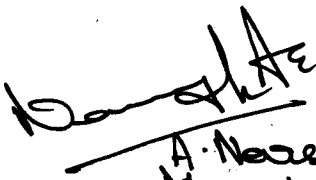









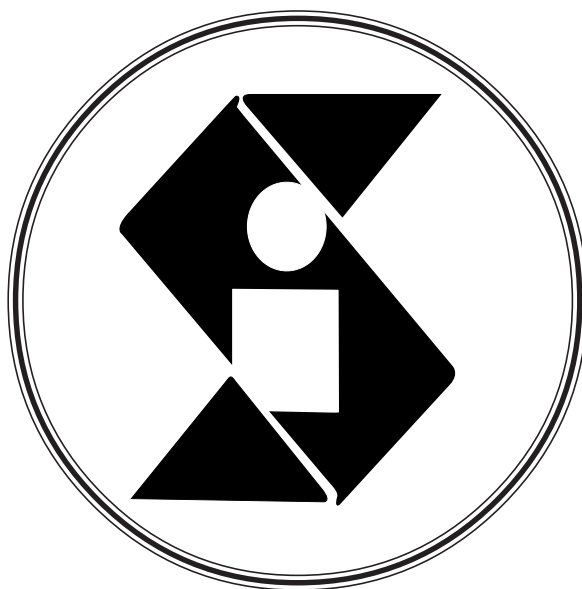
**FORM A**

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

1.	Name of the Company:	Sathavahana Ispat Limited Stock Code: BSE- 526093 NSE- SATHAISPAT
2.	Annual financial statements for the year ended	31st March 2014
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	Not Applicable
5.	To be signed by-	<p><input type="checkbox"/> CEO/Managing Director</p> <p align="center">     <b>A. Naresk Kumar</b>              Managing Director         </p> <p><input type="checkbox"/> CFO</p> <p align="center">     <b>K.V. Krishna Rao</b>              Chief Financial Officer         </p> <p><input type="checkbox"/> Auditor of the company</p> <p align="center">    </p> <p><input type="checkbox"/> Audit Committee Chairman</p> <p align="center">     <b>F. Tharun Gillai</b>              Chairman         </p>

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# **SATHAVAHANA ISPAT LIMITED**



**25<sup>th</sup>**  
**Annual Report**  
**2013-14**

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AGM	:	25 <sup>th</sup> Annual General Meeting.
Day and Date	:	Tuesday 30 <sup>th</sup> September, 2014.
Time	:	03.00 p.m.
Venue	:	Sri Sagi Ramakrishna Raju Community Hall, Madhura Nagar, Hyderabad - 500 038
Date of Book Closure :		
i) Physical Mode	:	16.09.2014 to 30.09.2014. (both days inclusive).
ii) Electronic Mode	:	15.09.2014
ISIN No.	:	INE 176C01016
Listing	:	BSE Limited (BSE) (Stock Code : 526093) National Stock Exchange of India Limited (NSE) (Stock Code : sathaispat)



## **General Corporate Information**

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



## **NOTICE OF 25<sup>TH</sup> ANNUAL GENERAL MEETING**

**NOTICE** is hereby given that the 25<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 Tuesday, the 30<sup>th</sup> September, 2014 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, 2014 along with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri K. Thanu Pillai (DIN : 00115814) who retires by rotation and being eligible, offers himself for reappointment as Independent Director.
3. To appoint a Director in place of Shri Syed Anis Hussain (DIN : 00115949) who retires by rotation and being eligible, offers himself for reappointment as Independent Director.
4. To appoint a Director in place of Shri S.N.Rao (DIN : 00116021) who retires by rotation and being eligible, offers himself for reappointment as Independent Director.
5. To appoint Auditors under Sections 139, 141 and other applicable provisions of the Companies Act, 2013 and fix their remuneration. The retiring Auditors M/s. P.V.R.K. Nageswara Rao & Co., Chartered Accountants, Hyderabad, are eligible for reappointment.

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

“RESOLVED that, pursuant to Section 139, 141 and other applicable provisions, if any, of the Companies Act, 2013 and Rules made thereunder as amended from time to time and for the time being in force, M/s. P.V.R.K. Nageswara Rao & Co., Chartered Accountants, (Firm’s Registration Number: 0022835) Hyderabad, retiring Auditors of the Company, being eligible for re-appointment, be and are hereby re-appointed as Auditors of the Company to hold office from conclusion of this Annual General Meeting till the conclusion of twenty eighth Annual General Meeting subject to ratification by the members in each and every Annual General Meeting held interregnum, on a remuneration plus Service Tax and travelling/out of pocket expenses to be mutually agreed upon by the Board of Directors of the Company and the Auditors.”

### **AS SPECIAL BUSINESS:**

6. To appoint Smt. Y. Prameela Rani as an Independent Director 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 Smt Y. Prameela Rani (DIN:03270909) who has submitted a declaration that she meets the criteria for independence as provided in Section 149(6) read with Schedule IV of the Companies Act 2013 and who is eligible for appointment pursuant to the provisions of Sections 160, 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made there under read with Schedule IV to the said Act, as amended from time to time, further read with Articles of Association of the Company and in respect of whom the Company has received notice under Section 160 of the Companies Act, 2013 from a member proposing her candidature for the office of Independent Director, be and is hereby appointed as an Independent Director of the Company for a period of five years with effect from 1<sup>st</sup> October, 2014 to 30<sup>th</sup> September 2019.”

7. To appoint Shri. T. Sreerama Murthy as Director 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 Shri T. Sreerama Murthy (DIN: 06946918) who has submitted a declaration that he meets the criteria for appointment as a Director as provided in Section 152 of the Companies Act 2013 and who is eligible for appointment pursuant to the provisions of Sections 160, 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made there under, as amended from time to time, further read with Articles of Association of the Company and in respect of whom the Company has received notice under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company for a period of three years with effect from 1<sup>st</sup> October, 2014 to 30<sup>th</sup> September 2017.”

8. To re-appoint Shri A.Naresh Kumar as Managing Director and in this regard to consider and if thought fit, to pass, with or without modification (s) the following resolution as a **SPECIAL RESOLUTION:**

“RESOLVED that pursuant to the provisions of Sections 2 (78), 2 (94), 196, 197 and 203, read with Schedule V and other applicable provisions if any, of the Companies Act, 2013, and Companies (Appointment and Remuneration of Managerial personnel) Rules 2014, approval be and is hereby accorded to the appointment of Shri A. Naresh Kumar (DIN:00112566), Managing Director for a period of five years effect from 01.06.2014 to 31.05.2019 on the following remuneration:



**1. SALARY:**

Salary of Rs.3,10,000/- per month in the scale of Rs.3,10,000 - 50,000 – 4,60,000 per month.

**2. PERQUISITES:**

The following perquisites may be allowed in addition to salary.

**CATEGORY A:**

- i. **Housing I.:** The expenditure incurred by the Company on hiring furnished accommodation which will be subject to the following ceiling:

Sixty percent of the salary over and above ten percent payable by Shri A. Naresh Kumar, Managing Director;

Or

**Housing II.:** In case the accommodation is owned by the Company, ten percent of the salary of the appointee shall be deducted by the Company; or

In case no accommodation is provided by the Company a House Rent Allowance subject to the ceiling laid down in Housing I.

**Explanation:** The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-Tax Rules, 1962 and shall be subject to a ceiling of ten percent of salary of the appointee.

- ii. **Medical Reimbursement :** Expenses incurred for self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- iii. **Leave Travel Concession** for self and family, once in a year incurred in accordance with any rules specified by the Company.
- iv. **Club fee** subject to a maximum of two clubs. This will not include admission and life membership fee.
- v. **Personal accident insurance** the premium of which shall not exceed Rs.1,00,000/- per annum.

- vi. **Medical Insurance premium** the premium of which shall not exceed Rs. 50,000/- per annum.

**CATEGORY B:**

- i. **Contribution to Provident Fund, Superannuation Fund and Annuity Fund** to the extent these either singly or put together are not taxable under Income Tax Act, 1961.
- ii. **Gratuity payable** at a rate not exceeding half a month's salary for each completed year of service, and
- iii. **Encashment of leave** at the end of the tenure.

**CATEGORY C:**

Provision of car for use on Company's business and telephone at residence / mobiles. Personal long distance calls on telephone and the use of car for private purpose shall be billed by the Company to Shri A. Naresh Kumar, Managing Director.

**3. COMMISSION:**

1% commission on the net profits of the Company computed in the manner laid down in Section 197 read with Schedule V of the Companies Act, 2013.

**4. MINIMUM REMUNERATION:**

In the event of losses or inadequacy of profits during the above period, the Managing Director is entitled to a minimum salary and perquisites as provided in Schedule V and other applicable provisions to the Companies Act 2013".

**5. REMUNERATION TENOR AND CEILING:**

The remuneration fixed herein is for a period of three years from 1<sup>st</sup> June 2014 to 31<sup>st</sup> May 2017 and the Board of Directors of the Company be and is hereby authorised to vary or modify the terms of remuneration in the said period without any further reference to the Company in General Meeting subject to however that the overall remuneration payable to the Managing Director is within the ceiling limits laid down in Section 197 read with Schedule V to the Companies Act 2013.



“RESOLVED further that the office of Managing Director held by Shri A.Naresh Kumar pursuant to this resolution shall not be liable to determination by retirement of Directors by rotation.”

9. To appoint Shri T. Sreerama Murthy as Executive Director (Operations) and in this regard to consider and if thought fit, to pass, with or without modification(s) the following resolution as a SPECIAL RESOLUTION.

“RESOLVED that pursuant to the provisions of Sections 2 (78), 2 (94), 197 and 203, read with Schedule V and other applicable provisions if any, of the Companies Act, 2013, approval be and is hereby accorded to the appointment of Shri T. Sreerama Murthy (DIN: 06946918), as Executive Director (Operations) for a period of three years effect from 01.10.2014 to 30.09.2017 on the following remuneration.

**1. SALARY:**

Salary of Rs.2,00,000/- per month in the scale of Rs.2,00,000 - 50,000 – 3,00,000 per month.

**2. PERQUISITES:**

The following perquisites may be allowed in addition to salary.

**CATEGORY A:**

- i. **Housing:** The expenditure incurred by the Company on hiring furnished accommodation which will be subject to the following ceiling:

Sixty percent of the salary over and above ten percent payable by Shri T. Sreerama Murthy, Executive Director (Operations);

Or

In case no accommodation is provided by the Company a House Rent Allowance subject to the ceiling laid down in the above.

Explanation: Where accommodation is owned by the Company, the appointee is not entitled to the above housing perquisite. In all the above cases, the expenditure incurred by the Company on free housing, gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962 and shall be subject to a ceiling of twelve percent of salary of the appointee.

- ii. **Medical Reimbursement:** Expenses incurred for self and family subject to a ceiling of one month's salary in a year

or three month's salary over a period of three years.

- iii. **Leave Travel Concession** for self and family, once in a year incurred in accordance with any rules specified by the Company.
- iv. **Personal accident insurance** the premium of which shall not exceed Rs.50,000/- per annum.
- v. **Medical Insurance premium** the premium of which shall not exceed Rs. 25,000/- per annum.

**CATEGORY B:**

- i. **Contribution to Provident Fund, Superannuation Fund and Annuity Fund** to the extent these either singly or put together are not taxable under Income Tax Act, 1961.
- ii. **Gratuity payable** at a rate not exceeding half a month's salary for each completed year of service, and
- iii. **Encashment of leave** at the end of the tenure.

**CATEGORY C:**

Provision of car for use on Company's business and telephone at residence / mobiles. Personal long distance calls on telephone and the use of car for private purpose shall be billed by the Company to Shri T. Sreerama Murthy, Executive Director (Operations).

**3. MINIMUM REMUNERATION:**

In the event of losses or inadequacy of profits during the above period, the Executive Director (Operations) is entitled to a minimum salary and perquisites as provided in Schedule V and other applicable provisions to the Companies Act 2013".

**4. REMUNERATION TENOR AND CELILING:**

The remuneration fixed herein is for a period of three years from 1<sup>st</sup> October 2014 to 30<sup>th</sup> September 2017 and the Board of Directors of the Company be and is hereby authorised to vary or modify the terms of remuneration in the said period without further reference to the Company in General Meeting subject to however that the overall remuneration payable to the Executive Director (Operations) is within the ceiling limits laid down in Section 197 read with Schedule V to the Companies Act 2013.



“RESOLVED further that the office of Executive Director (Operations) held by Shri T. Sreerama Murthy pursuant to this resolution is liable to determination by retirement of Directors by rotation.”

10. To vary the terms of appointment of Shri A.S.Rao, Executive Vice Chairman 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 152 of the Companies Act, 2013 read with Schedule V of the Companies Act, 2013, the approval of the Company be and is hereby accorded to vary the terms of appointment of Shri A.S.Rao (DIN:00899415) Executive Vice Chairman, by making his office liable to retire by rotation.”

11. To approve the remuneration payable to Cost Auditors, M/s. S. Mahadevan & Co., for the year ending 31<sup>st</sup> March 2015 and ratify the remuneration paid / payable for Cost Audit conducted for the year ended 31<sup>st</sup> March 2014 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) appointed on the recommendation of the Audit Committee by the Board of Directors of the Company, to conduct Cost Audit of the cost records of the Company for the financial year ending 31<sup>st</sup> March 2015, be paid a remuneration of Rs.4.00 lakhs (Rupees four lakhs only) plus Service Tax and travelling / out of pocket expenses at actuals.

RESOLVED further that the fee of Rs.4.00 lakhs (Rupees four lakhs only) plus service tax and travelling / out of pocket expenses at actuals paid or payable to the Cost Auditors, M/s. S. Mahadevan & co., Practicing Cost Accountants (Firm’s Registration Number: 00007) for Cost Audit of the cost records of the Company conducted for the financial year ended 31<sup>st</sup> March 2014 be and is hereby ratified.

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

(A. NARESH KUMAR)

Date: 14.08.2014

MANAGING DIRECTOR

(DIN:00112566)

CIN:L27109TG1989PLC010654

Regd. Office: 314, Sri Ramakrishna Towers,

Nagarjuna Nagar, Hyderabad – 500 073, Telangana

**NOTES:**

- 1) EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT 2013 IS ANNEXED.
- 2) THE RELEVANT DETAILS OF DIRECTORS, AS REQUIRED BY CLAUSE 49 OF THE LISTING AGREEMENTS ENTERED INTO WITH THE STOCK EXCHANGES, SEEKING RE-APPOINTMENT UNDER ITEM NOS. 2 to 4 ABOVE AND ALSO OF THOSE GETTING APPOINTED UNDER ITEM NOS.6 TO 9 ARE ANNEXED.
- 3) IN COMPLIANCE WITH PROVISIONS OF SECTION 108 OF THE COMPANIES ACT 2013 READ WITH THE RULES MADE THERE UNDER AND CLAUSE 35B OF THE EQUITY LISTING AGREEMENTS ENTERED INTO, THE COMPANY IS FACILITATING E-VOTING OPTION FOR ITS MEMBERS TO ENABLE THEM TO CAST THEIR VOTES ELECTRONICALLY. MEMBERS HAVE OPTION TO VOTE EITHER THROUGH E-VOTING OR THROUGH THE PHYSICAL POSTAL BALLOT PAPER. IF A MEMBER HAS OPTED FOR E-VOTING, THEN HE/SHE SHOULD NOT VOTE BY PHYSICAL POSTAL BALLOT AND ALSO VICE-VERSA. HOWEVER, IN CASE MEMBERS CAST THEIR VOTE BOTH VIA PHYSICAL POSTAL BALLOT AND E-VOTING, THEN VOTING THROUGH E-VOTING SHALL PREVAIL AND VOTING DONE BY POSTAL BALLOT SHALL BE TREATED AS INVALID. FOR THIS PURPOSE, THE COMPANY HAS SIGNED AN AGREEMENT WITH THE CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED (“CDSL”) FOR FACILITATING E-VOTING.
- 4) VOTING CAN BE DONE ONLY IN ONE MODE I.E. EITHER BY ELECTRONIC VOTING OR BY BALLOT





PAPER. IN THE EVENT IF THE MEMBER EXERCISES VOTING IN BOTH MODES, ELECTRONIC VOTING ONLY SHALL PREVAIL.

- 5) A MEMBER DESIRING TO EXERCISE VOTE BY POSTAL BALLOT SHALL FILL IN AND COMPLETE IN ALL RESPECTS THE POSTAL BALLOT PAPER DULY CHECK (3) 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.
- 6) THE POSTAL 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 22<sup>nd</sup> AUGUST, 2014.
- 7) VOTING RIGHTS SHALL BE RECKONED IN PROPORTION TO THE PAID-UP EQUITY SHARES REGISTERED IN THE NAME OF THE MEMBER AS ON 22<sup>nd</sup> AUGUST, 2014.
- 8) RESOLUTIONS PASSED BY THE MEMBERS THROUGH POSTAL 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.
- 9) 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.
- 10) THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN

CLOSED FROM **16.09.2014 TO 30.09.2014** (BOTH DAYS INCLUSIVE) FOR TRANSFERS IN PHYSICAL MODE AND ON CLOSING OF **15.09.2014** FOR ELECTRONIC MODE FOR DETERMINING THE NAMES OF MEMBERS ELIGIBLE FOR THE PURPOSE OF ANNUAL GENERAL MEETING.

- 11) 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, 2007, 31<sup>ST</sup> MARCH, 2008, 31<sup>ST</sup> MARCH, 2009, 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 WARRANTS. PURSUANT TO PROVISIONS OF SECTION 205C OF THE COMPANIES ACT, 1956 AND / OR SECTION 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, 2007, 31<sup>ST</sup> MARCH, 2008, 31<sup>ST</sup> MARCH, 2009, 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, 2014, 29<sup>TH</sup> SEPTEMBER, 2015, 29<sup>TH</sup> SEPTEMBER, 2016, 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, 2014, 28<sup>TH</sup> OCTOBER, 2015, 28<sup>TH</sup> OCTOBER, 2016, 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 AND 31<sup>ST</sup> MARCH, 2014.
- 12) 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.
- 13) THE SHAREHOLDERS HOLDING SHARES IN PHYSICAL MODE ARE REQUESTED TO INTIMATE IMMEDIATELY ANY CHANGE IN THEIR ADDRESS REGISTERED WITH THE COMPANY TO THE SHARE TRANSFER AGENTS M/S XL SOFTECH SYSTEMS



LIMITED, #3, SAGAR SOCIETY, ROAD NO.2, BANAJARA HILLS, HYDERABAD – 500 034. MEMBERS ARE ALSO REQUESTED TO UPDATE THEIR EMAIL IDS IN ORDER TO COMMUNICATE SPEEDILY AND AS A PART OF GREEN INITIATIVE.

- 14) THE SHAREHOLDERS ARE HEREBY REQUESTED THAT ALL THE CORRESPONDENCE IN CONNECTION WITH THE SHARES BE ADDRESSED TO THE SHARE TRANSFER AGENTS OF THE COMPANY M/S XL SOFTECH SYSTEMS LIMITED, #3, SAGAR SOCIETY, ROAD NO.2, BANAJARA HILLS, HYDERABAD – 500 034 OR TO THE SECRETARIAL DEPARTMENT OF THE COMPANY AT 505, 5<sup>TH</sup> FLOOR, BLOCK-1, DIVYASHAKTI COMPLEX, AMEERPET, HYDERABAD – 500016.
- 15) 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.
- 16) 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.
- 17) MEMBERS HOLDING SHARES IN PHYSICAL FORM AND DESIROUS OF AVAILING THE BENEFIT OF NOMINATION FACILITY IN TERMS OF SECTION 109A OF THE COMPANIES ACT, 1956 READ WITH ARTICLE 64A OF ARTICLES OF ASSOCIATION OF THE COMPANY, MAY DO SO BY SENDING THEIR REQUESTS IN FORM 2B COPY OF WHICH WILL BE MADE AVAILABLE ON A REQUEST TO THE SHARE TRANSFER AGENTS M/S. XL SOFTECH SYSTEMS LIMITED OR COMPANY'S SECRETARIAL DEPARTMENT.
- 18) 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 FEES TO THE STOCK EXCHANGES WHERE THE COMPANY'S SHARES ARE LISTED HAS BEEN PAID UPTO DATE. THE LISTING ON THE HYDERABAD STOCK EXCHANGE LIMITED, HYDERABAD, (STOCK CODE: SVI) IS NOT IN FORCE AS THE SAID EXCHANGE HAS BEEN DERECOGINSED BY THE SECURITIES AND EXCHANGE BOARD OF INDIA.

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

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

1. A member desiring to exercise vote by Postal Ballot shall fill in and complete in all respects the enclosed Postal Ballot Paper duly check (3) 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 Postal Ballots, if sent by Courier or by Registered Post at the expense of the Member will also be accepted. The envelopes may also be deposited personally at the address given thereon.
3. The Postal 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 27<sup>th</sup> September, 2014. Any Postal Ballot Paper received after last date (after 6.00 P.M. on 27<sup>th</sup> September 2014) 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 Postal Ballot Paper only. No other Form or photocopy of the Form is permitted.

### **II. VOTING ELECTRONICALLY:**

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

The voting period begins on 26<sup>th</sup> September 2014 (10.00 hrs.) and ends on 27<sup>th</sup> September 2014 (18.00 hrs.). During this period shareholders' of the Company, holding Shares either in physical form or in dematerialized form, as on the cut-off date



i.e. 22<sup>nd</sup> August 2014 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter (i.e.18.00 hrs., 27<sup>th</sup> September 2014).

**1. Login to e-Voting and voting electronically:**

- 1.1. Double click on the Internet Explorer Icon located on the desktop 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. Enter your PAN & at least one detail amongst Bank Account Number and DOB or Date of Incorporation has to be mentioned. 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. Eg. 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 No. 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.

- 1.4. 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.
- 1.5. 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 directed directly to the screen to enter your password.
- 1.6. 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.
- 1.7. 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 also to be used by the Demat holders for 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.
- 1.8. For Members holding Shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- 1.9. Click on the EVSN for the Company name Sathavahana Ispat Limited, 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. The total number of securities you hold is already mentioned in the system. Select whether you assent or dissent for a resolution.



- 2.4. Repeat the voting process for all the resolutions on which you want to vote.
- 2.5. You can either vote on all the resolutions in one login or vote partially on certain resolutions.
- 2.6. Click on Submit.
- 2.7. You will see a dialog box stating 'Are you sure, you wish to Confirm your vote?'
- 2.8. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- 2.9. Once you 'CONFIRM' your vote on the resolution, you will not be allowed to modify your vote.
- 2.10. Once you confirm, dialog box showing "Vote have successfully recorded. Do you wish to print current voting status?" would appear.
- 2.11. 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".
- 2.12. Click **OK** again.
- 2.13. 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.
- 2.14. Select the decision for the resolution for which you have not voted as yet and click on Submit.
- 2.15. Click on OK if you wish to confirm your vote.
- 2.16. The user can re-login after casting his/her vote with the user id and password provided to them any number of times.
- 2.17. If you do not wish to vote after logging in you can simply Logout.

**2.18. 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 should be created

using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.

- 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 Inc. Once you enter this 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 +91-40-23553214 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.
- 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.

Shareholders holding Shares either in physical form or in dematerialized form may cast their vote electronically.

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**EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT 2013 (“ACT”) AND CLAUSE 49 OF LISTING AGREEMENTS ENTERED INTO BY THE COMPANY**

**ITEM 2:**

Shri K. Thanu Pillai has been associated with the Company as a Non-Executive Director and is considered as an Independent Director under Clause 49 of the Listing Agreement.

Shri K. Thanu Pillai, B.Com. CAIIB, M.B.A., is a retired banking professional who has served State Bank Group for about 35 years and retired as Managing Director of State Bank of Hyderabad. He is an Independent Director on the Board of Directors of the Company. Mr. Thanu Pillai is also a Director on several other companies with rich experience in commercial banking and financial management.

As per the provisions of Section 149 of the Companies Act 2013, an Independent Director shall hold office for a term up to five consecutive years on the Board of a Company and is not liable to retire by rotation.

Shri K. Thanu Pillai has, in pursuance of Section 149 of the Companies Act 2013 read with Schedule IV thereto and Companies (Appointment and Qualification of Directors) Rules 2014, given a declaration to the Board that he meets the criteria of independence as provided thereunder. In the opinion of the Board Shri K. Thanu Pillai fulfils the conditions specified in the Act and the Rules made there under for appointment as Independent Director and he is independent of the management.

The matter regarding appointment of Shri K. Thanu Pillai as an Independent Director was placed before the Nomination & Remuneration Committee, which commended his appointment as an Independent Director from 01.10.2014 to 30.09.2019.

Shri K. Thanu Pillai is interested and concerned in the Resolution. Other than Shri K. Thanu Pillai, none of the other Directors on the Board, Key Managerial Personnel or their respective relatives are concerned or interested in the Resolution.

In compliance with the provisions of Section 149 read with Schedule IV of the Act, the appointment of Shri K. Thanu Pillai as an Independent Director is now being placed before the Members in the Annual General Meeting for their approval.

The terms and conditions of appointment of Independent Directors shall be open for inspection by the Members at the Registered Office during normal business hours on any working day of the Company.

The Board of Directors commends the resolution for your approval.

**ITEM 3:**

Shri Syed Anis Hussain has been associated with the Company as a Non-Executive Director and is considered as an Independent Director under Clause 49 of the Listing Agreement.

Shri Syed Anis Hussain had his entire career in Reserve Bank of India and retired as its ‘Executive Director’ in the year 1998. He also served as Banking Ombudsman for Andhra Pradesh for over three years. Mr. Hussain is an M.A.(Econ), C.A.I.I.B., with specializations in Banking -specialized in currency management, Urban Co-operative banking and administration. Earlier he was on the Boards of i) Bharatiya Reserve Bank Note Mudran Private Limited, 2) Indian Immunologicals Limited and 3) RBI nominee Director on the Boards of three nationalised banks Viz; Andhra Bank, United Bank of India and Indian Bank. At present he is a Director on the boards of two other companies.

As per the provisions of Section 149 of the Companies Act 2013, an Independent Director shall hold office for a term up to five consecutive years on the Board of a Company and is not liable to retire by rotation.

Shri Syed Anis Hussain has, in pursuance of Section 149 of the Companies Act 2013 read with Schedule IV thereto and Companies (Appointment and Qualification of Directors) Rules 2014, given a declaration to the Board that he meets the criteria of independence as provided thereunder. In the opinion of the Board Shri. Syed Anis Hussain fulfils the conditions specified in the Act and the Rules made thereunder for appointment as an Independent Director and he is independent of the management.

The matter regarding appointment of Shri Syed Anis Hussain as an Independent Director was placed before the Nomination & Remuneration Committee, which commended his appointment as an Independent Director from 01.10.2014 to 30.09.2019.

Shri Syed Anis Hussain is interested and concerned in the Resolution. Other than Shri Syed Anis Hussain, none of the other Directors on the Board, Key Managerial Personnel or their respective relatives are concerned or interested in the Resolution.



In compliance with the provisions of Section 149 read with Schedule IV of the Act, the appointment of Shri Syed Anis Hussain as an Independent Director is now being placed before the Members in the Annual General Meeting for their approval.

The terms and conditions of appointment of Independent Directors shall be open for inspection by the Members at the Registered Office during normal business hours on any working day of the Company.

The Board of Directors commends the resolution for your approval.

**ITEM 4:**

Shri S.N.Rao has been associated with the Company as a Non-Executive Director and is considered as an Independent Director under Clause 49 of the Listing Agreement.

Shri S.N.Rao, B.Tech., is a Mechanical Engineer by profession and has gained wide experience with several leading companies in India including this Company earlier, engaged in the manufacture of Iron & Steel, Chemicals etc. He is considered as an expert in Iron and Steel industry and has got wide experience in foundry and casting segment. Shri S.N.Rao contributed significantly to the operations of the Company.

As per the provisions of Section 149 of the Companies Act 2013, an Independent Director shall hold office for a term up to five consecutive years on the Board of a Company and is not liable to retire by rotation.

Shri S.N.Rao has, in pursuance of Section 149 of the Companies Act 2013 read with Schedule IV thereto and Companies (Appointment and Qualification of Directors) Rules 2014, given a declaration to the Board that he meets the criteria of independence as provided thereunder. In the opinion of the Board Shri S.N.Rao fulfils the conditions specified in the Act and the Rules made thereunder for appointment as Independent Director and he is independent of the management.

The matter regarding appointment of Shri S.N.Rao as an Independent Director was placed before the Nomination & Remuneration Committee, which commended his appointment as an Independent Director from 01.10.2014 to 30.09.2019.

Shri S.N.Rao is interested and concerned in the Resolution. Other than Shri S.N.Rao, none of the other Directors on the Board, Key Managerial Personnel or their respective relatives are concerned or interested in the Resolution.

In compliance with the provisions of Section 149 read with Schedule IV of the Act, the appointment of Shri S.N.Rao as Independent Director is now being placed before the Members in the Annual General Meeting for their approval.

The terms and conditions of appointment of Independent Directors shall be open for inspection by the Members at the Registered Office during normal business hours on any working day of the Company.

The Board of Directors commends the resolution for your approval.

**ITEM 6:**

A Member of the Company has, pursuant to Section 160 of the Companies Act 2013, proposed the candidature of Smt Y. Prameela Rani for appointment as an Independent Director on the Board of the Company.

Smt Prameela Rani had her entire career in Andhra Bank and retired as its 'General Manager' in the year 2013. She also served earlier as Nominee Director on the Boards of KSK Trust Private Limited and Andhra Bank Financial Services Limited. Smt. Prameela Rani is a Science graduate with M.B.A., C.A.I.I.B., and specialized in credit management and administration. She has wide experience in banking and finance.

As per the provisions of Section 149 of the Companies Act 2013, an Independent Director shall hold office for a term up to five consecutive years on the Board of a Company and is not liable to retire by rotation.

Smt Y. Prameela Rani has, in pursuance of Section 149 of the Companies Act 2013 read with Schedule IV thereto and Companies (Appointment and Qualification of Directors) Rules 2014, given a declaration to the Board that she meets the criteria of independence as provided thereunder. In the opinion of Board Smt Y. Prameela Rani fulfils the conditions specified in the Act and the Rules made thereunder for appointment as an Independent Director and she is independent of the management.

The matter regarding appointment of Smt. Y. Prameela Rani as Independent Director was placed before the Nomination & Remuneration Committee, which commended her appointment as an Independent Director from 01.10.2014 to 30.09.2019.

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

In compliance with the provisions of Section 149 read with Schedule IV of the Act, the appointment of Smt. Y. Prameela Rani as an Independent Director is now being placed before the Members in the Annual General Meeting for their approval.

The terms and conditions of appointment of Independent Directors shall be open for inspection by the Members at the Registered Office during normal business hours on any working day of the Company.

The Board of Directors commends the resolution for your approval.



**ITEM 7:**

A member of the Company has, pursuant to Section 160 of the Companies Act 2013, proposed the candidature of Shri T. Sreerama Murthy for appointment as a Director on the Board of the Company.

Shri T. Sreerama Murthy has been associated with the Company for the last one and a half year in the capacity of President and overlooking the implementation of Integrated Project at Haresamudram Village, Bommanahal Mandal, Ananthapuram District, Andhra Pradesh.

Mr Sreerama Murthy, M.Tech., A.I.M.A., is a Post Graduate in Mechanical Engineering and holds a diploma in Management. He has rich and varied industrial experience and in particular Ductile Iron Pipe manufacturing. He is a Certified Energy Auditor and Manager.

By virtue of his present employment in the Company he qualifies for appointment as non-independent Director. As per the provisions of Section 149 of the Companies Act 2013, the office of non-independent Director shall be liable for retirement of Directors by rotation and is liable to retire by rotation.

Shri T. Sreerama Murthy has, in pursuance of Section 149 of the Companies Act 2013 and Companies (Appointment and Qualification of Directors) Rules 2014, given a declaration to the Board that he meets the criteria for appointment as a non-independent Director. In the opinion of the Board Shri T. Sreerama Murthy fulfils the conditions specified in the Act and the Rules made thereunder for appointment as non-independent Director.

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

The matter regarding appointment of Shri T. Sreerama Murthy as non-independent Director was placed before the Nomination & Remuneration Committee, which commended his appointment as a non-independent Director from 01.10.2014 to 30.09.2017.

In compliance with the provisions of Section 149, the appointment of Shri T. Sreerama Murthy as non-independent Director is now being placed before the Members in the Annual General Meeting for their approval.

The terms and conditions of appointment of non-independent Director shall be open for inspection by the Members at the Registered Office during normal business hours on any working day of the Company.

The Board of Directors commends the resolution for your approval.

**ITEM 8:**

Shri A. Naresh Kumar had been appointed as Managing Director in the Board Meeting held on 30.04.2009 for a period of five years w.e.f. 01.06.2009 to 31.05.2014 and the appointment was subsequently approved at the 20<sup>th</sup> Annual General Meeting of the Company. Accordingly his earlier tenure as Managing Director ended on 31.05.2014. Shri A. Naresh Kumar is eligible for re-appointment and accordingly it was proposed to re-appoint Shri A. Naresh Kumar, one of the promoters Director, as Managing Director of the Company.

Shri A. Naresh Kumar is a Chemical Engineer by profession and holds a Masters' Degree from the University of Missouri-Rolla, U.S.A. Shri Naresh Kumar is a Promoter Director on the Board of the Company since May, 1992. Shri Naresh Kumar was also a Director on the Board of the Company during 1989-1991. Shri Naresh Kumar has now successfully completed 15 years as Managing Director of this Company.

Shri Naresh Kumar as a Director on the Board of Directors has gained good experience on the operations; administration and management of the Company. He is the brain behind technical improvement programs implemented by the Company during the last several years. He has also successfully implemented the Greenfield Project for manufacture of Metallurgical Coke and Co-generation of Power which is giving significant benefits to the Company. He has actively participated in the modernization and expansion programme at the Brownfield Project at Haresamudram and made it a success. He is now implementing an Integrated Project at Haresamudram village, involving forward and backward integration to Pig Iron. He has closely studied the operations of the Company and rendered valuable expertise in the day to day operations of the Company. His contribution to the operations of the Company has yielded good results in the form of expanded capacities and sustained the operations even in difficult times.

Keeping in view his contribution, it was proposed to re-appoint Shri A. Naresh Kumar as 'Managing Director' for a further period of 5 years from 01.06.2014 to 31.05.2019. The appointment and remuneration proposed are as per the provisions of Sections 2 (94), 203 read with the Schedule V and other applicable provisions if any, of the Companies Act, 2013, which does not require the approval of Central Government but is subject to approval of Members in the Annual General Meeting by way of Special Resolution.

The proposed re-appointment was recommended by Remuneration Committee of Board of Directors at its meeting held on 30.05.2014 and the recommendation was accepted by the Board of Directors on 30.05.2014.

Shri A. Naresh Kumar, the appointee Director and Shri A.S.Rao, Executive Vice Chairman, being relative of Shri A. Naresh



Kumar are deemed to be interested or concerned in the Resolution. Save and except the above none of the other Directors on the Board, Key Managerial Personnel or their respective relatives is concerned or interested in the Resolution.

In compliance with the provisions of Section 196 read with Schedule V and other applicable provisions, if any, of the Companies Act 2013, the appointment of Shri A. Naresh Kumar as Managing Director is now being placed before the Members in the Annual General Meeting for their approval.

The terms and conditions of appointment of Managing Director shall be open for inspection by the Members at the Registered Office during normal business hours on any working day of the Company.

The Board of Directors commends the resolution for your approval.

**ITEM 9:**

Shri T. Sreerama Murthy has been considered for appointment as Director on the Board at the Board Meeting held on 14.08.2014 for a period of three years w.e.f. 01.10.2014 to 30.09.2017.

Shri T. Sreerama Murthy has been associated with the Company for over last one and a half year in the capacity of President and overlooking the implementation of Integrated Project at Haresamudram Village, Bommanahal Mandal, Ananthapuram District, Andhra Pradesh.

Mr Sreerama Murthy, M.Tech., A.I.M.A., is a Post Graduate in Mechanical Engineering and holds a diploma in Management. He has rich and varied industrial experience and in particular Ductile Iron Pipe manufacturing. He is also Certified Energy Auditor and Manager.

Shri Sreerama Murthy working as a President with this Company has gained good experience on the operations of the Company. He is actively associated in the implementation of Integrated Project of the Company.

Keeping in view his contribution and control over the operations of the Company, it is proposed to appoint Shri T. Sreerama Murthy as 'Executive Director (Operations)' for a period of 3 years from 01.10.2014 to 30.09.2017. The appointment and remuneration proposed are as per the provisions of Sections 2 (78), 2 (94), 197, 203 read with the Schedule V and other applicable provisions of the Companies Act, 2013, which does not require the approval of Central Government but is subject to approval of Members in the Annual General Meeting by way of Special Resolution.

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

The matter regarding appointment of Shri T. Sreerama Murthy as Executive Director (Operations) was placed before the

Nomination & Remuneration Committee, which commended his appointment as an Executive Director (Operations) from 01.10.2014 to 30.09.2017.

In compliance with the provisions of Section 196 read with Schedule V and other applicable provisions, if any, of the Companies Act 2013, the appointment of Shri T. Sreerama Murthy as Executive Director (Operations) is now being placed before the Members in the Annual General Meeting for their approval.

The terms and conditions of appointment of Executive Director (Operations) shall be open for inspection by the Members at the Registered Office during normal business hours on any working day of the Company.

The Board of Directors commends the resolution for your approval.

**ITEM 10:**

At the 21<sup>st</sup> Annual General Meeting held on 30<sup>th</sup> September 2010 Members have accorded the approval for appointment of Shri A.S.Rao as Executive Vice Chairman for a period of five years ending 26<sup>th</sup> July 2015 inter alia with a condition that the office of the Executive Vice Chairman is not liable for retirement by rotation.

Section 152 to the Companies Act 2013 provides that at least two-third of Directors other than Independent Directors who have been longest in office are liable for retirement of Directors.

With a view to comply with these provisions of the Companies Act 2013, the office of Executive Vice Chairman held by Shri A.S.Rao is proposed to be made liable for retirement of Directors by rotation. The other terms and conditions of office of Executive Vice Chairman held by Shri A.S.Rao as per Members approval accorded in 21<sup>st</sup> Annual General Meeting held on 30<sup>th</sup> September 2010 including remuneration shall remain unchanged.

Shri A.S.Rao, Executive Vice Chairman and Shri A. Naresh Kumar, Managing Director, being relative of Shri A.S.Rao are deemed to be interested or concerned in the Resolution. Save and except the above, none of the other 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.

**ITEM 11:**

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 the Cost Audit of 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 Accountants (Firm's Registration Number : 00007) as Cost Auditors for conducting the Cost Audit of cost records of the Company for the year 2014-15 and fixed a remuneration as set out in the resolution. Further the remuneration paid / payable to the said Cost Auditors for the Cost Audit conducted for the year ending 31<sup>st</sup> March 2014 is also required to be ratified by the Members.

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 paid / payable for the conducting the Cost Audit for the year ending 31<sup>st</sup> March 2015 as well as 31<sup>st</sup> March 2014 to M/s S. Mahadevan & Co., Practicing Cost Accountants is now being placed before the Members in the 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.

**STATEMENT OF PARTICULARS (ITEM 8 AND 9)**  
(In pursuance of provisions of Schedule V of the Companies Act 2013)

<b>I. General Information:</b>			
(1)	<b>Nature of Industry</b>	<b>The Company is engaged in the manufacture and sale of Pig Iron and also Metallurgical Coke - an input material for Pig Iron, thus operates in the Iron and Steel industry, which is considered as core sector. The Company is also into Power generation.</b>	
(2)	<b>Date or expected date of commencement of commercial production.</b>	<b>The Company commenced commercial operations in the year 1994.</b>	
(3)	<b>In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus</b>	<b>The Company is an existing Company.</b>	
(4)	<b>Financial performance based on given indicators</b>	<b>Rs. crores</b>	
		<b>2013-14</b>	<b>2012-13</b>
	<b>i) Gross sales</b>	<b>1015.14</b>	<b>804.27</b>
	<b>ii) Operating profit before finance cost and depreciation:</b>	<b>36.98</b>	<b>100.54</b>
	<b>iii) Profit/(loss) before tax.</b>	<b>(54.41)</b>	<b>5.79</b>
	<b>iv) Profit / (loss) after tax</b>	<b>(58.03)</b>	<b>2.20</b>
(2)	<b>Foreign investments or collaborations, if any</b>	<b>Foreign Institutional Investors hold 19.20% and foreign bodies corporate 11.20% and Promoters group 4.95%. The Company has no collaborations.</b>	
<b>II. Information about the appointees:</b>			
(1)	<b>Background details</b>	<b>Shri A. Naresh Kumar:</b> <b>Shri Naresh Kumar is a Chemical Engineer by profession and holds a Masters' Degree from the University of Missouri-Rolla, U.S.A. Shri Naresh Kumar is a Promoter Director on the Board of the Company since May, 1992. Shri Naresh Kumar was also a Director on the Board of the Company during 1989-1991. Shri Naresh Kumar has now successfully completed 15 years as Managing Director of this Company.</b>	



		<p><b>Shri T. Sreerama Murthy:</b> Shri Sreerama Murthy has been associated with the Company for over last one and a half year in the capacity of President and overlooking the implementation of Integrated Project at Haresamudram Village, Bommanahal Mandal, Ananthapuram District, Andhra Pradesh. Shri Sreerama Murthy, M.Tech., A.I.M.A., is a Post Graduate in Mechanical Engineering and holds a diploma in Management. He also certified Energy Auditor and Manager.</p>
(2)	Past remuneration	<p><b>Shri A. Naresh Kumar:</b> In terms of authorization accorded by the Members of the Company he was entitled to last salary of Rs.36.60 lakhs per annum Plus other perquisites. However in terms of provisions of Companies Act 1956, due to losses reported by the company his remuneration was restricted to salary of Rs.24.00 lakhs per annum and perquisites of Rs.0.09 lakhs during the year 2013-14.</p>
		<p><b>Shri T. Sreerama Murthy:</b> Shri Murthy is a new appointee. However he is drawing a salary of Rs.2.00 lakhs per month plus perquisites as per applicable rules of the Company.</p>
(3)	Recognition and awards	<p><b>Shri A. Naresh Kumar:</b> The appointee is well recognised in the Iron and Steel industry as a pioneer and trend setter.</p>
		<p><b>Shri T. Sreerama Murthy:</b> The appointee is recognised as a top notch professional in the Iron and Steel industry.</p>
(4)	Job profile and his suitability	<p><b>Shri A. Naresh Kumar:</b> Shri A. Naresh Kumar is a Chemical Engineer by profession and holds a Masters' Degree from the University of Missouri-Rolla, U.S.A. Shri Naresh Kumar is a Promoter Director on the Board of the Company since May, 1992 and is an accomplished professional with rich experience in Iron and Steel industry. Shri Naresh Kumar has now successfully completed 15 years as Managing Director of this Company. He is responsible for day to day affairs of the Company.</p>
		<p><b>Shri T. Sreerama Murthy:</b> Mr Sreerama Murthy, M.Tech., A.I.M.A., is a Post Graduate in Mechanical Engineering and holds a diploma in Management. He has rich and varied industrial experience of over 30 years and in particular Ductile Iron Pipe manufacturing. He is also Certified Energy Auditor and Manager. He is responsible for operations the Company at Haresamudram plant.</p>
(5)	Remuneration Proposed	<p><b>Shri A. Naresh Kumar:</b>As set out in the resolution</p>
		<p><b>Shri T. Sreerama Murthy:</b>As set out in the resolution</p>
(6)	Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person	<p>The remuneration proposed to the appointees is commensurate with responsibilities entrusted, their profile and position and well comparable on to a lower side in the industry and of similar sized companies in the industry.</p>



(7)	Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any.	<p><b>Shri A. Naresh Kumar:</b></p> <p>Shri A. Naresh Kumar, the appointee Director and Shri A.S.Rao, Executive Vice Chairman, being relative of Shri A. Naresh Kumar are deemed to be interested or concerned in the Resolution. Shri Naresh Kumar holds 2019105 Equity Shares in the Company. None of the other Directors on the Board, Key Managerial Personnel or their respective relatives is concerned or interested in the Resolution.</p>
		<p><b>Shri T. Sreerama Murthy:</b></p> <p>Shri Sreerama Murthy has been associated with the Company in the capacity of President and is deemed to be interested and concerned to the extent of remuneration drawn by him. None of the Directors on the Board, Key Managerial Personnel or their respective relatives is concerned or interested in the Resolution.</p>
<b>III. Other information:</b>		
(1)	Reasons of loss or inadequate profits	The performance during the year was adversely affected due to high volatile foreign exchange fluctuations; high interest costs and poor sales realization that resulted in loss.
(2)	Steps taken or proposed to be taken for improvement	Company is implementing an Integrated Project involving forward and backward integration which upon completion would improve the margins.
(3)	Expected increase in productivity and profits in measurable terms.	Productivity and Profitability is expected to improve upon the completion of Integrated Project as the operations would be more integrated and value addition is taking place within the Company.

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

(in pursuance of Clause 49 of the Listing Agreements)

Name of Director	Shri T. Sreerama Murthy	Shri A.Naresh Kumar
DIN	06946918	00112566
Date of Birth	15.06.1956	24.06.1970
Date of Appointment	w.e.f 01.10.2014	04.05.1992
Qualifications	M.Tech., A.I.M.A.,	B.Tech., M.S.(Poly)
Expertise in specific functional areas	Over 30 experience in various capa cities in Iron and Steel Sectors.	Over 20 experience in various capacities in Iron and Steel Sectors and Market and Market Research.
List of Companies in which outside directorship held as on 31 <sup>st</sup> March, 2014.	Nil	Maruthi Industries Limited Vamsadhara Polymers Limited Ganapati Adusumilli Fininvest Private Limited, Sai Jyothi Infrastructure Ventures Private Limited
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, 2014.	Nil	Nil
No.Shares held	Nil	2019105



Name of Director	Shri K Thanu Pillai	Shri Syed Anis Hussain
DIN	00115814	00115949
Date of Birth	14.05.1935	29.05.1938
Date of Appointment	29.01.1999	15.12.2005
Qualifications	B.Com., M.B.A., CAIIB	M.A. (Econ)., C.A.I.I.B
Expertise in specific functional areas	Over 35 years in Commercial Banking and Financial Management	Over 44 Years in Banking – Specialised in currency management, Urban Co-operative banking and administration.
List of Companies in which outside directorship held as on 31 <sup>st</sup> March, 2014.	<ol style="list-style-type: none"> <li>1. Aishu Castings Ltd.</li> <li>2. Amar Bio-Tech Limited</li> <li>3. BSCPL Infra Projects Limited</li> <li>4. Bollineni Developers Limited</li> <li>5. Krishna Institute of Medical Sciences Limited</li> <li>6. Sagar Cements Limited</li> <li>7. Simhapuri Expressway Limited</li> <li>8. DNN Realtors Pvt. Ltd.</li> <li>9. RAA Advisory Services Pvt. Ltd.</li> <li>10. Venkateswara Financiers Hyderabad Private Limited</li> </ol>	<ol style="list-style-type: none"> <li>1. Godavari Drugs Limited</li> <li>2. Bio Chemicals &amp; Synthetics Products Limited</li> </ol>
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, 2014.	<ol style="list-style-type: none"> <li>1. Member, Audit Committee, Krishna Institute of Medical Sciences Limited.</li> <li>2. Member, Audit Committee, Sagar Cements Limited.</li> <li>3. Chairman, Remuneration Committee, Sagar Cements Limited.</li> <li>4. Member, Audit Committee, Venkateswara Financiers Hyderabad Pvt. Ltd.</li> </ol>	NIL
No.Shares Held	2000	1000

Name of Director	Shri S.N.Rao	Smt Y. Prameela Rani
DIN	00116021	03270909
Date of Birth	27.10.1948	01.08.1953
Date of Appointment	01.02.1999	w.e.f01.10.2014
Qualifications	B.E. (Mech.)	B.Sc., M.B.A., C.A.I.I.B.,
Expertise in specific functional areas	Over 39 Years experience with several leading Companies in India engaged in manufacture of Iron & Steel, Chemicals etc.	Over 37 Years experience in Banking - specialised in credit management and administration.
List of Companies in which outside directorship held as on 31 <sup>st</sup> March, 2014.	Nil	Nil
Chairman / Member of the Committees of the Board of the other Companies in which he is a	Nil	Nil
Director as on 31 <sup>st</sup> March, 2014.	Nil	Nil
No.Shares held	Nil	Nil

By order of the Board

Hyderabad  
Date: 14.08.2014

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

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

## DIRECTORS' REPORT

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

Your Directors have pleasure in presenting the 25<sup>th</sup> Annual Report together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2014:

### FINANCIAL RESULTS:

Your Directors report the following financial results for the year 2013-14:

(Amount in ₹)

SL NO.	Particulars	Year ended 31-03-2014	Year ended 31-03-2013
1.	Gross revenue from operations	10151387666	8042717802
2.	Other Income	88476066	128454013
3.	Operating profit /(loss) before finance costs and depreciation	369817416	1005446905
4.	Finance costs	682122764	715019240
5.	Depreciation and amortisation	231750698	232506274
6.	Profit / (loss) before tax	(544056046)	57921391
7.	Tax expense	36210845	35927147
8.	Net Profit / (loss) after tax	(580266891)	21994244
9.	Add: Profit/(loss) brought forward from last year	(74325552)	(96319796)
10.	Balance carried forward	(654592443)	(74325552)
11.	Earning /(loss)per Equity Share-Basic	(14.50)	0.59
12.	Earning/(loss)per Equity Share-Diluted	(14.50)	0.57

Your Directors report that the performance of the Company during the year under review is satisfactory as the Company is able to maintain its sales trend despite slackening demand and subdued market conditions. In spite of improved sales the year ended with loss mainly on account of exchange fluctuations due to steep depreciation of Rupee, higher interest costs, high raw material costs during most part of the year. The gross revenue from operations at ₹ 10151387666/- is higher as compared to previous year's revenue of ₹ 8042717802/-. The year ended with a loss of ₹ 544056046/- as against profit before tax of ₹ 57921391/- in the previous year. Accordingly, the loss per share accounted for at ₹ 14.50 as compared to earning per share of ₹ 0.59 in the previous year.

### DIVIDEND:

The Board of Directors has not recommended any dividend for the year 2013-14, due to very tight cash flows, loss incurred during the year and funds commitment to the ongoing Integrated Project at Haresamudram plant.

### DIRECTORS' RESPONSIBILITY STATEMENT:

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

- i) The applicable Accounting Standards have been followed in the preparation of Annual Accounts for the Financial Year 2013-14;
- 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 2014 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, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and,
- iv) The Annual Accounts have been prepared on a going concern basis.



**AUDIT COMMITTEE:**

The Audit Committee comprises Chairman -Shri K.Thanu Pillai,Independent Director and two other Independent Director members -Shri Syed Anis Hussain and Shri S.N.Rao. Shri Khaja Ruknuddin ceased to be member of the Committee consequent to his death. The Audit Committee at it's meeting held on 30<sup>th</sup> May 2014 has considered and approved the Audited Accounts for the financial year ended 31<sup>st</sup> March 2014. The Audited Accounts for the financial year ended 31<sup>st</sup> March 2014, as approved and recommended by the Audit Committee, do not require any explanations from the Board.

**CORPORATE GOVERNANCE:**

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

**PROJECT:**

The Integrated Project at Haresamudram village for manufacture of DI Pipes, setting up Sinter Plant and captive Power plant as also the modernisation of Blast Furnace is in progress. Modernisation of Blast Furnace has already been completed and re-commissioned. Sinter Plant is under stabilisation. DI Pipe making plant and captive Power plant are nearing completion and would be commissioned shortly.

**DIRECTORS:**

Shri Khaja Ruknuddin ceased to be Director on the Board of the Company with effect from November 23, 2013 consequent to his death. The Board of Directors places on record of its appreciation for the valuable services rendered by Shri Khaja Ruknuddin during his tenure as Director. Shri K. Thanu Pillai, Shri Syed Anis Hussain and Shri S.N.Rao, Directors are liable for retirement by rotation at the end of the ensuing 25<sup>th</sup> Annual General Meeting and being eligible, offer themselves for re-appointment at the said Annual General Meeting.

Shri A. Naresh Kumar has been re-appointed as Managing Director for a further period of five years effective from 01.06.2014 and approval of the Members for the said re-appointment is being sought in the ensuing Annual General Meeting.

Members have proposed in terms of Section 160 of the Companies Act 2013 read with Sections 149 and 152 to nominate Smt. Y. Prameela Rani as Independent Director and Shri T. Sreerama Murthy, as Non-independent Director and approval of Members for their appointment is being sought in the ensuing Annual General Meeting. The Company also proposed suo motu to appoint Shri M. Sreerama Mohan Rao, as Small Shareholder Director on the Board of the Company for which approval of Members is sought through a Postal Ballot. Approval of the Members is also being sought in the ensuing Annual General Meeting for approval of appointment of Shri T. Sreerama Murthy as Executive Director (Operations) for a period of three years from 01.10.2014 to 30.09.2017. In the opinion of the Board the proposed appointees fulfil the conditions specified in the Companies Act 2013 and Rules made thereunder and would further strengthen the Board.

**AUDITORS:**

M/s. P.V.R.K. Nageswara Rao & Co., Chartered Accountants, Hyderabad (Firm's Registration Number: 002283S) retire as Auditors at this Annual General Meeting and are eligible for re-appointment in the ensuing Annual General Meeting as Auditors of the Company to hold office from conclusion of the said Annual General Meeting till the conclusion of twenty eighth Annual General Meeting subject to ratification by the members in each and every Annual General Meeting held interregnum.

**COST AUDITORS:**

Company appointed M/s. S. Mahadevan & Co, Coimbatore, Practicing Cost Accountants, as Cost Auditors for the financial year 2012-13. The cost compliance report for the financial year 2012-13 has been filed with the Central Government with in the due date. 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 the Cost Audit of the cost records of the Company for the year 2014-15. 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 paid / payable for conducting the Cost Audit for the year ending 31<sup>st</sup> March 2015 as well as 31<sup>st</sup> March 2014 to M/s S. Mahadevan & Co., Practicing Cost Accountants is being placed before the Members in the ensuing Annual General Meeting for their ratification.

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

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, the 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 said Act.

#### **EMPLOYEES:**

The particulars of employees required to be furnished pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, are not given as there were no employees drawing more than the stipulated limits.

#### **SHARE CAPITAL:**

At the Extraordinary General Meeting held on 19<sup>th</sup> December 2013, the Company has increased the Authorised Share Capital from ₹ 400000000/- to ₹ 600000000/- by creating additional 20000000 Equity Shares of ₹ 10/- each. The Company in the said Extraordinary General Meeting has also made a preferential allotment of 9980000 Equity Shares to Foreign Institutional Investors and 2520000 Equity Shares to Promoters' group concern aggregating to 12500000 Equity Shares, at an issue price of ₹ 36/- per Share, comprising ₹ 10/- per Share towards face value and ₹ 26/- per Share towards Securities Premium and accordingly raised a sum ₹ 450000000/-. Consequently, as on 31<sup>st</sup> March 2014, the Paid Up Share Capital has gone up by ₹ 125000000/- and Securities Premium by ₹ 325000000/-. After the present allotment, the Paid Up Capital now stands at ₹ 509000000/- and Securities Premium Account at ₹ 930000000/-. The Equity Shares so allotted ranks pari-passu with the existing Equity Shares of the Company in all respects including dividend.

#### **DEMATERIALISATION OF EQUITY SHARES:**

The Agreements entered into by the Company with the two Depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for dematerialisation of Shares are in force and the Company's Shares are in dematerialised mode under ISIN No. INE 176C01016. As per the Securities and Exchange Board of India (SEBI) directives, the Equity Shares of the Company are to be compulsorily traded in dematerialisation form with effect from 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 regularly traded on BSE Ltd (formerly The Bombay Stock Exchange Limited) Stock Code:526093 and The National Stock Exchange of India Limited (NSE) Stock Code: sathaispat. The listing fee to these Stock Exchanges has been paid upto date. The listing on Hyderabad Stock Exchange Limited (Stock Code: SVI) is not in force as the said exchange was de-recognised by The Securities and Exchange Board of India. Preferential allotment of further Equity Shares of 12500000 allotted on 13<sup>th</sup> February 2014 in terms of approval accorded by the Members in the Extraordinary General Meeting held on 19<sup>th</sup> December 2013 have since been listed on the Stock Exchanges.

#### **STATUTORY INFORMATION:**

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

**FIXED DEPOSITS:**

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

**ACKNOWLEDGMENTS:**

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

for and on behalf of the Board

(K. Thanu Pillai)  
Chairman

Place: Hyderabad

Date: 14.08.2014

(DIN:00115814)

## ANNEXURE TO DIRECTORS' REPORT

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

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

( Amount in ₹ )

I)	Foreign Exchange earnings	:	
	a) F.O.B value of exports		358596918
II)	Foreign Exchange outgo:		
	a) C.I.F. value of imports:		
	i) Raw materials	:	5164000839
	ii) Capital goods	:	1367200874
	iii) Components and spare parts	:	1432510
	b) Travelling expenses	:	1108388
	c) Usance interest	:	74057439

for and on behalf of the Board

(K. Thanu Pillai)  
Chairman

Place: Hyderabad

Date: 14.08.2014

(DIN : 00115814)





## REPORT ON CORPORATE GOVERNANCE

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

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

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

### 2. BOARD OF DIRECTORS:

The Board of Directors consists of five Directors of which two are executive and three are non-executive Directors and among these two are Promoter Directors and three are Independent Directors. The Independent Directors constitute 60.00% of the Board's strength. Again Non-executive Directors constitute 60.00% of the board's strength. The Chairman of the board is Non-executive, Independent Director. Shri Khaja Ruknuddin ceased to be Director of the Company due to death with effect from 23.11.2013

• Composition and category of Directors is as follows:

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

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

Name of the Director	Board meetings		Attendance at Last AGM
	Held	Attended	
Shri K.Thanu Pillai	6	6	Yes
Shri A.S.Rao	6	5	Yes
Shri Khaja Ruknuddin	6	3	Yes
Shri Syed Anis Hussain	6	5	Yes
Shri A.Naresh Kumar	6	6	Yes
Shri S.N.Rao	6	4	No

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

Name of the Director	Board of Directors		Board Committees	
	Director	Chairman	Member	Chairman
Shri K.Thanu Pillai	10	None	3	1
Shri A.S.Rao	3	None	None	None
Shri Syed Anis Hussain	2	None	None	None
Shri A.Naresh Kumar	4	None	None	None
Shri S.N.Rao	None	None	None	None

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

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

During the year the Company has held six Board of Directors meetings. The dates on which these meetings held were: 30<sup>th</sup> May 2013; 14<sup>th</sup> August 2013; 30<sup>th</sup> September 2013; 12<sup>th</sup> November 2013; 21<sup>st</sup> November 2013 and 13<sup>th</sup> February 2014. The maximum interval between any two meetings was not more than four calendar months.

• Reappointment of Directors at the 25<sup>th</sup> Annual General Meeting:

Shri Shri K. Thanu Pillai, Syed Anis Hussain and Shri S.N.Rao are liable to retire by rotation at the ensuing Annual General Meeting of the Company and being eligible have offered themselves for re-appointment.



Shri K.Thanu Pillai, B.Com. CAIB, M.B.A., is a retired banking professional who has served State Bank group for about 35 years and retired as Managing Director of State Bank of Hyderabad. He is an Independent Director on the Board of Directors of the Company. Mr.Thanu Pillai is also a Director on several other companies with rich experience in commercial banking and financial management.

Shri Syed Anis Hussain had his entire career in Reserve Bank of India and retired as its 'Executive Director' in the year 1998. He also served as Banking Ombudsman for Andhra Pradesh for over three years. Mr. Hussain is an M.A.(Econ), C.A.I.I.B., with specializations in Banking -specialized in Currency Management, Urban Co-operative banking and administration. Earlier he was on the Boards of i) Bharatiya Reserve Bank Note Mudran Private Limited, 2) Indian Immunologicals Limited and 3) RBI Nominee Director on the Boards of three Nationalised Banks Viz; Andhra Bank, United Bank of India and Indian Bank. At present he is a Director on the boards of two other companies.

Shri S.N.Rao is a Mechanical Engineer by profession and has gained wide experience with several leading Companies in India engaged in the manufacture of Iron & Steel, Chemicals etc. He is considered as an expert in Iron and Steel industry and has got wide experience in foundry and casting segment. Shri S.N.Rao contributed significantly to the operations of the Company.

**3. AUDIT COMMITTEE:**

The Audit Committee of Board of Directors 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 Khaja Ruknuddin ceased to be a member of the Audit Committee with effect from 23.11.2013 consequent to his death. Company Secretary is also functioning as Secretary to the Audit Committee. The Audit Committee meets the requirements of both section 292A of the Companies Act 1956 and Clause 49 of the Listing Agreement.

The Committee has all the powers, duties and obligations conferred upon and vested in it in terms of Section 292A of the Companies Act, 1956 as amended from time to time and also such additional powers, functions / features, duties, obligations and discretions as is contained in Clause

49 of the Listing Agreements entered into by the Company with the Stock Exchanges where the Shares of the Company are listed and as amended from time to time and / or any other powers, duties and obligations that may be given or assigned from time to time by the Board of Directors and the said Committee shall submit its reports, recommendations etc., to the Board of Directors on all matters.

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

**4. REMUNERATION COMMITTEE:**

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 Khaja Ruknuddin ceased to be a member of the Committee with effect from 23.11.2013 due to his death. Shri S.N.Rao has been nominated as a member of the Remuneration Committee with effect from 14.02.2014.

The responsibility of the Committee is to review and fix the remuneration package of the Managing/Whole-time Directors based on performance and other criteria; to consider and approve service contracts, notice period, severance fee; and to consider and approve stock option schemes, if any. No meeting was held during the financial year 2013-14.

Details of remuneration to all the Directors:

**a) Executive Directors:**

Name of the Director	Salary and Allowances	Benefits	Commission	₹
				Total
1. Shri A.S.Rao Executive Vice Chairman	2400000	9360	0	2409360
2. Shri A. Naresh Kumar Managing Director	2400000	9360	0	2409360
Total	4800000	18720	0	4818720

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



**b) Non-Executive Directors:**

Name of the Director	Sitting fee (in ₹.)			No. of Equity Shares held
	As a Director	As a Committee Member	Total	
1. Shri K. Thanu Pillai Director / Chairman	72000	32000	104000	2000
2. Shri Khaja Ruknuddin Director* *Ceased to be a Director w.e.f. 23.11.2013 due to death.	36000	16000	52000	0
3. Shri Syed Anis Hussain, Director	60000	59000	119000	1000
4. Shri S.N.Rao, Director	48000	24000	72000	0
Total	216000	131000	347000	3000

**4. SHAREHOLDERS’/INVESTORS’ GRIEVANCE COMMITTEE:**

Shareholders’/Investors’ Grievance 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. Shri Khaja Ruknuddin ceased to be a Member of the Committee with effect from 23.11.2013 due to death. Shri Syed Anis Hussain has been appointed as member with effect from 30.11.2013. Shri K.V. Krishna Rao, Chief Financial Officer & Company Secretary has been nominated as the Compliance Officer.

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

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

During the year under review, Company received a total number of 15 Shareholders’ complaints. All these complaints were redressed / replied to the satisfaction of the Shareholders and no complaints were outstanding as on 31<sup>st</sup> March 2014.

Share transfers in dematerialisation mode pending on 31<sup>st</sup> March 2014 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.

The Code has since been circulated to all the Directors and Members of senior management and their compliance reports for the financial year 2013-14 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 Conduct and Business 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 2013-14 and further confirm that there are no incidences of violation of the code.

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

**7. CEO / CFO CERTIFICATION:**

The Managing Director jointly with Chief Financial Officer have furnished to the Board of Directors a certificate certifying therein, inter alia, that the financial statements for the financial year 2013-14 submitted to the Audit Committee and to the Board of Directors, have been reviewed by them and further affirmed to the best of their knowledge and belief (a) that there are no materially misleading and untrue statements; (b) that the statements comply with existing Accounting Standards, applicable laws and regulations; (c) that they have established and evaluated the internal control systems for financial reporting while disclosing to the Audit Committee, Board of Directors and Statutory Auditors deficiencies, if any, including remedies taken thereof and also significant changes, made if any, in internal controls and accounting policies.



**8. GENERAL BODY MEETINGS:**

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

Year	Type of meeting	Venue	Date	Time
2010-11	AGM	Sri Sagi Rama Krishnam Raju Community Hall, Madhuraganagar, Hyderabad-500 038	30.09.2011	3.00PM
2011-12	AGM	Same as above	29.09.2012	12.30PM
2012-13	AGM	Same as above	30.09.2013	3.00PM

No postal ballots were used / invited for voting at the last Annual General Meeting in respect of special resolutions passed. No Postal Ballot resolutions were passed during the year under review.

**9. DISCLOSURES:**

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

The following are the related party transactions with the Directors:

(i) Rental Agreements: ₹

Name of the Related Party	Nature of transaction Rental Income
Shri A.Naresh Kumar, Managing Director	583200
Shri A. Ashok Kumar, Relative of two Directors	1000800
Smt. A. Mutya Bai, Relative of two Directors	983400

(ii) Acceptance / Repayment of Loans and interest: ₹

Name of the Related Party	Nature of transaction		
	Acceptance of Loans	Repayment of Loans	Interest Paid / Payable
Shri A.Naresh Kumar, Managing Director	Nil	Nil	1056000

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

b) Details of non-compliance by the Company: There were neither instances of non-compliance by the Company nor penalties, strictures imposed on the Company by Stock Exchanges or Securities and Exchange Board of India or any statutory authority, on any matter related to capital markets, during the last three years.

c) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of clause 49 of Listing Agreement:

The Company hereby declare that the Company has complied with all the mandatory requirements of clause 49 of the Listing Agreements. Non-mandatory requirements of clause 49 of the Listing Agreements will be adopted as and when these are felt necessary.

**10. MEANS OF COMMUNICATION:**

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

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

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

**11. GENERAL SHAREHOLDERS INFORMATION:**

a) AGM : 25<sup>th</sup> Annual General Meeting  
Day and Date : Tuesday, the 30<sup>th</sup> September 2014  
Time : 3.00 p.m.  
Venue : Sri Sagi Ramakrishnam Raju Community Hall, Madhura Nagar, Hyderabad – 500 038.

b) Financial Calendar: Tentative schedule is as under.

i) Unaudited Financial Results  
1. First quarter : First fortnight of August 2014.  
2. Half yearly : First fortnight of November 2014.  
3. Third quarter : First fortnight of February 2015.  
ii) Audited Financial Results: Last week of May 2015.

c) Date of book closure:

i) Physical mode : 16.09.2014 to 30.09.2014 both days inclusive.  
ii) Electronic mode : 15.09.2014.



d) Listing on Stock Exchanges, stock code, demat code:

Name of the Stock Exchange	Stock Code
BSE Limited	526093
National Stock Exchange of India Limited	sathaispat
The Hyderabad Stock Exchange Limited*	SVI
ISIN Code for electronic trading and dematerialisation in NSDL / CDSL	INE 176C01016

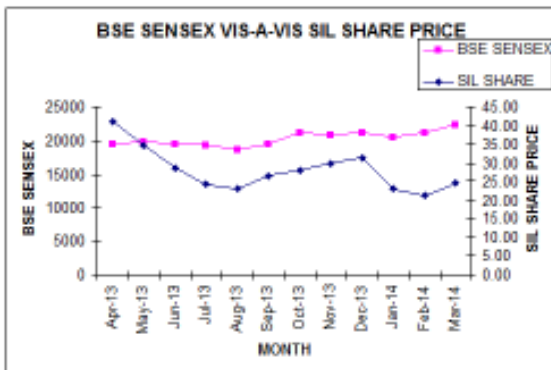
\*The listing agreement with the said exchange is not in force as the said exchange was derecognised by the Securities and Exchange Board of India.

The fee to the above Stock Exchanges (except HSE) has been paid upto financial year 2014-15.

e) Market price data: high/low price on BSE during each month in last financial year 2013-14.

Month	High	Low	Month	High	Low
April	46.80	39.75	October	30.00	24.30
May	43.45	33.00	November	32.50	26.25
June	37.25	24.05	December	36.00	29.00
July	33.10	22.30	January	33.00	22.60
August	29.85	21.95	February	24.90	20.60
September	28.50	23.70	March	26.00	20.50

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



g) Registrar and Transfer Agents: The Company has appointed M/s. XL Softech Systems Limited, who are acting as share transfer agents for physical transfers as well as for electronic transfers effective from 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.

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 Registrar and 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 Registrar and 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 2014:

No. of shares		No. of shareholders		Shareholding	
From	To	Nos.	% to total	Nos.	% to total
1	500	14355	82.74	3049681	5.99
501	1000	1557	8.97	1374471	2.70
1001	2000	618	3.56	990647	1.95
2001	3000	209	1.21	552680	1.09
3001	4000	111	0.64	410878	0.81
4001	5000	119	0.69	571610	1.12
5001	10000	155	0.89	1145136	2.25
10001 and above		226	1.30	42804897	84.09
Total		17350	100.00	50900000	100.00

The Shareholding Pattern as on 31<sup>st</sup> March 2014:

SNo.	Category of Shareholder	Number of Share holders	Total number of Shares	Total shareholding as a percentage of total number of Shares
<b>A. Shareholding of Promoter and Promoter Group :</b>				
A.1	Indian	8	16290090	32.00
A.2	Foreign	1	2520000	4.95
<b>B. Public Shareholding</b>				
B.1	Mutual Funds	5	127400	0.25
	Financial Institutions / Banks	7	12800	0.03
	Foreign Institutional Investors	2	9980000	19.60
B.2	Bodies Corporate	254	1517745	2.98
	Individuals	16823	14129968	27.76
	Trusts	2	2800	0.01
	Non Resident Indians	186	276925	0.54
	Clearing Members	61	342272	0.68
	Foreign Bodies Corporate	1	5700000	11.20
<b>Grand Total</b>		<b>17350</b>	<b>50900000</b>	<b>100.00</b>



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 35275474 shares constituting 69.30% of expanded Share Capital have been converted into fungible form.

j) Plant locations:

1. Haresamudram Village, Bommanahal Mandal, Anantapuram 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.

Registered Office :  
Sathavahana Ispat Limited,  
314, Sri Ramakrishna Towers,  
Nagarjuna Nagar, Hyderabad – 500 073  
Telangana.

l) Company's Corporate Identity Number (CIN) : L27109TG1989PLC010654.

for and on behalf of the Board

Place: Hyderabad  
Date: 14.08.2014

(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 and also Metallurgical Coke - an input material for Pig Iron, thus operates in the Iron and Steel industry, which is considered as core sector. The Company is 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.

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

Pig Iron is the basic raw material for most of the engineering products and construction industry. Pig Iron is also a raw material for foundry and engineering industry also. With the significant growth in the main user industries like automobiles, construction, foundries, the demand for Iron and Steel has increased significantly. The total production of Pig Iron in India has increased from one and a half million tons in 1991-92 to the present level of over seven million tons in 2013-14. The production of Pig Iron as per statistics (provisional) released by the Joint Plant Committee (JPC) attached to the Ministry of Steel for the financial year 2013-14 is at 7.28 million tons as against 6.87 million tons in the previous year, registering a comfortable growth. Muted economic growth in most of the economies, supply side issues and volatile prices of raw materials, intensive competition from Integrated Steel Players have had a significant bearing on the performance of the Pig Iron industry.

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

also is operating a Co-generation Power plant where the surplus Power after meeting the captive needs is being sold to third parties.

#### **Global scenario:**

The global Iron and Steel industry passed through another year with moderate growth on the concerns of tepid economic growths across world, lower capacity utilisation rates, volatility in prices of raw materials and excess Steel capacity build ups in China. In this backdrop, the Steel production in 2013 improved from 1.553 billion tons to 1.607 billion tons, registering a moderate growth of 3.48%. Asia continues to be leading producer and consumer of Iron and Steel. The Asian Steel production accounted for about 67.28% of the global production in 2013 as against 65.66% in 2012. China, with its 779 million tons production, continues to be the world's largest Steel producer accounting for 48.5% of global Steel production and 72.07% of Asian Steel production. Japan, India and South Korea together account for 16.2% of global Steel production and 24.3% of the Asian Steel production. The global Pig Iron production, in line with the Steel production also moderately grew from 1.101 billion tons to 1.165 billion tons, registering a growth of 5.2%. Sluggish market conditions for Iron and Steel and high Steel raw material prices during most part of 2013, lower economic growth across world affected the performance of global Iron and Steel industry.

#### **Indian Scenario:**

The Indian Steel industry moving in tandem with global Steel production during the financial year 2013-14 recorded 85.0 million tons as against 81.68 million tons, registering growth of 4.1%. India emerged as the third largest producer in Asia and fourth largest producer in the world. During the year the Steel imports showing a healthy downtrend have sharply come down from 7.925 million tons to 5.445 million tons but however the exports improved only marginally from 5.368 million tons to 5.590 million tons. The apparent Steel consumption has thus also improved to 79.66 million tons as compared with 78.71 million tons in the year before. The Indian Pig Iron industry too in line with the Steel sector recorded production 7.28 million tons as against 6.87 million tons in the previous year. However the apparent consumption has come down from 6.50 million tons to 6.35



million tons. The country exported 0.94 million tons up from 0.41 million tons in the last year. The Pig Iron continued to suffer from high raw material prices during most part of the year, sluggish market conditions, volatile foreign exchange fluctuations and high interest rates which have exerted pressure on the margins of the Pig Iron industry.

**Price Trends:**

The year witnessed very high price volatility. Raw material prices during most part of the year remained high but started falling from later part of the financial year 2013-14. Contrary to raw material price trends, corrections in finished goods prices occurred much earlier that too with rapid fall. This diametrically opposite price trends have had an adverse impact on the margins. The Coking Coal prices which touched a peak of about US\$230/mt F.O.B Australia during the year have softened towards year end to about US\$140/mt F.O.B Australia. The Iron Ore prices too have fallen from ₹ 5500/mt to about ₹ 4500/mt towards year end. The finished Steel prices have fallen from high of ₹ 48000/mt to about ₹ 39000/mt towards year end. The Metallurgical Coke prices that were ruling at ₹ 18500/mt have moderated to about ₹ 17500/mt levels. The prices of Pig Iron were also moderated from peak of ₹ 27500/mt to about ₹ 23500/mt. The moderation in prices of finished goods was sharper than the prices of raw material and this exerted pressure on the margins.

**2. OPPORTUNITIES, THREATS, RISKS AND CONCERNS:**

- i) As the Company's Pig Iron enjoys brand value and being one of the low cost producers of Pig Iron, there is an opportunity of increasing the market share. The Company has augmented additional capacity at its existing operations to improve its market share.
  - ii) Opportunity of modernising the plant, which not only facilitates further efficiency and reduction in process costs but also increases volumes. The Company is carrying out on a continuous basis modernisation of its existing operations to improve its efficiency parameters and bring down operating costs over a period.
  - iii) Being in the intermediate stage in the industry there is an opportunity for both backward integration and forward integration. The Company has set up a Coke Oven facility with Co-generation of Power at a Greenfield site—as a first phase of forward integration. The Company is also implementing a project for setting up Sinter Plant as a backward integration and Ductile Iron Pipe manufacturing plant as forward integration at its Pig Iron making plant, which are in final stages of implementation.
- 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 had set up a Coke making facility with latest technology at a Greenfield project site to minimize the impact of import of Metallurgical Coke.
  - v) Ban on Iron Ore mining in the vicinity of the plant is a threat in sourcing the key raw material viz., Iron ore. The Company is able to source the Iron Ore through e-auction process held from time to time by the Government nominated Committee. It is expected that this arrangement will continue until the ban on mining of Iron Ore is completely lifted. During the year, ban was further relaxed and major mines were allowed to operate.
  - vi) Future competition from the prospective domestic producers of Pig Iron. The Company is conscious of the threat and constantly upgrading its technology so as to derive competitive advantage.
  - vii) As the customs duties on Pig Iron imports are lowered from time to time there is an import threat to that extent. However, given the importers' profile of Pig Iron who are mainly foundries and are in an unorganised sector, the import threat is minimal. Moreover, with the surge in global demand for Iron and Steel and increase in raw material prices, the availability of Iron and Steel at competitive price is remote. Negligible imports during the last couple of years are an ample indication of zero risk of the threat. Moreover the forward integration into Ductile Iron Pipe making under final stages of implementation would further minimise such threat.





- viii) The levy of export duty on Pig Iron is a deterrent for exporting the Pig Iron. Given the global scenario of high prices and growing demand, such levy will have less bearing in the short term but is a major deterrent in the long term. Exporting Pig Iron - a value added product over Iron Ore makes a sense and hence such levy on Pig Iron in all probability will not be re-imposed.
- ix) The Company's business is mainly commodity business. The financial health of the unit will be affected by adverse changes in the Industry. Company is looking at both forward integration and backward integration and will take steps to minimise the risk.

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

The Company's business comprises manufacture and sale of Pig Iron as one segment and manufacture of Metallurgical Coke with Co-generation 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 125105 MTs as against 60485 MTs in the previous year. The actual sales in volume terms were 126618 MTs as against 62878 MTs in the previous year. The Company's market share in Pig Iron constitutes about 1.67% of the domestic consumption. The Company produced 324532 MTs of Metallurgical Coke, as against 340178 MTs (including job work of 41826 MTs) in the year before. Out of the total production, 116216 MTs was captively consumed as against 62715 MTs in the previous year. The Company sold 236835 MTs of Metallurgical Coke as against 223186 MTs in the last year in the nearby markets. The Co-generation Power plant at Kudithini generated 328393187 KWH of Power as against 281932917 KWH in the year before, of which 286491000 KWH, previous year 247764000 KWH was sold and 42595187 KWH (previous year 35515917 KWH) were captively consumed (including power plant auxiliary load) that includes power import of 693000 KWH (previous year 1347000 KWH). The gross sales revenues of products and services in value terms were ₹ 10151387666/- as compared to ₹ 8042717802/- in the last year.

### 4. OUTLOOK:

The short term outlook for the Iron and Steel industry appears to be bearish due to muted and unresponsive economic growths across globe. The mixed growth trends in the western economies, lackadaisically directed growth in the Eurozone and emerging economies also falling to this phenomenon will at least for some more time keep the growth momentum at bay. However the medium to long term outlook appears to be positive as the Eurozone crisis is subsiding and initiation of policy measures by the United States. Given the continued pace of Iron and Steel consumption despite the lower economic growth trends, the long term fundamentals of the industry appears to be strong and resilient. The Indian Iron and Steel industry also exhibited some resilience as the demand continues to grow in spite of lower economic growth. Anti-inflationary policy measures, efforts to tame both current and fiscal deficits, steps to boost the industrial output, thrust to infrastructure development, freeing of mining of Iron Ore in the Bellary-Hospet belt etc. are expected to revive the economy which in turn could improve the prospects for the Iron and Steel industry. The volatile raw material prices and heavy dependence on the imported Coking Coal / Metallurgical Coke; uneven price of finished Iron and Steel and Rupee depreciation are cause for concern for the industry. Your Company is conscious of this near term outlook and is keeping pace with trends by appropriate strategies including backward and forward integration which are nearing completion and once completed would help in improving the financials.

### 5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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



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

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

Indicator	Year 2013-14	Year 2012-13	Increase/ (Decrease)%
I In volume terms			
<b>Production:</b> - Pig Iron (MT)	125105	60485	106.84
- Metallurgical Coke (MT)*	324532	340178	(4.60)
- Power (KWH)	328393187	281932917	16.48
* Includes Job work of Nil MTs Previous year 41826 MTs			
<b>Sales:</b> - Pig Iron (MT)	126618	62878	101.37
- Metallurgical Coke (MT)	236835	223186	6.12
- Power (KWH)	286491000	247764000	15.63
II In value terms:	₹	₹	
Gross revenue from operations	10151387666	8042717802	26.22
Net revenue from operations	9380702667	7513607397	24.85
III Operating profit / (Loss) before finance costs and depreciation	369817416	1005446905	(63.22)
IV Finance costs	682122764	715019240	(4.60)
V Depreciation	231750698	232506274	(0.32)
VI Net Profit / (loss) before tax	(544056046)	57921391	(1039.30)
VII Tax expense	36210845	35927147	0.79
VIII Net Profit / (loss) after tax	(580266891)	21994244	(2738.27)

The operational performance during the year has improved due to improved volumes of Pig Iron and Power. The Company reported loss before tax of ₹ 544056046/- as against profit before tax of ₹ 57921391/- mainly due to foreign exchange fluctuations, high interest costs and high raw material costs during most part of the year. The production volume of Pig Iron at 125105 MTs as compared with 60485 MTs in the year before was higher by 106.84%. Consequently the Pig Iron sales were also higher at 126618 MTs as against 62878 MTs in the year before mainly due to volume push.

Metallurgical Coke production was at 324532 MTs as against 340178 MTs in the previous year. Metallurgical Coke sales volumes have also gone up from 223186 MTs in the previous year to 236835 MTs in the current year. The Co-generation Power plant at Kudithini generated 328393187 kwh as against 281932917 kwh in the year before and sold 286491000 kwh as against 247764000 kwh in the previous year, while consuming the balance units for auxiliary loads and captive use. In value terms the gross revenue improved to ₹ 10151387666/- as compared to ₹ 8042717802/- in the year before, which is higher by 26.22%. In consequence the net sales also improved by 24.85% up from previous year's level of ₹ 7513607397/- to ₹ 9380702667/-. The average sales realisation on Pig Iron during the year under review works out to ₹ 28324/mt as against ₹ 31242/mt during the last year. The average sales realisation on sale of surplus Metallurgical Coke was at ₹ 18521/mt as compared to ₹ 20161/mt in the previous year. The average sales realisation on power sold was at ₹ 4.87/kwh as against ₹ 5.57/kwh in the last year. The average cost of Iron Ore and Iron Ore fines consumed was at ₹ 4222/mt as compared with ₹ 5716/mt in the last year. The average cost of Coking Coal consumed was at ₹ 10860/mt as against ₹ 12379/mt in the year before. The increase/decrease in sales prices during the year were not commensurate with increase/decrease in the prices of raw material and this resulted in lower and negative margins on the finished goods.

On the financial performance front the operating profit before finance costs and depreciation and amortisation was at ₹ 369817416/- as against operating profit of ₹ 1005446905/- in the last year. Consequently the year ended with loss before tax of ₹ 544056046/- as compared with a net profit before tax of ₹ 57921391/- and net loss after tax of ₹ 580266891/- as against net profit after tax of ₹ 21994244/- in the year before. The performance



during the year was adversely affected due to high volatile foreign exchange fluctuations; high interest costs and poor sales realisation. The current tax charge is on account of application of Deferred Tax provisions which resulted in increase in Deferred Tax liability and Income Tax adjustment arising on account of earlier financial 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 1346 persons excluding working Directors as on 31<sup>st</sup> March 2014.

**8. CAUTIONARY STATEMENT:**

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

**AUDITORS' CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE**

To  
The Members of  
**SATHAVAHANA ISPAT LIMITED**

We have examined the compliance of conditions of Corporate Governance by **SATHAVAHANA ISPAT LIMITED**, for the year ended on 31<sup>st</sup> March, 2014, as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

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

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

**N. Anka RAO**  
**Partner**  
**Membership Number: 23939**

**HYDERABAD**  
**14.08.2014**



## **INDEPENDENT AUDITORS' REPORT**

To  
The Members of  
SATHAVAHANA ISPAT LIMITED

### **Report on the Financial Statements**

We have audited the accompanying financial statements of SATHAVAHANA ISPAT LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinion**

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

- a. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- b. in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.



2. As required by section 227(3) of the Act, we report that:
- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;
  - e. on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

**N. ANKA RAO**  
**Partner**  
**Membership Number: 23939**

**HYDERABAD**  
**30.05.2014**

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**Annexure to Independent Auditor's Report Referred to in Paragraph 1 under the heading of 'Report on Other Legal and Regulatory Requirements' of our report of even date**

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
  - (b) As explained to us, the fixed assets have been physically verified by the management according to the phased programme designed to cover all the fixed assets on rotation basis. In respect of fixed assets verified according to this programme, which is considered reasonable, no material discrepancies were noticed on such verification.
  - (c) The Company has not disposed off substantial part of fixed assets during the year, which affect the going concern.
2. (a) As explained to us, the stock of stores, spare parts, raw materials and finished goods of the company have been physically verified at the year end by the Management except stocks lying with outside warehouses and consignees which have been verified with reference to certificates and other relevant documents where available.
  - (b) The procedures of physical verification of Inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
  - (c) The Company has maintained proper records of inventories and the discrepancies noticed on physical verification of stocks as compared to book records, which in our opinion were not material, have been properly dealt with in the books of account.



3.
  - (a) The Company had granted interest free rent deposits to three parties and Share deposits to two parties listed in the register maintained under section 301 of the Companies Act, 1956. The balance as on 31.03.2014 and maximum amount involved during the year was Rs.1,13,54,000/-
  - (b) In our opinion the terms and conditions of rent deposits given to parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interests of the company.
  - (c) The Company is regular in receipt of principal amounts as stipulated and restipulated.
  - (d) The Company has taken unsecured loan from a party listed in the register maintained under section 301 of the Companies Act, 1956. The balance as on 31-03-2014 and maximum amount involved during the year was Rs. 88,00,000/-.
  - (e) In our opinion the rate of interest and other terms and conditions of unsecured loan taken from a party listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interests of the company.
  - (f) The Company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems with regard to purchase of inventory, fixed assets and for the sale of goods.
5.
  - (a) According to the information and explanations given to us and as confirmed by the Chief Financial Officer and Company Secretary of the Company, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
  - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rs. 5,00,000/- in respect of each party have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. According to the information and explanations given to us, the Company has not accepted any deposits covered by the directives issued by the Reserve Bank of India and provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under where applicable. We are informed that, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
7. In our opinion and according to the explanations given to us, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account maintained by the company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been maintained and are being made up. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9.
  - (a) According to the records of the Company and as per the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including Investor Education and Protection Fund, Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs duty, Excise duty, Cess and other material statutory dues applicable to it with appropriate authorities though there have been delays in few cases and in respect of these statutory dues, there are no outstanding dues as on 31.3.2014 which are outstanding for a period of more than six months from the date they became payable.
  - (b) According to the records of the Company and as per the information and explanations given to us, there are no dues of Wealth Tax, Service Tax, Customs duty and Cess which have not been deposited on account of any dispute as on 31.03.2014 except Income Tax, Sales Tax and Excise Duty and the details of which are as given below:



Sl.No	Name of the Statute	Nature of the dues	Period to which it relates	Amount Rs.	Forum where dispute is pending
1	Central Excise Act, 1944	Excise duty	2007-2008	1,90,301	The Customs, Excise and Service Tax Appellate Tribunal, Bangalore
2.	Central Excise Act, 1944	Excise duty and penalty	February, 2007 to October, 2009	19,07,216	The Customs, Excise and Service Tax Appellate Tribunal, Bangalore
3.	Central Sales Tax Act, 1956	Sales tax	2005-06	46,59,190	Sales Tax Appellate Tribunal, Hyderabad.
4.	Income Tax Act, 1961	Interest on Dividend Distribution Tax	2009-10	13,79,100	Rectification of mistake filed with Deputy Commissioner of Income Tax, Circle 3(1), Hyderabad.

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

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

N. ANKA RAO  
Partner  
Membership Number: 23939

HYDERABAD  
30.05.2014

**BALANCE SHEET AS AT 31ST MARCH 2014**

Particulars	Note No.	(Amount in ₹)	
		As at 31 <sup>st</sup> March 2014	As at 31 <sup>st</sup> March 2013
<b>I. EQUITY AND LIABILITIES</b>			
(1) Shareholder's funds:			
(a) Share capital	1	<b>509000000</b>	384000000
(b) Reserves and surplus	2	<b>1277470557</b>	1532737448
Sub total		<b>1786470557</b>	1916737448
(2) <b>Non-current liabilities:</b>			
(a) Long-term borrowings	3	<b>3277940328</b>	1915017980
(b) Deferred tax liabilities (net)	4	<b>239372780</b>	206102405
(c) Other Long-term liabilities	5	<b>70441766</b>	84298653
(d) Long-term provisions	6	<b>13250522</b>	17929802
Sub total		<b>3601005396</b>	2223348840
(3) <b>Current liabilities:</b>			
(a) Short-term borrowings	7	<b>4276190284</b>	3399273175
(b) Trade payables	8	<b>2577285213</b>	2125190517
(c) Other current liabilities	9	<b>2049853726</b>	843099679
(d) Short-term provisions	10	<b>22057713</b>	10150476
Sub total		<b>8925386936</b>	6377713847
<b>TOTAL</b>		<b>14312862889</b>	10517800135
<b>II. ASSETS</b>			
(1) <b>Non-current assets:</b>			
(a) Fixed assets:			
(i) Tangible assets	11	<b>3518043721</b>	3740263568
(ii) Intangible assets	11	<b>514374</b>	806814
		<b>3518558095</b>	3741070382
(iii) Capital work-in-progress	11	<b>3389312527</b>	1115970722
(iv) Expenditure during construction period pending capitalisation	12	<b>490949667</b>	143500082
Sub total		<b>7398820289</b>	5000541186
(b) Non-current investments	13	<b>2214624</b>	1771423
(c) Long-term loans and advances	14	<b>393746657</b>	193855187
(d) Other non-current assets	15	<b>97821114</b>	90664161
Sub total		<b>7892602684</b>	5286831957
(2) <b>Current assets:</b>			
(a) Inventories	16	<b>1900616713</b>	2547180990
(b) Trade receivables	17	<b>1669216191</b>	1324024966
(c) Cash and bank balances	18	<b>2282432966</b>	1114992069
(d) Short-term loans and advances	19	<b>509319489</b>	198695940
(e) Other current assets	20	<b>58674846</b>	46074213
Sub total		<b>6420260205</b>	5230968178
<b>TOTAL</b>		<b>14312862889</b>	10517800135

Summary of Significant Accounting Policies and Other Explanatory Information

29

Per our report of even date

For and on behalf of the Board of Directors

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

 K.Thanu Pillai  
Chairman

 A.S.Rao  
Executive Vice Chairman

 N. Anka Rao  
Partner  
Membership Number: 23939

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

 Syed Anis Hussain  
Director

 A.Naresh Kumar  
Managing Director

 Hyderabad  
Dated: 30.05.2014



## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2014

Particulars	Note No.	(Amount in ₹)	
		For the Year ended 31 <sup>st</sup> March 2014	For the Year ended 31 <sup>st</sup> March 2013
<b>REVENUE:</b>			
<b>I. Revenue from operations</b>			
(a) Sale of products		9394162294	7930088002
(b) Sale of traded goods		756403547	30490850
(c) Sale of services	21	815181	82136383
(d) Other operating income	22	6644	2567
		10151387666	8042717802
Less: Excise Duty		770684999	529110405
		9380702667	7513607397
<b>II. Other income</b>	23	88476066	128454013
<b>III. Total Revenue (I+II)</b>		9469178733	7642061410
<b>IV. EXPENSES:</b>			
(a) Cost of raw materials consumed	24	6740981771	5960513802
(b) Purchases of stock-in-trade		729026729	30490850
(c) Changes in inventories of finished goods and work-in-progress	25	535307465	(89039705)
(d) Employee benefits expense	26	181489716	144266950
(e) Finance costs	27	682122764	715019240
(f) Depreciation and amortisation expense	11	231750698	232506274
(g) Other expenses	28	912555636	590382608
Total expenses		10013234779	7584140019
<b>V. Profit / (Loss) before tax (III-IV)</b>		(544056046)	57921391
<b>VI. Tax Expense:</b>			
(a) Deferred tax		33270375	36089889
(b) Income Tax adjustment		2940470	(162742)
Total Tax expense		36210845	35927147
<b>VII. Profit / (Loss) after tax (V-VI)</b>		(580266891)	21994244
<b>VIII. Earnings / (Loss) per Equity Share:</b> (Face value ₹ 10/- per share)			
(a) Basic		(14.50)	0.59
(b) Diluted		(14.50)	0.57
Summary of Significant Accounting Policies and Other Explanatory Information	29		

Per our report of even date

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

N. Anka Rao  
Partner  
Membership Number: 23939

Hyderabad  
Dated: 30.05.2014

For and on behalf of the Board of Directors

K.Thanu Pillai  
Chairman

A.S.Rao  
Executive Vice Chairman

Syed Anis Hussain  
Director

A.Naresh Kumar  
Managing Director

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

## CASH FLOW STATEMENT

Particulars	(Amount in ₹)	
	Year ended 31 <sup>st</sup> March 2014	Year ended 31 <sup>st</sup> March 2013
<b>A. CASH FLOW / (USED) FROM OPERATING ACTIVITIES:</b>		
Net profit / (loss) before tax and extraordinary items	<b>(544056046)</b>	57921391
Adjustments for:		
Depreciation and amortisation expense	<b>231750698</b>	232506274
Interest expense	<b>381346313</b>	354203296
Interest income	<b>(69530673)</b>	(62906500)
Dividend earned	<b>(73292)</b>	(152322)
Unrealised foreign exchange loss	<b>318083678</b>	89902487
Provision for diminution in the value of long term investments	<b>156799</b>	12577
Book deficit on assets discarded	<b>0</b>	28639095
Profit on sale of Investments	<b>(17570)</b>	0
Loss on sale of fixed asset (net)	<b>0</b>	101221
Provision for doubtful debts no longer required written back	<b>(357627)</b>	0
Provision for doubtful advances no longer required written back	<b>(18851)</b>	0
Provision for doubtful debts	<b>4129261</b>	0
Bad debts written off	<b>480074</b>	3328087
Operating profit before working capital changes	<b>321892764</b>	703555606
Add / (less) adjustments for working capital changes:		
(Increase) in trade receivables	<b>(353983343)</b>	(2130416)
Decrease in inventories	<b>646564277</b>	928255324
(Increase) / decrease in Long term Loans and Advances	<b>(32782748)</b>	38867982
(Increase) in other non current assets	<b>(2616543)</b>	(2438999)
(Increase) / decrease in short term loans and advances	<b>(316497406)</b>	85681231
(Increase) / decrease in other current assets	<b>2801955</b>	(16100000)
Increase / (decrease) in trade payables	<b>272080240</b>	(1141676483)
(Decrease) in other current liabilities	<b>(95779460)</b>	(149982097)
Increase in short term provisions	<b>11907237</b>	9403557
Increase / (decrease) in other long term liabilities	<b>(8094823)</b>	30444596
(Decrease) in long term provisions	<b>(4679280)</b>	(3429340)
Cash generated from operations	<b>440812870</b>	480450961
Taxes paid (net)	<b>(14378162)</b>	(10971935)
Net cash flow / (used) from operating activities	<b>426434708</b>	469479026

(Contd...)



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

	(Amount in ₹)	
	Year ended 31 <sup>st</sup> March 2014	Year ended 31 <sup>st</sup> March 2013
<b>B. CASH FLOW / (USED) FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets including capital work in progress	<b>(2099841597)</b>	(1384794716)
Proceeds from sale of fixed assets	<b>0</b>	1754033
Purchase of current investments	<b>(1800000)</b>	(600000)
Proceeds from sale of current investments	<b>1217570</b>	50022332
Investment in bank deposits (original maturities of more than three months) (net)	<b>(627092274)</b>	440968845
Interest received	<b>54128085</b>	66526880
Dividend earned	<b>73292</b>	152322
Net cash flow / (used) in investing activities	<b>(2673314924)</b>	(825970304)
<b>C. CASH FLOW / (USED) FROM FINANCING ACTIVITIES:</b>		
Proceeds from long-term borrowings	<b>2419091201</b>	1002524249
Repayment of long-term borrowings	<b>(433860976)</b>	(346477730)
Proceeds from issue of Share Capital including Share Warrants and premium thereon	<b>450000000</b>	88650000
Proceeds from / (repayment of) short-term borrowings (net)	734599930	(258033165)
Interest paid	<b>(381936909)</b>	(351690991)
Net cash flow / (used) from financing activities	<b>2787893246</b>	134972363
Net increase / (decrease) in cash and cash equivalents	<b>541013030</b>	(221518915)
Cash and cash equivalents at the beginning of the year	<b>446191207</b>	667710122
Cash and cash equivalents at the end of the year	<b>987204237</b>	446191207

**Notes:**

1. The Cash Flow Statement has been prepared under 'Indirect Method' in accordance with the requirement of Accounting Standard-3 "Cash Flow Statement" issued under Companies (Accounting Standards) Rules, 2006.
2. Summary of Significant Accounting Policies and Other Explanatory Information (Note 29) forms an integral part of Cash Flow Statement.
3. Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

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

For and on behalf of the Board of Directors

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

K.Thanu Pillai  
Chairman

A.S.Rao  
Executive Vice Chairman

N. Anka Rao  
Partner  
Membership Number: 23939

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

Syed Anis Hussain  
Director

A.Naresh Kumar  
Managing Director

Hyderabad  
Dated: 30.05.2014

**NOTES TO BALANCE SHEET**

		As at 31 <sup>st</sup> March 2014	As at 31 <sup>st</sup> March 2013
<b>1. SHARE CAPITAL:</b>			
(a) <b>Authorised:</b>			
60000000 (previous year 40000000) Equity Shares of ₹ 10/- each	₹	<u>60000000</u>	<u>40000000</u>
(b) <b>Issued:</b>			
50900000 (previous year 38400000) Equity Shares of ₹ 10/- each	₹	<u>50900000</u>	<u>38400000</u>
(c) <b>Subscribed and paid up:</b>			
50900000 (previous year 38400000) Equity Shares of ₹ 10/- each fully paid up	₹	<u>50900000</u>	<u>38400000</u>
(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.	38400000	36430000
Add : Equity Shares issued during the year	Nos.	12500000	1970000
Equity Shares outstanding at the end of the year	Nos.	50900000	38400000
(e) <b>The details of Shareholders holding more than 5% of Equity Shares:</b>			
(i) Promoters' Group			
Smt. A.Mutya Bai	Nos	4921585	4921585
	%	9.67	12.82
Shri A.Naresh Kumar	Nos	2019105	2019105
	%	3.97	5.26
Shri A. Ashok Kumar	Nos	3319110	3319110
	%	6.52	8.64
Ganapati Adusumilli Fininvest Private Limited	Nos	4200000	4200000
	%	8.25	10.94
(ii) Other than Promoters' group:			
Stemcor AG.	Nos	5700000	5700000
	%	11.20	14.84
Plutus Terra India Fund	Nos	4990000	0
	%	9.80	0
Antara India Evergreen Fund Limited	Nos	4990000	0
	%	9.80	0
(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	₹	63000	63000
State Investment Subsidy	₹	<u>2000000</u>	<u>2000000</u>
	₹	<u>2063000</u>	<u>2063000</u>

**NOTES TO BALANCE SHEET**

		As at 31 <sup>st</sup> March 2014	As at 31 <sup>st</sup> March 2013
<b>(b) Securities Premium Account:</b>			
Amount at the beginning of the year	₹	<b>605000000</b>	506500000
Add: Amount received during the year on issue of Equity Shares / conversion of Share Warrants	₹	<b>325000000</b>	98500000
Amount at the end of the year	₹	<b>930000000</b>	605000000
<b>(c) General Reserve</b>			
	₹	<b>1000000000</b>	1000000000
<b>(d) Balance in Statement of Profit and Loss (surplus / (deficit):</b>			
Profit / (loss) brought forward from last year	₹	<b>(74325552)</b>	(96319796)
Add / Less: Profit / (loss) as per Statement of Profit and Loss	₹	<b>(580266891)</b>	21994244
Loss carried forward to next year	₹	<b>(654592443)</b>	(74325552)
	₹	<b>1277470557</b>	1532737448

**NON-CURRENT LIABILITIES:**
**3 LONG-TERM BORROWINGS:**

## Term Loans:

i. From banks (Secured)	₹	<b>4231285332</b>	2221903963
Less: Current maturities of long term debt	₹	<b>(967292610)</b>	(308464000)
	₹	<b>3263992722</b>	1913439963
ii. From other parties (secured)	₹	<b>7935047</b>	2399053
Less: Current maturities of long term debt	₹	<b>(2787441)</b>	(821036)
	₹	<b>5147606</b>	1578017
iii. Loans and advances from a related party (unsecured) (Refer Note No.29(II) (12)	₹	<b>8800000</b>	0
iv. Deferred payment liabilities (unsecured):			
Sales Tax Deferment	₹	<b>0</b>	38487138
Less: Current maturities of long term debt	₹	<b>0</b>	(38487138)
	₹	<b>0</b>	0
	₹	<b>3277940328</b>	1915017980

- 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 13.5% to 15.5% p.a.

The period of maturity with reference to four term loan borrowings from Balance Sheet date are: (a) Loan 1 comprises one installment of ₹ 34692640/- (b) Loan 2 comprises four quarterly installments of ₹ 27375000/- each; eight quarterly installments of ₹ 32625000/- each and six quarterly installments of ₹ 7875000/- each and (c) Loan 3 comprises sixteen quarterly installments of ₹ 12550000/- each and one installment of ₹ 10242283/-. (d) Loan 4 comprises eighteen quarterly installments of ₹ 87500000/- and (e) Loan 5 and 6 are yet to be drawn fully and hence period of maturities is not determined.



**NOTES TO BALANCE SHEET**

- ii. Borrowings from other parties are on hypothecation of assets and guaranteed by the Managing Director of the Company. These loans are mostly repayable in 36 equated monthly installments including interest. The interest rates vary from 10.5% to 12.5% p.a. The future maturities from the Balance Sheet date comprises (a) loan 1 comprises twenty eight installments of ₹ 64335/- each (b) loan 2 comprises 27 installments of ₹ 36534/- each and (c) loan 3 comprises 34 installments of ₹ 44595/- each and loan 4 comprises 33 installments of ₹ 146969/- each, all installments includes interest.
- iii. The rate of interest in respect of loan from related party is 12% p.a.
- iv. The above borrowings and interest due thereon have been paid upto date and there are no continuing defaults.

		<u>As at 31<sup>st</sup> March 2014</u>	<u>As at 31<sup>st</sup> March 2013</u>
<b>4</b>	<b>DEFERRED TAX LIABILITIES (NET):</b>		
	Refer Note No. 29 (II)(15)		
i.	Deferred Tax Liabilities:		
	Opening balance at the beginning of the year	₹ <b>326161297</b>	277473741
	Adjustment for the year	₹ <b>36792019</b>	48687556
	Closing balance at the end of the year (A)	₹ <b>362953316</b>	326161297
ii.	Deferred Tax Asset:		
	Opening balance at the beginning of the year	₹ <b>120058892</b>	107461225
	Adjustment for the year	₹ <b>3521644</b>	12597667
	Closing balance at the end of the year (B)	₹ <b>123580536</b>	120058892
	Deferred Tax Liabilities (net) (A-B)	₹ <b>239372780</b>	206102405
<b>5</b>	<b>OTHER LONG-TERM LIABILITIES:</b>		
	Unsecured:		
i.	Trade Payables:		
	(a) Dues of micro and small enterprises	₹ <b>0</b>	0
	(b) Dues of enterprises other than micro and small enterprises Refer Note No.8	₹ <b>32512963</b>	39554720
ii	Others:		
	(a) Advance from customers	₹ <b>11880415</b>	11617339
	(b) Creditors for capital works	₹ <b>18749804</b>	17470111
	(c) Other payables	₹ <b>7298584</b>	15656483
		₹ <b>70441766</b>	84298653
<b>6</b>	<b>LONG-TERM PROVISIONS:</b>		
	Provision for employee benefits: Refer Note No.29 (II) (10)	₹ <b>13250522</b>	17929802
		₹ <b>13250522</b>	17929802

**NOTES TO BALANCE SHEET**

		As at 31 <sup>st</sup> March 2014	As at 31 <sup>st</sup> March 2013
<b>CURRENT LIABILITIES:</b>			
<b>7</b>	<b>SHORT-TERM BORROWINGS:</b>		
(i)	Working capital loans from banks: (Repayable on demand, Secured)	₹ 918954273	795424362
(ii)	Buyer's credit	₹ 3357236011	2445048813
(iii)	Loans and advances from a related party (unsecured)	₹ 0	8800000
(iv)	Loans from bodies corporate (unsecured)	₹ 0	150000000
		₹ <u>4276190284</u>	<u>3399273175</u>
i.	Working capital loans from banks and buyer's credit are secured by charge on the entire current assets and further secured by second charge on entire fixed assets of the Company and guaranteed by two Directors of the Company. The rate of interest on working capital loans varies from 14.50% to 15.25% p.a. The rate of interest in respect of Buyer's credit varies from 6m LIBOR + 70 bps to 6m LIBOR + 120 bps p.a.		
ii.	The rate of interest in respect of loans from related parties is 12% p.a.		
iii.	The above borrowings and interest due there on have been paid upto date and there are no defaults.		
<b>8</b>	<b>TRADE PAYABLES:</b>		
	Unsecured		
i.	Dues of micro and small enterprises	₹ 0	0
ii.	Dues of enterprises other than micro and small enterprises	₹ 2577285213	2125190517
		₹ <u>2577285213</u>	<u>2125190517</u>
Information as required to be disclosed under section 22 of Micro, Small and Medium Enterprises Development Act 2006 (MSMEDA 2006) as given below with reference to dues to micro, small and medium enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company and relied upon by the Auditors.			
a)	Principle amount remaining unpaid as on March 31	₹ Nil	Nil
b)	Interest due thereon as on March 31	₹ Nil	Nil
c)	Interest paid by the Company in terms of Section 16 of MSMEDA 2006 along with the amount of payment made on to the supplier beyond the appointed day during the year	₹ Nil	Nil
d)	Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMEDA 2006.	₹ Nil	Nil
e)	Interest accrued and remaining unpaid as at March 31	₹ Nil	Nil
f)	Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as deductible expenditure under section 23 of MSMEDA 2006.	₹ Nil	Nil



## NOTES TO BALANCE SHEET

		As at 31 <sup>st</sup> March 2014	As at 31 <sup>st</sup> March 2013
<b>9</b>	<b>OTHER CURRENT LIABILITIES</b>		
i.	Current maturities of long-term debt	₹ 970080051	347772174
ii.	Interest accrued but not due on borrowings	₹ 1935590	2526186
iii.	Unclaimed dividends	₹ 8731725	9396132
	(Of the above there is no amount due and outstanding to be credited to Investor Education and Protection Fund)		
iv.	Advance from customers	₹ 4777279	151486795
v.	Other payables		
	(a) Creditors for capital works	₹ 824741956	143261323
	(b) Employee benefits payable	₹ 26003883	27286940
	(c) Statutory liabilities	₹ 25263315	26705387
	(d) Others	₹ 188319927	134664742
		₹ <u>2049853726</u>	<u>843099679</u>
<b>10</b>	<b>SHORT-TERM PROVISIONS:</b>		
	Provision for employee benefits	₹ 22057713	10150476
	Refer Note No.29 (II) (10)	₹ 22057713	10150476

**11. (I) Fixed Assets:**

SL. NO.	Description	GROSS CARRYING AMOUNT				DEPRECIATION / AMORTISATION				NET CARRYING AMOUNT	
		Cost as at 01.04.2013	Additions during the year	Deductions during the year	Total Upto 31.03.2014	Upto 31.03.2013	For the year	On deductions	Total upto 31.03.2014	As at 31.03.2014	As at 31.03.2013
		₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
<b>A.</b>	<b>Tangible assets:</b>										
1	Freehold land and site										
	Development	10246139	0	0	10246139	0	0	0	0	10246139	10246139
2	Lease hold land	33142622	0	0	33142622	0	0	0	0	33142622	33142622
3	Buildings	209248389	0	0	209248389	46190456	4634254	0	50824710	158423679	163057933
4	Plant and equipment	4632501520	1489395	0	4633990915	1131756168	220499939	0	1352256107	3281734808	3500745352
5	Furniture and fixtures	4633559	141735	0	4775294	2862366	219444	0	3081810	1693484	1771193
6	Vehicles	52686953	6079428	0	58766381	28969149	5631673	0	34600822	24165559	23717804
7	Office equipment	10238691	868373	0	11107064	4742550	231320	0	4973870	6133194	5496141
8	Data processing equipment	6533554	659480	0	7193034	4447170	241628	0	4688798	2504236	2086384
	<b>Sub Total:</b>	4959231427	9238411	0	4968469838	1218967859	231458258	0	1450426117	3518043721	3740263568
<b>B.</b>	<b>Intangible assets</b>										
9	Software	877320	0	0	877320	70506	292440	0	362946	514374	806814
	<b>Sub Total:</b>	877320	0	0	877320	70506	292440	0	362946	514374	806814
	<b>Total:</b>	4960108747	9238411	0	4969347158	1219038365	231750698	0	1450789063	3518558095	3741070382
	Previous year total:	4524077744	557564008	121533005	4960108747	1061470748	232506274	74938657	1219038365	3741070382	3741070382
(II)	<b>Capital work-in-progress</b>	1115970722	2273341805	0	3389312527	0	0	0	0	3389312527	1115970722
	<b>Total:</b>	1115970722	2273341805	0	3389312527	0	0	0	0	3389312527	1115970722





## NOTES TO BALANCE SHEET

## 12 Expenditure during construction period pending capitalisation:

Sl. No.	PARTICULARS	As at 01.04.2013 ₹	For the year ₹	As at 31.03.2014 ₹
1	Salaries, wages and other benefits	6938934	34846595	41785529
2	Contribution to provident and other funds	1934959	3476120	5411079
3	Staff welfare expenses	230835	885972	1116807
4	Interest expense	69055845	188759686	257815531
5	Other borrowing cost	35359029	36811256	72170285
6	Net loss on foreign currency transactions and translation	0	64498223	64498223
7	Insurance	7240486	9485093	16725579
8	Printing and stationary	101366	95175	196541
9	Communication expenses	3590	12751	16341
10	Travelling and conveyance	4429183	3750694	8179877
11	Payment to auditors-certification charges	118520	231250	349770
12	Legal and professional charges	2380697	9026679	11407376
13	Depreciation	1083940	1697066	2781006
14	Power and fuel	18615769	8697869	27313638
15	General expenses	12595886	7620587	20216473
16	Rates and taxes	267651	326610	594261
17	Bank charges	177827	1124687	1302514
18	Trial run expenses	7052340	17080578	24132918
	Sub total	167586857	388426891	556013748
19	Less Interest income	24086775	40977306	65064081
	Total	143500082	347449585	490949667

As at  
**31<sup>st</sup> March 2014**      As at  
31<sup>st</sup> March 2013

## 13 NON-CURRENT INVESTMENTS:

## (Long-term investment)

## (a) Investment In equity instruments:

## Non Trade: Quoted, fully paid up

(at cost less provision for other than temporary diminution in value)

(i)	10,720 Equity Shares of ₹10/- each in IDBI Bank Ltd (formerly Industrial Development Bank of India)		<b>871000</b>	871000
	Less: Provision for diminution in book value of investment	₹	<b>169376</b>	10720
	(Market value ₹ 701624 /-, previous year ₹ 860280/-)	₹	<b>701624</b>	860280
(ii)	10,000 Equity Shares of ₹ 10/- each in IFCI Limited (Market value ₹ 265500/-, previous year ₹ 261000/-)	₹	<b>100000</b>	100000
(iii)	1050 Equity Shares of ₹ 10/ each in State Bank of Travancore (Market value ₹ 442470/-, previous year ₹ 544793/-)	₹	<b>63000</b>	63000



## NOTES TO BALANCE SHEET

		As at 31 <sup>st</sup> March 2014	As at 31 <sup>st</sup> March 2013
<b>Unquoted:</b>			
(iv)	10,000 Equity Shares of ₹ 10/- each in Praveen Securities Limited	₹ 100000	100000
<b>(b) In Mutual Funds:</b>			
(i)	5,000 units of ₹ 10/- each in SBI Mutual Fund (Fair value ₹ 95671/-, previous year ₹ 80878/-)	₹ 50000	50000
(ii)	84407.406 (previous year 46393.97) units of ₹ 10/- each in Canara Robeco Mutual Fund	₹ 1200000	600000
	Less: Provision for diminution in book value of investment (Fair value ₹ 1224667/-, previous year ₹ 598143/-)	₹ 0	1857
		₹ 1200000	598143
		₹ 2214624	1771423
(i)	Aggregate amount of quoted investments	₹ 1034000	1034000
(ii)	Aggregate market value of quoted investments	₹ 1409594	1666073
(iii)	Aggregate amount of unquoted investments	₹ 1350000	750000
(iv)	Aggregate provision made for diminution in value of Investments	₹ 169376	12577
<b>14 LONG-TERM LOANS AND ADVANCES:</b>			
<b>Unsecured, considered good</b>			
(a)	Capital advances	₹ 259954635	110176313
(b)	Security deposits (includes an amount of ₹1215000/-, previous year ₹ 1215000/- due from a Director towards rental deposit of office premises)	₹ 14853362	13389362
<b>(c) Loans and advances to related parties:</b> (Refer Note No.29 (II) (12))			
i.	Unsecured, considered good:	₹ 0	999724
ii.	Unsecured, considered doubtful	₹ 0	18851
	Less: Provision for doubtful advances	₹ 0	(18851)
		₹ 0	0
(d)	Advance to suppliers	₹ 42832127	16139259
(e)	Prepaid taxes (net of provision for taxation) (₹ 27231/- previous year ₹ 163547143/-)	₹ 52552520	41114828
(f)	MAT credit entitlement	₹ 5873857	0
<b>(g) Other loans and advances</b>			
i.	Prepaid expenses	₹ 1969899	1764826
ii.	Other advances	₹ 15710257	10270875
		₹ 393746657	193855187

**NOTES TO BALANCE SHEET**

	As at 31 <sup>st</sup> March 2014	As at 31 <sup>st</sup> March 2013
<b>15 OTHER NON-CURRENT ASSETS:</b>		
(a) Long term trade receivables		
i. Unsecured-considered good	₹ 66144212	61603802
ii. Un-secured-considered doubtful	₹ 20865603	17093968
Less: Provision for doubtful debts	₹ (20865603)	(17093968)
	₹ 0	0
(b) Share deposits to related parties Refer Note No.29(II) (12)		
i. Unsecured, considered good:	₹ 2400000	2400000
ii. Unsecured, considered doubtful	₹ 5750000	5750000
Less: Provision for doubtful advances	₹ (5750000)	(5750000)
	0	0
(c) Other receivables	₹ 29276902	26660359
	₹ 97821114	90664161
<b>CURRENT ASSETS:</b>		
<b>16 INVENTORIES:</b>		
(Valued at cost and net realisable value whichever is lower except for by-product and scrap. By-product and scrap are valued at net realisable value).		
(i) Raw materials*	₹ 961243886	1053793040
(Stock in transit ₹ 143090149/- Previous year ₹ 586730069/-)		
(ii) Work-in-progress	₹ 59070624	52960764
(iii) Finished goods	₹ 840699804	1411731560
(iv) Stores and spares	₹ 39602399	28695626
(Stock in transit ₹ 1911180/- Previous year ₹ 3085882/-)		
* Includes ₹ 5092317/-, previous year ₹ 2296815/- from trial run production	₹ 1900616713	2547180990
<b>17 TRADE RECEIVABLES:</b>		
(Unsecured, considered good)		
(i) Outstanding for a period exceeding six months from the date they became due for payment	₹ 22833491	18930035
(ii) Others	₹ 1816577842	1305094931
	1839411333	1324024966
Less: Bills discounted with a bank	₹ 170195142	0
	₹ 1669216191	1324024966

**NOTES TO BALANCE SHEET**

		As at 31 <sup>st</sup> March 2014	As at 31 <sup>st</sup> March 2013
<b>18 CASH AND BANK BALANCES:</b>			
Cash and Cash Equivalents:			
(i) Cash on hand	₹	<b>3758053</b>	2509604
(ii) Balances with banks:			
(a) In current accounts	₹	<b>913446184</b>	390806748
(b) In fixed deposits with original maturity of less than three months	₹	<b>70000000</b>	52874855
	₹	<b>987204237</b>	446191207
Other than cash and cash equivalents:			
(i) Other bank balances:			
(a) In unclaimed dividend accounts	₹	<b>8731725</b>	9396132
(b) Balances with banks to the extent held as margin money or security (Pledged to banks towards margin on letters of credit etc.,)	₹	<b>1286497004</b>	600504730
(c) In fixed deposits with original maturity of more than three months but less than twelve months	₹	<b>0</b>	58900000
	₹	<b>1295228729</b>	668800862
	₹	<b>2282432966</b>	1114992069
<b>19 SHORT-TERM LOANS AND ADVANCES:</b>			
(Unsecured, considered good)			
(a) Deposits	₹	<b>12349700</b>	9500000
(b) Central Excise duty deposits	₹	<b>317608168</b>	82816670
(c) Other advances and receivables	₹	<b>17702546</b>	20341955
(d) Prepaid expenses	₹	<b>20578860</b>	21169311
(e) Advances to suppliers	₹	<b>138615010</b>	56821247
(f) Advances to staff	₹	<b>2465205</b>	2172900
(g) MAT credit entitlement	₹	<b>0</b>	5873857
	₹	<b>509319489</b>	198695940
<b>20 OTHER CURRENT ASSETS:</b>			
(a) Interest accrued on deposits and investments	₹	<b>38375226</b>	22972638
(b) Claims receivable	₹	<b>0</b>	2801955
(c) Scrap value of discarded assets	₹	<b>20299620</b>	20299620
	₹	<b>58674846</b>	46074213

## NOTES TO STATEMENT OF PROFIT AND LOSS

		For the Year ended 31 <sup>st</sup> March 2014	For the Year ended 31 <sup>st</sup> March 2013
<b>21 SALE OF SERVICES:</b>			
Job work services	₹	<u>815181</u>	<u>82136383</u>
<b>22 OTHER OPERATING INCOME:</b>			
Sale of scrap arising out of manufacturing process	₹	<u>6644</u>	<u>2567</u>
<b>23 OTHER INCOME:</b>			
(a) Interest income	₹	<b>69530673</b>	62906500
(b) Dividend income from long-term non-trade investments	₹	<b>73292</b>	152322
(c) Profit on sale of long term investments	₹	<b>17570</b>	0
(d) Sale of other scrap	₹	<b>12581079</b>	13532402
(e) Provision for liabilities no longer required written back	₹	<b>125761</b>	26306610
(f) Provision for doubtful debts no longer required written back	₹	<b>357627</b>	0
(g) Provision for doubtful advances no longer required written back	₹	<b>18851</b>	0
(h) Other non-operating income	₹	<b>5771213</b>	25556179
	₹	<u><b>88476066</b></u>	<u>128454013</u>
<b>24 COST OF RAW MATERIALS CONSUMED:</b>			
i. Opening inventory	₹	<b>1051496225</b>	2093446275
ii. Add: Purchases during the period	₹	<b>6645637115</b>	4918563752
	₹	<b>7697133340</b>	7012010027
iii. Less closing inventory	₹	<b>956151569</b>	1051496225
<b>Raw material consumed</b>	₹	<u><b>6740981771</b></u>	<u>5960513802</u>
Particulars of raw material consumed:			
(a) Coking Coal	₹	<b>4774985868</b>	4706906807
(b) Iron Ore and Iron Ore fines	₹	<b>963046304</b>	573367510
(c) Steam Coal	₹	<b>807077515</b>	605716065
(d) Others	₹	<b>195872084</b>	74523420
	₹	<u><b>6740981771</b></u>	<u>5960513802</u>
<b>25 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS:</b>			
(a) Opening inventory:			
(i) Finished goods including by-product	₹	<b>1411731560</b>	1293427295
(ii) Work-in-progress	₹	<b>52960764</b>	53366836
	₹	<b>1464692324</b>	1346794131
(b) Closing inventory:			
(i) Finished goods including by-product	₹	<b>840699804</b>	1411731560
(ii) Work-in-progress	₹	<b>59070624</b>	52960764
	₹	<b>899770428</b>	1464692324
Adjustment for Excise duty on finished goods	₹	<b>29614431</b>	(28858488)
	₹	<u><b>535307465</b></u>	<u>(89039705)</u>
<b>26 EMPLOYEE BENEFITS EXPENSE:</b>			
(a) Salaries, wages, bonus and other benefits	₹	<b>162476615</b>	132112815
(b) Contribution to provident and other funds	₹	<b>12967049</b>	8910307
(c) Contribution to employee state insurance	₹	<b>257147</b>	281273
(d) Staff welfare expenses	₹	<b>5788905</b>	2962555
	₹	<u><b>181489716</b></u>	<u>144266950</u>

## NOTES TO STATEMENT OF PROFIT AND LOSS

		For the Year ended 31 <sup>st</sup> March 2014	For the Year ended 31 <sup>st</sup> March 2013
<b>27 FINANCE COSTS:</b>			
(a) Interest expense	₹	<b>381346313</b>	354203296
(b) Other borrowing costs	₹	<b>122712360</b>	79699491
(c) Net loss on foreign currency transactions and translation	₹	<b>178064091</b>	281116453
	₹	<b>682122764</b>	715019240
<b>28 OTHER EXPENSES:</b>			
i Consumption of stores and spare parts	₹	<b>53923120</b>	46898577
ii Power and fuel	₹	<b>71912660</b>	39823078
iii Rent	₹	<b>4655088</b>	4510663
iv Repairs to buildings	₹	<b>1219491</b>	1629850
v Repairs to machinery	₹	<b>109400878</b>	137169100
vi Repairs to others	₹	<b>857664</b>	852438
vii Insurance	₹	<b>17694771</b>	19683349
viii Rates and taxes, excluding taxes on income	₹	<b>7713027</b>	3291074
ix Payments to auditors:			
(a) As auditors	₹	<b>1200000</b>	1200000
(b) As tax auditors	₹	<b>600000</b>	600000
(c) For taxation matters	₹	<b>400000</b>	250000
(d) For quarterly reviews	₹	<b>750000</b>	600000
(e) For certification	₹	<b>679522</b>	374045
(f) For reimbursement of expenses	₹	<b>217446</b>	213659
(g) Total fees	₹	<b>3846968</b>	3237704
x Printing and stationery	₹	<b>1962852</b>	1867304
xi Communication expenses	₹	<b>1870934</b>	1560835
xii Advertisement	₹	<b>259085</b>	197233
xiii Traveling and conveyance	₹	<b>5169693</b>	6398555
xiv Vehicle maintenance	₹	<b>15171279</b>	7464133
xv Legal and professional charges	₹	<b>8158843</b>	12527562
xvi Net loss on foreign currency transaction and translation (other than considered as finance cost)	₹	<b>356391062</b>	77684659
xvii Donations	₹	<b>480280</b>	41848
xviii Loss on sale of assets (net of profit on sale of asset of ₹ Nil/- previous year ₹ 444548)	₹	<b>0</b>	101221
xix Bad debts written off	₹	<b>480074</b>	3328087
xx Provision for doubtful debts	₹	<b>4129261</b>	0
xxi Carriage and freight	₹	<b>162585478</b>	120963924
xxii Discounts	₹	<b>25781890</b>	21870148
xxiii Directors fees	₹	<b>347000</b>	420000
xxiv Bank charges	₹	<b>778369</b>	646293
xxv Book deficit on assets discarded	₹	<b>0</b>	28639095
xxvi Commission on sales	₹	<b>18559741</b>	10532664
xxvii Provision for diminution in value of long term investments	₹	<b>156799</b>	12577
xxviii Miscellaneous expenses	₹	<b>38045827</b>	35224030
xxix Prior year adjustments	₹	<b>1003502</b>	3806607
	₹	<b>912555636</b>	590382608

**29. 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 to comply in all material respects with the notified Accounting Standards by the Companies (Accounting Standards) Rules, 2006 (as amended), other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956 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.

All assets and liabilities have been classified as current or non-current as per the company's normal operating cycle and other criteria set out in Revised Schedule VI to the Companies Act, 1956. Based on the nature of products and time between acquisition of assets for processing and their realization in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

**(b) Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make 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) Fixed Assets:**

- i. Fixed assets are stated at cost of acquisition inclusive of freight, duties and taxes and incidental expenses related to acquisition and net of CENVAT / VAT credit availed against tax and Cess paid on such items.
- ii. Expenditure directly relating to construction activity is capitalised. Indirect expenditure is capitalized to the extent those relate to the construction activity or is incidental thereto. Income earned during the construction period is deducted from the total expenditure relating to construction activity.
- iii. Blast Furnace relining is capitalised. The written down value of the asset consisting of lining / relining expenditure embedded in the cost of the furnace is written off in the year of fresh relining.
- 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.

**(d) Depreciation:**

- i. Depreciation on fixed assets is provided under straight line method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.
- ii. Depreciation is provided at one hundred per cent for assets costing less than ₹ 5,000/-.
- iii. Depreciation on fixed assets used for the project under construction is included under expenditure during construction period pending capitalisation.

**(e) Intangible assets and amortisation**

Cost relating to intangible assets, which are acquired, is capitalised and amortised over a period of 3 years, which is based on their estimated useful life.

**(f) Impairment of Assets:**

The company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of amortised historical cost.



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

- (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 contribution 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.
  - iii. Terminal benefits are recognised as an expense as and when incurred.
- (k) **Foreign Exchange Transactions:**
- i. **Initial Recognition:** Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.
  - ii. **Conversion:** Foreign currency monetary items are reported at year-end rates. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction.
  - iii. **Exchange difference:** Exchange differences arising on the settlement of monetary items or on reporting monetary items of Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise.





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

- 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. 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 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 Pig Iron and the Metallurgical Coke with Co-generation of Power.

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.
  - 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.



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

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) **Proposed / Interim Dividend:**

Dividend as proposed, if any, by the Board of Directors is accounted in the books of account, pending approval at the Annual General Meeting.

(q) **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.

(r) **Borrowing Costs:**

Borrowing cost includes interest, ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to acquisition or construction of fixed assets which necessarily take a substantial period of time to get ready for their intended use, incurred till the time of commencement of commercial production or their intended use are capitalized. All other borrowing costs are expensed in the period they occur.

(s) **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.

(t) **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.

(u) **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.



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

**II. OTHER EXPLANATORY INFORMATION::**

**1 CORPORATE INFORMATION:**

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

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

**3 CONTINGENT LIABILITIES AND COMMITMENTS:**

		<u>As at 31<sup>st</sup> March 2014</u>	<u>As at 31<sup>st</sup> March 2013</u>
<b>A</b>	<b>Contingent Liabilities:</b>		
	i. Claims against the Company not acknowledged as debt	₹ <b>12168141</b>	12168141
	ii. On account of bank guarantees issued by the bankers	₹ <b>6785000</b>	22098289
	iii. Taxes and Duty demands contested by the Company.	₹ <b>8135807</b>	8135807
		₹ <b><u>27088948</u></b>	<u>42402237</u>
<b>B</b>	<b>Commitments:</b>		
	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	₹ <b><u>1246974226</u></b>	<u>1296547179</u>
<b>4</b>	<b>Current liabilities include the following project related liabilities:</b>		
	(i) Buyers credit under short term borrowings	₹ <b>1166922331</b>	750362830
	(ii) Other payables under other current liabilities	₹ <b>830194023</b>	146020871
	(iii) Current maturities of long term debt under other current liabilities	₹ <b>510766825</b>	0
		<b><u>2507883179</u></b>	<u>896383701</u>

The above liabilities aggregating to ₹ 2507883179/- (previous year ₹ 896383701/-) pertaining to project under implementation but classified as current liabilities by following revised schedule VI to the Companies Act 1956. Un-drawn term loan is ₹ 1706574591/- (previous year ₹ 1490000000/-)

**5** 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.

**6 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 25 "Changes in inventories of finished goods and work-in-progress."

**7 FOREIGN CURRENCY EXPOSURES THAT ARE HEDGED BY A DERIVATIVE INSTRUMENTS:**

a. The Company uses foreign exchange forward contracts to hedge its foreign currency exposures relating to the underlying transactions and firm commitments to mitigate the foreign exchange fluctuation risk. The Company does not use these derivative instruments for trading and speculative purposes.

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

b. The details of outstanding foreign exchange forward contracts are:

<u>Nature of Contract</u>	As at	As at	As at	As at
	31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2013	31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2013
	<u>Number of contracts</u>		<u>Currency</u>	
Buy	1	0	US\$ 9540013	0
			₹ 595937064	0

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

	As at	As at
	31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2013
(a) Payable for supply and services:	<u>Currency</u>	
i. Amount in foreign currency	US\$ 50287212	25224950
ii. Amount equivalent in Indian currency	₹ 3012958335	1369336404
(b) Buyer's credit:		
i. Amount in foreign currency	US\$ 46086939	45040966
ii. Amount equivalent in Indian currency	₹ 2761298947	2445048813

**9 Disclosure on utilisation of proceeds of Preferential Issues in terms of SEBI (ICDR) Regulations 2009:**

1 The proceeds of preferential issue made in the year 2013-14 has been utilised as per the following details:

i. Amount raised in financial year	₹ 450000000
Total amount raised	₹ 450000000
ii. Amount incurred on project and other related business expenditure	₹ 350000000
iii. Amount in current account with bank	₹ 100000000
Total amount utilised	₹ 450000000

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

	For the	For the
	Year ended 31 <sup>st</sup> March 2014	Year ended 31 <sup>st</sup> March 2013
(a) DEFINED CONTRIBUTION SCHEMES:		
Contributions to Defined Contribution Schemes charged off for the year are as under:		
i. Contribution to Provident Fund	₹ 12279127	6073118
ii. Contribution to Employee State Insurance	₹ 257147	281273
(b) DEFINED BENEFIT PLANS:		
(Disclosures as per Actuary Certification)		
<b>i. Gratuity (unfunded)</b>		
(l) Statement of Profit and Loss:		
(a) Current Service Cost	₹ 1622716	1119181
(b) Interest cost on benefit obligation	₹ 1762664	1384420



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

	(c) Expected return on plan assets	₹	<b>Nil</b>	Nil
	(d) Net actuarial (gain) / loss recognised in the year	₹	<b>4397382</b>	2398054
	(e) Past service cost	₹	<b>Nil</b>	Nil
	(f) Net benefit expenses	₹	<b>7782762</b>	4901655
<b>II.</b>	<b>Balance Sheet:</b>			
	Change in the present value of the defined benefit obligation are as follows:			
	(a) Opening defined benefit obligation	₹	<b>22033299</b>	17305251
	(b) Interest cost	₹	<b>1762664</b>	1384420
	(c) Current services cost	₹	<b>1622716</b>	1119181
	(d) Past services cost	₹	<b>0</b>	0
	(e) Benefits paid	₹	<b>(1642157)</b>	(173607)
	(f) Actuarial (gain)/loss on obligation	₹	<b>4397382</b>	2398054
	(g) Closing defined benefit obligation	₹	<b>28173904</b>	22033299
<b>ii.</b>	<b>Leave Encashment (unfunded)</b>			
	<b>(I) Statement of Profit and Loss:</b>			
	(a) Current service cost	₹	<b>324031</b>	371358
	(b) Interest cost on benefit obligation	₹	<b>483758</b>	384065
	(c) Expected return on plan assets	₹	<b>Nil</b>	Nil
	(d) Net actuarial (gain) / loss recognised in the year	₹	<b>675549</b>	548742
	(e) Past service cost	₹	<b>Nil</b>	Nil
	(f) Net benefit expenses	₹	<b>1483338</b>	1304165
<b>II.</b>	<b>Balance Sheet:</b>			
	Change in the present value of the defined benefit obligation are as follows:			
	(a) Opening defined benefit obligation	₹	<b>6046979</b>	4800810
	(b) Interest cost	₹	<b>483758</b>	384065
	(c) Current services cost	₹	<b>324031</b>	371358
	(d) Benefits paid	₹	<b>(395986)</b>	(57996)
	(e) Actuarial (gain)/loss on obligation	₹	<b>675549</b>	548742
	(f) Closing defined benefit obligation	₹	<b>7134331</b>	6046979
<b>(c)</b>	<b>THE PRINCIPAL ASSUMPTIONS USED IN DETERMINING GRATUITY AND LEAVE ENCASHMENT:</b>			
	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
<b>(d)</b>	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.			
<b>(e)</b>	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.			

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION:**
**11 DISCLOSURES UNDER ACCOUNTING STANDARD 17 ON SEGMENT REPORTING:**

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

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company. Inter/Intra segment transfers are accounted at selling price to the transferring segment. Inter segment transfers are eliminated on consolidation. 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 2014.

**I. Primary Segment Reporting:**

Reportable Segment	2013-14			2012-13		
	Pig Iron	Metallurgical Coke with Co-generation power	Total	Pig Iron	Metallurgical Coke with Co-generation power	Total
	₹	₹	₹	₹	₹	₹
<b>Revenue:</b>						
Revenue from operations (net)	3193862427	8071775063	11265637490	1879726949	6650832865	8530559814
Inter/Intra segment sales	0	1884934823	1884934823	0	1016952417	1016952417
<b>Total Revenue</b>	<b>3193862427</b>	<b>6186840240</b>	<b>9380702667</b>	<b>1879726949</b>	<b>5633880448</b>	<b>7513607397</b>
<b>Result:</b>						
Segment result / (loss)	(259230419)	180353799	(78876620)	(357311726)	758942765	401631039
Interest (net)	Nil	Nil	311815640	Nil	Nil	291296796
Other un-allocable expenditure (net)	Nil	Nil	153363786	Nil	Nil	52412852
Profit / (loss) before tax	Nil	Nil	(544056046)	Nil	Nil	57921391
Provision for tax	Nil	Nil	36210845	Nil	Nil	35927147
<b>Profit / (loss) after tax</b>	<b>Nil</b>	<b>Nil</b>	<b>(580266891)</b>	<b>Nil</b>	<b>Nil</b>	<b>21994244</b>
<b>Other information:</b>						
Segment assets	7656358349	6523005671	14179364020	3770012966	6689520985	10459533951
Unallocated assets	133498869	0	133498869	58266184	0	58266184
<b>Total assets</b>	<b>7789857218</b>	<b>6523005671</b>	<b>14312862889</b>	<b>3828279150</b>	<b>6689520985</b>	<b>10517800135</b>
Segment liabilities	6745355011	5532932816	12278287827	3453736232	4931827918	8385564150
Unallocated liabilities	8731725	0	8731725	9396132	0	9396132
<b>Total liabilities</b>	<b>6754086736</b>	<b>5532932816</b>	<b>12287019552</b>	<b>3463132364</b>	<b>4931827918</b>	<b>8394960282</b>
<b>Capital expenditure:</b>						
Tangible assets	4105871	5132540	9238411	552231430	4455258	556686688
Intangible assets	0	0	0	877320	0	877320
Depreciation and amortisation	46882819	184867879	231750698	47766367	184739907	232506274

**II. Secondary Segment Reporting:**

	2013-14			2012-13		
	Within India	Outside India	Total	Within India	Outside India	Total
External revenue by location of customers (net)	9022105749	358596918	9380702667	7960578852	0	7960578852
Carrying amount of segment assets by location of assets	14312862889	0	14312862889	10517800135	0	10517800135
Cost incurred on acquisition of tangible and intangible fixed assets	9238411	0	9238411	557564008	0	557564008



**12 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	2013-14		2012-13	
		Amount of Transaction ₹	Amount Outstanding ₹	Amount of Transaction ₹	Amount Outstanding ₹
<b>1.0</b>	<b>Key Management Personnel:</b>				
<b>1.1</b>	<b>Managerial Remuneration:</b>				
	Shri A.S.Rao	2409360	4882445 Cr.	3993578	3542403 Cr.
	Shri A. Naresh Kumar	2409360	4685675 Cr.	4589452	4275163 Cr.
<b>1.2</b>	<b>Rent:</b>				
	Shri A.Naresh Kumar	583200	1720440 Cr.	583200	1137240 Cr.
<b>1.3</b>	<b>Rent Deposit:</b>				
	Shri A. Naresh Kumar	0	1215000 Dr.	0	1215000 Dr.
<b>1.4</b>	<b>Interest on unsecured loans:</b>				
	Shri A. Naresh Kumar	1056000	1900800 Cr.	1056000	1318557 Cr.
<b>2.0</b>	<b>Relatives of Key Management Personnel:</b>				
<b>2.1</b>	<b>Rent:</b>				
	Smt. A. Mutya Bai	983400	878811 Cr.	940560	1347015 Cr.
	Shri A. Ashok Kumar	1000800	3452760 Cr.	1000800	2552040 Cr.
<b>2.2</b>	<b>Rent Deposit:</b>				
	Smt. A. Mutya Bai	0	473400 Dr	0	473400 Dr
	Shri A. Ashok Kumar	0	1515600 Dr	0	1515600 Dr
<b>2.3</b>	<b>Acceptance of unsecured loans:</b>				
	Shri. A.Naresh Kumar	0	8800000 Cr.	0	8800000 Cr.
<b>3.0</b>	<b>Concerns in which Key Management Personnel are interested:</b>				
<b>3.1</b>	<b>Share Deposits:</b>				
	Maruthi Industries Limited	0	5750000 Dr.	Nil	5750000 Dr.
	Vamsadhara Polymers Limited	0	2400000 Dr.	Nil	2400000 Dr.
<b>3.1</b>	<b>Other advances:</b>				
	Maruthi Industries Limited	0	0	Nil	18851 Dr.
	Vamsadhara Polymers Limited	0	0	Nil	999724 Dr.
<b>3.2</b>	<b>Allotment of Equity Shares including Share premium:</b>				
	Ganapati Adusumilli Fininvest Private Limited,	0	0	118200000	0
	Ganapati Holdings Pte Limited, Singapore	90720000	0	0	0
<b>3.3</b>	<b>Provision for doubtful advances no longer required written back</b>				
	Maruthi Industries Limited	18851	0	0	0
<b>3.4</b>	<b>Recovery of other advances</b>				
	Vamsadhara Polymers Limited	999724	0	0	0



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

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

Information on leases as per Accounting Standard 19“Leases” issued under the Companies (Accounting Standard) Rules 2006:

**Operating Lease expenses:**

The Company has various operating leases for various premises that are renewable on a periodic basis and cancelable at its option. Rental expenses for operating leases recognised in the Statement of Profit and Loss for the year is ₹ 4655088/- (previous year ₹ 4510663/-)

**14 DISCLOSURES UNDER ACCOUNTING STANDARD 20 ON EARNINGS PER SHARE:**

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

		<b>Year ended 31<sup>st</sup> March 2014</b>	Year ended 31 <sup>st</sup> March 2013
(i) Profit / (Loss) attributable to the Equity Shareholders (A)	₹	<b>(580266891)</b>	21994244
(ii) Basic/Weighted average number of Equity Shares outstanding during the year (B)	Nos.	<b>40009589</b>	37514849
(iii) Diluted / Weighted average number of Equity Shares outstanding during the year (C)	Nos.	<b>40009589</b>	38400000
(iv) Face value of Equity Share	₹	<b>10</b>	10
(v) Basic Earnings / (Loss) per Share (A/B)	₹	<b>(14.50)</b>	0.59
(vi) Diluted Earnings / (Loss) per Share (A)/(C)	₹	<b>(14.50)</b>	0.57

**15 PROVISION FOR TAXATION:**

(i) The Company estimates the deferred tax charge / (credit) using the applicable rate of taxation based on the impact of timing differences between financial statements and estimated taxable income for the current year.

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

Particulars	Opening as at 01.04.2013 ₹	Charge / (Credit) during the year ₹	Closing as at 31.03.2014 ₹
(i) Deferred Tax liabilities			
(a) Depreciation	317924250	<b>35982502</b>	353906752
(b) Others	8237047	<b>809517</b>	9046564
Total (A)	<u>326161297</u>	<u><b>36792019</b></u>	<u>362953316</u>
(ii) Deferred Tax assets			
(a) Expenses allowable on payment basis under Income Tax Act 1961	8324697	<b>2313583</b>	10638280
(b) Others	111734195	<b>1208061</b>	112942256
Total (B)	<u>120058892</u>	<u><b>3521644</b></u>	<u>123580536</u>
(iii) Deferred Tax liability (net) (A)-(B)	<u>206102405</u>	<u><b>(33270375)</b></u>	<u>239372780</u>



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

		For the year ended 31 <sup>st</sup> March 2014	For the year ended 31 <sup>st</sup> March 2013
<b>16</b>	<b>DETAILS OF FINISHED GOODS:</b>		
A.	Sales value:		
I.	Manufactured goods:		
i.	Pig Iron	₹ 3586303744	1964458361
ii.	Granulated Slag	₹ 1283143	9849575
iii.	Metallurgical Coke	₹ 4386330713	4499606742
iv.	Co-generation Power	₹ 1394168307	1380754411
v.	Others:	₹ 26076387	75418913
		₹ 9394162294	7930088002
II.	Traded goods:		
	Coking coal	₹ 756403547	30490850
B.	Closing inventory:		
i.	Pig Iron	₹ 266883570	297254222
ii.	Granulated Slag	₹ 2291423	1223178
iii.	Metallurgical Coke	₹ 571524811	1113254160
		₹ 840699804	1411731560
C.	Opening inventory:		
i.	Pig Iron	₹ 297254222	416746048
ii.	Granulated Slag	₹ 1223178	1460371
iii.	Metallurgical Coke	₹ 1113254160	875220876
		₹ 1411731560	1293427295
D.	<b>Purchase of traded goods:</b>		
	Coking Coal	₹ 729026729	30490850
<b>17</b>	<b>DETAILS OF WORK-IN-PROGRESS:</b>		
i.	Pig Iron	₹ 8138933	7175222
ii.	Metallurgical Coke	₹ 50931691	45785542
		₹ 59070624	52960764
<b>18</b>	<b>VALUE OF IMPORTS CALCULATED ON C.I.F BASIS:</b>		
(a)	Raw materials	₹ 5164000839	4656712017
(b)	Components and spare parts	₹ 1432510	1035053
(c)	Capital goods	₹ 1367200874	522618099
<b>19</b>	<b>VALUE OF IMPORTED AND INDIGENOUS RAW MATERIALS, SPARE PARTS AND COMPONENTS AND THEIR PERCENTAGES TO TOTAL CONSUMPTION:</b>		
(a)	Raw materials:		
	Value:		
i.	Imported	₹ 5450052426	5271136845
ii.	Indigenous	₹ 1290929345	689376957
		₹ 6740981771	5960513802
	Percentages to total consumption		
i.	Imported	%	80.85
ii.	Indigenous	%	11.57
		%	100.00

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

		For the year ended 31 <sup>st</sup> March 2014	For the year ended 31 <sup>st</sup> March 2013
(b) Spare Parts and Components:			
Value:			
i. Imported	₹	1432510	1035053
ii. Indigenous	₹	1702295	3444481
	₹	<u>3134805</u>	<u>4479534</u>
Percentages to total consumption			
i. Imported	%	45.70	23.11
ii. Indigenous	%	54.30	76.89
	%	<u>100.00</u>	<u>100.00</u>
<b>20 EARNINGS IN FOREIGN EXCHANGE:</b>			
F.O.B value of exports- Traded goods	₹	<u>358596918</u>	<u>0</u>
<b>21 EXPENDITURE IN FOREIGN CURRENCY (ON ACCRUAL BASIS):</b>			
(a) Usance Interest	₹	74057439	96226199
(b) Travelling	₹	1108388	2512850
	₹	<u>75165827</u>	<u>98739049</u>
<b>22 AMOUNT REMITTED IN FOREIGN CURRENCY ON ACCOUNT OF DIVIDENDS:</b>			
(a) Total number of non-resident shareholders	Nos.	0	0
(b) Total number of shares held by them	Nos.	0	0
(c) The year to which the dividend relates	Year	0	0
(d) Amount of dividend remitted	₹	0	0
<b>23</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.			
<b>24</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

N. Anka Rao  
Partner  
Membership Number: 23939

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

Syed Anis Hussain  
Director

A.Naresh Kumar  
Managing Director

Hyderabad  
Dated: 30.05.2014



## **CODE OF BUSINESS CONDUCT AND ETHICS**

### **1. INTRODUCTION:**

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

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

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

### **3. OBJECTIVE:**

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

### **4. AUTHORITY:**

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

### **5. APPLICATION:**

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

### **6. DISCLOSURE:**

- 6.1 It is the intention of the Company that this Code shall be included in the next annual report of the Company to the shareholders as an exhibit to the report on Corporate Governance and be included so thereafter as may be decided by the Board of Directors in every annual report of the Company to the shareholders. The Code be also posted and maintained on the website of the Company, as and when the Company hosts its website.
- 6.2 The Managing Director in his capacity as Chief Executive Officer of the Company shall make an annual statement in the Annual Report of the Company addressed to all stake holders to the shareholders that all the Directors and Senior Management of the Company has complied with the standards of the Code and a certificate from every person affirming the compliance has been obtained.
- 6.3 Any update and modification to the Code shall be promptly disseminated and notified to all the members of the Board of Directors and senior management of the Company and so also to the Stock Exchanges where the equity shares of the Company are listed.

### **7. STANDARDS:**

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

- 7.1.1 **Directors and Senior Management owe a fiduciary duty to the Company to act always in the best interests of the Company and have a bounden duty to advance its legitimate business interests to itself whenever the opportunity to do so arises and must avoid any situation in which personal interests conflict or have potential of conflict with the Company interests.**
- 7.1.2 Directors and Senior Management are prohibited from taking any benefit or advantage for themselves or through a third party entity where they have a direct or indirect relation, any corporate or business opportunity that is discovered through the use of Company's property, information or position unless Company itself has been given or afforded a first right of opportunity or option to take advantage of such opportunity and /or refusal and the Company has turned down such opportunity or option and refused to take such opportunity. Directors and Senior Management should desist from taking any personal gain, directly or indirectly through any related party, out of any corporate or business opportunity which otherwise would have genuinely belonged to the Company by virtue of deployment of its resources.
- 7.1.3 In the event of any conflict of interest in a particular situation, the proper course would be to have an approval of the Board of Directors of the Company beforehand. Where any personal benefit or gain made or accrued out of any corporate or business opportunity in which Company's property or services were used, the Directors and Senior Management must promptly account for such benefit or gain to the Company.

#### **8.1 Confidentiality:**

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



- 8.1.2 Confidential information concerning Company include possible / future business opportunities, customer and supplier data or profile, financial performance, unpublished financial information and / or financial data, unpublished securities information, technology and technical information, technical advancements, patents, trade marks, copy rights or any other information, expertise, knowledge which are in the exclusive domain of the Company.
- 8.1.3 Directors and Senior Management are prohibited from disclosing or using the same for personal gain any confidential information concerning the Company, which they acquire in the course of their association / employment with the Company. Such prohibition shall extend not only to work place but also to any other outside place and covers a period of say, one year after their dis-association or cessation of employment with the Company.
- 9.1 **Insider Trading:**  
**Trading of Securities of the Company on the basis of confidential information acquired through your association /employment with the Company is restricted and / or prohibited.**
- 9.2 Directors and Senior Management are bound by Securities and Exchange Board of India's (SEBI's) Insider Trading Regulations and Company's policy thereof. Directors and Senior Management are accordingly restricted from dealing in the Company's securities based on the unpublished price sensitive information concerning the Company during the opening of 'Window' period as provided in the above Regulations. Directors and Senior Management are strictly prohibited from dealing in the Company's securities based on any unpublished price sensitive information.
- 9.3 Any clarifications in this regard Director/Senior Management may always take assistance from Company Secretary and Compliance Officer of the Company.
- 10.1 **Protection of Company's Assets:**
- 10.1.1 **Protection of Company's Assets is of paramount importance and it is our duty to protect Company's Assets and also put the same to proper use.**
- 10.1.2 Company's assets are exclusive property of the Company and they are to be used solely for legitimate business purposes of the Company only. Directors and Senior Management in their capacities as 'trustees' of the Company's properties shall always endeavor to protect the Company's assets and also bound to put the same to proper use.
- 10.1.3 Company's assets should not be used for personal purposes both in the course of employment or association and after cessation of employment or association with the Company.
- 11.1 **Compliance with Laws and Regulations:**
- 11.1.1 **The Company seeks to comply in letter and spirit with all applicable laws and regulations in force and at all times and wherever operated.**
- 11.1.2 Company's business is guided by several laws and regulations some of which are stringent. Directors and Senior Management must endeavor to comply with all the applicable laws and regulations with respect to conduct of Company's business and personal conduct both within and outside work place.
- 11.1.3 Violation of any laws will attract personal indictment and penalties, and the Company will also similarly be subjected to such penalties. Directors and Senior Management should ensure total compliance of laws and regulations to avoid any such penalties. They should familiarize themselves about the laws of land and keep abreast of all changes / amendments from time to time.
- 12.1 **Fair Business Practice and Dealings:**
- 12.1.1 **The Company believes in fair dealings in the conduct of it's business and encourages honest business competition.**
- 12.1.2 Fair dealings imply conducting ourselves with honesty and integrity and showing transparency and openness when dealing with Company's customers, suppliers, competitors and employees.
- 12.1.3 Directors and Senior Management are discouraged from engaging in unfair methods of competition and unfair or deceptive acts and practices. Directors and Senior Management are also discouraged from taking unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or other unfair dealings.
- 12.1.4 Directors and Senior Management shall not authorize any third party to represent the Company whose business conduct and ethics are known to be inconsistent with the Code.
- 12.1.5 Directors and Senior Management are discouraged from accepting any gifts, contributions, donations other than customary nature from any parties and discourage offering such things to any third parties in the conduct of Company's business.
- 13.1 **Dissemination/Disclosure of Company's Information :**
- 13.1.1 **The Company encourages dissemination or disclosure of timely, accurate and complete information to all stakeholders and law enforcing authorities through proper channel.**
- 13.1.2 The Company is required to disclose information concerning its business affairs from time to time through media, publication, letters, notes, memoranda etc., the object being to keep the stakeholders, law enforcing authorities and public at large informed of the Company's plans, policies, compliances, achievements, accomplishments etc.
- 13.1.3 Directors and Senior Management should ensure that dissemination / disclosure are time bound, accurate, complete, true and fair. Disclosure / dissemination of non-public information is strictly prohibited. Inter action with media should be only through authorized persons. Information sought by the law enforcing authorities should be furnished as early as possible. All disclosures / dissemination of information shall be for and on behalf of the Company.
- 14.1 **Health, safety and Environment:**
- 14.1.1 **The Company abides by the health, safety and environment norms guidelines and is committed to preserve quality of life of all concerned with Company's business.**
- 14.1.2 Protection / perseverance of health, safety and quality of life of all involved in the business of Company in a conducive external and internal environment is of utmost importance for a sustainable development and therefore deserves highest priority.
- 14.1.3 Directors and Senior Management shall ensure compliance with the health, safety and environment laws and regulations and strive hard to adopt best practices concerning these issues.
- 15.1 **Reporting violations:**
- 15.1.1 **Any activities that are in violation or having potential of violation of the Code should be promptly brought to the notice of the immediate supervisors or to the Chairman of the Board.**
- 15.1.2 All employees are encouraged to report any violations or situations having potential of any violation should be brought to the notice of immediate supervisors or to the Chairman of the Company.
- 15.1.3 Directors / Senior Management should always welcome to receive information about violations of the Code from colleagues and sub ordinates such information and desist from taking punitive or vengeful action or punishment against the reporting employees.

**SATHAVAHANA ISPAT LIMITED**

CIN:L27109TG1989PLC010654

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

**25<sup>th</sup> ANNUAL GENERAL MEETING****ATTENDANCE SLIP**

(To be filled in by the shareholder and for handing over at the entrance of venue)

DP id- Client ID		Name & Address of the Registered Shareholder
Regd. Folio No.		
No. of Shares held		

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I, hereby, record my presence at the TWENTY FIFTH ANNUAL GENERAL MEETING of the Company being held on Tuesday, the 30<sup>th</sup> September, 2014 at 3.00 p.m. at Sri Sagi Ramakrishnam Raju Community Hall, Madhuranagar, Hyderabad - 500 038.

Member's/proxy's Signature

**PROXY FORM MGT-11**

(Pursuant to Section 105(6) of the Companies Act 2013 and rule 19 (3) of the Companies (Management and Administration) Rules 2014)

Name of the Company	SATHAVAHANA ISPAT LIMITED
CIN	L27109TG1989PLC010654
Registered Office	314, Sri Ramakrishna Towers, Nagarjunanagar, Hyderabad – 500 0073
Event	TWENTY FIFTH ANNUAL GENERAL MEETING
Name of the Member(s)	
Registered Address	
E-mail Id	
Folio No./Client id	
DP ID	

I/We, being the member(s) holding \_\_\_\_\_ Shares of the above named Company, hereby appoint:

1	Name		
	Address		
	E-mail id	Signature	
	Or failing him		
2	Name		
	Address		
	E-mail id	Signature	
	Or failing him		
3	Name		
	Address		
	E-mail id	Signature	
	Or failing him		

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Twenty Fifth Annual General Meeting of the Company to be held on Tuesday the 30<sup>th</sup> Day of September 2014 at 3.00 p.m. at Sri Sagi Ramakrishnam Raju Community Hall, Madhuranagar, Hyderabad - 500 038, and at any adjournment thereof in respect of such resolutions as indicated below:**Resolution No.**

1.	2.	3.	4.	5.	11
6.	7.	8.	9.	10.	

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2014

Affix  
Revenue  
Stamp

Signature of Shareholder

Signature of Proxy(s)

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.

(No gifts will be distributed at the Annual General Meeting)