rama Mohan Rao will retire at the end of the Annual General Meeting.

**AUDITORS AND AUDIT REPORT:**

The tenor of present Auditors M/s P.V.R.K.Nageswara Rao & Co., Chartered Accountants, Hyderabad comes to end at the end of this Annual General Meeting and they are not eligible for re-appointment by virtue of provisions of the Companies Act 2013.

Pursuant to Section 139, 141 and other applicable provisions, if any, of the Companies Act 2013 and Rules made there under as amended from time to time and for the time being in force M/s. Majeti & Co., Chartered Accountants, (Firm's Registration Number:15975S) Hyderabad, is proposed to be appointed as Auditors of the Company to hold office from conclusion of this Annual General Meeting till the conclusion of thirty third Annual General Meeting and the resolution thereof is coming up for your approval. The proposed appointee firm has confirmed that they are eligible to be the Auditors of the Company subject to ratification of their appointment by the members at every Annual General Meeting during their tenure.

Majeti & Co., is headed by Shri Kiran Kumar Majeti and Shri K. Ramesh Babu. Shri Kiran Kumar Majeti, B.Com., FCA., ACMA, CISA is a Practicing Chartered Accountant with over 11 years of experience including with Price Waterhouse Coopers (PWC) with expertise in Statutory Audits, Tax Audits, Review of Internal Financial Controls and IND AS transition. Shri Ramesh Babu, B.Com., ACA., ACS., is having over 9 years of experience with a stint at Price Waterhouse Coopers (PWC) and about six years of industry experience with specialization in direct and indirect taxes and company secretarial matters. The team is assisted by well qualified persons in finance, accountancy, information technology, law etc., Your Board of Directors opines that the experience and expertise of the proposed auditors would go long way in the audit of the Company's accounts.

With respect to the Independent Auditors' Report for the financial year ended 31<sup>st</sup> March 2017 which forms part of the Annual Report containing emphasis of matter your Board of Directors state that the management replies to the same are contained in notes to accounts at 26.II.4(a) and 26.II.4(b) which are self-explanatory and the opinion of the Auditors is unmodified in respect of these matters. The Report do not require any further explanations from the Board.

#### **COST AUDITORS AND COST AUDIT REPORT:**

Company appointed M/s. S. Mahadevan & Co, Coimbatore, Practicing Cost Accountants (Firm's Registration Number 00007), as Cost Auditors for the financial year 2015-16 and 2016-17. The Cost Compliance Report as prepared by the Cost Auditors for the financial year 2015-16 has been filed with the Central Government within the due date. The Cost Compliance Report for the year 2016-17 prepared by the said Cost Auditors is under review. The Board of Directors based on the recommendations of the Audit Committee, has appointed M/s S. Mahadevan & Co., Practicing Cost Accountants (Firm's Registration Number : 00007) as Cost Auditors for conducting Cost Audit of the Cost Records of the Company for the year 2017-18. In pursuance of the provisions of Section 148 and other applicable provisions, if any, of the Companies Act 2013, read with Companies (Audit and Auditors) Rules 2014 the remuneration payable for conducting the Cost Audit for the year ending 31<sup>st</sup> March 2018 to M/s S. Mahadevan & Co., Practicing Cost Accountants is being placed before the Members in the ensuing Annual General Meeting for their ratification.

#### **SECRETARIAL AUDITOR AND SECRETARIAL AUDIT REPORT:**

M/s D. Hanumanta Raju & Co., Practicing Company Secretaries, Hyderabad who have been appointed as Secretarial Auditor for the financial year 2016-17 have conducted the Audit of the Secretarial Records and submitted their Report in MR-3 which is annexed to this Report (Annexure-V). The Secretarial Audit Report for the financial year ended 31<sup>st</sup> March 2017, do not require any explanations from the Board as there are no qualifications or reservations or adverse remarks. The Board of Directors at its meeting held on 30<sup>th</sup> May 2017 has re-appointed D.Hanumanta Raju & Co., Practicing Company Secretaries, Hyderabad as Secretarial Auditor for the financial year 2017-18.

#### **TRANSFER OF UNCLAIMED DIVIDEND AMOUNTS TO IEPF:**

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956 and / or Section 124(5) of the Companies Act 2013, previously declared dividends, which remained unclaimed for a period of seven years, have been transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956 and / or Section 125 of the Companies Act 2013.

#### **DIRECTORS, EMPLOYEES AND THEIR REMUNERATION:**

The particulars of employees required to be furnished pursuant to Section 197(12) of the Companies Act 2013 read with sub rule (2) to Rule 5 to the Companies (Appointment & Remuneration) Rules, 2014, as amended, are not required to be provided as there were no employees drawing remuneration more than the stipulated limits. Details of Remuneration Policy and payment of remuneration to all Directors / Key Managerial Personnel / other managerial employees is given in the Report on Corporate Governance under the head Nomination and Remuneration Committee which forms part of this Report. Managing Director and other Whole Time Directors have not received any remuneration or commission from holding or subsidiary companies as the Company do not have such companies. In the opinion of the Board the level and composition of remuneration to Directors, Key Managerial Personnel and other managerial

employees is reasonable and sufficient to attract, retain and motivate the people who could run the Company efficiently. The Board affirms that the remuneration paid is in accordance with Remuneration Policy of the Company. The relationship between performance and remuneration is clear and meets appropriate benchmarks and that the remuneration criteria succinctly balances between fixed and variable pay wherever set reflecting short and long term performance objectives appropriate to the working of the Company and its goals. Disclosures required to be made pursuant to Rule 5 to the Companies (Appointment & Remuneration) Rules, 2014 are attached to this report (Annexure-II).

**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. INE176C01016. 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 26<sup>th</sup> 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 listed on BSE Ltd (formerly The Bombay Stock Exchange Limited) Stock Code: 526093 and The National Stock Exchange of India Limited (NSE) Stock Code: SATHAISPAT and are regularly traded. The listing fee to these Stock Exchanges has been paid upto date.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Information on conservation of energy, technology absorption, foreign exchange earnings and out go required to be disclosed under Section 134 of the Companies Act 2013 read with Companies (Accounts) Rules 2014, is given in the Annexure forming part of this Report (Annexure-I).

**FIXED DEPOSITS:**

During the year the Company has not accepted fixed deposits within the meaning of Section 2(31) read with Sections 73 and 74 of the Companies Act 2013. There are no overdue deposits or outstanding deposits as on the Balance Sheet date.

**RISK MANAGEMENT:**

The Board engaged itself with the task of Risk Management by preparing, implementing and monitoring the risk management plan of the Company. The Board apart from ensuring the effectiveness of risk management covering internal financial risks and controls also reviews the same on regular basis. Major risks identified are monitored on a regular basis by the Board.

**INTERNAL FINANCIAL CONTROL AND SYSTEMS AND THEIR ADEQUACY:**

The Company has put in place Internal Financial Controls that will ensure the policies and procedures of the Company are followed regularly so that the business of the Company is conducted in orderly and efficient manner. The Internal Financial Controls are applied inter alia to test various aspects in the conduct of business including adherence to Company's policies, safeguarding Company's assets, prevention and detection of frauds and errors or irregularities, the accuracy and completeness of the accounting records and timely preparation of reliable financial information and the financial statements. In the opinion of the Board such Internal Financial Controls are adequate and were operating effectively. During the year such Internal Financial Controls have been tested and no reportable weaknesses in the design and operations were observed excepting as contained under Qualified Opinion in Annexure B to Independent Auditor's Report with respect to which your Board of Directors state that the management replies to the same are contained in notes to accounts at 26.II.4(b) which is self-explanatory.

**RELATED PARTY TRANSACTIONS:**

There are no material related party transactions entered into by the Company falling within the meaning of Section 188(1) of the Companies Act 2013. Other related party transactions, contracts or arrangements entered into by the Company are in the ordinary course of business and at arm's length price. The details of these contracts or arrangements or transactions as required to be disclosed in terms of Section 134(3)(h) are provided in Form AOC-2 which forms part of this Report (Annexure-III) and accompanying Financial Statements.

**PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS:**

The Company has not granted loans, guarantees or made investments in or to companies, firms or other parties covered in the Register maintained under Section 189 of the Companies Act 2013. The Company has not extended any loans to the employees for purchase of its shares. Other investments made by the Company are given in the accompanying Financial Statements which are in the ordinary course of business.

**EXTRACTS OF ANNUAL RETURN:**

Information on Extracts of Annual Return required to be disclosed under Section 92(3) of the Companies Act 2013 read with Rule 12 of Companies (Management and Administration) Rules 2014, is given in the prescribed Form MGT-9 forming part of this report (Annexure-IV).

**CORPORATE SOCIAL RESPONSIBILITY:**

The details with respect to Corporate Social Responsibility of the Company as required to be disclosed in terms of provisions of Section 135 read with Section 134(3)(o) and Rule 9 of Companies (Accounts) Rules 2014 are given in the Report on Corporate Governance attached to and forming part of this Report. During the year the Company, in terms of provisions of sub section 5 to Section 135 of the Companies Act 2013, is not required to earmark any fund for Corporate Social Responsibility activities in view of the losses.

**MATERIAL CHANGES:****Adoption of S4A scheme:**

The Company considering the delay in repayment of term loans including interest thereon and in meeting the obligations of short term borrowings and letters of credit has requested the secured lenders to consider and adopt the "Scheme for Sustainable Structuring of Stressed Assets' (S4A) with respect to the total exposure to the Company on the term loans and working capital loans.

The Lenders, having constituted Joint Lenders Forum (JLF), in their meeting held on i.e.07-Jun-2017 have acceded in-principle to the request of the company for S4A scheme with Reference date i.e. 07-Jun-2017 which scheme shall be finalised within 180 days from Reference Date in terms of guidelines / directions of Reserve Bank of India (RBI) issued from time to time with respect to S4A scheme. Under the S4A scheme, the debt exposure of the Company based on Techno Economic Viability study will be bifurcated into two parts –Sustainable and Unsustainable debt. The Sustainable debt amount which shall not be less than 50% of existing debt, shall have to be serviced by the Company on the same terms as that of existing terms and conditions including repayment schedules. The Unsustainable debt portion of the exposure shall be converted in to equity or other instruments as mutually agreed between the Company and the JLF by following the RBI guidelines for the S4A scheme with a clearly spelt out terms. JLF gets 180 days from Reference Date to formulate the resolution plan and implement the same after due internal approvals.

This is positive from the Company's point of view, as the Cash Flows of the Company are expected to ease post implementation of S4A scheme which will eventually facilitate improvement in its operations.

The Company has considered adopting the restructuring scheme of loans for the first time in its history of over two and a half decades.

**Plant shutdown:**

Due to tight cash flows and non-availability of working capital limits the operations at Ferrous division have been impacted and the plant was under shut down since 12<sup>th</sup> June 2017. The operations at Kudithini works too were impacted where Metallurgical Coke facility is running on job work basis and Power generation has been shut down. This impact is likely to continue until the restructuring of the loans are done by the financing institutions and banks.

Barring the above, there are no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year to which the Financial Statements relates and the date of this Report.

**ORDERS PASSED BY THE REGULATORS,COURTS OR TRIBUNALS:**

There are no significant and material orders passed by the Regulators, or Courts or Tribunals impacting the going concern status and Company's operations in future. However the Company in the year 2015-16 along with some other buyers of Iron Ore contested before the Hon'ble High Court of Karnataka (HC) the levy of Forest Development Tax (FDT) by the miners on their sale of Iron Ore. The Hon'ble HC vide its judgement dated 15.02.2016 has granted partial relief to the Company and directed the Government of Karnataka (GOK) to refund the FDT collected earlier. Following the judgement the Company has vide its letter dated 09.03.2016 filed an application for refund of ₹ 2325.73 lakhs towards FDT collected in the earlier years. However Government of Karnataka and some mining companies have since gone on appeal before the Hon'ble Supreme Court against the above judgement. Pending disposal of the appeal, the Company has not recognised the said refund claim in its books of account in the Financial Year 2016-17.

**SUBSIDIARY OR ASSOCIATE COMPANIES:**

There are no subsidiary or associate companies to the Company as at the end of 31<sup>st</sup> March 2017. Accordingly no Consolidated Financial Statements is required to be prepared and reported.

**CREDIT RATING:**

During the year Brickwork Ratings India Private Limited., has assigned BWR BBB- rating for the company's long term bank borrowings and BWR A3 for working capital limits.

**STANDALONE FINANCIAL STATEMENTS:**

The accompanying Financial Statements and this Board's Report are prepared based on standalone operations of the Company.

**BOARD'S APPROVAL:**

This Directors' Report has been considered, approved and adopted by the Board of Directors at its meeting held on 28<sup>th</sup> August 2017. The accompanying Financial Statements were approved and adopted by the Board of Directors at its meeting held on 30<sup>th</sup> May 2017.

**ACKNOWLEDGMENTS:**

Your Directors take this opportunity to express their grateful thanks to Canara Bank, State Bank of India (formerly 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

(K. Thanu Pillai)

Chairman

(DIN:00115814)

Place: Hyderabad

Date: 28.08.2017

**ANNEXURE-I TO DIRECTORS' REPORT**
**Statutory information as required under Section 134(3)(m) read with Rule 8(3) of the Companies (Accounts) Rules 2014**

- a) Conservation of Energy: The Company has set-up Captive Power Generation Plants, which utilise surplus Blast Furnace gas and waste heat from exhaust gases of Coke Ovens for generating Power apart from thermal coal. The Power Plants have been functioning satisfactorily. The power requirement of operations is met from these Power Plants.
- b) Technology absorption: The technologies sourced in earlier years from SINO STEEL for the Pig Iron plant and from Chinese Academy of Agriculture Mechanisation Sciences (CAAMS) for Ductile Iron Pipe manufacturing plant at Haresamudram works and Anshan Technology for Metallurgical Coke plant at Kudithini works, all technologies sourced from P.R.China, stand fully absorbed.
- c) The Company is not engaged into any Research and Development activity and as such there is no expenditure incurred on Research and Development activity.
- d) Foreign Exchange earnings and outgo: ( Amount in ₹.)

I) Foreign Exchange Earnings :	
a) F.O.B value of exports	586948840
II) Foreign Exchange Outgo:	
a) C.I.F. value of imports:	
i. Raw materials	2795643490
ii. Capital goods	52940587
b) Travelling expenses	35640
c) Usance interest	53524131

for and on behalf of the Board

(K. Thanu Pillai)

Chairman

(DIN:00115814)

Place: Hyderabad

Date: 28.08.2017

**ANNEXURE-II TO DIRECTORS' REPORT**
**DIRECTORS, EMPLOYEES AND THEIR REMUNERATION**

DISCLOSURES REQUIRED TO BE MADE PURSUANT TO SECTION 197 (12) READ WITH RULE 5 TO THE COMPANIES (APPOINTMENT & REMUNERATION) RULES, 2014

- Details of Remuneration Policy and payment of remuneration to all Directors / Key Managerial Personnel / other managerial employees is given in the Report on Corporate Governance under the head Nomination and Remuneration Committee which forms part of this Report.
- The particulars of employees required to be furnished pursuant to Section 197(12) of the Companies Act 2013 read with sub rule (2) to Rule 5 to the Companies (Appointment & Remuneration) Rules, 2014, as amended, are not required to be provided as there were no employees drawing remuneration more than the stipulated limits:
- The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year:

S.No.	Directors	Ratio
	<b>Independent Directors:</b>	
1.	Shri K. Thanu Pillai	0.68
2.	Shri Syed Anis Hussain	0.74
3.	Shri S.N.Rao	0.40
4.	Smt Y.Prameela Rani	0.64
5.	Shri M.S.Rama Mohan Rao	0.64
	<b>Whole Time Directors:</b>	
6.	Shri A.Naresh Kumar	38.66
7.	Shri A.S.Rao	32.87
8.	Dr. Shailendra Dasari	36.03

- The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year:

S.No.	Directors	% increase
	<b>Independent Directors:</b>	
1.	Shri K. Thanu Pillai	-21.93
2.	Shri Syed Anis Hussain	-52.45
3.	Shri S.N.Rao	-36.59
4.	Smt Y.Prameela Rani	-19.23
5.	Shri M.S.Rama Mohan Rao	16.67
	<b>Whole Time Directors:</b>	
6.	Shri A.Naresh Kumar	13.48
7.	Shri A.S. Rao	18.73
8.	Dr. Shailendra Dasari	127.71
	<b>Key Managerial Personnel:</b>	
9.	Shri K.V.Krishna Rao	9.99

- Remuneration of Independent Directors for current year includes fees for committee meetings.
- Remuneration of Dr. Shailendra Dasari, Executive Director (Operations) in the current year was for full year as against six months (from the date of appointment (i.e. from 01.10.2015) in the previous year.

- e) The percentage increase in the median remuneration of employees in the financial year: 13.75%
- f) The number of permanent employees on the rolls of Company: 1537
- g) The explanation on the relationship between average increase in remuneration and Company performance:  
The weighted average increase in remuneration of employees across including those who left the services of the Company and new joiners is 17.24%. The individual increments varied from 6% to 16% based on the performance of each employee.
- h) Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company:

S.No.	Description	Amount ₹	Comparative%
1.	Aggregate remuneration of Key Managerial Personnel during financial year 2016-17	3287995	
2.	Revenue	11315975529	
3.	Loss before tax	647694746	
4.	Remuneration of Key Managerial Personnel as % of Revenue		0.03
5.	Remuneration of Key Managerial Personnel as % of profit before tax		negative

- i) Variations in the market capitalisation of the Company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the Company in comparison to the rate at which the Company came out with the last public offer:

S.No.	Particulars	31.03.2017	31.03.2016	% change
1.	Market capitalisation	2756235000	2453380000	12.34
2.	Price Earnings Ratio	-4.26	-7.14	-40.34

S.No.	Particulars	31.03.2017	IPO price April 1994	% change
1.	Market price -BSE	54.15	10.00	541.50
2.	Market price -NSE	53.95	10.00	539.50

- j) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

The weighted average increase in remuneration of employees across including those who left the services of the Company and new joiners is 17.24%. The percentile increase in the remuneration of managerial personnel is within the normal range of increase of other employees.

- k) Comparison of the each remuneration of the Key Managerial Personnel against the performance of the Company:  
The comparison is as provided in clause-h herein above.
- l) The key parameters for any variable component of remuneration availed by the Directors:  
There is no variable component of remuneration to Independent Directors.
- m) The ratio of the remuneration of the highest paid Director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year:  
None of the employees receiving remuneration higher than that of remuneration highest paid to the Director.
- n) Affirmation that the remuneration is as per the remuneration policy of the Company:

The Board affirms that the remuneration paid is in accordance with Remuneration Policy of the Company.

for and on behalf of the Board

Place: Hyderabad  
Date: 28.08.2017

(K. Thanu Pillai)  
Chairman  
(DIN:00115814)

**ANNEXURE-III TO DIRECTORS' REPORT**

FORM NO. AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Companies Act 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act 2013 including certain arm's length transactions under third proviso thereto

1	Details of contracts or arrangements or transactions not at arm's length basis	
(a)	Name(s) of the related party and nature of relationship	During the financial year 2016-17, Sathavahana Ispat Limited has not entered into any contracts or arrangements or transactions that are not at arm's length basis
(b)	Nature of contracts/arrangements/transactions	
(c)	Duration of the contracts / arrangements / transactions	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
(e)	Justification for entering into such contracts or arrangements or transactions	
(f)	date(s) of approval by the Board	
(g)	Amount paid as advances, if any:	
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to section 188	
2.	Details of material contracts or arrangement or transactions at arm's length basis	
(a)	Name(s) of the related party and nature of relationship	The details are provided in the Report on Corporate Governance and accompanying Financial Statements. Transactions, contracts or arrangements entered into by the Company are in the ordinary course of business, on an annual renewal basis and at arm's length price. These transactions were duly approved by an omnibus approval by the Audit Committee and the Board on 30 <sup>th</sup> May 2016.
(b)	Nature of contracts/arrangements/ transactions	
(c)	Duration of the contracts / arrangements / transactions	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any:	
(e)	Date(s) of approval by the Board, if any:	
(f)	Amount paid as advances, if any:	

for and on behalf of the Board

 Place: Hyderabad  
 Date: 28.08.2017

 (K.Thanu Pillai)  
 Chairman  
 (DIN:00115814)

**ANNEXURE-IV TO DIRECTORS' REPORT**

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON MARCH 31, 2017

[Pursuant to section 92(3) of the Companies Act 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

**I. REGISTRATION AND OTHER DETAILS:**

i)	CIN:-	L27109TG1989PLC010654
ii)	Registration Date	08.11.1989
iii)	Name of the Company	Sathavahana Ispat Limited
iv)	Category / Sub-Category of the Company	Company limited by shares, Indian non-government Company
v)	Address of the Registered Office and contact details	314, Sri Ramakrishna Towers, Nagarjuna Nagar, Hyderabad-500 073, Telangana State. Phone: +91 -40-23730812 Email: <a href="mailto:info@sathavahana.com">info@sathavahana.com</a> Web: <a href="http://www.sathavahana.com">www.sathavahana.com</a>
vi)	Whether listed Company Yes / No	Yes. BSE(526093), NSE(sathaispat)
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	XL Softech Systems Limited, #3, Sagar Society, Road No.2, Banjara Hills, HYDERABAD- 500034 Telangana State Phone: +91-40-23545913 Fax +91-40-23553214 Email: <a href="mailto:xlfield@gmail.com">xlfield@gmail.com</a> web: <a href="http://www.xlsoftech.com">www.xlsoftech.com</a>

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:-			
Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the Company
1	Ductile Iron Pipe -Manufacture	24311	43.55
2	Coal - Trading	46610	34.41

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of Shares held	Applicable Section
1			NIL		

**IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity):**
*i) Category-wise Share Holding:*

Category code	Category of Share holder	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(A)	Shareholding of Promoter and Promoter Group									
(1)	Indian:									
(a)	Individuals / Hindu Undivided family	12090090	0	12090090	23.75	12090090	0	12090090	23.75	0.00
(b)	Central Government/State Government(s)									
(c)	Bodies Corporate	4200000	0	4200000	8.25	4200000	0	4200000	8.25	0.00
(d)	Financial Institutions / Banks									
(e)	Any other (specify)									
	Sub-Total (A) (1)	16290090	0	16290090	32.00	16290090	0	16290090	32.00	0.00
(2)	Foreign :									
(a)	Individuals (Non-Resident individuals/Foreign individuals)									
(b)	Bodies Corporate	2520000	0	2520000	4.95	2520000	0	2520000	4.95	0.00
(c)	Institutions									
(d)	Any other (specify)									
	Sub-Total (A) (2)	2520000	0	2520000	4.95	2520000	0	2520000	4.95	0.00
	Total Shareholding of promoter and promoter Group (A) = (A)(1) + (A)(2)	18810090	0	18810090	36.95	18810090	0	18810090	36.95	0.00
(B)	Public Shareholding									
(1)	Institutions									
(a)	Mutual Funds / UTI	0	31700	31700	0.06	0	31700	31700	0.06	0.00
(b)	Financial Institutions / Banks	0	12800	12800	0.03	0	12800	12800	0.03	0.00
(c)	Central Government/State Government(s)									
(d)	Venture Capital Funds									
(e)	Insurance Companies									
(f)	Foreign Institutional Investors	9980000	0	9980000	19.60	9772643	0	9772643	19.20	-0.40
(g)	Foreign Venture Capital Investors									
(h)	Any other (specify)									
	Sub-Total (B) (1)	9980000	44500	10024500	19.69	9772643	44500	9817143	19.29	-0.40
(2)	Non-Institutions									
(a)	Bodies Corporate	1753490	52500	1805990	3.55	1666701	52500	1719201	3.38	-0.17
(b)	Individuals									
i.	Individual shareholders holding nominal share capital upto Rs.1 lakh	6364528	1973627	8338155	16.38	6233427	1898827	8132254	15.98	-0.40
ii.	Individual shareholders holding nominal share capital in excess of Rs.1 lakh.	5892672	22200	5914872	11.62	6296250	22200	6318450	12.41	0.79
(c)	Any other (specify) :									
(c.i)	Trusts	400	0	400	0.00	1000	0	1000	0.00	0.00
(c.ii)	NRIs/OCBs	282863	52300	335163	0.66	289553	49600	339153	0.67	0.01
(c.iii)	Clearing members	94514	0	94514	0.19	186393	0	186393	0.37	0.18
(c.iv)	Foreign Bodies Corporate	5576316	0	5576316	10.96	5576316	0	5576316	10.96	0.00
	Sub-Total (B) (2)	19964783	2100627	22065410	43.36	20249640	2023127	22272767	43.76	0.40
	Total Public Shareholding (B) = (B)(1) + (B)(2)	29944783	2145127	32089910	63.05	30022283	2067627	32089910	63.05	0.00
	<b>Total (A) + (B)</b>	<b>48754873</b>	<b>2145127</b>	<b>50900000</b>	<b>100.00</b>	<b>48832373</b>	<b>2067627</b>	<b>50900000</b>	<b>100.00</b>	<b>0.00</b>
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0	0	0	0	0	0
	<b>GRAND TOTAL (A) + (B) + (C)</b>	<b>48754873</b>	<b>2145127</b>	<b>50900000</b>	<b>100.00</b>	<b>48832373</b>	<b>2067627</b>	<b>50900000</b>	<b>100.00</b>	<b>0.00</b>

**ii) Shareholding of Promoters:**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total Shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total Shares	% Change in share holding during the year
1.	Shri A. Shivaji Rao	1424000	2.80	2.80	1424000	2.80	2.80	0.00
2.	Smt A. Mutya Bai	4921585	9.67	5.78	4921585	9.67	5.78	0.00
3.	Shri A. Naresh Kumar	2019105	3.97	0.66	2019105	3.97	0.66	0.00
4.	Shri A. Ashok Kumar	3319110	6.52	0.00	3319110	6.52	0.00	0.00
5.	Smt N. Chilakamma	210000	0.41	0.00	210000	0.41	0.00	0.00
6.	Smt Deepa N. Adusumilli	129100	0.25	0.00	129100	0.25	0.00	0.00
7.	Shri P. Ajay Kumar	67190	0.13	0.00	67190	0.13	0.00	0.00
8.	Ganapati Adusumilli Fininvest Private Limited	4200000	8.25	0.00	4200000	8.25	0.00	0.00
9.	Ganapati Holdings Pte Limited	2520000	4.95	0.00	2520000	4.95	0.00	0.00
	<b>Total</b>	<b>18810090</b>	<b>36.95</b>	<b>9.24</b>	<b>18810090</b>	<b>36.95</b>	<b>9.24</b>	<b>0.00</b>

**iii) Change in Promoters' Shareholding (please specify, if there is no change):**

Sl. No.	Description	Shareholding at the beginning of the year		Cumulative Share holding during the year	
		No. of Shares	% of total Share of the Company	No. of Shares	% of total Share of the Company
1.	At the beginning of the year	18810090	36.95	18810090	36.95
2.	Date wise Increase / Decrease in Promoters shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):	0	0	0	0
3.	At the end of the year	18810090	36.95	18810090	36.95

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

S. No.	Name of shareholder	Description	Date	Shareholding at the beginning of the year		Cumulative Shareholding at the end of the year	
				No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	OneEarth Capital Limited	At the beginning of the year Market purchase* At the End of the year	01/04/2016 10/03/2017 31/03/2017	0 5576316 0	0.00 10.96 0.00	0 5576316 5576316	0.00 10.96 10.96
2.	Plutus Terra India Fund	At the beginning of the year increase / decrease* At the End of the year	01/04/2016 0 31/03/2017	4990000 0 0	9.80 0.00 0.00	4990000 4990000 4990000	9.80 9.80 9.80
3	Antara india Evergreen Fund Limited	At the beginning of the year Market Sale* Market Sale* Market Sale* Market Sale* Market Sale* Market Sale* Market Sale* Market Sale* At the End of the year	01/04/2016 26/08/2016 02/09/2016 21/10/2016 28/10/2016 04/11/2016 11/11/2016 18/11/2016 02/12/2016 31/03/2017	4990000 -5107 -4893 -40000 -74000 -38583 -32993 -9601 -2180 0	9.80 -0.01 -0.01 -0.08 -0.15 -0.08 -0.06 -0.02 -0.00 0.00	4990000 4984893 4980000 4940000 4866000 4827417 4794424 4784823 4782643 4782643	9.80 9.79 9.78 9.71 9.56 9.48 9.42 9.40 9.40 9.40
4.	Ajay Upadhyaya	At the beginning of the year Market Purchase* Market Purchase* Market Purchase* Market Purchase* Market Purchase* Market Purchase* Market Purchase* Market Purchase* Market Purchase* Market Purchase* Market Purchase* Market Purchase* Market Purchase* Market Purchase* Market Purchase* Market Purchase* Market Purchase* Market Purchase* Market Purchase* At the End of the year	01/04/2016 13/05/2016 20/05/2016 27/05/2016 03/06/2016 10/06/2016 17/06/2016 24/06/2016 30/06/2016 08/07/2016 12/08/2016 26/08/2016 02/09/2016 16/09/2016 30/09/2016 28/10/2016 04/11/2016 11/11/2016 02/12/2016 31/03/2017	68389 166611 3500 81500 87500 49132 86806 60062 165000 96500 20000 2890 12110 14999 10000 10000 75001 60000 30000 0	0.13 0.33 0.01 0.16 0.17 0.10 0.17 0.12 0.32 0.19 0.04 0.01 0.02 0.03 0.02 0.02 0.15 0.12 0.06 0.00	68389 235000 238500 320000 407500 456632 543438 603500 768500 865000 885000 887890 900000 914999 924999 934999 1010000 1070000 1100000 1100000	0.13 0.46 0.47 0.63 0.80 0.90 1.07 1.19 1.51 1.70 1.74 1.74 1.77 1.80 1.82 1.84 1.98 2.10 2.16 2.16
5	Miten Mehta	At the beginning of the year increase / decrease* At the End of the year	01/04/2016 0 31/03/2017	550000 0 0	1.08 0.00 0.00	550000 550000 550000	1.08 1.08 1.08
6	Subramanian P	At the beginning of the year Market Sale* Market purchase* Market Sale* Market purchase* At the End of the year	01/04/2016 29/07/2016 14/10/2016 28/10/2016 24/03/2017 31/03/2017	37403 -613 390388 -2488 7200 0	0.07 0.00 0.77 0.00 0.01 0.00	37403 36790 427178 424690 431890 431890	0.07 0.07 0.84 0.83 0.85 0.85
7	Udaipur Cotton Mills Limited	At the beginning of the year Market purchase* Market sale* Market sale* Market sale* Market sale* At the End of the year	01/04/2016 08/04/2016 05/08/2016 28/10/2016 10/03/2017 17/03/2017 31/03/2017	490000 30000 -20000 -25000 -36932 -38068 0	0.96 0.06 -0.04 -0.05 -0.07 -0.07 0.00	490000 520000 500000 475000 438068 400000 400000	0.96 1.02 0.98 0.93 0.86 0.79 0.79
8	Quantum Securities Pvt Limited	At the beginning of the year Market purchase* Market purchase* Market purchase* Market purchase* Market purchase* Market purchase* At the End of the year	01/04/2016 10/02/2017 17/02/2017 24/02/2017 10/03/2017 17/03/2017 24/03/2017 31/03/2017	0 32295 23898 4697 73750 93750 3379 0	0.00 0.06 0.05 0.01 0.14 0.18 0.01 0.00	0 32295 56193 60890 134640 228390 231769 231769	0.00 0.06 0.11 0.12 0.26 0.45 0.46 0.46
9	Neville Jiyibhoy Mistry	At the beginning of the year increase / decrease* At the End of the year	01/04/2016 0 31/03/2017	160865 0 0	0.32 0.00 0.00	160865 160865 160865	0.32 0.32 0.32
10	Vibha S Hinduja	At the beginning of the year increase / decrease* At the End of the year	01/04/2016 0 31/03/2017	151800 0 0	0.30 0.00 0.00	151800 151800 151800	0.30 0.30 0.30

\*Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):

(v) Shareholding of Directors and Key Managerial Personnel:

S.No.	Name of the Director and Key Managerial Personnel	Description	Date	Shareholding at the beginning of the year		Cumulative shareholding at end of the year	
				No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	Syed Anis Hussain, Independent Director	At the beginning of the year	01/04/2016	1000	0.00	1000	0.00
		increase / decrease*		0	0.00	1000	0.00
		At the End of the year	31/03/2017	0	0.00	1000	0.00
2	M.S.Rama Mohan Rao, Independent Director	At the beginning of the year	01/04/2016	500	0.00	500	0.00
		increase / decrease*		0	0.00	500	0.00
		At the End of the year	31/03/2017	0	0.00	500	0.00
3	K.V.Krishna Rao, Key Managerial Personnel	At the beginning of the year	01/04/2016	500	0.00	500	0.00
		increase / decrease*		0	0.00	500	0.00
		At the End of the year	31/03/2017	0	0.00	500	0.00

\*Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):

V. INDEBTEDNESS:

Indebtedness of the Company including interest outstanding/accrued but not due for payment

Amount ₹

Description	Secured loans excluding deposits	Unsecured loans	Deposits	Total indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	4660646100	0	0	466064100
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	283724	0	0	283724
Total (i+ii+iii)	4660929824	0	0	4660929824
Change in Indebtedness during the financial year				
- Addition	92140671	0	0	92140671
- Reduction	776594295	0	0	776594295
Net Change	-684453624	0	0	-684453624
Indebtedness at the end of the financial year				
i) Principal Amount	3895811805	0	0	3895811805
ii) Interest due but not paid	37315179	0	0	37315179
iii) Interest accrued but not due	43349216	0	0	43349216
Total (i+ii+iii)	3976476200	0	0	3976476200

**VI. Remuneration of Directors and Key Managerial Personnel:**
**A Remuneration to Managing Director, Whole-time Directors and/or Manager:**

Amount ₹

Sl. No.	Particulars of Remuneration	Name of MD/WTM/Manager			Total Amount
		A.S. Rao Executive Vice Chairman	A.Naresh Kumar, Managing Director	Shailendra Dasari Executive Director (operations)	
1.	Gross Salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	4248065	4940000	4140000	13328065
	(b) Value of perquisites u/s 17(2) Income-Tax Act, 1961	71600	140210	444992	656802
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	0	0	0	0
	Sub Total	4319665	5080210	4584992	13984867
2.	Stock Option	0	0	0	0
3.	Sweat Equity	0	0	0	0
4.	Commission				
	- as % of profit	0	0	0	0
	- others, specify	0	0	0	0
5.	Others, please specify	0	0	0	0
6.	Total (A)	4319665	5080210	4584992	13984867
Ceiling as per the Companies Act 2013					13984867
The above salary and allowances are net of recoveries made and in terms of approval accorded by the Nomination and Remuneration Committee in accordance with Schedule V of the Companies Act 2013 and in accordance with the terms and conditions of their respective appointments approved by the shareholders.					

**B. Remuneration to other directors:**

Amount ₹

Sl. No.	Particulars of Remuneration	Fee for attending board / Committee meetings	Commission	Others please specify	Total amount
1.	Independent Directors:				
	Shri K. Thanu Pillai	89000	0	0	89000
	Shri Syed Anis Hussain	97000	0	0	97000
	Shri S.N. Rao	52000	0	0	52000
	Smt Y. Prameela Rani	84000	0	0	84000
	Shri M.S.Rama Mohan Rao	84000	0	0	84000
	Total (1)	406000	0	0	406000
2.	Other Non-Executive Director	0	0	0	0
	Total (2)	0	0	0	0
	Total B=(1+2)	406000	0	0	406000
Ceiling as per the Companies Act 2013					406000

## C. Remuneration to Key Managerial Personnel other than MD, WTD and/or Manager:

Sl. No.	Particulars of Remuneration	Amount ₹	
		Name of Key Managerial Personnel other than MD/WTD/Manager	Total Amount
		K.V.Krishna Rao, CFO & Company Secretary	
1.	Gross Salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961	3040800	3040800
	(b) Value of perquisites u/s 17(2) of the Income-Tax Act, 1961	247195	247195
	(c) Profits in lieu of salary under section 17(3) Income-Tax Act, 1961	0	0
	Sub total	3287995	3287995
2.	Stock Option	0	0
3.	Sweat Equity	0	0
4.	Commission		
	- as % of profit	0	0
	- others, specify..	0	0
5.	Others, please specify	0	0
6.	Total (A)	3287995	3287995
Ceiling as per companies Act 2013			3337245

## VII. Penalties/Punishment/Compounding of offences:

Type	Section of the Companies Act	Brief description	Details of penalty/ Punishment/ Compounding fees imposed	Authority (RD/NCLT/ COURT)	Appeal made, if any (give details)
A. Company	There were no such cases during the year				
Penalty					
Punishment					
Compounding					
B. Directors	There were no such cases during the year				
Penalty					
Punishment					
Compounding					
C. Other Officers in Default	There were no such cases during the year				
Penalty					
Punishment					
Compounding					

for and on behalf of the Board

Place: Hyderabad  
Date: 28.08.2017

(K.Thanu Pillai)  
Chairman  
(DIN:00115814)

**ANNEXURE-V TO DIRECTORS' REPORT****Form No. MR-3****SECRETARIAL AUDIT REPORT  
FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2017**

*[Pursuant to Section 204(1) of the Companies Act 2013 and Rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]*

To,  
The Members,  
**SATHAVAHANA ISPAT LTD**

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **SATHAVAHANA ISPAT LTD** (hereinafter called the 'Company'). Secretarial Audit was conducted in accordance with the guidance note issued by the Institute of Company Secretaries of India, 1980 and in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2017, complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minutes books, forms and returns filed and other records maintained by the Company for the financial year ended on 31<sup>st</sup> March, 2017, according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the Rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 & 2015 ;
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; (Not applicable to the Company during the period of audit)
  - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (Not applicable to the Company during the period of audit)
  - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

- g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not applicable to the Company during the period of audit) and
  - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; (Not applicable to the Company during the period of audit)
  - i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
- (vi) Other Laws specifically applicable to the company include:
- i. Electricity Act, 2003
  - ii. The Karnataka Electricity (Taxation on Consumption) Act, 1959
  - iii. The Boilers Act, 1923
  - iv. The Contract Labour (Regulation And Abolition) Act, 1970
  - v. Mines and Minerals (Development and Regulations) Act, 1957
  - vi. The Bureau of Indian Standards Act, 1986
  - vii. Andhra Pradesh Electricity Duty Act, 1939
  - viii. The Karnataka Forest Act, 1963
- We have also examined compliance with the applicable clauses of the following:
- (i) Secretarial Standards issued by The Institute of Company Secretaries of India
  - (ii) The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited (NSE).
- During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. as mentioned above.

**We further report that**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors at least seven days in advance to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Decisions at the Board Meetings are carried out unanimously as recorded in the Minutes.

**We further report that** there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**We further report that** during the audit period the company has no specific events / actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above. However, Company has requested the secured lenders to consider and adopt "the Scheme for Sustainable Structuring of Stressed Assets (S4A Scheme)". The lenders in their meeting held on 07<sup>th</sup> June, 2017 have accepted and issued in principle approval at the request of the Company for S4A scheme.

**For D.HANUMANTA RAJU & CO  
COMPANY SECRETARIES**

**Place: Hyderabad  
Date: 28.08.2017**

**CS D. HANUMANTA RAJU  
PARTNER  
FCS: 4044, CP NO: 1709**

This report is to be read with our letter of even date which is annexed as '**Annexure A**' and forms an integral part of this report.

To,  
The Members,  
**SATHAVAHANA ISPAT LIMITED**

Our report of even Date is to be read along with this letter.

1. Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed, provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management Representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness and with which the management has conducted the affairs of the company.

**For D.HANUMANTA RAJU & CO  
COMPANY SECRETARIES**

**Place: Hyderabad  
Date: 28.08.2017**

**CS D. HANUMANTA RAJU  
PARTNER  
FCS: 4044, CP NO: 1709**

## 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 objective 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 eight Directors of which three are Executive and five are Non-executive Directors and among these two are Promoter Directors and six are Independent Directors including one small Shareholder Director. The Independent Directors constitute 62.5% of the Board's strength. Again Non-executive Directors constitute 62.5% 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
b) Non-promoter	1. Dr.Shailendra Dasari
II. Non-executive Directors	1. Shri K. Thanu Pillai
a) Independent Directors	2. Shri Syed Anis Hussain
	3. Shri S.N.Rao
	4. Smt. Y Prameela Rani
	5. Shri M.S.Rama Mohan Rao

Independent Directors are Non-executive Directors within the meaning of Section 2 read with Section 149(6) of the Companies Act 2013 and Regulation 16 (1)(b) of the Listing Regulations. All the Independent Directors have confirmed that they meet the criteria as provided in Section 149 of the Companies Act 2013 and Regulation 16(1)(b) of the Listing Regulations as amended. The tenure of Independent Directors is five years from the date of their appointment.

• 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	Yes
Shri A.S.Rao	5	5	Yes
Shri Syed Anis Hussain	5	4	No
Shri S.N.Rao	5	2	No
Smt Y.Prameela Rani	5	4	Yes
Shri M.S.Rama Mohan Rao	5	4	Yes
Shri A.Naresh Kumar	5	5	Yes
Dr. Shailendra Dasari	5	4	No

• Number of other Board of Directorships, Board Committees he/she is a member or chairperson of:

Name of the Director	Board of Directors		Board Committees	
	Director	Chairman	Member	Chairman
Shri K.Thanu Pillai	9	None	2	2
Shri A.S.Rao	3	None	None	None
Shri Syed Anis Hussain	3	None	None	None
Shri S.N.Rao	2	None	None	None
Smt Y.Prameela Rani	2	None	2	None
Shri M.S.Rama Mohan Rao	1	None	None	None
Shri A.Naresh Kumar	4	None	None	None
Dr. Shailendra Dasari	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.

Shri A.S.Rao, Executive Vice Chairman and Shri A. Naresh Kumar, Managing Director are related to each other. Save and except the above none of the other Directors on the Board or their respective relatives are not related to each other. None of the Independent Non-Executive Directors has any pecuniary relationship or transactions with the Company, its promoters or its senior management which in the judgement of Board may affect the independence of the Director except receiving sitting fees for attending Board/Committee meetings.

- 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: 30<sup>th</sup> May 2016; 12<sup>th</sup> August 2016; 30<sup>th</sup> September 2016; 14<sup>th</sup> November 2016 and 14<sup>th</sup> February 2017. The maximum interval between any two meetings was not more than four calendar months. The Independent Directors have met one time on 30<sup>th</sup> March 2017 for familiarisation programme and evaluation of performance of Directors.

- Board meetings Process:

The Agenda for the board meetings is circulated in advance which will contain the information and notes as required to be presented under the Companies Act 2013 and Listing Regulations 2015. Further information and clarifications sought for on the agenda items are provided before the meeting. Those items that could not be included in the agenda are tabled at the meetings. The Board exercises its powers subject to the provisions of the Companies Act 2013, Memorandum and Articles of Association of the Company, Listing Regulations 2015 and other applicable statutory provisions. The Board considers and reviews the agenda items while taking note of the action taken by the Company / management and authorising the Company / management by way of resolutions wherever required.

- Reappointment of Directors at the 28<sup>th</sup> Annual General Meeting:
- Dr. Shailendra Dasari in terms of appointment at the 26<sup>th</sup> Annual General Meeting held on 30.09.2015 is liable to retire by rotation at the ensuing Annual General Meeting of the Company

and being eligible have offered himself for re-appointment.

- Dr. Shailendra Dasari, B.Tech., PGDM(IIMA), Ph.D., is a graduate in Electronics and Communication Engineering and holds a Master in Business Management from one of the premier management teaching institutions in India. He also holds a doctorate in Business Management. He has rich and varied industrial experience and also in Pipe manufacturing. Dr. Shailendra Dasari during his association with the Company has gained good control on the operations of the Company at ferrous division. He is actively associated in streamlining the newly commissioned Ductile Iron Pipe making facility.

- Familiarisation Programme of Independent Directors: At every meeting of the Board of Directors, the Whole Time Directors, over and above the agenda items, give an updation to the Independent Directors on the various technical, financial and general business aspects affecting the Company's business. The departmental heads from various departments were also called in to explain to the Independent Directors technical, financial, commercial, legal aspects affecting the Company's business. Details of familiarisation programme to the Independent Directors are placed in the investors' column of the Company's website at [www.sathavahana.com](http://www.sathavahana.com).

#### **• Policy on selection and appointment of Directors:**

Selection and appointment of Directors triggers whenever there is a casual vacancy in the Board or when the Board is of the opinion that it be strengthened to bring in diversity and expertise to the Board or to comply with any regulatory directions or with terms and conditions of the agreements.

Nomination and Remuneration Committee is entrusted with the task of identifying suitable persons by personal contacts or data bases. The selection criteria generally are based on personal virtues, qualifications, skills, talent and ability to analyse and judge the issues, dynamism and leadership, experience and expertise in technical, finance, commercial, human resources management etc. After selection of a suitable

person, the Nomination and Remuneration Committee considers the appointment on the Board and then recommends the candidature to the Board. The appointment of Director generally is done at the General Meetings unless situation warrants immediate appointment.

Nomination and Remuneration Committee ensures that the appointees meet the criteria of independence as provided in Section 149 of the Companies Act 2013 and Regulation 16(1)(b) of the Listing Regulations. The tenure of appointment of Independent Directors is five years and the office held by Independent Directors is not liable for retirement of Directors by rotation. In the appointment of Whole Time Directors the Committee also ensures that the appointees meet the criteria as provided in the Companies Act 2013 and Regulation 17 of the Listing Regulations and the tenure of each appointment is generally three to five years. The office held by Whole Time Directors with the exception of office held by Managing Director, is liable for retirement of Directors by rotation.

• **Board's performance evaluation:**

Independent Directors have met on 30<sup>th</sup> March 2017 to carry out performance appraisal of the Independent Directors where the role and responsibilities of Independent Directors in terms of various provisions of Companies Act 2013 and Regulations 25 (3) & (4) of the Listing Regulations. As a part of Independent Directors' training Shri D. Hanumanta Raju of M/s D. Hanumanta Raju & Co., Practicing Company Secretaries, Hyderabad gave a brief on the role and responsibilities of the Independent Directors. Later the Whole Time Directors joined the meeting for carrying out the evaluation of Board/Board Committees/Individual Directors. Where performance of individual Director was evaluated, the Director concerned stayed away from the process. Before attempting at evaluation process the Board recognized its fiduciary role, its role in planning and formulating long term strategies, goals and policies and its duties to the Company and Stakeholders.

The performance evaluation of the Board was carried out with reference to its understanding of Company's mission; governing principles; long term vision, strategies, policies; industry and product profile; company's role and responsibility as a corporate citizen. Board's performance evaluation was also done among others with reference to its ability and capability to guide the Company on long term policies, long range strategic thinking and planning. Evaluation performance also touched upon parameters like Board's ability to stay abreast of issues and trends; open communication, meaningful participation and sound resolution of issues and policy related decisions. From the point of view of meetings conducted, the evaluation performance was reviewed with reference to whether meeting facilitates focus & progress on important Company matters, reconsider and revises policies as and when required; whether new members received prompt and thorough orientation; whether reports on performance, finances, targets are presented timely; whether agendas are well balanced allowing appropriate time for critical issues; whether meetings are held for sufficient length, whether agendas are timely, accurate, contains useful and sufficient information so as to facilitate rightful decision making; whether the functioning of Board is collegial, polite during meetings, respects majority view on issues; communicates its directions, delegations in one voice and whether the meetings are held on regular basis and in compliance with regulatory requirements. With reference to performance evaluation of various Board Committees the issues like whether the composition of each Committee is adequate and balanced, whether the deliberations at the Committee meetings were within the overall objectives for which it was constituted, whether the deliberations are effectively and adequately communicated to the Board, and whether the meetings are held on regular basis and members are participating in the meetings regularly.

In the performance evaluation of each Director the parameters that were applied include whether he or she is regular in attendance, timely present, read the material, feels involved and interested in the Board's work; whether effectively communicating governance and ethical problems to the Board and in cases of conflict of interest avoid participation in the discussions; whether initiates discussions in a meaningful and helpful way, constructively participates and makes timely decisions; whether understands his/her fiduciary duties and acts for the benefit of stakeholders rather than any select group; whether working as a team member striving for consensus while expressing dissent where required; whether working with Whole Time Directors in a way to create trust and co-operation; whether where required avail the assistance and services of staff and outside consultants without hesitation and prevails upon the Board to agree and whether the functioning was within the overall goals and objectives of the Company.

The Board expressed its satisfaction on the overall performance of the Board, its Committees and of each Director during the year.

### **3. AUDIT COMMITTEE:**

The Audit Committee of Board of Directors comprises Shri K. Thanu Pillai, Shri Syed Anis Hussain, Shri S.N.Rao, Smt Y. Prameela Rani and Shri M.S.Rama Mohan Rao as its members all of whom are Independent Non-executive Directors. Shri K. Thanu Pillai is the Chairperson of the Audit Committee. Company Secretary is also functioning as Secretary to the Audit Committee. Representatives of Statutory Auditors and representatives of Internal Auditor are invited to be present at the meetings of the Committee. The Audit Committee meets the requirements of both section 177 of the Companies Act 2013 and Regulation 18 of the Listing Regulations 2015.

The Committee has all the powers, duties and obligations conferred upon and vested in it in terms of Section 177 of the Companies Act, 2013 as

amended from time to time and also such additional powers, functions / features, duties, obligations and discretions as is contained in Regulation 18 of the Listing Regulations 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 dates on which these meetings held were: 30<sup>th</sup> May 2016; 12<sup>th</sup> August 2016; 14<sup>th</sup> November 2016; and 14<sup>th</sup> February 2017. The attendance of the members at these meetings vis-à-vis meetings held during their tenure was as under: Shri K. Thanu Pillai 3/4; Shri Syed Anis Hussain 4/4; Shri S.N.Rao 2/4; Smt Y. Prameela Rani 3/4 and Shri M.S.Rama Mohan Rao 3/4. The necessary quorum was present at all the meetings. At the last Annual General Meeting held on 30.09.2016, Shri K. Thanu Pillai, Chairperson of the Committee was present.

### **4. NOMINATION AND REMUNERATION COMMITTEE:**

Nomination and Remuneration Committee comprises Shri K. Thanu Pillai; Shri Syed Anis Hussain and Shri S.N.Rao as its members all of whom are Independent Non-executive Directors. Shri K. Thanu Pillai is the Chairperson of the Nomination and Remuneration Committee.

The responsibilities of the Committee is to review and fix the remuneration package of the Managing/Whole-time Directors/ Key Managerial Personnel 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; to consider and review the appointment and re-appointment of Independent Directors; 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 Committee has met twice on 12<sup>th</sup> August 2016 and 30<sup>th</sup> March 2017 during the financial year and the necessary quorum was present in the meetings held. The attendance of the members at these meetings vis-à-vis meetings held

was as under: Shri K. Thanu Pillai 2/2; Shri Syed Anis Hussain 2/2; and Shri S.N.Rao 1/2.

Details of Remuneration Policy and payment of remuneration to all the Directors:

- a) Remuneration Policy to Directors/KMPs/other managerial employees:

The Remuneration Policy of the Company envisages payment of suitable remuneration so as to attract, recruit and retain the talented and suitable people based on the Company's business requirements. The Company do not provide any Stock Options to the Executive Directors or to the Key Managerial Personnel.

- i) Remuneration Policy to Whole Time Directors:

The remuneration to Whole Time Directors comprises both fixed and variable pay. The fixed pay consists of basic salary with such perquisites and allowances as is allowed in terms of their respective appointments. The variable pay comprises a performance linked commission on profits in accordance with the terms of appointment. In the event of inadequacy of profits or loss reported by the Company in a financial year, the remuneration payable to Whole Time Directors shall be restricted to the limits as set out in the terms and conditions of their respective appointments and in accordance with provisions contained in the Companies Act 2013. The terms and conditions of each of Whole Time Directors are set out in the resolutions recommended by the Nomination and Remuneration Committee, the Board and approved by the Shareholders at the General Meetings. The Office of the Managing Director held by Shri A. Naresh Kumar is covered under Key Man Insurance. The Whole Time Directors are not entitled to any sitting fee towards the Board and Committee meetings they attend.

- ii) Remuneration Policy to Independent Directors: Remuneration to Independent Directors comprises sitting fee for attending Board and Committee meetings which they attend to and the same is fixed uniformly for all the

Independent Directors. The sitting fee payable to Independent Directors is fixed periodically by the Board. The sitting fee is payable only for the meetings the Independent Directors attend to. Travelling and conveyance expenses are reimbursed for attending to the meetings and Company's business travel. There is no performance linked variable pay to the Independent Directors.

- iii) Remuneration Policy to Key Managerial Personnel and other managerial employees:

The remuneration to the Key Managerial Personnel and other managerial employees is by way of fixed salary and some performance based incentives. Salary comprises basic salary, allowances and perquisites in accordance with the Company's policy. Salaries are subject to annual increments ranging from 8 to 16 percent on an average with certain exceptions for those whose performance is considered better. Salaries and annual increments are considered in consultation with the Nomination and Remuneration Committee which then is delegated to Managing Director. These personnel are covered under the group insurance policies of the Company.

- b) Remuneration paid during the year to Executive Directors:

				₹
Name of the Director	Salary and Allowances	Benefits	Commission	Total
1. Shri A.S.Rao Executive Vice Chairman	4248065	71600	0	4319665
2. Shri A. Naresh Kumar Managing Director	4940000	140210	0	5080210
3. Dr.Shailendra Dasari Executive Director (Operations)	4140000	444992	0	4584992
Total	13328065	656802	0	13984867

Note: The above salary and allowances are net of recoveries made and in terms of approval accorded by the Nomination and Remuneration Committee in accordance with Schedule V of the Companies Act 2013 and in accordance with the terms and conditions of their respective appointments.

c) Remuneration paid during the year to Non-Executive Directors:

Name of the Director	Sitting fee (in ₹)			No. of Equity Shares held
	As a Director	As a Committee Member	Total	
1. Shri K. Thanu Pillai Director / Chairman	60000	29000	89000	0
2. Shri Syed Anis Hussain, Director	60000	37000	97000	1000
3. Shri S.N.Rao, Director	36000	16000	52000	0
4. Smt Prameela Rani, Director	60000	24000	84000	0
5. Shri M.S.Rama Mohan Rao, Director	60000	24000	84000	500
Total	276000	130000	406000	15000

**5. STAKEHOLDERS' RELATIONSHIP COMMITTEE:**

The Stakeholders' Relationship Committee comprises Shri Syed Anis Hussain, Shri A.S.Rao and Shri A.Naresh Kumar as its members and is headed by Shri Syed Anis Hussain as Chairperson. 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:

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

During the year the Committee has met 50 times. The necessary quorum was present in all the meetings.

During the year under review, Company received a total number of 4 Investors' Grievances. All these complaints were redressed / replied to the satisfaction of the shareholders and no complaints were outstanding as on 31<sup>st</sup> March 2017.

Share transfers in dematerialisation mode pending on 31<sup>st</sup> March 2017 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 29<sup>th</sup> April 2006. The Code is appended to this Annual Report as an exhibit elsewhere. A link is available in Company's website at [www.sathavahana.com](http://www.sathavahana.com) under investors' column.

The Code has since been circulated to all the Directors and members of senior management and their compliance reports for the financial year 2016-17 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 2016-17 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 in accordance with Regulation 17(8) of Listing Regulations have furnished to the Board of Directors a certificate certifying therein, inter alia, that the Financial Statements and the Cash Flow Statement for the financial year 2016-17 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 that the said financial statements are compliant of the criteria set out in Part B to Schedule II of the Listing Regulations.

## 8. GENERAL BODY MEETINGS:

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

Year	Type of meeting	Venue	Date	Time
2013-14	AGM	Sri Sagi Rama Krishnam Raju Community Hall, Madhuranagar, Hyderabad-500 038	30.09.2014	3.00PM
2014-15	AGM	Same as above	30.09.2015	3.00PM
2015-16	AGM	Same as above	30.09.2016	3.00PM

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.

During the year under review, the Company has not called for any Extraordinary General Meeting.

The following Resolutions were passed with requisite majority as Special Resolutions at the respective Annual General Meetings:

### 26<sup>th</sup> Annual General Meeting:

- Re-appointment of Shri A.S.Rao as Executive Vice Chairman;
- Appointment of Dr. Shailendra Dasari as Executive Director (Operations).

### 25<sup>th</sup> Annual General Meeting:

- Re-appointment of Shri A. Naresh Kumar as Managing Director;
- Appointment of Shri T. Sreerama Murthy as Executive Director (Operations).

No Special Resolutions were passed at the 27<sup>th</sup> Annual General Meeting held on 30.09.2016.

## 9. DISCLOSURES:

- 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	983400

The above Related Party Transactions were at arm's length price in the ordinary course of business. These transactions were approved by the Audit Committee and the Board of Directors. There is no pecuniary relationship or transaction of the Non-executive Directors' vis-à-vis the Company. The Policy on Related Party Transactions is made available on Company's website at [www.sathavahana.com](http://www.sathavahana.com).

### b) Corporate Social Responsibility:

The Company has constituted Corporate Social Responsibility Committee (in short "CSR Committee") to discharge Corporate Social Responsibility as provided in Section 135 of the Companies Act 2013 and the Listing Regulations. The Committee comprises two Independent Directors viz., Shri S.N.Rao, Shri Syed Anis Hussain and two Non-independent Directors viz., Shri A.S.Rao, Shri A. Naresh Kumar as members. The members of the Committee shall elect one from amongst themselves as Chairperson at every meeting of the Committee.

CSR committee has all the powers, duties and obligations conferred upon and vested in it in terms of Section 135 of the Companies Act, 2013 as amended from time to time and Rules, Notifications, Circulars issued under the said Act and also such additional powers, functions / features, duties, obligations and discretions as is contained in the Listing Regulations 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 Corporate Social Responsibility shall be discharged by the CSR Committee in consultation with the Board of Directors. The CSR Committee shall meet as often as required and shall meet at least once in a year.

The CSR Committee shall prepare Annual CSR plan at the beginning of each financial year in line with provisions read with Schedule VII of the Companies Act 2013 and the CSR Rules and which shall be referred to the Board for its approval. The CSR activities shall be those covered under the Companies Act 2013 apart from any such activity which in the opinion of the CSR Committee is desirable and in the interest of society and public at large.

The Budget for CSR activities shall be a minimum amount as computed under the provisions of Section 135 of the Companies Act 2013 and the Rules thereunder if any and the Board shall be the authority to increase / decrease the budget subject to fulfilling the statutory requirements.

The CSR Committee shall submit its reports, recommendations etc., to the Board of Directors on all Corporate Social Responsibility matters.

The policy shall be subject to review and amendment as and when required and the Board of Directors is the authority for such review and amendment.

During the year, the Company in terms of provisions of sub section 5 to Section 135 of the Companies Act 2013 is not required to earmark any fund for Corporate Social Responsibility activities in view of the losses reported by the Company.

c) Whistle Blower Mechanism:

The Company has constituted a Whistle Blower Committee within the Audit Committee with Shri K.Thanu Pillai as Chairperson and Shri Syed Anis Hussain and Shri S.N.Rao as members. The Committee oversees the implementation of Whistle Blower / Vigil Mechanism and is empowered to take all necessary steps, decisions required in connection with Whistle Blower System. The Whistle Blower Mechanism is available to all the stakeholders of the Company and assures adequate safeguards against victimization to the Whistle Blowers. The Chairperson can be reached at [info@sathavahana.com](mailto:info@sathavahana.com). The Whistle Blower Mechanism details are also provided on Company's website [www.sathavahana.com](http://www.sathavahana.com) in investors' column.

d) Nirbhaya Committee:

The Company has constituted a Committee by name "Nirbhaya Committee" as required under the provisions of Companies Act 2013 and the Listing

Regulations for monitoring and ensuring the safety and security of women employees with Shri A.S.Rao, Shri A. Naresh Kumar and Shri S.N.Rao as members. The members of the Committee shall elect a Chairman from amongst themselves for every meeting of the Committee. The Committee is empowered to take all steps, decisions required in connection with safety and security of women employees and to delegate all or any of the Power hereby conferred. The Committee has not met during the year as there were no agenda to be discussed.

e) The Company do not have any holding and subsidiary Company to be reported. The accompanying Financial Statements are on standalone basis.

f) 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 any Stock Exchange or Securities and Exchange Board of India or any statutory authority, on any matter related to capital markets, during the last three years.

g) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of Listing Regulations:

The Company hereby declare that the Company has complied with all the mandatory requirements of Listing Regulations 2015 as amended. Non-mandatory requirements of Listing Regulations 2015 will be adopted as and when these are felt necessary.

h) Accounting treatment:

In the preparation of the Financial Statements, the Company has followed the accounting principles generally accepted in India, including Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014. The accounting policies that were consistently applied have been set out in the Notes to the Financial Statements.

i) Risk Management:

The Board engaged itself with the task of Risk Management by preparing, implementing and monitoring the risk management plan of the Company. The Board apart from ensuring the

effectiveness of risk management covering internal financial risks and controls also reviews the same on regular basis. Major risks identified by the Board are monitored on a regular basis.

#### 10. MEANS OF COMMUNICATION:

Half yearly and quarterly results are normally published in the newspapers viz., The Financial Express (English daily) and the Andhra Prabha (Telugu daily) on approval of the financial results by the Board of Directors. The Company immediately after announcement of financial results sends to the Stock Exchanges the financial results. Annual reports are also being sent to the Stock Exchanges simultaneously at the time of posting to the members and the same are being made available on the websites of Stock Exchanges where the shares of the Company are listed and also on Stock Exchanges sponsored website

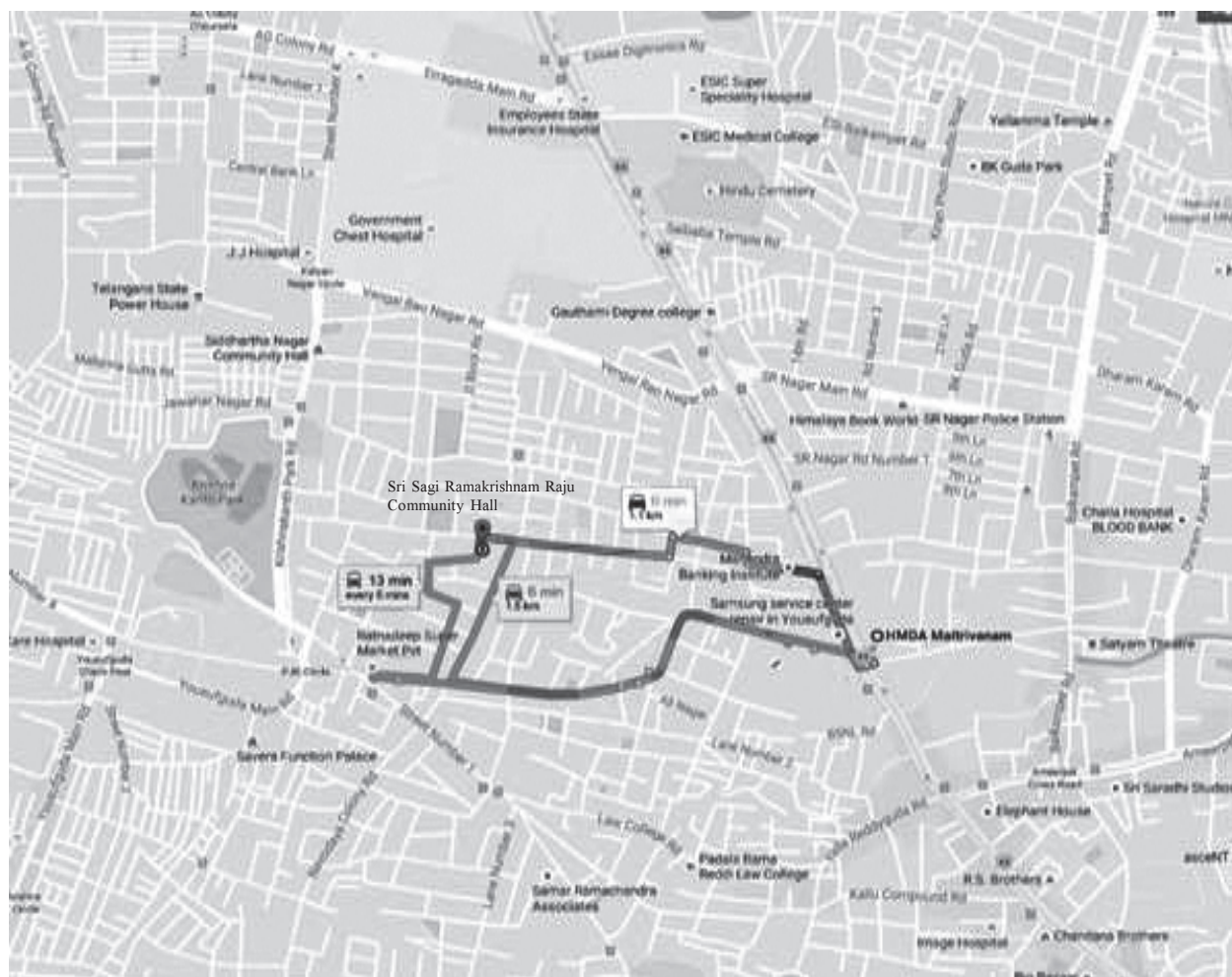
[www.corpfiling.co.in](http://www.corpfiling.co.in). The financial results and annual reports would also be made available on Company's website [www.sathavahana.com](http://www.sathavahana.com) in the investor's column.

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       | : 28 <sup>th</sup> Annual General Meeting                                       |
| Day and Date | : Friday, the 29 <sup>th</sup> September 2017                                   |
| Time         | : 3.00 p.m.   |
| Venue        | : Sri Sagi Ramakrishnam Raju Community Hall, Madhura Nagar, Hyderabad – 500038. |



- b) Financial Calendar: Tentative schedule is as under.
- Unaudited Financial Results
    - First quarter : First fortnight of August / September 2017.
    - Half yearly : First fortnight of November / December 2017.
    - Third quarter : First fortnight of February / March 2018.
  - Audited Financial Results: Last week of May / June 2018.

c) Date of book closure:

- Physical mode : 16.09.2017 to 29.09.2017  
both days inclusive.
- Electronic mode : 15.09.2017
- Cut off Date / : 15.09.2017  
Record date

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
ISIN Code for electronic trading and dematerialisation in NSDL / CDSL	INE 176C01016

The fee to the above Stock Exchanges has been paid upto financial year 2017-18.

e) Market price data: High/low price on BSE and NSE during each month in last financial year 2016-17:

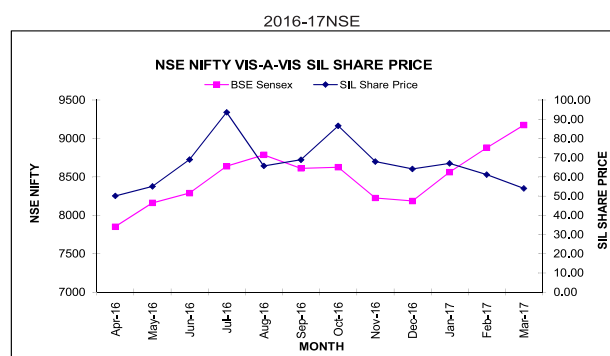
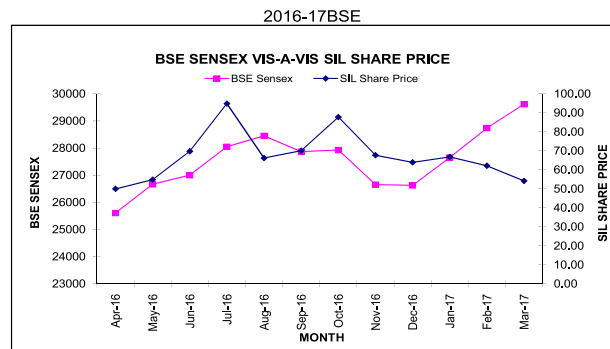
BSE: ₹ / Share

Month	High	Low	Month	High	Low
April	56.00	44.00	October	103.95	67.15
May	73.35	48.00	November	89.55	53.00
June	73.15	50.50	December	72.90	58.25
July	100.00	65.00	January	75.75	62.30
August	97.00	62.25	February	74.00	60.40
September	75.85	59.25	March	63.10	51.00

NSE: ₹/Share

Month	High	Low	Month	High	Low
April	55.90	45.60	October	103.40	68.60
May	73.60	47.40	November	89.95	52.60
June	72.45	51.05	December	73.50	60.55
July	100.00	64.80	January	76.00	63.25
August	96.00	61.60	February	73.75	60.65
September	75.90	56.30	March	63.50	51.70

f) Market price (closing) performance in comparison to broad based index (SENSEX) of The BSE Limited, Mumbai (BSE) and of NIFTY of The National Stock Exchange of India Ltd (NSE):



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 1<sup>st</sup> 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  
Email: xlfield@gmail.com

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 shareholding pattern as on 31<sup>st</sup> March 2017:

No. of shares		No. of Shareholders		Shareholding	
From	To	Nos.	% to total	Nos.	% to total
1	500	12966	82.46	2675636	5.26
501	1000	1416	9.00	1240355	2.43
1001	2000	550	3.50	871573	1.71
2001	3000	199	1.27	522483	1.03
3001	4000	90	0.57	328646	0.64
4001	5000	109	0.69	516823	1.02
5001	10000	166	1.06	1257929	2.47
10001 and above		228	1.45	43486555	85.44
Total		15724	100.00	50900000	100.00

The shareholding pattern as on 31<sup>st</sup> March 2017:

S.No.	Category of shareholder	Number of share holders	Total Number of shares	Total shareholding as a percentage of total number of shares
<b>A.</b>	<b>Shareholding of Promoter and Promoter Group</b>			
A.1	Indian	8	16290090	32.00
A.2	Foreign	1	2520000	4.95
<b>B.</b>	<b>Public Shareholding</b>			
B.1	Mutual Funds	5	31700	0.06
	Financial Institutions/Banks	7	12800	0.03
	Foreign Institutional Investors	2	9772643	19.20
B.2	Bodies Corporate	210	1719201	3.38
	Individuals	15233	14450704	28.39
	Trust	1	1000	0.00
	Non Resident Indians	166	339153	0.67
	Clearing Members	90	186393	0.36
	Foreign Bodies Corporate	1	5576316	10.96
<b>Grand Total</b>		<b>15724</b>	<b>50900000</b>	<b>100.00</b>

Top ten Equity Shareholders of the Company as on March 31, 2017:

S. No.	Name of the Shareholder	Number of Equity Shares held	Percentage of holding
1	One Earth Capital Limited	5576316	10.96
2	Plutus Terra India Fund, Mauritius	4990000	9.80
3	Smt A. Mutya Bai	4921585	9.67
4	Antara India Evergreen Fund Ltd, Mauritius	4782643	9.40
5	Ganapati Adusumilli Fininvest Private Limited	4200000	8.25
6	Shri A.Ashok Kumar	3319110	6.52
7	Ganapati Holdings Pte Limited, Singapore	2520000	4.95
8	Shri A. Naresh Kumar	2019105	3.97
9	Shri A.S.Rao	1424000	2.80
10	Shri Ajay Upadhyaya	1100000	2.16

**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 48832373 shares constituting 95.94% of paid-up share capital have been converted into fungible form upto 31<sup>st</sup> March 2017. The Company's Equity Shares are regularly traded in dematerialised form on BSE (Stock Code:526093) and NSE (stock code: sathaispat).

**Reconciliation of Share Capital Audit:**

Reconciliation of Share Capital audit was carried out on quarterly basis by a qualified Practicing Company Secretary to reconcile the Equity Share Capital held in dematerialised form with both Depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and in Physical Form. The Share Capital Audit Reports confirm that the number of Equity Shares as per the Issued and Paid-up Equity Share Capital is in agreement with the number of Equity Shares held in aggregate in physical form and dematerialised form with NSDL and CDSL. No Equity Shares were held in any suspense account.

**Issue of GDRs/ADRs/Warrants:** The Company has not issued any GDRs / ADRs / Warrants or any convertible instruments which are outstanding as on March 31, 2017. The Share Warrants issued in the past were fully converted into Equity Shares within the time frame allowed for such conversion.

j) Plant locations:

1. Haresamudram Village, Bommanahal Mandal, Anantapuramu District, Andhra Pradesh.	2. Kudithini Village, Korugodu Road, Bellary District, Karnataka.
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k) Address for correspondence:

Corporate Office: Sathavahana Ispat Limited, 505, 5 <sup>th</sup> Floor, Block -1, Divyashakti Complex, Ameerpet, HYDERABAD – 500 016 Telangana State	Registered Office: Sathavahana Ispat Limited, 314, Sri Rama Krishna Towers, Nagarjuna Nagar, Hyderabad – 500 073 Telangana State
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l) Company's Corporate Identity Number (CIN): L27109TG1989PLC010654.

The Report on Corporate Governance and accompanying Management Discussion and Analysis is prepared in compliance with requirements of Listing Regulations 2015 and forms part of Directors' Report and as such is to be read in conjunction with the Directors' Report.

For and on behalf of the Board

For and on behalf of the Board

Place: Hyderabad  
Date: 28.08.2017

(K.THANU PILLAI)  
CHAIRMAN  
(DIN:00115814)

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. INDUSTRY STRUCTURE AND DEVELOPMENTS:

The Company is engaged in the manufacture and sale of Pig Iron; Ductile Iron Pipe and 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 also into Power generation.

The Company is using Mini Blast Furnace Technology. The Company operates Blast Furnace with technology sourced from Sino-Steel for Pig Iron making. The Company uses the Anshan technology, sourced from P.R.China for Metallurgical Coke making. The technology for Ductile Iron Pipe making was sourced from Chinese Academy of Agriculture Mechanisation Sciences (CAAMS), China.

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. The Company is into Pig Iron manufacture since inception. A major portion of Pig Iron manufactured is captively consumed in the manufacture of Ductile Iron Pipes.

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. 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 one and a half Million tons in 1991-92 to the present level of over nine million tons in 2016-17. The production for sale of Pig Iron as per statistics (provisional) released by the Joint Plant Committee (JPC) attached to the Ministry of Steel for the financial year 2016-17 is at 9.452 million tons as against 9.288 million tons in the previous year, registering a moderate growth of 2.4%. Continued adverse economic conditions,

supply side issues and volatile prices of steel raw materials, intensive competition from Integrated Steel Players have had a significant bearing on the performance of the Pig Iron industry in India.

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 is also operating a Co-generation Power plant where the surplus Power after meeting the captive needs is being sold to third parties. The Company is operating this facility for over nine years now. A major portion of the Metallurgical Coke manufactured is captively consumed in the manufacture of Pig Iron.

The Company is also into manufacture of Ductile Iron Pipes which are mainly used for water transportation and sewerage works that are sponsored by the governments, municipalities etc. Given the longevity and durability and the thrust given by the governments for providing safe drinking water and for providing better sewerage facilities to both urban and rural areas and also application in the irrigation works the usage of Ductile Iron Pipes is likely to improve over a period.

### GLOBAL SCENARIO:

The global Iron and Steel industry during the year under review recorded a moderate growth on the back of economic recovery in the emerging economies and improvements in the developed economies. The moderate growth in the industry was driven mostly by consumption rather than investment and the demand for Iron and Steel fails to be exciting. Excess capacities, protectionism and rising population are the causes of concern in the industry. Amidst these uncertainties the global Steel production recorded a modest growth by registering crude Steel production of 1.63 billion tons as against 1.62 billion tons in the year before. Asia continues to be the predominant player with 69.03% of global Steel production. P.R.China continues to be the largest player in terms of both world and Asian production with 49.6% and 71.86% respectively. Japan, India and South Korea together

account for 16.5% of global Steel production and 23.9% of the Asian Steel production. The global Pig Iron industry during the year witnessed stagnation when the production recorded at level of 1.16 billion tons. The sentiment in the industry continues to be subdued during the year under review.

#### **INDIAN SCENARIO:**

During the year 2016-17 the Indian Steel industry contrary to the global scenario recorded a robust growth by recording 97.385 million tons which accounts for annual growth of 8.5%. Indian Steel industry continues to be third largest producer of Steel in the world. During the year India became net exporter of Steel narrowing the gap between imports at 7.427 million tons and exports at 8.244 million tons. The year saw an apparent Steel consumption at 89.902 million tons as against 86.698 million tons during the last year. However the Indian Pig Iron sector reported a negative growth trend where the gross production has come down from 9.05 million tons to 8.81 million tons during the current year. The year witnessed volatile markets with sudden increase or decrease in the prices of Steel making raw materials which eroded the margins. The Iron and Steel industry is burdened with high debt and high interest costs which have impacted adversely the performance of the industry.

#### **PRICE TRENDS:**

Although the year started with softer price regime both on raw material and finished goods front, the price trends during the later part of the year witnessed a very high volatility with sharp increases as well as sharp corrections. The trend lines were uneven and bumpy during most part of the year which caught the industry unaware. As a result of these cyclical movements the margins were impacted severely. The prime Coking Coal prices which were ruling at about US\$100/MT during the beginning of the year witnessed a peak of US\$300/MT F.O.B. Australia only to be corrected to about USD\$225/MT towards year end. The Iron Ore prices too witnessed cyclical effects where the landed price at the beginning of the year were ruling at about ₹2300/MT saw a peak of about ₹4900/MT. The finished Steel prices which were ruling at about ₹36000/MT peaked to a level of about ₹43000/MT retreating to level of about ₹39000/MT

towards year end. The Metallurgical Coke prices ex works that were ruling at about ₹14000/MT during the early part of the year have peaked to about ₹23000/MT falling again to about ₹21000/MT towards year end. The Steel grade Pig Iron ex works prices too moved from about ₹21000/MT to about ₹24000/MT towards year end with a peak of about ₹26500/MT. The F.O.R prices of Ductile Iron Pipes which were at about ₹41000/MT during the early part of the year increased to about ₹42000/MT towards year end with a peak of about ₹43000/MT. The high volatility in prices has eroded the margins significantly.

#### **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 backward integration. The Company has also set 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 Metallurgical 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. Major mines are allowed to operate now.
- 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. Moreover the Company has set up a Ductile Iron Pipe making facility so as to utilise captively a major portion of liquid hot metal.
- 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 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. Moreover the Company has now implemented the forward integration into Ductile Iron Pipes whereby the captive consumption of Pig Iron would increase and dependence on the markets would come down.
- ix) The Company's business is mainly commodity business. The financial health of the unit will be affected by adverse changes in the industry and commodity markets. Company implemented facilities involving both forward integration and backward integration and thus the risk would be minimised.

### 3. SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE:

The Company's business comprises manufacture and sale of Pig Iron and Ductile Iron Pipes as one segment called Ferrous Products and manufacture of Metallurgical Coke with Co-generation Power as the other segment. The operations of the Company during the year under review were satisfactory. Actual Pig Iron production during the year was 174608 MTs as against 196019 MTs in the previous year. The actual sales in volume terms were 172305 MTs as against 199214 MTs in the previous year (including 123271 MTs, previous year 91412 MTs captive consumption in the manufacture of Ductile Iron Pipes). The Company's market share in Pig Iron constitutes about 0.45% of the domestic consumption. In its second year after commencement of commercial operations, the Ductile Iron pipe production improved to 131759 MTs as compared to 96173 MTs in the year before. Metallurgical Coke production was at 195872 MTs as against 263521 MTs in the previous year and the lower production was due to volatile markets whereby the Company could not push the sales. Out of the total production, 142468 MTs was captively consumed as against 159478 MTs in the previous year. The Company sold 58303 MTs of Metallurgical Coke as against 117480 MTs in the last year in the nearby markets. The Co-generation Power plant at Kudithini generated 96409452 KWH of Power as against 262760184 KWH in the year before, of which 79926000 KWH, previous year 224463000 KWH was sold and 18136452 KWH (previous year 38687184 KWH) were captively consumed (including Power Plant auxiliary load) that includes Power import of 1653000 KWH (previous year 390000 KWH). The gross sales revenues of products and services in value terms were ₹11315975529/- as compared to ₹12322446236/- in the last year.

### 4. OUTLOOK:

Although there were signs of recovery in the global Iron and Steel industry during the year 2016 yet the short term outlook appears to be bearish and whereas the medium to long term outlook appears to be positive on the back of expected improvement in the global economic outlook. In the short term factors like the weak signs of recovery in the global economies, lower consumptions and excess capacities, increased trade tensions and protectionist measures would have an adverse bearing on the growth of industry. However in the medium to long term the industry is expected to improve on the back of strengthening economic indicators, expected growth in world GDP and measures to drive the consumption. The Indian Iron and Steel industry is showing a healthy growth mainly on account of measures initiated by the government, drive on 'make in India', larger public spending etc. However

the challenges on the bank loans to industry and increased non-performing assets with Banks, high interest costs, and volatile price trends are of concern in the growth of the industry. After creating a value chain in the form of backward and forward integration, your Company is poised for a better growth once the issues on working capital and increased loan portfolio are addressed suitably.

## 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 2013 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:

PARAMETER	FY 2016-17		FY 2015-16		Growth/reduction%	
	Quantity	Value Rs. Cr	Quantity	Value Rs. Cr	Quantity	Value
Pig Iron						
Production (mt)	174608		196019		(10.92)	
Captive use (mt)	123271		91412		34.85	
Sales (mt)*	49034	111.72	107802	223.63	(54.51)	(50.04)
Ductile Iron Pipes (mt)						
Production (mt)	131759		96173		37.00	
Captive use (mt)	3566		2168		64.48	
Sales (mt)	124517	492.86	88230	361.19	41.13	36.45
Metallurgical Coke						
Production (mt)	195872		263521		(25.67)	
Captive use (mt)	142468		159478		(10.67)	
Sales (mt)	58303	108.00	117480	171.56	(50.37)	(37.05)
Power						
Generation (mu)	96409		262760		(63.31)	
Captive use (mu)	18136		38687		(53.12)	
Sales (mu)	79926	27.69	224463	109.79	(64.39)	(74.78)
Trading and others		391.33		366.08		6.90
Gross Sales		1131.60		1232.25		(8.17)
Less: Excise Duty		36.00		51.94		(30.69)
Net Sales		1095.60		1180.31		(7.18)

The operational performance during the year is lower due to lower volumes of Pig Iron and Metallurgical Coke although the Ductile Iron Pipes facility improved in its second year of operations. The operational performance during the year was impacted due to unconducive economic conditions; working capital constraints, subdued market conditions and volatile commodity prices in particular raw material prices for making Iron and Steel. The production volume of Pig Iron at 174608 MTs as compared with 196019 MTs in the year before was lower by 10.92%. Consequently the Pig Iron sales were also lower at 123271 MTs (including 123271 MTs used in production of Ductile Iron Pipes) as against 199214 MTs in the year before (including 91412 MTs used in production of Ductile Iron Pipe making). In its second year after commencement of commercial operations, the Ductile Iron Pipe production improved to 131759 MTs as compared to 96173 MTs in the year before an improvement by 37% year on year. Metallurgical Coke production was at 195872 MTs as against 263521 MTs in the previous year and the lower production was due to volatile markets whereby the Company could not push the sales. Consequently the sales of Metallurgical Coke were halved from 117480 MTs in the last year to 58303 MTs in the current year and at the same the captive use has come down from 159478 MTs in the year before to 142468 MTs in the year under review. The lower Metallurgical Coke capacity utilisation also impacted the Co-generation Power where the Power generation has come down from 262760184 KWH to 96409452 KWH in the current year and at the same time the sale of Power was also lower at 79926000 KWH as compared with 224463000 KWH in the previous year while consuming the balance units on auxiliary loads and captive use. On the back of these adverse conditions the Company recorded gross sales of ₹11315975529/- as compared with ₹12322446236/- in the last year lower by 8.17%. Accordingly the net sales has come down from ₹11803081086/- to ₹10956011729/- which is lower by 7.18%. The average sales realisation on Pig Iron during the year under review works out to ₹22784/MT as against ₹20744/MT during the last year. The average price on sale of Ductile Iron Pipes was at ₹39582/- in comparison to ₹40937/MT in the year before. The average sales realisation on sale of surplus Metallurgical Coke was at ₹16284/MT as compared to ₹14603/MT in the previous year. The average sales realisation on power sold was at ₹3.46/KWH as against ₹4.89/KWH in the last year. The average cost of Iron Ore and Iron Ore fines consumed was at ₹2902/MT as compared with ₹2685/MT in the last year. The average cost of Coking Coal consumed was at ₹10218/MT as against ₹8649/MT in the year

before. The prices of raw material were very volatile and the trend in the sales prices was not in sync with raw material price trends which resulted in the negative margins.

On the financial performance front the operating profit before finance costs and depreciation and amortisation was at ₹997101414/- as against operating profit of ₹904712415/- in the last year. However the year ended with loss before tax of ₹647694746/- as compared with a loss before tax of ₹598060008/- and Net Loss after tax of ₹647694746/- as against Net loss after tax of ₹343489620/- in the year before. The performance during the year in line with operational performance impacted due to unconducive economic conditions; working capital constraints, subdued market conditions; and volatile commodity prices in particular raw material prices for making Iron and Steel. During the year in the absence of virtual certainty Deferred Tax Asset on account of unabsorbed depreciation and business loss and others amounting to ₹96218957/- has been recognised to the extent it can be realised fully against Deferred Tax Liability. The tax impact accordingly is nil during the year as against reversal of liability of ₹254570388/- during the previous year.

#### **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 1537 persons excluding working Directors as on 31<sup>st</sup> March 2017.

#### **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 ("the Company"), for the year ended 31<sup>st</sup> March, 2017, as per Regulations 17 to 27, clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations').

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.

We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

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 specified in Regulations 17 to 27, clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Listing Regulations, as applicable.

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.

Restrictions on use:

This Certificate is issued solely for the purpose of complying with the aforesaid Regulations and may not be suitable for any other purpose.

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

HYDERABAD  
28.08.2017  
P.V.R.K. NAGESWARA RAO  
Partner  
Membership Number: 18840

## **Independent Auditor's 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 31<sup>st</sup> March, 2017, the Statement of Profit and Loss and the 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**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the Company as at 31<sup>st</sup> March, 2017, and its loss and its cash flows for the year ended on that date.

### **Emphasis of Matter**

- (a) We draw attention to Note No.26 (II) (4)(a) in the financial statements which indicates that the Company incurred a net loss of Rs. 64,76,94,746/- during the year ended March 31, 2017 resulting into accumulated losses of Rs.140,36,62,467/- and substantial erosion of its net worth as at March 31, 2017. The Company's current liabilities exceeded its current assets. In view of the above, unless the Company raises further finances and improve the operations, there would be an impact on the Company's ability to continue as a going concern.
- (b) We draw attention to Note No.26 (II) (4)(b) in the financial statements which states that the balances of trade receivables and other receivables, loans and advances and trade payables and other payables of the company are subject to confirmation and consequential adjustments, if any. The Management is confident that such receivables and advances are fully recoverable and no provision is considered

necessary in respect of such receivables and advances.

Our opinion is not modified in respect of these matters.

#### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of Sub-section (11) of Section 143 of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143 (3) of the Act, we report that:
  - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c. The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - d. In our opinion, the aforesaid financial statements comply with the Accounting standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - e. The going concern matter described in paragraph (a) under the Emphasis of Matter paragraph above, in our opinion, may have adverse effect on the functioning of the Company.
  - f. On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
  - g. With respect to the adequacy of the internal financial controls over financial reporting of the

Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B".

- h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note No.26 (II) (3) to the financial statements;
  - ii. The Company did not have any long-term contracts with material foreseeable losses and did not have any long-term derivative contracts as at 31<sup>st</sup> March, 2017;
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended 31<sup>st</sup> March, 2017.
  - iv. The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management – Refer Note No.27 (II) (22).

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

**HYDERABAD  
30.05.2017**

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

Annexure A 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) 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) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
2. The inventories of the company have been physically verified at the year end by the Management except stocks lying with others which have been verified with reference to confirmations, certificates and other relevant documents where available. 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. The Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013 ("the Act"). Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the Order are not applicable to the Company.
4. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186 of the Act. Therefore, the provisions of Clause 3(iv) of the Order are not applicable to the Company.
5. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed there under to the extent notified.
6. 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 Sub-section (1) of Section 148 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.
7. (a) According to the records of the Company and as per the information and explanations given to us, the Company is generally not regular in depositing undisputed statutory dues including provident fund, employees state insurance, income tax and service tax and the Company is generally regular in depositing sales tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues applicable to it with appropriate authorities, in respect of these statutory dues, there are no outstanding dues as on 31.03.2017 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 service tax, value added tax and cess which have not been deposited on account of any dispute as on 31.03.2017 except income tax, sales tax, duty of customs and duty of excise the details of which are as given below:

S.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	Excise duty and penalty	September, 2011 to March, 2015	2,53,99,502	The Commissioner of Central Excise and Customs, Belgaum
2.	Central Sales Tax Act, 1956	Sales tax	2005-06	23,29,595	Sales Tax Appellate Tribunal, Hyderabad.
3.	Customs Act, 1962	Custom duty and penalty	2012-13	10,47,95,907	The Customs, Excise and Service 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.
5.	Central Excise Act, 1944	Excise duty and penalty	September, 2011 to May, 2015	66,80,087	The Commissioner (Vizag Appeal-II), Guntur.

8. Based on our audit procedures and as per the information and explanations given by the management, the Company has delayed in repayment of principal and interest to Canara Bank Rs.41,64,95,242/-, State Bank of Hyderabad Rs.27,16,63,811/- Andhra Bank Rs.26,37,89,762/- and IFCI Limited Rs.6,67,78,767/- during the year aggregating to Rs.101,87,27,582/- and dues amounting to Rs.7,82,03,431 were in arrears as on the Balance Sheet date. There was no amount raised by the Company through the issue of Debentures.
9. The Company has not raised any moneys by way of initial public offer and further public offer (including debt instruments). In our opinion, and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
10. 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 instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
11. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
12. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
13. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
14. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
15. The Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
16. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

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

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

**HYDERABAD**  
**30.05.2017**

*Annexure B to Independent Auditor's Report*

*Referred to in Paragraph 2(f) under the heading of 'Report on Other Legal and Regulatory Requirements' of our report of even date*

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of **SATHAVAHANA ISPAT LIMITED** ("the Company") as of 31<sup>st</sup> March, 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the Company's internal financial controls system over financial reporting.

**Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable

assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Qualified Opinion**

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2017:

- a) The Company's internal financial controls over reconciliation of account balances of receivables and payables on periodic basis, which could potentially result in the Company not recognizing related income and expenses correctly and in accurate disclosure of receivables and payables in financial statements.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, the Company has, in all material respects, maintained adequate internal financial controls over financial reporting as of March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India, and except for the possible effects of the material weakness described above on the achievement of the objectives of the control criteria, the Company's internal financial controls over financial reporting were operating effectively as of March 31, 2017.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2017 financial statements of the Company, and these material weaknesses do not affect our opinion on the financial statements of the Company.

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

**HYDERABAD**  
**30.05.2017**

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

**BALANCE SHEET AS AT 31ST MARCH 2017**

Particulars	Note No.	(Amount in ₹)	
		As at 31st March 2017	As at 31st March 2016
<b>I. EQUITY AND LIABILITIES</b>			
(1) <b>Shareholder's funds:</b>			
(a) Share Capital	1	509000000	509000000
(b) Reserves and surplus	2	528400533	1176095279
Subtotal		1037400533	1685095279
(2) <b>Non-current liabilities:</b>			
(a) Long-term borrowings	3	2829929161	3684055280
(b) Deferred tax liabilities (net)	4	0	0
(c) Long-term provisions	5	57735778	21819250
Subtotal		2887664939	3705874530
(3) <b>Current liabilities:</b>			
(a) Short-term borrowings	6	2627527831	2122710070
(b) Trade payables:	7		
i. Total outstanding dues of micro enterprises and small enterprises		0	0
ii. Total outstanding dues of creditors other than micro enterprises and small enterprises		4376690596	4477157403
(c) Other current liabilities	8	1999619069	1321184461
(d) Short-term provisions	9	4839294	30320265
Subtotal		9008676790	7951372199
<b>TOTAL</b>		<b>12933742262</b>	<b>13342342008</b>
<b>II. ASSETS</b>			
(1) <b>Non-current assets:</b>			
(a) Fixed Assets:			
(i) Tangible assets	10	7767079340	8110047479
(ii) Intangible assets	10	135640	209140
Subtotal		7767214980	8110256619
(iii) Capital work-in-progress	10	288530530	261394418
Subtotal		8055745510	8371651037
(b) Non-current investments	11	6297754	6246722
(c) Long-term loans and advances	12	114165171	109710800
(d) Other non-current assets	13	30545102	33256244
Subtotal		8206753537	8520864803
(2) <b>Current Assets:</b>			
(a) Inventories	14	2197390098	1677924052
(b) Trade Receivables	15	1148462164	1890961060
(c) Cash and bank balances	16	878274391	824803449
(d) Short-term loans and advances	17	483444904	404426431
(e) Other current assets	18	19417168	23362213
Subtotal		4726988725	4821477205
<b>TOTAL</b>		<b>12933742262</b>	<b>13342342008</b>

Summary of Significant Accounting Policies and Other Explanatory Information 26

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  
Dated: 30.05.2017

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

A. Naresh Kumar  
Managing Director

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2017**

(Amount in ₹)			
Particulars	Note No.	For the Year ended 31st March 2017	For the Year ended 31st March 2016
<b>REVENUE:</b>			
I. Revenue from operations			
(a) Sale of products		<b>7416159019</b>	8665136489
(b) Sale of traded goods		<b>3893616021</b>	3646734947
(c) Other Operating Income	19	<b>6200489</b>	10574800
		<b>11315975529</b>	12322446236
(d) Less: Excise Duty		<b>359963800</b>	519365150
		<b>10956011729</b>	11803081086
II. Other Income	20	<b>118305033</b>	90862164
III. Total Revenue (I+II)		<b>11074316762</b>	11893943250
<b>IV. EXPENSES:</b>			
(a) Cost of raw materials consumed	21	<b>5050372738</b>	5617006244
(b) Purchases of stock-in-trade		<b>3795068223</b>	3525003651
(c) Changes in inventories of finished goods, work-in-progress and scrap	22	<b>(343530440)</b>	94399155
(d) Employee benefits expense	23	<b>391593528</b>	400502279
(e) Finance costs	24	<b>1160614556</b>	1042964018
(f) Depreciation and amortisation expense	10	<b>484181604</b>	459808405
(g) Other expenses	25	<b>1183711299</b>	1352319506
Total expenses		<b>11722011508</b>	12492003258
V. Profit / (Loss) before tax (III-IV)		<b>(647694746)</b>	(598060008)
VI. Tax Expense:			
Deferred tax	26 (II)(13)	<b>0</b>	(254570388)
Total Tax expense		<b>0</b>	(254570388)
VII. Profit / (Loss) after tax (V-VI)		<b>(647694746)</b>	(343489620)
VIII. Earnings / (Loss) per equity share:			
(Face value ₹ 10/- per share)			
(a) Basic		<b>(12.72)</b>	(6.75)
(b) Diluted		<b>(12.72)</b>	(6.75)

Summary of Significant Accounting Policies and Other Explanatory Information 26

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

Dated: 30.05.2017

For and on behalf of the Board of Directors

K.Thanu Pillai  
Chairman

A.S.Rao  
Executive Vice Chairman

K.V.Krishna Rao  
Chief Financial Officer &  
Company Secretary

A. Naresh Kumar  
Managing Director

**CASH FLOW STATEMENT**

Particulars	(Amount in ₹)	
	Year ended 31st March 2017	Year ended 31st March 2016
<b>A. CASH FLOW / (USED) FROM OPERATING ACTIVITIES:</b>		
Net profit / (loss) before tax and extraordinary items	<b>(647694746)</b>	(598060008)
Adjustments for:		
Depreciation and amortisation expense	<b>484181604</b>	459808405
Interest expense	<b>988010747</b>	836937292
Interest income	<b>(71792142)</b>	(63162386)
Dividend income from long-term non-trade investments	<b>(4500)</b>	(47540)
Unrealised foreign exchange loss / (gain)	<b>(19664489)</b>	205789179
Provision for diminution in the value of long term investments written back	<b>(60032)</b>	0
Profit on sale of Investments	<b>(70950)</b>	0
Loss on sale of Fixed Asset (net)	<b>17057</b>	0
Provision for doubtful debts no longer required written back	<b>(3575764)</b>	0
Provision for liabilities no longer required written back	<b>0</b>	(28762)
Provision for diminution in the value of long term investments	<b>0</b>	16616
Bad debts written off	<b>4066480</b>	1138742
Operating profit before working capital changes	<b>733413265</b>	842391538
Add / (less) Adjustments for working capital changes:		
(Increase) / decrease in trade receivables	<b>742008180</b>	(280081205)
(Increase) / Decrease in inventories	<b>(519466046)</b>	505940049
(Increase) / Decrease in Long term Loans and Advances	<b>(12090689)</b>	(3665983)
(Increase) / Decrease in Other non current assets	<b>2711142</b>	(2231071)
(Increase) / Decrease in Short term Loans and Advances	<b>(79018473)</b>	102036272
Increase / (Decrease) in Trade Payables	<b>(105039744)</b>	1311904428
Increase / (Decrease) in Other Current Liabilities	<b>562385286</b>	(125198365)
Increase / (Decrease) in Short Term Provisions	<b>(25480971)</b>	4560756
Increase in Long term Provisions	<b>35916528</b>	3876271
Cash generated from operations	<b>1335338478</b>	2359532690
Taxes Paid (net)	<b>3166851</b>	(9069131)
Net cash flow / (used) from operating activities	<b>1338505329</b>	2350463559
<b>B. CASH FLOW / (USED) FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets including capital work in progress	<b>(171735116)</b>	(891265862)
Proceeds from sale of Fixed assets	<b>28819</b>	0
Proceeds from sale of long-term non-trade investments	<b>79950</b>	0
Investment in bank deposits (original maturities of more than three months) (net)	<b>(70811778)</b>	(38187367)
Interest received	<b>69209301</b>	64986730
Dividend income from long-term non-trade investments	<b>4500</b>	47540
Net cash flow / (used) in investing activities	<b>(173224324)</b>	(864418959)

(continued)

**CASH FLOW STATEMENT (Contd....)**

Particulars	(Amount in ₹)	
	Year ended 31st March 2017	Yearended 31st March 2016
C. CASHFLOW/(USED)FROMFINANCINGACTIVITIES:		
Proceeds from long-term borrowings	11760000	900000000
Repayment of long-term borrowings	(776594295)	(1002088875)
Proceeds from / (Repayment of) short-term borrowings (net)	529055187	(553582127)
Interest Paid	(944945255)	(836833553)
Net cash flow / (used) from financing activities	(1180724363)	(1492504555)
Net increase / (decrease) in cash and cash equivalents	(15443358)	(6459955)
Cash and cash equivalents at the beginning of the year	24294314	30754269
Cash and cash equivalents at the end of the year	8850956	24294314

**Notes:**

- The Cash Flow Statement has been prepared under 'Indirect Method' in accordance with the requirement of Accounting Standard-3 "Cash Flow Statement".
- Summary of Significant Accounting Policies and Other Explanatory Information (Note 26) forms an integral part of Cash Flow Statement.
- Previous year's figures have been regrouped wherever necessary to conform to this year's classification

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

For P.V.R.K. Nageswara Rao & Co.,  
Chartered Accountants  
Firm's Registration Number: 0022835

P.V.R.K. Nageswara Rao  
Partner  
Membership Number: 18840

Hyderabad  
Dated: 30.05.2017

For and on behalf of the Board of Directors

K.Thanu Pillai  
Chairman

A.S.Rao  
Executive Vice Chairman

K.V.Krishna Rao  
Chief Financial Officer &  
Company Secretary

A. Naresh Kumar  
Managing Director

**NOTES TO BALANCE SHEET**

		As at 31st March 2017	As at 31st March 2016
<b>1. SHARE CAPITAL:</b>			
(a) <b>Authorised:</b>			
60000000 (previous year 60000000) Equity Shares of ₹10/- each	₹	<b>600000000</b>	600000000
(b) <b>Issued:</b>			
50900000 (previous year 50900000) Equity Shares of ₹10/- each	₹	<b>509000000</b>	509000000
(c) <b>Subscribed and paid up:</b>			
50900000 (previous year 50900000) Equity Shares of ₹10/- each fully paid up	₹	<b>509000000</b>	509000000
(d) <b>Reconciliation of the number of Equity Shares outstanding is set out below:</b>			
Equity Shares outstanding at the beginning of the year:	Nos.	<b>50900000</b>	50900000
	₹	<b>509000000</b>	509000000
Equity Shares outstanding at the end of the year	Nos.	<b>50900000</b>	50900000
	₹	<b>509000000</b>	509000000
(e) <b>The details of Shareholders holding more than 5% Equity Shares:</b>			
(i) Promoters' Group			
Smt. A.Mutya Bai	Nos	<b>4921585</b>	4921585
	%	<b>9.67</b>	9.67
Shri A. Ashok Kumar	Nos	<b>3319110</b>	3319110
	%	<b>6.52</b>	6.52
Ganapati Adusumilli Fininvest Private Limited	Nos	<b>4200000</b>	4200000
	%	<b>8.25</b>	8.25
(ii) Other than Promoters' group:			
One Earth Capital Limited	Nos	<b>5576316</b>	0
	%	<b>10.96</b>	0.00
Stemcor AG	Nos	<b>0</b>	5576316
	%	<b>0.00</b>	10.96
Plutus Terra India Fund	Nos	<b>4990000</b>	4990000
	%	<b>9.80</b>	9.80
Antara India Evergreen Fund Limited	Nos	<b>4782643</b>	4990000
	%	<b>9.40</b>	9.80
(f) <b>Terms / rights attached to Equity Shares</b>			
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.			
<b>2. RESERVES AND SURPLUS:</b>			
(a) <b>Capital Reserve:</b>			
Forfeited amount on reissued shares	₹	<b>63000</b>	63000
State Investment Subsidy	₹	<b>2000000</b>	2000000
	₹	<b>2063000</b>	2063000
(b) <b>Securities Premium Account:</b>			
Amount at the beginning of the year	₹	<b>930000000</b>	930000000
Amount at the end of the year	₹	<b>930000000</b>	930000000
(c) <b>General Reserve:</b>			
Amount at the beginning of the year	₹	<b>1000000000</b>	1000000000
Amount at the end of the year	₹	<b>1000000000</b>	1000000000
(d) <b>Balance in Statement of Profit and Loss (surplus / (deficit):</b>			
Profit / (loss) brought forward from last year	₹	<b>(755967721)</b>	(412478101)
Add / Less: Profit / (loss) as per Statement of Profit and Loss	₹	<b>(647694746)</b>	(343489620)
Total available for allocations and appropriations	₹	<b>(1403662467)</b>	(755967721)
Amount available for allocations and appropriations	₹	<b>(1403662467)</b>	(755967721)
Loss carried forward to next year	₹	<b>(1403662467)</b>	(755967721)
Total	₹	<b>528400533</b>	1176095279

**NOTES TO BALANCE SHEET**

		As at 31st March 2017	As at 31st March 2016	
<b>NON-CURRENT LIABILITIES :</b>				
<b>3 LONG-TERM BORROWINGS:</b>				
Term Loans:				
i. From Banks (Secured)	₹	<b>3032789728</b>	3742761756	
ii. From IFCLimited (Secured)	₹	<b>843750000</b>	900000000	
	₹	<b>3876539728</b>	4642761756	
Less: Current maturities of long term debt	₹	<b>(1055991265)</b>	(967421250)	
	₹	<b>2820548463</b>	3675340506	
Other Loans:				
iii. From Banks and Other party (Secured)	₹	<b>19272077</b>	17884344	
Less: Current maturities of long term debt	₹	<b>(9891379)</b>	(9169570)	
	₹	<b>9380698</b>	8714774	
	₹	<b>2829929161</b>	3684055280	
i. Term Loan borrowings from banks are secured by first mortgage and charge on entire fixed assets, both present and future, and second charge on current assets 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 12.5% to 13.75% p.a. Borrowing from IFCLimited is secured by first mortgage and charge on immovable properties including movable assets, both present and future, ranking pari passu with the existing lenders and guaranteed by one Director of the Company and further secured by pledge of twenty five percent of equity shares held by the promoters in the company. The borrowing from IFCLimited is repayable in sixteen equated quarterly installments after a moratorium period of one year from the date of first disbursement with interest 13.55% payable on monthly rests.				
The period of maturity with reference to five term Loan Borrowings from Balance Sheet date are: (a) Loan 1 comprises five quarterly installments of ₹12550000/- each; one quarterly installment of ₹11746777/- each (b) Loan 2 comprises one quarterly installments of ₹15750000/-, one installment of ₹9000000/-, six quarterly installments of ₹7575000/- each and one quarterly installment of ₹7846976/- (c) Loan 3 comprises nineteen quarterly installments of ₹85625000/- each and one quarterly installment of ₹9873486/- (d) Loan 4 comprises twenty quarterly installments of ₹60000000/- each and one quarterly installment of ₹41697490/- and Loan 5 comprise fifteen quarterly installments of ₹56250000/- each.				
ii. Other loans from banks and other party 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 9.50% to 11.5% p.a. The future maturities from the Balance Sheet date comprises (a) loan 1 comprises seven installments of ₹90560/- each (b) loan 2 comprises fourteen installments of ₹618929/- each and (c) loan 3 comprises fifty installments of ₹93012/- each (d) loan 4 comprises fifty two installments of ₹20112/-each; loan 5 comprises fifty one installments of ₹14799/- each and loan 6 comprises forty two installments of ₹143870/- each. All installments includes interest.				
iii. Details of defaults in repayment of principal and interest as on the Balance Sheet date:				
Name of the Institution	Period of default in No. of days	Principal	Interest	Total
State Bank of Hyderabad	1	₹ 4400000	0	4400000
Canara Bank	59	₹ 23714286	14476255	38190541
Canara Bank	31	₹ 0	13084054	13084054
Andhra Bank	1	₹ 12773966	0	12773966
Andhra Bank	31	₹ 0	9754870	9754870
Total		₹ 40888252	37315179	78203431
<b>4 DEFERRED TAX LIABILITIES (NET):</b>				
(Refer Note No.26 (II) (13))				
Deferred Tax Liabilities:				
Opening balance at the beginning of the year	₹	<b>828387937</b>		376545367
Adjustment for the year	₹	<b>96218957</b>		451842570
Closing balance at the end of the year (A)	₹	<b>924606894</b>		828387937
Deferred Tax Asset:				
Opening balance at the beginning of the year	₹	<b>828387937</b>		121974979
Adjustment for the year	₹	<b>96218957</b>		706412958
Closing balance at the end of the year (B)	₹	<b>924606894</b>		828387937
Deferred Tax Liabilities (net) (A-B)	₹	<b>0</b>		0

**NOTES TO BALANCE SHEET**

		As at 31st March 2017	As at 31st March 2016
<b>5 LONG-TERM PROVISIONS:</b>			
Provision for employee benefits	₹	<b>57735778</b>	21819250
Refer Note No.26 (II) (8)			
	₹	<b>57735778</b>	21819250
<b>CURRENT LIABILITIES:</b>			
<b>6 SHORT-TERM BORROWINGS:</b>			
(i) Working capital loans from banks: (Repayable on demand, Secured)	₹	<b>1487575850</b>	897840985
(ii) Buyer's credit	₹	<b>1139951981</b>	1224869085
	₹	<b>2627527831</b>	2122710070
<p>i. Working capital loans from banks and Buyer's credit are secured by first charge on the entire current assets and further secured by second charge on entire fixed assets of the Company and guaranteed by two Promoter Directors of the Company. The rate of interest on working capital loans varies from 12.70% to 13.50% p.a. The rate of interest in respect of Buyer's credit varies from 6m LIBOR +70 bps to 6m LIBOR + 120 bps p.a.</p> <p>ii. The above borrowings and interest due there on have been paid upto date and there are no defaults.</p>			
<b>7 TRADE PAYABLES:</b>			
Unsecured			
i. Total outstanding dues of micro enterprises and small enterprises	₹	<b>0</b>	0
ii. Total outstanding dues of creditors other than micro enterprises and small enterprises	₹	<b>4376690596</b>	4477157403
	₹	<b>4376690596</b>	4477157403
<p>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.</p>			
a) Principle amount remaining unpaid as on March 31	₹	<b>Nil</b>	Nil
b) Interest due thereon as on March 31	₹	<b>Nil</b>	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	₹	<b>Nil</b>	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.	₹	<b>Nil</b>	Nil
e) Interest accrued and remaining unpaid as at March 31	₹	<b>Nil</b>	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.	₹	<b>Nil</b>	Nil
<b>8 OTHER CURRENT LIABILITIES</b>			
i. Current maturities of Long-Term Debt	₹	<b>1065882644</b>	976590820
ii. Interest accrued but not due on borrowings	₹	<b>43349216</b>	283724
iii. Interest accrued and due on borrowings	₹	<b>37315179</b>	0
iv. Unclaimed dividends (Of the above there is no amount due and outstanding to be credited to Investor Education and Protection Fund)	₹	<b>3948983</b>	5846461
v. Advance from customers	₹	<b>425952979</b>	58750515
vi. Other payables			
Creditors for capital works	₹	<b>63100033</b>	77510549
Employee benefits payable	₹	<b>118357932</b>	59044347
Statutory Liabilities	₹	<b>49970308</b>	26786094
Creditors for expenses etc.	₹	<b>191741795</b>	116371951
	₹	<b>1999619069</b>	1321184461
<b>9 SHORT-TERM PROVISIONS:</b>			
Provision for employee benefits	₹	<b>4839294</b>	30320265
Refer Note No.26(II)(8)	₹	<b>4839294</b>	30320265

**NOTES TO BALANCE SHEET**
**10. (I) FIXED ASSETS:**

SL. NO.	Description	GROSS CARRYING AMOUNT				DEPRECIATION / AMORTISATION				NET CARRYING AMOUNT	
		Cost as at 01.04.2016	Additions during the year	Deductions during the year	Total Upto 31.03.2017	Upto 31.03.2016	For the year	On deductions	Total upto 31.03.2017	As at 31.03.2017	As at 31.03.2016
		₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
<b>A. Tangible Assets:</b>											
<b>I. Own Assets:</b>											
1 Freehold land and site development		13722990	0	0	<b>13722990</b>	0	0	0	<b>0</b>	<b>13722990</b>	13722990
2 Buildings		936478080	0	0	<b>936478080</b>	113784695	26010148	0	<b>139794843</b>	<b>796683237</b>	822693385
3 Plant and equipment		9187210647	126745090	0	<b>9313955737</b>	1993726885	449283422	0	<b>2443010307</b>	<b>6870945430</b>	7193483762
4 Furniture and fixtures		9044680	198165	322291	<b>8920554</b>	4390412	686387	322291	<b>4754508</b>	<b>4166046</b>	4654268
5 Vehicles		78205438	12766416	917512	<b>90054342</b>	43543759	5659473	871636	<b>48331596</b>	<b>41722746</b>	34661679
6 Office equipment		16511173	1086070	357804	<b>17239439</b>	10744422	1701767	357804	<b>12088385</b>	<b>5151054</b>	5766751
7 Data Processing equipment		9051090	390100	55934	<b>9385256</b>	7129068	766907	55934	<b>7840041</b>	<b>1545215</b>	1922022
<b>II. Leased Assets:</b>											
8 Lease hold land		33142622	0	0	<b>33142622</b>	0	0	0	<b>0</b>	<b>33142622</b>	33142622
<b>Sub Total:</b>		10283366720	141185841	1653541	<b>10422899020</b>	2173319241	484108104	1607665	<b>2655819680</b>	<b>7767079340</b>	8110047479
<b>B. Intangible Assets</b>											
<b>Own Assets:</b>											
9 Software		1097820	0	0	<b>1097820</b>	888680	73500	0	<b>962180</b>	<b>135640</b>	209140
<b>Sub Total:</b>		1097820	0	0	<b>1097820</b>	888680	73500	0	<b>962180</b>	<b>135640</b>	209140
<b>Total:</b>		10284464540	141185841	1653541	<b>10423996840</b>	2174207921	484181604	1607665	<b>2656781860</b>	<b>7767214980</b>	8110256619
Previous Year Total:		4993256801	5291207739	0	<b>10284464540</b>	1714399516	459808405	0	<b>2174207921</b>	<b>8110256619</b>	
<b>C. Capital Work-in-Progress</b>		261394418	27136112	0	<b>288530530</b>	0	0	0	<b>0</b>	<b>288530530</b>	261394418
<b>Total:</b>		261394418	27136112	0	<b>288530530</b>	0	0	0	<b>0</b>	<b>288530530</b>	261394418

As at  
**31st March 2017**

As at  
31st March 2016

**11 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, if any)

(i) 10,720 Equity Shares of ₹10/- each in IDBI Bank Limited

(formerly Industrial Development Bank of India)

₹ **871000** 871000

Less: Provision for diminution in book value of investment

₹ **65928** 125960

(Market value ₹ 805072/-, previous year ₹ 745040/-)

₹ **805072** 745040

(ii) 10,000 Equity Shares of ₹10/- each in IFCI Limited

₹ **100000** 100000

(Market value ₹ 297000/-, previous year ₹ 246000/-)

(iii) 900 (previous year 1050) Equity Shares of ₹10/- each in State Bank

of Travancore (under merger with State Bank of India)

₹ **54000** 63000

(Market value ₹ 579348/-, previous year ₹ 404828/- Current

market value is based on State Bank of India share price)

**(b) In Mutual Funds:**

(i) 5,000 units of ₹10/- each in SBI Mutual Fund

₹ **50000** 50000

(Fair value ₹ 167861/-, previous year ₹ 139605/-)

(ii) 519109 (previous year 519109) Units of ₹10/- each in

Canara Robeco Mutual Fund

₹ **5288682** 5288682

(Fair value ₹ 6435021/-, previous year ₹ 5901168/-)

₹ **6297754** 6246722

(i) Aggregate amount of quoted investments

₹ **1025000** 1034000

(ii) Aggregate market value of quoted investments

₹ **1681420** 1395868

(iii) Aggregate amount of unquoted investments

₹ **5338682** 5338682

(iv) Aggregate provision made for diminution in value of Investments

₹ **65928** 125960

**NOTES TO BALANCE SHEET**

		As at 31st March 2017	As at 31st March 2016
<b>12 LONG-TERM LOANS AND ADVANCES:</b>			
<b>Unsecured, considered good</b>			
(a) <b>Capital advances</b>	₹	<b>33606559</b>	38076026
(b) <b>Security Deposits</b> (includes an amount of ₹1215000 /-, previous year ₹1215000/- due from a Director towards rental deposit of office premises)	₹	<b>35924755</b>	25441772
(c) Prepaid Taxes	₹	<b>35447310</b>	38614161
(d) MAT credit entitlement	₹	<b>5873857</b>	5873857
(e) Other loans and advances:			
Prepaid expenses	₹	<b>3312690</b>	1704984
	₹	<b>114165171</b>	109710800
<b>13 OTHER NON-CURRENT ASSETS:</b>			
(a) Long Term Trade Receivables			
i. Unsecured-considered good	₹	<b>0</b>	0
ii. Unsecured-considered doubtful	₹	<b>13594277</b>	17170041
Less: Provision for doubtful debts	₹	<b>(13594277)</b>	(17170041)
	₹	<b>0</b>	0
(b) Other receivables - unsecured - considered good	₹	<b>30545102</b>	33256244
	₹	<b>30545102</b>	33256244
<b>CURRENT ASSETS:</b>			
<b>14 INVENTORIES:</b>			
(Valued at lower of cost and net realisable value, except for by-product and scrap. By-product and scrap are valued at net realisable value).			
(i) Raw materials	₹	<b>651810003</b>	415639720
(Stock in transit ₹20005507/- Previous year ₹31958815/-)			
(ii) Work-in-progress	₹	<b>295546804</b>	169862257
(iii) Finished goods	₹	<b>1166797681</b>	943233811
(Stock in transit ₹14647727/- Previous year ₹12487712)			
(iv) Stores and spares	₹	<b>81914157</b>	147927349
(Stock in transit ₹6661909/- Previous year ₹6637457/-)			
(v) Scrap	₹	<b>1321453</b>	1260915
	₹	<b>2197390098</b>	1677924052
<b>15 TRADE RECEIVABLES:</b>			
(Unsecured, considered good)			
(i) Outstanding for a period exceeding six months from the date they became due for payment	₹	<b>448348620</b>	286048984
(ii) Others	₹	<b>973832936</b>	1971460846
	₹	<b>1422181556</b>	2257509830
Less: Bills discounted with a bank	₹	<b>273719392</b>	366548770
	₹	<b>1148462164</b>	1890961060

**NOTES TO BALANCE SHEET**

		As at 31st March 2017	As at 31st March 2016
<b>16 CASH AND BANK BALANCES:</b>			
Cash and Cash Equivalents:			
(i) Cash on hand	₹	<b>650084</b>	3584276
(ii) Balances with banks:			
In current accounts	₹	<b>8200872</b>	20710038
	₹	<b>8850956</b>	24294314
Other than cash and cash equivalents:			
(i) Other bank balances:			
(a) In unclaimed dividend accounts	₹	<b>3948983</b>	5846461
(b) Balances with banks to the extent held as margin money or security (Pledged to banks towards margin on letters of credit etc.,)	₹	<b>865474452</b>	794662674
	₹	<b>869423435</b>	800509135
	₹	<b>878274391</b>	824803449
<b>17 SHORT-TERM LOANS AND ADVANCES:</b>			
(Unsecured, considered good)			
(a) Deposits	₹	<b>21452826</b>	26568113
(b) Balances with Central Excise	₹	<b>99777496</b>	110794325
(c) Other advances and receivables	₹	<b>28254468</b>	22009401
(d) Prepaid expenses	₹	<b>67445865</b>	31051354
(e) Advances to suppliers	₹	<b>263528915</b>	208785215
(f) Advances to staff	₹	<b>2985334</b>	5218023
(g) Other advances considered doubtful	₹	<b>25000000</b>	25000000
Less: provision for doubtful advances	₹	<b>25000000</b>	25000000
	₹	<b>0</b>	0
	₹	<b>483444904</b>	404426431
<b>18 OTHER CURRENT ASSETS:</b>			
(a) Interest accrued on deposits and investments	₹	<b>19417168</b>	16834327
(b) Assets held for sale (at lower of cost and net realisable value)	₹	<b>0</b>	6527886
	₹	<b>19417168</b>	23362213

**NOTES TO STATEMENT OF PROFIT AND LOSS**

		For the Year ended 31st March 2017	For the Year ended 31st March 2016
<b>19 OTHER OPERATING INCOME:</b>			
Sale of scrap arising out of manufacturing process	₹	<u>6200489</u>	<u>10574800</u>
<b>20 OTHER INCOME:</b>			
(a) Interest Income	₹	71792142	63162386
(b) Dividend income from long-term non-trade investments	₹	4500	47540
(c) Profit on sale of long term investments	₹	70950	0
(d) Sale of other scrap	₹	6144038	5051055
(e) Provision for liabilities no longer required written back	₹	0	28762
(f) Provision for doubtful debts no longer required written back	₹	3575764	0
(g) Provision for diminution in value of investments no longer required written back	₹	60032	0
(h) Net gain on foreign currency transactions and translation	₹	22233187	0
(i) Other non-operating income (net of expenses directly attributable to such income)	₹	14424420	22572421
	₹	<u>118305033</u>	<u>90862164</u>
<b>21 COST OF RAW MATERIALS CONSUMED:</b>			
i. Opening Inventory	₹	415639720	877166084
ii. Add: Purchases during the year	₹	5286543021	5155479880
	₹	5702182741	6032645964
iii. Less Closing Inventory	₹	651810003	415639720
<b>iv. Raw Material consumed</b>	₹	<u>5050372738</u>	<u>5617006244</u>
Particulars of Raw material consumed:			
(a) Coking Coal	₹	2815127346	3188433278
(b) Iron Ore and Iron Orefines	₹	762996251	774152922
(c) Steam Coal	₹	658785687	962834608
(d) Others	₹	813463454	691585436
	₹	<u>5050372738</u>	<u>5617006244</u>
<b>22 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND SCRAP:</b>			
(a) Opening inventory:			
(i) Finished goods including by-product	₹	943233811	1058849326
(ii) Work-in-progress	₹	169862257	168950402
(iii) Scrap	₹	1260915	0
	₹	1114356983	1227799728
(b) Closing inventory:			
(i) Finished goods including by-product	₹	1166797681	943233811
(ii) Work-in-progress	₹	295546804	169862257
(iii) Scrap	₹	1321453	1260915
	₹	1463665938	1114356983
Adjustment for Excise duty on finished goods	₹	(5778515)	19043590
	₹	<u>(343530440)</u>	<u>94399155</u>
<b>23 EMPLOYEE BENEFITS EXPENSE:</b>			
(a) Salaries, wages, bonus and other benefits	₹	355308752	365708909
(b) Contribution to provident and other funds	₹	26163304	25963890
(c) Contribution to employee state insurance	₹	1879532	275268
(d) Staff welfare expenses	₹	8241940	8554212
	₹	<u>391593528</u>	<u>400502279</u>
<b>24 FINANCE COSTS:</b>			
(a) Interest expense	₹	988010747	836937292
(b) Other borrowing costs	₹	172603809	104204071
(c) Net loss on foreign currency transactions and translation	₹	0	101822655
	₹	<u>1160614556</u>	<u>1042964018</u>

**NOTES TO STATEMENT OF PROFIT AND LOSS**

		For the Year ended 31st March 2017	For the Year ended 31st March 2016
<b>25 OTHER EXPENSES:</b>			
i Consumption of stores and spare parts	₹	<b>330413155</b>	256017775
ii Power and fuel	₹	<b>53132020</b>	55792073
iii Rent	₹	<b>4690048</b>	5008995
iv Repairs to buildings	₹	<b>6076641</b>	9365765
v Repairs to machinery	₹	<b>101841238</b>	154457562
vi Repairs to others	₹	<b>878641</b>	1313786
vii Insurance	₹	<b>26246818</b>	19718587
viii Operation and maintenance charges	₹	<b>170844402</b>	134912243
ix Rates and taxes, excluding taxes on income	₹	<b>10813832</b>	9082850
x Payments to auditors:			
(a) As auditors	₹	<b>1374000</b>	1200000
(b) As tax auditors	₹	<b>920000</b>	0
(c) For taxation matters	₹	<b>368650</b>	350000
(d) For quarterly reviews	₹	<b>1298500</b>	977075
(e) For certification	₹	<b>766029</b>	1115875
(f) For reimbursement of expenses	₹	<b>109221</b>	178675
(g) Total fees	₹	<b>4836400</b>	3821625
xi Printing and stationery	₹	<b>2344998</b>	3016392
xii communication expenses	₹	<b>2849346</b>	2994972
xiii Advertisement	₹	<b>201253</b>	352505
xiv Traveling and conveyance	₹	<b>6142043</b>	8433578
xv Vehicle Maintenance	₹	<b>21132294</b>	17219042
xvi Legal and Professional charges	₹	<b>18656410</b>	28900477
xvii Net loss on foreign currency transaction and translation (other than considered as finance cost)	₹	<b>0</b>	228501152
xviii Loss on sale of assets (net of profit on sale of asset of ₹ 59/- previous year ₹ Nil)	₹	<b>17057</b>	0
xix Bad debts written off	₹	<b>4066480</b>	1138742
xx Carriage and freight	₹	<b>297169997</b>	290107875
xxi Discounts	₹	<b>2991754</b>	26532531
xxii Directors fees	₹	<b>406000</b>	576000
xxiii Bank charges	₹	<b>7997744</b>	6114439
xxiv Commission on sales	₹	<b>18894310</b>	18391254
xxv Provision for diminution in value of long term investments	₹	<b>0</b>	16616
xxvi Packing material consumed	₹	<b>19305915</b>	10641972
xxvii Miscellaneous expenses	₹	<b>54969475</b>	58505251
xxviii Prior year adjustments (net) (Refer Note No.26(II)21)	₹	<b>16793028</b>	1385447
	₹	<b>1183711299</b>	1352319506

**26. 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 compliance with all material aspects of the Accounting Standards specified under Section 133 of the Companies Act, 2013 ("the Act"), read with Rule 7 of the Companies (Accounts) Rules, 2014, other relevant provisions of the Act, other pronouncements of the Institute of Chartered Accountants of India and also the guidelines issued by the Securities and Exchange Board of India (SEBI). The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year. The financial statements are presented in Indian Rupees rounded off to nearest Rupee.

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 Schedule III to the Companies Act, 2013. 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 judgements, 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) Tangible Assets:**

- i. Tangible assets are stated at historical cost less accumulated depreciation thereon and impairment losses, if any. Historical cost is 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. Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any component, accounted for as a separate asset is derecognised when replaced. All other items in the nature of repairs and maintenance are charged to Statement of Profit and Loss as and when they are incurred.
- 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.
- iv. Assets retired from active use and held for disposal are stated at their estimated net realisable values or net book values, whichever is lower and shown under Other Current Assets.
- v. Capital work-in-progress includes cost of property, plant and equipment under installation as at the Balance Sheet date.

**(d) Depreciation:**

- i. Depreciation is computed on a straight line basis so as to write off cost of assets over the useful lives of tangible fixed assets in the manner prescribed in Schedule II of the Act other than on electricity business. Depreciation in respect of its electricity business is provided at the rates as well as methodology notified by the Central Electricity Regulatory Commission. On the basis of technical evaluation certain plant and equipments are considered as continuous process plant. The useful life of the assets are periodically reviewed and re-determined based on a technical evaluation and expected use and the unamortised depreciable amount is charged over the remaining useful life of such assets. Depreciation is provided at one hundred percent for assets costing ₹ 5000/- or less.
- ii. Depreciation on fixed assets used for the project under construction is included under Expenditure during construction period Pending Capitalisation.
- iii. Relining expenditure is depreciated over its useful life or remaining useful life of Blast Furnace whichever is shorter.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION:**

- (e) Intangible assets and amortisation  
Intangible assets are stated at historical cost less accumulated amortisation thereon and impairment loss, if any. These assets are 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.
  - 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.
  - v. Obsolete, defective and unserviceable inventories are duly provided for.
- (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 Central Government of India are charged off to Statement of Profit and Loss as and when incurred. The Company has no further obligations under these plans beyond its monthly contributions.
    - b). Gratuity: Accruing liability towards gratuity is provided on the basis of actuarial valuation made by an independent Actuary. The actuarial valuation is done as per Projected unit credit method. Actuarial gains/losses are immediately taken to Statement of profit and loss.
    - c). Leave Encashment Benefit: The Company records its unavailed leave liability based on actuarial valuation using Projected unit credit method. Actuarial gains / losses arising during the year are recognised in statement of Profit and loss.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION:**

- (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.
- 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 which is based upon the terms of the applicable contract, which coincides with the delivery of the goods. 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) Segment Accounting:  
Segments are identified based on the types of products, the risks and returns, internal performance reporting system and the internal organisation and management structure. The Company has identified business segment as its primary reporting segment with secondary information reported geographically. The company's primary segments consist of Ferrous Products and the Metallurgical Coke with co-generation of power. Geographical segment is considered based on sales within India and outside India.  
The accounting policies adopted for segment reporting are in line with the accounting policies of the company.  
Segment Assets and Liabilities include all operating assets and liabilities. Segment results include all related income and expenditure. Unallocated expenditure represents other income and expenses which relate to the company as a whole and are not allocated to segments.
- (n) 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.
- (o) 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION:**

## 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.

## (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 qualifying assets which necessarily take a substantial period of time to get ready for their intended use, incurred till the date when the activities necessary to prepare the qualifying asset for its intended use are completed and 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION:**
**(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 Ferrous products, Metallurgical Coke with Co-generation of Power. The Ferrous products plant is in Anantapuramu 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 Ferrous products. 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.**
**3 CONTINGENT LIABILITIES AND COMMITMENTS:**

		As at 31st March 2017	As at 31st March 2016
A	Contingent Liabilities:		
i.	On account of bank guarantees issued by the bankers ₹	<b>26460000</b>	14960000
ii.	Claims against the Company not acknowledged as debt ₹	<b>52565945</b>	4613462
iii.	Taxes and Duty demands contested by the Company:		
	Central Excise ₹	<b>32431189</b>	8938903
	Commercial Taxes ₹	<b>4204325</b>	4204325
	Income Tax ₹	<b>1379100</b>	1379100
	Customs ₹	<b>108703540</b>	108703540
	Sub Total ₹	<b>146718154</b>	123225868
iv.	Total ₹	<b>225744099</b>	142799330

Note: It is not practicable for the Company to estimate the timing of cash flows, if any, in respect of above pending resolution of the respective proceedings

**B Commitments:**

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	<b>16038560</b>	18222614
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- 4** (a) During the year the company has incurred a net loss of ₹64,76,94,746/- resulting into accumulated losses of ₹140,36,62,467/- and substantial erosion of its net worth. The company's current liabilities exceed current assets. The company has approached the consortium of lenders with a request to refinance and restructure the existing secured loans so as to improve the cash flows and the operations of the Company. The accounts of the company for the year ended 31st March 2017 have been prepared on a Going Concern basis as the company is confident of improving the performance of the company and reduce the losses.
- (b) 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION:**
**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 22 "Changes in inventories of finished goods, work-in-progress and scrap."

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

		As at <u>31st March 2017</u>	As at <u>31st March 2016</u>
(a)	Payable for supply and services:		
i.	Amount in foreign currency	US\$ <b>11990429</b>	45691818
	Amount equivalent in Indian currency	₹ <b>777442643</b>	3027311390
ii.	Amount in foreign currency	€ <b>0</b>	34848
	Amount equivalent in Indian currency	₹ <b>0</b>	2627365
iii.	Amount in foreign currency	£ <b>14711</b>	14711
	Amount equivalent in Indian currency	₹ <b>1189781</b>	1404448
(b)	Buyer's credit:		
i.	Amount in foreign currency	US\$ <b>16555777</b>	17937590
	Amount equivalent in Indian currency	₹ <b>1073453413</b>	1188455020
ii.	Amount in foreign currency	€ <b>925419</b>	464100
	Amount equivalent in Indian currency	₹ <b>64083034</b>	34990830
iii.	Amount in foreign currency	£ <b>29866</b>	14907
	Amount equivalent in Indian currency	₹ <b>2415534</b>	1423235
(c)	Receivable for supply:		
i.	Amount in foreign currency	US\$ <b>0</b>	404348
	Amount equivalent in Indian currency	₹ <b>0</b>	26790077

**7 Corporate Social Responsibility (CSR):**

In terms of provisions of sub section 5 to section 135 of the Companies Act 2013 the company is not required to earmark any fund for Corporate Social Responsibility activities in view of the past losses.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION:**
**8 DISCLOSURES UNDER ACCOUNTING STANDARD 15 (REVISED) ON EMPLOYEE BENEFITS:**

		<b>For the Year ended 31st March 2017</b>	<b>For the Year ended 31st March 2016</b>
(a) DEFINED CONTRIBUTION SCHEMES:			
Contributions to Defined Contribution Schemes charged off for the year are as under:			
i. Contribution to Provident Fund	₹	<b>18672106</b>	18716897
ii. Contribution to Employee State Insurance	₹	<b>1879532</b>	275268
(b) DEFINED BENEFIT PLANS:			
(Disclosures as per Actuary Certification)			
<b>i. Gratuity (unfunded)</b>			
(I) Statement of Profit and Loss:			
(a) Current Service Cost	₹	<b>9834567</b>	2880459
(b) Interest cost on benefit obligation	₹	<b>3292303</b>	2801861
(c) Expected return on plan assets	₹	<b>Nil</b>	Nil
(d) Net Actuarial (gain) / loss recognised in the year	₹	<b>(5650057)</b>	1549529
(e) Past service cost	₹	<b>Nil</b>	Nil
(f) Net benefit expenses	₹	<b>7476813</b>	7231849
II. Balance Sheet:			
Change in the present value of the defined benefit obligation are as follows:			
(a) Opening defined benefit obligation	₹	<b>41455616</b>	35023266
(b) Interest cost	₹	<b>3292303</b>	2801861
(c) Current Services cost	₹	<b>9834567</b>	2880459
(d) Past Services cost	₹	<b>Nil</b>	Nil
(e) Benefits paid	₹	<b>(603664)</b>	(799499)
(f) Actuarial (gain)/Loss on obligation	₹	<b>(5650057)</b>	1549529
(g) Closing defined benefit obligation	₹	<b>48328765</b>	41455616
<b>ii. Leave Encashment (unfunded)</b>			
(I) Statement of Profit and Loss:			
(a) Current Service Cost	₹	<b>2521705</b>	597394
(b) Interest cost on benefit obligation	₹	<b>843437</b>	694338
(c) Expected return on plan assets	₹	<b>Nil</b>	Nil
(d) Net Actuarial (gain) / loss recognised in the year	₹	<b>479134</b>	856581
(e) Past service cost	₹	<b>Nil</b>	Nil
(f) Net benefit expenses	₹	<b>3844276</b>	2148313
II. Balance Sheet:			
Change in the present value of the defined benefit obligation are as follows:			
(a) Opening defined benefit obligation	₹	<b>10683899</b>	8679222
(b) Interest cost	₹	<b>843437</b>	694338
(c) Current Services cost	₹	<b>2521705</b>	597394
(d) Benefits paid	₹	<b>(281868)</b>	(143636)
(e) Actuarial (gain)/Loss on obligation	₹	<b>479134</b>	856581
(f) Closing defined benefit obligation	₹	<b>14246307</b>	10683899
(c) THE PRINCIPAL ASSUMPTIONS USED IN DETERMINING GRATUITY AND LEAVE ENCASHMENT:			
i. Salary rise per annum	%	<b>4</b>	4
ii. Discount rate per annum	%	<b>8</b>	8
iii. Attrition rate per annum	%	<b>3</b>	3

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION:**

- (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., Ferrous products and Metallurgical Coke with Co-generation Power as per Accounting Standard 17 "Segment Reporting".

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. As a part of secondary reporting revenues are attributed to geographical markets based on the location of the customers. 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 2017.

**I. Primary Segment Reporting:**

Reportable Segment	2016-17			2015-16		
	Ferrous products	Metallurgical Coke with Co-generation power	Total	Ferrous products	Metallurgical Coke with Co-generation power	Total
	₹	₹	₹	₹	₹	₹
<b>Revenue:</b>						
Revenue from operations (net)	589 249 1257	735 474 821 7	132 472 394 74	555 028 989 0	818 480 580 3	137 350 956 93
Inter/Intra Segment sales	0	229 122 774 5	229 122 774 5	0	193 201 460 7	193 201 460 7
<b>Total Revenue</b>	<b>589 249 1257</b>	<b>506 352 047 2</b>	<b>109 560 117 29</b>	<b>555 028 989 0</b>	<b>625 279 119 6</b>	<b>1180 308 108 6</b>
<b>Result:</b>						
Segment Result / (loss)	33 559 189 6	(59 257 566)	27 633 433 0	33 307 871 7	(155 249 072)	17 782 964 5
Interest (net)	Nil	Nil	91 621 860 5	Nil	Nil	77 377 490 6
Other Un-allocable Expenditure (net)	Nil	Nil	781 047 1	Nil	Nil	211 474 7
Profit / (Loss) before Tax	Nil	Nil	(64 769 474 6)	Nil	Nil	(59 806 000 8)
Provision for Tax	Nil	Nil	0	Nil	Nil	(25 457 038 8)
<b>Profit / (Loss) after Tax</b>	<b>Nil</b>	<b>Nil</b>	<b>(64 769 474 6)</b>	<b>Nil</b>	<b>Nil</b>	<b>(34 348 962 0)</b>
<b>Other information:</b>						
Segment Assets	801 973 508 3	486 831 31 32	128 880 482 15	836 009 091 1	493 154 375 3	132 916 346 64
Unallocated Assets	456 940 47	0	456 940 47	507 073 44	0	507 073 44
<b>Total Assets</b>	<b>806 542 913 0</b>	<b>486 831 31 32</b>	<b>129 337 422 62</b>	<b>841 079 825 5</b>	<b>493 154 375 3</b>	<b>133 423 420 08</b>
Segment Liabilities	710 728 617 9	47 851 065 67	118 923 927 46	668 402 777 7	49 673 724 91	116 514 002 68
Unallocated Liabilities	39 489 83	0	39 489 83	58 464 61	0	58 464 61
<b>Total Liabilities</b>	<b>711 123 516 2</b>	<b>47 851 065 67</b>	<b>118 963 417 29</b>	<b>668 987 423 8</b>	<b>49 673 724 91</b>	<b>116 572 467 29</b>
<b>Capital Expenditure:</b>						
Tangible Assets	24 207 884	11 697 795 7	141 185 841	83 582 639 3	44 551 608 46	52 909 872 39
Depreciation and amortisation	109 232 323	37 494 928 1	48 418 160 4	106 248 201	35 356 020 4	45 980 840 5

**II. Secondary Segment Reporting:**

	2016-17			2015-16		
	Within India	Outside India	Total	Within India	Outside India	Total
External revenue by location of customers (net)	103 690 628 89	58 694 884 0	109 560 117 29	81 625 431 56	36 405 379 30	118 030 810 86
Carrying amount of segment assets by location of assets	129 337 422 62	0	129 337 422 62	133 423 420 08	0	133 423 420 08
Cost incurred on acquisition of tangible and intangible fixed assets	141 185 841	0	141 185 841	52 909 872 39	0	52 909 872 39

**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	2016-17		2015-16	
		Amount of Transaction	Amount Outstanding	Amount of Transaction	Amount Outstanding
		₹	₹	₹	₹
<b>1.0 Key Management Personnel:</b>					
<b>1.1 Managerial Remuneration:</b>					
	Shri A.S.Rao	4319665	11465530 Cr.	3638084	8749442 Cr.
	Shri A. Naresh Kumar	5080210	4793266 Cr.	4476638	6809198 Cr.
	Dr. Shailendra Dasari	4584992	1261275 Cr.	2079700	257014 Cr.
<b>1.2 Rent:</b>					
	Shri A.Naresh Kumar	583200	3353400 Cr.	583200	2828520 Cr.
<b>1.3 Rent Deposit:</b>					
	Shri A. Naresh Kumar	0	1215000 Dr.	0	1215000 Dr.
<b>2.0 Relatives of Key Management Personnel:</b>					
<b>2.1 Rent:</b>					
	Smt. A. Mutya Bai	983400	766146 Cr.	983400	205536 Cr.
	Shri A. Ashok Kumar	1000800	6154920 Cr.	1000800	5254200 Cr.
<b>2.2 Rent Deposit:</b>					
	Smt. A. Mutya Bai	0	473400 Dr.	0	473400 Dr.
	Shri A. Ashok Kumar	0	1515600 Dr.	0	1515600 Dr.

**11 DISCLOSURES UNDER ACCOUNTING STANDARD 19 ON LEASES:**

Information on leases as per Accounting Standard 19 "Leases":

**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 ₹ 4690048/-(previous year ₹ 5008995/-)

**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 2017	Year ended 31st March 2016
(i) Profit / (Loss) attributable to the Equity Shareholders (A)	₹	(647694746)	(343489620)
(ii) Basic/Weighted average number of Equity Shares outstanding during the year (B)	Nos.	50900000	50900000
(iii) Diluted / Weighted average number of Equity Shares outstanding during the year (C)	Nos.	50900000	50900000
(iv) Face value of Equity Share	₹	10	10
(v) Basic Earnings / (Loss) per Share (A/B)	₹	(12.72)	(6.75)
(vi) Diluted Earnings / (Loss) per Share (A)/(C)	₹	(12.72)	(6.75)

**13 DEFERRED TAX:**

- (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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION:**

(ii) The movement of provision for Deferred Tax is given below:

Particulars	Opening as at 01.04.2016	Charge / (Credit) during the year	Closing as at 31.03.2017
	₹	₹	₹
(i) Deferred Tax liabilities			
(a) Depreciation	818111757	97056701	915168458
(b) Keyman Insurance	10276180	(837744)	9438436
Total (A)	<u>828387937</u>	<u>96218957</u>	<u>924606894</u>
(ii) Deferred Tax assets			
(a) Expenses allowable on payment basis under Income Tax Act 1961	16945330	5884490	22829820
(b) Unabsorbed depreciation / business loss (Refer note below)	806098226	91457844	897556070
(c) Provision for doubtful debts	5305543	(1104911)	4200632
(d) Provision for diminution in book value of investment	38838	(18466)	20372
Total (B)	<u>828387937</u>	<u>96218957</u>	<u>924606894</u>
(iii) Deferred Tax liability (net) (A)-(B)	<u>0</u>	<u>0</u>	<u>0</u>

Note: In the absence of virtual certainty, deferred tax asset on account of unabsorbed depreciation and business loss has been recognised to the extent it can be realised against reversal of deferred tax liability.

		<b>For the Year ended 31st March 2017</b>	<b>For the Year ended 31st March 2016</b>
<b>14 DETAILS OF FINISHED GOODS:</b>			
A. Sales value:			
I. Manufactured goods:			
i. Pig Iron	₹	<b>1117219183</b>	2236267657
ii. Granulated Slag	₹	<b>13356333</b>	3483407
iii. Metallurgical Coke	₹	<b>1080024347</b>	1715576828
iv. Co-generation Power	₹	<b>276937170</b>	1097897458
v. Ductile Iron Pipes	₹	<b>4928621986</b>	3611911139
	₹	<b>7416159019</b>	8665136489
II. Traded goods:			
Coking coal	₹	<b>3893616021</b>	3646734947
B. Closing inventory:			
I. Pig Iron	₹	<b>109440857</b>	50370328
ii. Granulated Slag	₹	<b>4002775</b>	11418947
iii. Metallurgical Coke	₹	<b>98127134</b>	127709726
iv. Ductile Iron Pipes	₹	<b>955226915</b>	753734810
	₹	<b>1166797681</b>	943233811
C. Opening inventory:			
I. Pig Iron	₹	<b>50370328</b>	138300941
ii. Granulated Slag	₹	<b>11418947</b>	4768851
iii. Metallurgical Coke	₹	<b>127709726</b>	319923845
iv. Ductile Iron Pipes	₹	<b>753734810</b>	595855689
	₹	<b>943233811</b>	1058849326
D. Purchase of traded goods:			
Coking Coal	₹	<b>3795068223</b>	3525003651
<b>15 DETAILS OF WORK- IN -PROGRESS:</b>			
i. Pig Iron	₹	<b>5232365</b>	8776562
ii. Metallurgical Coke	₹	<b>69744560</b>	57336662
iii. Ductile Iron Pipes	₹	<b>220569879</b>	103749033
	₹	<b>295546804</b>	169862257

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION:**

		<b>For the Year ended 31st March 2017</b>	For the Year ended 31st March 2016
<b>16 VALUE OF IMPORTS CALCULATED ON C.I.F BASIS:</b>			
(a) Raw Materials	₹	<b>2795643490</b>	5676060813
(b) Components and spare parts	₹	<b>0</b>	41927556
(c) Capital goods	₹	<b>52940587</b>	20585926
<b>17 VALUE OF IMPORTED AND INDIGENOUS RAW MATERIALS, SPARE PARTS AND COMPONENTS AND THEIR PERCENTAGES TO TOTAL CONSUMPTION:</b>			
(a) Raw Materials:			
Value:			
i. Imported	₹	<b>2788181298</b>	4151267886
ii. Indigenous	₹	<b>2262191440</b>	1465738358
	₹	<b><u>5050372738</u></b>	<u>5617006244</u>
Percentages to total consumption			
i. Imported	%	<b>55.21</b>	73.91
ii. Indigenous	%	<b>44.79</b>	26.09
	%	<b><u>100.00</u></b>	<u>100.00</u>
(b) Spare Parts and Components:			
Value:			
i. Imported	₹	<b>0</b>	3912722
ii. Indigenous	₹	<b>14905672</b>	25986105
	₹	<b><u>14905672</u></b>	<u>29898827</u>
Percentages to total consumption			
i. Imported	%	<b>0.00</b>	13.09
ii. Indigenous	%	<b>100.00</b>	86.91
	%	<b><u>100.00</u></b>	<u>100.00</u>
<b>18 EARNINGS IN FOREIGN EXCHANGE:</b>			
F.O.B value of exports- Traded goods	₹	<b><u>586948840</u></b>	<u>3640537930</u>
<b>19 EXPENDITURE IN FOREIGN CURRENCY (ON ACCRUAL BASIS):</b>			
(a) Usance Interest	₹	<b>53524131</b>	45383406
(b) Travelling	₹	<b>35640</b>	760630
	₹	<b><u>53559771</u></b>	<u>46144036</u>
<b>20</b>	Leasehold land represents land purchased admeasuring 88.57 acres under lease-cum-sale agreement with Karnataka Industrial Area Development Board (KIADB), Government of Karnataka.		

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION:**

		<b>For the Year ended 31st March 2017</b>	<b>For the Year ended 31st March 2016</b>	
<b>21</b>	Details of prior period expenses are as under:			
	Staff welfare expenses	₹ 10034	8775	
	Consumption of stores and spares	₹ 7226	78408	
	Rent	₹ 14000	0	
	Repairs to machinery	₹ 70268	613142	
	Repairs to others	₹ 6098	132094	
	Operation and maintenance charges	₹ 540238	0	
	Rates and Taxes	₹ 2978	119070	
	Communication expenses	₹ 5452	49879	
	Travelling and conveyance	₹ 105212	107530	
	Vehicle maintenance	₹ 8000	200	
	Legal and Professional expenses	₹ 400000	13500	
	Carriage and freight	₹ 12979415	214159	
	Discounts	₹ 2638973	8700	
	Miscellaneous expenses	₹ 5134	39990	
		₹ 16793028	1385447	
<b>22</b>	The details of speciified Bank notes (SBN) held and transacted during the period from 08.11.2016 to 30.12.2016 is as under:			
	Particulars	Specified Bank Notes	Otherdenomination Notes	Total
	Closing cash in hand as on 08.11.2016	₹ 234000	805963	1039963
	Add: Permitted receipts	₹ 0	814500	814500
	Add: Non permitted receipts	₹ 0	0	0
	Less: Permitted payments	₹ 227000	826220	1053220
	Less: Amount deposited in banks	₹ 7000	0	7000
	Closing cash in hand as on 30.12.2016	₹ 0	794243	794243
<b>23</b>	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		For and on behalf of the Board of Directors		
P.V.R.K. Nageswara Rao Partner Membership Number: 18840		K.Thanu Pillai Chairman	A.S.Rao Executive Vice Chairman	
Hyderabad Dated: 30.05.2017		K.V.Krishna Rao Chief Financial Officer & Company Secretary	A.Naresh Kumar Managing Director	

## CODE OF BUSINESS CONDUCT AND ETHICS

### **INTRODUCTION:**

- 1.1 Good business and good ethics are identical if viewed from moral, legal and practical stand points. As we understand, ethics is the discipline dealing with what is good and bad, or right or wrong or with moral duty and obligation. Viewed from this sense of understanding, business ethics is the application of ethical principles to business relationships and activities. The trust and respect of all stakeholders are biggest assets which cannot be purchased but earned. Therefore, the business of a corporate must be conducted according to the highest ethical standards.
- 1.2 This Code is aimed at adding ethics to the business curriculum. The present written Code of Business Conduct and Ethics is expected to make the users ethically sensitized and would improve the business practices. When confronted with ethical dilemmas, this Code is expected to offer some guidance in resolving them and therefore, the users are encouraged to review and imbibe the same in their day to day functioning.
- 1.3 This Code is only a guidance note and is not exhaustive. The users may well take this as a basic and minimum discipline for taking any business decision or conduct of business. The users are always encouraged to follow any improved set of ethical standards in the given circumstances and set an example for others and thus represent our business as a role model.

### **2. POLICY STATEMENT:**

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

### **3. OBJECTIVE:**

- 3.1 In line with the avowed policy on Corporate Governance, the objective of this Code is to bring in highest standards in the conduct of Company's business while ensuring honesty and integrity in managing the affairs of the Company. The Code is

aimed at providing accountability, transparency and control systems and encourages value creation. We, at Sathavahana Ispat Limited believe that we are the trustees of all the stakeholders involved in the Company and in terms of this trusteeship, we should strive hard to protect and further the interest of our stakeholders in perpetuity.

### **4. AUTHORITY:**

- 4.1 The Board of Directors of the Company is the authority for setting the standards of the Code. Should there arises a need for review, refinement, improvement, modification and update of the Code, the Board of Directors of the Company is alone empowered to do so on a periodical basis while ensuring its continuing relevance, effectiveness and responsiveness to the needs of all stakeholders as also to reflect corporate, legal and regulatory developments.
- 4.2 It is the intention of the Company that this Code will also be The Code of Conduct and Ethics for the Board of Directors and Senior Management stated in the listing requirements of clause 49 of the Listing Agreements entered into by the Company with the Stock Exchanges where the Company's equity shares are listed.
- 4.3 In the event of any difficulty in understanding and interpretation of the Code, the Board of Directors shall be the sole authority to clarify and apply the meaning to the issue on hand.

### **5. APPLICATION:**

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

### **6. DISCLOSURE:**

- 6.1 It is the intention of the Company that this Code shall be included in the next annual report of the Company to the shareholders as an exhibit to the report on Corporate Governance and be included so thereafter as may be decided by the Board of Directors in every annual report of the Company to the shareholders. The Code be also posted and maintained on the website of the Company, as and when the Company hosts its website.
- 6.2 The Managing Director in his capacity as Chief Executive Officer of the Company shall make an annual statement in the Annual Report of the Company addressed to all stake holders to the

shareholders that all the Directors and Senior Management of the Company has complied with the standards of the Code and a certificate from every person affirming the compliance has been obtained.

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

## **7. STANDARDS:**

### **7.1 Fiduciary duty and Conflict interest:**

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

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

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

### **8.1 Confidentiality:**

- 8.1.1 All confidential information concerning the Company is the property of the Company and must be closely guarded and / or protected and shall not be disclosed to any third party save and except mandated to do so by Law or authorized by the Company.**

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

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

### **9.1 Insider Trading:**

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

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

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

### **10.1 Protection of Company's Assets:**

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

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

- 10.1.3 Company's assets should not be used for personal purposes both in the course of employment or

association and after cessation of employment or association with the Company.

#### 10.1.4 **Compliance with Laws and Regulations:**

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

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

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

#### 12.1 **Fair Business Practice and Dealings:**

12.1.1 ***The Company believes in fair dealings in the conduct of its business and encourages honest business competition.***

12.1.2 Fair dealings imply conducting ourselves with honesty and integrity and showing transparency and openness when dealing with Company's customers, suppliers, competitors and employees.

12.1.3 Directors and Senior Management are discouraged from engaging in unfair methods of competition and unfair or deceptive acts and practices. Directors and Senior Management are also discouraged from taking unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or other unfair dealings.

12.1.4 Directors and Senior Management shall not authorize any third party to represent the Company whose business conduct and ethics are known to be inconsistent with the Code.

12.1.5 Directors and Senior Management are discouraged from accepting any gifts, contributions, donations other than customary nature from any parties and discourage offering such things to any third parties in the conduct of Company's business.

#### 13.1 **Dissemination / Disclosure of Company's Information:**

13.1.1 ***The Company encourages dissemination or disclosure of timely, accurate and complete information to all stakeholders and law enforcing authorities through proper channel.***

13.1.2 The Company is required to disclose information concerning its business affairs from time to time through media, publication, letters, notes, memoranda etc., the object being to keep the stakeholders, law enforcing authorities and public at large informed of the Company's plans, policies, compliances, achievements, accomplishments etc.

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

#### 14.1 **Health, safety and Environment:**

14.1.1 ***The Company abides by the health, safety and environment norms guidelines and is committed to preserve quality of life of all concerned with Company's business.***

14.1.2 Protection / perseverance of health, safety and quality of life of all involved in the business of Company in a conducive external and internal environment is of utmost importance for a sustainable development and therefore deserves highest priority.

14.1.3 Directors and Senior Management shall ensure compliance with the health, safety and environment laws and regulations and strive hard to adopt best practices concerning these issues.

#### 15.1 **Reporting violations:**

15.1.1 ***Any activities that are in violation or having potential of violation of the Code should be promptly brought to the notice of the immediate supervisors or to the Chairman of the Board.***

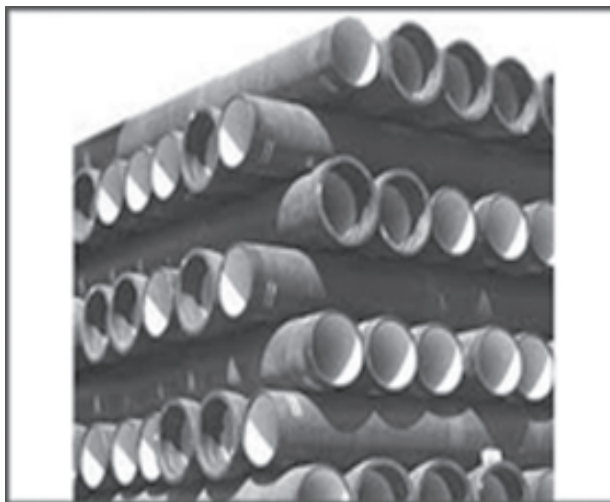
15.1.2 All employees are encouraged to report any violations or situations having potential of any violation should be brought to the notice of immediate supervisors or to the Chairman of the Company.

15.1.3 Directors / Senior Management should always welcome to receive information about violations of the Code from colleagues and sub ordinates such information and desist from taking punitive or vengeful action or punishment against the reporting employees.

**PRODUCT PROFILES**



**PIG IRON**



**DUCTILE IRON PIPES**



**METALLURGICAL COKE**



**POWER GENERATION**

## **Book Post/Courier Printed Matter**



*If Underlivered please return to:*

**Sathavahana Ispat Limited**

505, 5th Floor, Block - 1,

Divyashakti Complex,

Ameerpet, Hyderabad- 500 016