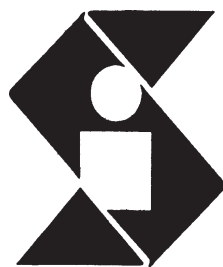


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# **SATHAVAHANA ISPAT LIMITED**



**29<sup>TH</sup>  
ANNUAL REPORT  
2017-18**

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AGM	: 29th Annual General Meeting
Day and Date	: Saturday, the 29th September, 2018
Time	: 3.00 p.m.
Venue	: Sri Sagi Ramkrishnam Raju Community Hall, Madhura Nagar, Hyderabad-500 038
Date of Book Closure	
i) Physical Mode	: 16.09.2018 to 29.09.2018 (both days inclusive)
ii) Electronic Mode	: 15.09.2018
iii) Cut off Date/Record Date	: 15.09.2018
ISIN No.	: INE 176C01016
Listing	: BSE Limited (BSE) (Stock Code : 526093) National Stock Exchange of India Limited (NSE) (Stock Code : sathaispat)

### General Corporate Information

**BOARD OF DIRECTORS :**

Shri K.Thanu Pillai	Chairman
Shri A.S.Rao	Executive Vice Chairman
Shri Syed Anis Hussain	Director
Shri S.N.Rao	Director
Shri A. Naresh Kumar	Managing Director
Dr. Shailendra Dasari	Executive Director (Operations)

**CFO & COMPANY SECRETARY**

Shri K.V. Krishna Rao

**AUDITORS:**

M/s. Majeti & Co.,  
Chartered Accountants, Hyderabad

**SECRETARIAL AUDITORS:**

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

**COST AUDITORS:**

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

**BANKERS :**

Canara Bank  
State Bank of India  
Andhra Bank

**REGISTERED OFFICE :**

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

**CORPORATE OFFICE &  
SECRETARIAL DEPARTMENT:**

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

**SHARE TRANSFER AGENTS :**

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

**WORKS:**

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

## NOTICE OF 29<sup>TH</sup> ANNUAL GENERAL MEETING

**NOTICE** is hereby given that the 29<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 Saturday, the 29<sup>th</sup> September, 2018 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, 2018 along with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri A.S.Rao (DIN: 00899415) who retires by rotation and being eligible, offers himself for reappointment as Director.
3. To appoint a Director in place of Dr. Shailendra Dasari (DIN: 07263439) who retires by rotation and being eligible, offers himself for reappointment as Director.

### AS SPECIAL BUSINESS:

4. To re-appoint Shri A.S.Rao (DIN:00899415) as Executive Vice Chairman 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.S.Rao (DIN:00899415) Executive Vice Chairman for a period of three years effect from 27.07.2018 to 26.07.2021 on the following remuneration:

1. **SALARY :**  
Salary of Rs.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 the appointee;

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 dependent 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 for self and dependent family 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 the appointee.

#### 3. MINIMUM REMUNERATION:

In the event of losses or inadequacy of profits during the period of appointment, the appointee 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 CEILING:

The remuneration fixed herein is for a period of three years from 27.07.2018 to 26.07.2021 and the Board of Directors of the Company be and is hereby authorised to vary or modify the terms of remuneration in the said tenure without any further reference to the Company in General Meeting subject to however that the overall remuneration payable to the appointee 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 A.S.Rao held by Shri A.S.Rao pursuant to this resolution is liable to determination by retirement of Directors by rotation".

5. To appoint Dr. Shailendra Dasari (DIN:07263439) 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 Dr. Shailendra Dasari (DIN: 07263439), as Executive Director (Operations) for a period of three years effect from 01.10.2018 to 30.09.2021 on the following remuneration.

1. **SALARY :**

Salary of Rs.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 the appointee;

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 ten percent of salary of the appointee.

- ii. **Medical Reimbursement :** Expenses incurred for self and dependent 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 dependent 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 for self and dependent family 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 the appointee.

3. **MINIMUM REMUNERATION:**

In the event of losses or inadequacy of profits during the above period, the appointee 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 CEILING:**

The remuneration fixed herein is for a period of three years from 1<sup>st</sup> October 2018 to 30<sup>th</sup> September 2021 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 appointee 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 Dr. Shailendra Dasari pursuant to this resolution is liable to determination by retirement of Directors by rotation".

6. To approve the appointment and fix remuneration payable to Cost Auditors, M/s. S. Mahadevan & Co., (Firm's Registration Number:00007) for the year ending 31<sup>st</sup> March 2019 and in this regard to consider and, if thought fit, to pass with or without modification(s) the following resolution as an **ORDINARY RESOLUTION:**

"RESOLVED that pursuant to the provisions of Section 148 and other applicable provisions if any, of the Companies Act 2013 and the Companies (Audit and Auditors) Rules, 2014 including any statutory modification(s) or re-enactment thereof, for the time being in force, the Cost Auditors, M/s. S. Mahadevan & Co., Practicing Cost Accountants (Firm's Registration Number:00007) be and hereby, based on the recommendation of the Audit Committee, appointed as Cost Auditors of the Company to conduct Cost Audit of the Cost Records of the Company for the financial year ending 31<sup>st</sup> March 2019 and be paid a remuneration of Rs.2.50 lakhs (Rupees Two lakhs and fifty thousand only) plus Goods and Service Tax and travelling / out of pocket expenses at actuals.

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

By order of the Board

Hyderabad  
Date: 14.08.2018

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

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

**NOTES:**

- 1) EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT 2013 IS ANNEXED.
- 2) THE RELEVANT DETAILS OF DIRECTORS, AS REQUIRED BY LISTING REGULATIONS SEEKING RE-APPOINTMENT UNDER ITEM NO. 2 TO 5 ABOVE IS ANNEXED.
- 3) IN COMPLIANCE WITH PROVISIONS OF SECTION 108 OF THE COMPANIES ACT 2013 READ WITH THE RULES MADE THERE UNDER AND IN ACCORDANCE WITH REGULATION 44 OF LISTING REGULATIONS 2015, THE COMPANY IS FACILITATING REMOTE E-VOTING OPTION FOR ITS MEMBERS TO ENABLE THEM TO CAST THEIR VOTES ELECTRONICALLY. MEMBERS HAVE OPTION TO VOTE EITHER THROUGH REMOTE E-VOTING OR THROUGH THE PHYSICAL BALLOT PAPER. IF A MEMBER HAS OPTED FOR REMOTE E-VOTING, THEN HE/SHE SHOULD NOT VOTE BY PHYSICAL BALLOT ALSO AND VICE-VERSA. HOWEVER, IN CASE MEMBERS CAST THEIR VOTE BOTH VIA PHYSICAL BALLOT AND REMOTE E-VOTING, THEN VOTING THROUGH REMOTE E-VOTING SHALL PREVAIL AND VOTING DONE BY PHYSICAL BALLOT SHALL BE TREATED AS INVALID. FOR THE PURPOSE OF REMOTE E-VOTING, THE COMPANY HAS SIGNED AN AGREEMENT WITH THE CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED ("CDSL") FOR FACILITATING REMOTE E-VOTING.
- 4) A MEMBER DESIRING TO EXERCISE VOTE BY PHYSICAL BALLOT SHALL FILL IN AND COMPLETE IN ALL RESPECTS THE BALLOT PAPER DULY CHECK (Ü) MARKED WITH ASSENT (FOR) OR DISSENT (AGAINST) AND SIGN (AS PER SPECIMEN SIGNATURE REGISTERED WITH THE COMPANY) AND SEND THE SAME TO THE SCRUTINIZER IN THE SELF-ADDRESSED BUSINESS REPLY ENVELOPE.
- 5) THE PHYSICAL BALLOT NOTICE IS BEING SENT TO ALL THE MEMBERS, WHOSE NAMES APPEAR IN THE REGISTER OF MEMBERS / LIST OF BENEFICIAL OWNERS RECEIVED FROM NATIONAL SECURITIES DEPOSITORY LIMITED (NSDL)/ CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED AS ON 24<sup>TH</sup> AUGUST, 2018.
- 6) VOTING RIGHTS SHALL BE RECKONED IN PROPORTION TO THE PAID-UP EQUITY SHARES REGISTERED IN THE NAME OF THE MEMBER AS ON CUT OFF DATE / RECORD DATE 15<sup>TH</sup> SEPTEMBER, 2018.
- 7) RESOLUTIONS PASSED BY THE MEMBERS THROUGH PHYSICAL BALLOT ARE DEEMED TO HAVE BEEN PASSED EFFECTIVELY AT THE ANNUAL GENERAL MEETING OF THE MEMBERS. THE SPECIAL RESOLUTION SHALL BE DECLARED AS PASSED IF THE NUMBER OF VOTES CAST IN FAVOUR OF THE SPECIAL RESOLUTION IS NOT LESS THAN THREE TIMES THE NUMBER OF VOTES CAST AGAINST THE SPECIAL RESOLUTION. THE ORDINARY RESOLUTION SHALL BE DECLARED AS PASSED IF THE NUMBER OF VOTES CAST IN FAVOUR OF THE ORDINARY RESOLUTION IS MORE THAN THE VOTES CAST AGAINST THE ORDINARY RESOLUTION.
- 8) A MEMBER ENTITLED TO ATTEND AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. MEMBER INTENDING TO APPOINT A PROXY SHOULD COMPLETE THE PROXY FORM FURNISHED ELSEWHERE AND DEPOSIT IT AT THE COMPANY'S

CORPORATE OFFICE NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. CORPORATE MEMBERS WISHING TO DEPUTE THEIR AUTHORISED REPRESENTATIVES ARE REQUESTED TO SEND A DULY CERTIFIED COPY OF BOARD RESOLUTION AUTHORISING THEIR REPRESENTATIVES TO ATTEND AT THE GENERAL MEETING.

- 9) THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM **16.09.2018 TO 29.09.2018** (BOTH DAYS INCLUSIVE) FOR TRANSFERS IN PHYSICAL MODE AND ON CLOSING HOURS OF **15.09.2018** FOR ELECTRONIC MODE FOR DETERMINING THE NAMES OF MEMBERS ELIGIBLE FOR THE PURPOSE OF ANNUAL GENERAL MEETING. THE VOTING RIGHTS OF MEMBERS SHALL BE IN PROPORTION TO THEIR SHARES IN THE PAID UP EQUITY SHARE CAPITAL OF THE COMPANY AS ON THE CUT-OFF DATE / RECORD DATE OF 15<sup>TH</sup> SEPTEMBER 2018. ANY PERSON, WHO ACQUIRES SHARES OF THE COMPANY AND BECOMES A MEMBER OF THE COMPANY AFTER DISPATCH OF THE NOTICE AND HOLDING SHARES AS OF THE CUT OFF DATE / RECORD DATE OF 15<sup>TH</sup> SEPTEMBER 2018, MAY OBTAIN USER ID AND PASSWORD BY SENDING A REQUEST AT [SATHAVAHANA@ETH.NET](mailto:SATHAVAHANA@ETH.NET) OR AT [XLFIELD@GMAIL.COM](mailto:XLFIELD@GMAIL.COM)
- 10) THE MEMBERS WHO HAVE SO FAR NOT ENCASHED THEIR DIVIDEND WARRANTS RELATING TO THE DIVIDEND DECLARED BY THE COMPANY FOR THE FINANCIAL YEAR ENDING 31<sup>ST</sup> MARCH 2011 MAY APPROACH THE COMPANY WITHOUT ANY FURTHER DELAY FOR THE PAYMENT OF THE SAID DIVIDEND WARRANTS. PURSUANT TO PROVISIONS OF SECTION 205C OF THE COMPANIES ACT, 1956 AND / OR SECTION 124 & 125 OF THE COMPANIES ACT 2013 FROM THE DATE 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 2011 WILL HAVE TO BE CLAIMED BY THE SHAREHOLDERS ON OR BEFORE 29<sup>TH</sup> SEPTEMBER 2018 AND THEREAFTER IT WILL BE TRANSFERRED TO INVESTOR EDUCATION AND PROTECTION FUND ON OR BEFORE 28<sup>TH</sup> OCTOBER 2018 AS THE CASE MAY BE.** THE COMPANY HAS NOT DECLARED ANY DIVIDEND FOR THE YEAR ENDING 31<sup>ST</sup> MARCH 2012; 31<sup>ST</sup> MARCH 2013; 31<sup>ST</sup> MARCH 2014; 31<sup>ST</sup> MARCH 2015; 31<sup>ST</sup> MARCH 2016; 31<sup>ST</sup> MARCH 2017 AND 31<sup>ST</sup> MARCH 2018.
- 11) MEMBERS DESIROUS OF SEEKING CLARIFICATIONS ON ACCOUNTS ARE REQUESTED TO SEND THEIR QUERIES TO THE CORPORATE OFFICE ADDRESS OF THE COMPANY ATLEAST SEVEN DAYS BEFORE THE DATE OF THE ANNUAL GENERAL MEETING TO ENABLE THE COMPANY TO COMPILE AND FURNISH REQUIRED INFORMATION.
- 12) THE SHAREHOLDERS HOLDING SHARES IN PHYSICAL MODE ARE REQUESTED TO INTIMATE IMMEDIATELY ANY CHANGE IN THEIR ADDRESS REGISTERED WITH THE COMPANY TO THE SHARE TRANSFER AGENTS M/S XL SOFTECH SYSTEMS LIMITED, #3, SAGAR SOCIETY, ROAD NO.2, BANJARA HILLS, HYDERABAD – 500 034. MEMBERS ARE ALSO REQUESTED TO UPDATE THEIR EMAIL IDS IN



ORDER TO COMMUNICATE SPEEDILY AND AS A PART OF GREEN INITIATIVE.

- 13) THE SHAREHOLDERS ARE HEREBY REQUESTED THAT ALL THE CORRESPONDENCE IN CONNECTION WITH THE SHARES BE ADDRESSED TO THE SHARE TRANSFER AGENTS OF THE COMPANY M/S XL Softech Systems Limited, #3, Sagar Society, Road No.2, Banjara Hills, Hyderabad – 500 034, EMAIL:XLFIELD@GMAIL.COM OR TO THE SECRETARIAL DEPARTMENT OF THE COMPANY AT 505, 5<sup>TH</sup> FLOOR, BLOCK-1, DIVYASHAKTI COMPLEX, AMEERPET, HYDERABAD – 500 016 EMAIL [SATHAVAHANA@ETH.NET](mailto:SATHAVAHANA@ETH.NET)
- 14) PURSUANT TO THE DIRECTIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) THE SHARES OF THE COMPANY ARE TO BE COMPULSORILY TRADED IN DEMAT MODE W.E.F 26<sup>TH</sup> FEBRUARY, 2011. MEMBERS HOLDING SHARES IN PHYSICAL MODE MAY THEREFORE, CONVERT THEIR EQUITY HOLDINGS OF THE COMPANY INTO DEMAT MODE BY OPENING THE DEMAT ACCOUNTS WITH DEPOSITORY PARTICIPANTS WHO ARE ACTING AS AGENTS TO THE DEPOSITORIES VIZ., NSDL AND CDSL. THE COMPANY HAS BEEN ALLOTTED THE ISIN NO. **INE176C01016**. HOWEVER, MEMBERS MAY CONTINUE TO HOLD THE SHARES OF THE COMPANY IN PHYSICAL FORM AT THEIR OPTION BUT FOR TRADING THE SAME ON THE STOCK EXCHANGES, CONVERSION INTO DEMAT MODE IS COMPULSORY.
- 15) MEMBERS ARE REQUESTED TO BRING THEIR COPY OF ANNUAL REPORT TO THE MEETING. MEMBERS / PROXIES SHOULD FILL THE ATTENDANCE SLIP FOR ATTENDING THE MEETING. MEMBERS / PROXIES ARE REQUESTED TO FILL IN THE CLIENT ID AND DP ID NUMBERS IN CASE OF ELECTRONIC HOLDING AND FOLIO NUMBER IN CASE OF PHYSICAL HOLDING IN THE ATTENDANCE SLIPS.
- 16) MEMBERS HOLDING SHARES IN PHYSICAL FORM AND DESIROUS OF AVAILING THE BENEFIT OF NOMINATION FACILITY IN TERMS OF SECTION 72 OF THE COMPANIES ACT, 2013 READ WITH ARTICLE 64A OF ARTICLES OF ASSOCIATION OF THE COMPANY, MAY DO SO BY SENDING THEIR REQUESTS IN FORM 2B COPY OF WHICH WILL BE MADE AVAILABLE ON A REQUEST TO THE REGISTRAR AND SHARE TRANSFER AGENTS M/S. XL Softech Systems Limited OR COMPANY'S SECRETARIAL DEPARTMENT.
- 17) ATTENTION OF THOSE MEMBERS WHO ARE HOLDING COMPANY'S SHARES IN PHYSICAL FORM IS DRAWN TO THE COMPANY'S LETTER DATED 28.04.2018 REQUESTING THEM TO FURNISH PAN / BANK DETAILS OF THEMSELVES IMMEDIATELY FOLLOWING THE DIRECTIONS OF SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) VIDE CIRCULAR NO.SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 DATED 20.04.2018. MEMBERS WHO HAVE NOT FURNISHED THE DETAILS SO FAR ARE ONCE AGAIN REQUESTED TO FURNISH THE PAN / BANK ACCOUNT DETAILS IMMEDIATELY BY FOLLOWING THE INSTRUCTIONS STATED IN THE SAID LETTER. FURTHER BSE HAS ISSUED CIRCULAR NO. LIST/COMP/15/2018 DATED JULY 05, 2018 INFORMING ABOUT AMENDMENT TO REGULATION 40 OF SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 GIVING EFFECT TO GAZETTE NOTIFICATION DATED JUNE 8, 2018 ISSUED BY SEBI WHERE IT HAS BEEN MANDATED THAT TRANSFER OF SECURITIES WOULD BE CARRIED OUT

IN DEMATERIALIZED FORM ONLY FROM 05.12.2018. HENCE IT IS ADVISED THAT SHARES IN PHYSICAL FORM BE CONVERTED INTO DEMATERIALIZED FORM AT THE EARLIEST SO AS TO FACILITATE HASSLE FREE TRADING. HENCE SHAREHOLDERS ARE REQUESTED TO OPEN DEMAT ACCOUNT WITH ANY DEPOSITORY AND SUBMIT THEIR PHYSICAL SHARES WITH THEIR DEPOSITORY PARTICIPANT FOR DEMATERIALIZATION OF THE SAME. SHAREHOLDERS EARLIEST COMPLIANCE IS HIGHLY SOLICITED. NON FURNISHING OF THE ABOVE DETAILS AMOUNTS TO NON-COMPLIANCE OF THE ABOVE SEBI CIRCULAR, AND ITS CONSEQUENCES THEREAFTER WILL FOLLOW. HOWEVER THE SHAREHOLDERS WHO DO NOT WISH TO TRADE THE SHARES MAY CONTINUE TO HOLD THE SHARES IN PHYSICAL FORM AS PER THEIR OPTION WITH EXCEPTIONS STATED THERE IN AS PER THE CLARIFICATION ISSUED BY SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) VIDE PRESS RELEASE NO.34/2018 DATED 10.08.2018 BUT, FOR TRADING PURPOSES, DEMATERIALIZATION OF SHARES IS MANDATORY POST 05.12.2018.

- 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 FEE TO THE STOCK EXCHANGES WHERE THE COMPANY'S SHARES ARE LISTED HAS BEEN PAID UPTO DATE.

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

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

1. A member desiring to exercise vote by Physical Ballot shall fill in and complete in all respects the enclosed Physical Ballot Paper duly check (ü) marked with assent (for) or dissent (against) and sign and send the same to the Scrutinizer in the self-addressed Business Reply Envelope.
2. Postage will be borne and paid by the Company. However, envelopes containing Physical Ballots will also be accepted, if sent by Courier or by Registered Post at the expense of the Member. The envelopes may also be deposited personally at the address given thereon.
3. The Physical Ballot Paper, duly completed and signed should be returned in the self-addressed postage prepaid envelope so as to reach the Scrutinizer before the close of working hours on or before 28<sup>th</sup> September, 2018. Any Physical Ballot Paper received after last date (after 5.00 P.M. on 28<sup>th</sup> September 2018) shall be treated as if the reply from the shareholders had not been received.
4. The members are requested to exercise their voting rights by using the attached Physical Ballot Paper only. No other form or photocopy of the Form is permitted.

##### **II. Remote voting electronically:**

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

The voting period begins on 26<sup>th</sup> September 2018 (10.00 hrs.) and ends on 28<sup>th</sup> September 2018 (17.00 hrs.). During this period shareholders of the Company, holding Shares either in physical form or in dematerialized form, as on the cutoff date / record date i.e. 15<sup>th</sup> September

2018 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter (i.e. 17.00 hrs. 28<sup>th</sup> September 2018).

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

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

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

For Members holding Shares in Demat Form and Physical Form	
PAN	<ul style="list-style-type: none"> <li>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</li> <li>Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN Field.</li> <li>In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. E.g. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN Field.</li> </ul>
DOB	Enter the Date of Birth as recorded in your Demat account or in the Company records for the said Demat account or folio in dd/mm/yyyy format.
Dividend Bank Details	Enter the Dividend Bank Details as recorded in your Demat account or in the Company records for the said folio. Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the Depository or Company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction 1.2

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

- 1.5. The system will mandate for Demat account holder to change their initial password. Password should be minimum 8 characters long. Enter the password of your choice which you wish to keep for e-Voting purpose. Confirm the Password and then click on Submit.
  - 1.6. If you are holding Shares in Demat form and had logged on to <https://www.evotingindia.com> and casted your vote earlier for EVSN of any Company, then your existing password is to be used. So after you enter the User ID and Captcha Code and click on Login you will be directed to the screen to enter your password.
  - 1.7. The System will check the EVSN for which you are eligible to vote on the day you have logged in. Click on the EVSN for which you wish to vote for.
  - 1.8. Members holding Shares in physical form will then directly reach the Company selection screen. However, Members holding Shares in Demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be used also by the Demat holders for e-voting for resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
  - 1.9. For Members holding Shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
  - 1.10. Click on the EVSN for the Company name Sathavahana Ispat Limited (AGM), which you choose to vote.
- #### 2. To cast your vote:
- 2.1. On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option "YES" implies that you assent to the Resolution and option "NO" implies that you dissent to the Resolution.
  - 2.2. Read the Resolution Description carefully. In case you want to refer to the entire resolution file, click on "Resolution file" link.
  - 2.3. After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed if you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
  - 2.4. The total number of securities you hold is already mentioned in the system. Select whether you assent or dissent for a Resolution.
  - 2.5. Repeat the voting process for all the Resolutions on which you want to vote.
  - 2.6. You can either vote on all the Resolutions in one login or vote partially on certain Resolutions.
  - 2.7. Click on Submit.
  - 2.8. You will see a dialog box stating 'Are you sure, you wish to confirm your vote?'
  - 2.9. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
  - 2.10. Once you 'CONFIRM' your vote on the resolution, you will not be allowed to modify your vote.



- The Route Map for Venue of 29<sup>th</sup> Annual General Meeting is as under:

The map displays the Sri Sagi Ramakrishnam Raju Community Hall in Yousufguda, Hyderabad. A thick black line indicates a bus route starting from the Yousufguda Bus Station, which is 13 minutes away every 6 minutes. The route passes through several streets, including Yousufguda Main Rd and Yousufguda Rd, and ends at the hall, which is 6 minutes away by bus. The map also shows other local landmarks such as Krishna Kanth Park, SR Nagar Police Station, and various roads like Jewahar Nagar Rd and Yousufguda Main Rd.

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

**ITEM 2 AND 4:**

Sri A.S. Rao had been appointed as Executive Vice Chairman in the Board Meeting held on 30.05.2015 for a period of three years w.e.f 27.07.2015 to 26.07.2018 which was approved by the members at the Annual General Meeting of the Company held on 30.09.2015. Further at the 25<sup>th</sup> Annual General Meeting held on 30.09.2014 the shareholders have pursuant to the provisions of Section 152 read with Schedule V of the Companies Act 2013 approved and made the Office of Executive Vice Chairman held by Shri A.S.Rao as liable to retire by retirement of Directors by rotation. Accordingly his tenure has come to close on 26.07.2018. Shri A.S. Rao is eligible for re-appointment subject to approval of Secured Lenders who have lent Term / Corporate Loans and Working Capital Loans and Shareholders at the General Meeting by a Special Resolution.

Shri A.S.Rao, B.Tech (Hons) in Metallurgy is the Chief Promoter of the Company who has to his credit over five decades of rich experience in the Iron and Steel industry. He had earlier served in Steel Authority of India Limited (SAIL) for over 21 years before moving on to his own business. He is a first generation entrepreneur and has successfully implemented the existing Pig Iron project in 1992-93 with a distinction of being the first project of its kind to have Co-generation Power plant and also the least cost project of similar capacity in the country. Shri Rao took active part and was the guiding force in the brownfield expansions and setting up of greenfield projects implemented during the last one and a half decade by the Company involving both backward and forward integration whereby the Company grew from manufacturer of a single product to a basket of products reaping and retaining significant value additions to the Company in the chain of Iron making. Shri Rao was holding office of the Managing Director of the Company during the period from 1991-1999 and is at present the Executive Vice Chairman of the Company. Under his able stewardship the Company weathered ups and downs in the industry and the growth in the Company could be squarely attributed to his experience, expertise and hard work.

Keeping in view his contribution, it was proposed to re-appoint Shri A.S. Rao as 'Executive Vice Chairman' for a further period of three years from 27.07.2018 to 26.07.2021. The office of the Executive Vice Chairman held by Shri A.S. Rao, in terms of Section 152 of the Companies Act 2013, is liable to retirement of directors by rotation. The appointment and remuneration proposed are as per the provisions of Sections 2 (94), 196, 197, 203 read with the Schedule V and other applicable provisions if any, of the Companies Act 2013, which require the approval of secured lenders who have lent Term / corporate loans and working capital loans to the Company and to whom Shri A.S.Rao has extended his personal guarantees apart from pledging 1424000 equity shares held by him in the Company and is also subject to approval of Members in Annual General Meeting by way of Special Resolution. The proposed re-appointment was recommended by Nomination and Remuneration Committee of Board of Directors at its meeting held on 30.05.2018.

Shri A.S. Rao, the appointee Director 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.

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.S. Rao as Executive Vice Chairman is now being placed before the Members in Annual General Meeting for their approval by way of Special Resolution.

The terms and conditions of appointment of Executive Vice Chairman 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 AND 5:**

Dr. Shailendra Dasari was appointed as Director on the Board at the Board Meeting held on 14.08.2015 for a period of three years w.e.f. 01.10.2015 to 30.09.2018 and he has also been appointed as Executive Director (Operations) at the Board Meeting held on 14.08.2015 for a period of three years commencing from 01.10.2015 to 30.09.2018 which was subsequently approved by the members at the Annual General Meeting of the Company held on 30.09.2015. Accordingly his tenor of appointment is coming to close on 30.09.2018. Dr. Shailendra is eligible for re-appointment subject to approval of Secured Lenders who have lent Term / Corporate Loans and Working Capital Loans and Shareholders at the General Meeting by a Special Resolution.

Dr. Shailendra Dasari, B.Tech., PGDM (IIMA), Ph.D., is a Graduate in Electronics and Communication Engineering and holds a Master in Business Management from one of the premier management teaching institutions in India. He also holds a doctorate in Business Management. He has rich and varied industrial experience and also in Pipe manufacturing.

Dr. Shailendra Dasari as a President has gained good experience on the operations of the Company. He is actively associated in streamlining the newly commissioned Ductile Iron Pipe making facility.

Keeping in view his contribution and control over the operations of the Company, it is proposed to re-appoint Dr. Shailendra Dasari as 'Executive Director (Operations)' for a period of 3 years from 01.10.2018 to 30.09.2021. The re-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 secured lenders who have lent Term / corporate loans and working capital loans to the Company and is also subject to approval of Members in 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 re-appointment of Dr. Shailendra Dasari as Executive Director (Operations) was placed before the Nomination & Remuneration Committee, which commended his appointment as an Executive Director (Operations) from 01.10.2018 to 30.09.2021 whose office is liable to retirement of Directors by rotation in terms of provisions of Section 152 of the Companies Act 2013.

In compliance with the provisions of Section 196 read with Schedule V and other applicable provisions, if any, of the Companies Act 2013, the re-appointment of Dr. Shailendra Dasari

as Executive Director (Operations) is now being placed before the Members in Annual General Meeting for their approval.

The terms and conditions of re-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 6:**

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

Accordingly the Board of Directors based on the recommendations of the Audit Committee, has appointed M/s S. Mahadevan & Co., Practicing Cost Auditors (Firm's Registration Number:00007) as Cost Auditors for conducting Cost Audit of the Cost Records of the Company for the year 2018-19 and fixed remuneration as set out in the resolution.

In pursuance of the provisions of Section 148 and other applicable provisions, if any, of the Companies Act 2013, read with Companies (Audit and Auditors) Rules 2014 the remuneration payable for conducting Cost Audit of the Cost Records of the Company for the year ending 31<sup>st</sup> March 2019, to M/s S. Mahadevan & Co., Practicing Cost Accountants is now being placed before the Members in Annual General Meeting for their ratification.

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

The Board of Directors commends the resolution for your approval.

**STATEMENT OF PARTICULARS (ITEM 4 AND 5)**  
(In pursuance of provisions of Schedule V of the Companies Act 2013)

**I. General Information:**

(1)	Nature of Industry	The Company is engaged in the manufacture and sale of Pig Iron, Ductile Iron Pipes 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.		
(2)	Date or expected date of commencement of commercial production	The Company commenced commercial operations in the year 1994 and also commissioned Ductile Iron Pipe making facility on 01.04.2015.		
(3)	In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus	The Company is an existing Company.		
(4)	Financial performance based on given indicators	₹ crores		
		FY 2017-18	FY 2016-17	
		1) Gross Sales	248.73	1131.60
		2) Operating Profit / (Loss) before finance cost and depreciation.	(115.27)	100.90
		3) Profit/(loss) before tax.	(306.36)	(64.22)
(5)	Foreign investments or collaborations, if any	4) Profit / (loss) after tax	(306.36)	(64.22)
		Foreign Institutional Investors hold 18.92% and foreign bodies corporate 10.96% and Promoters group 4.95% in the Paid-up capital of the Company. The Company has no collaborations.		

**II. Information about the appointees:**

(1)	Background details	<p>Shri A.S. Rao: Shri Rao is a Metallurgical Engineer by profession and holds a B. Tech (Hons.) Shri A.S. Rao is the Chief Promoter Director on the Board of the Company since inception. Shri Rao was also holding the office of the Managing Director of the Company during 1991-1999. Shri Rao has now successfully completed 18 years as Executive Vice Chairman of this Company.</p> <p>Dr. Shailendra Dasari: Dr. Shailendra has been associated with the Company for last three years in the capacity of Executive Director (Operations) prior to which as President for about six months in the Company overseeing the operations of the Company at Haresamudram Village, Bommanahal Mandal, Anantapuram District, Andhra Pradesh. Dr. Shailendra Dasari, B.Tech., PGDM (IIMA), Ph.D., is a Graduate in Electronics and Communication Engineering and holds a Master in Business Management from one of the premier management teaching institutions in India. He also holds a doctorate in Business Management. He has rich and varied industrial experience and also in Pipe manufacturing.</p>
(2)	Past remuneration	<p>Shri A.S. Rao: In terms of authorization accorded by the Members of the Company he was entitled to last salary of Rs.4.6 lakhs per month Plus other perquisites. His aggregate remuneration during the last financial year 2017-18 was at Rs.49.20 lakhs per annum which was within the limits laid down in Schedule V and Section 197 and other applicable provisions of the Companies Act 2013.</p> <p>Dr. Shailendra Dasari: Dr. Shailendra is getting re-appointed for second term. He is drawing a salary of Rs.3.00 lakhs per month plus perquisites. His aggregate remuneration during the last financial year 2017-18 was at Rs.51.60 lakhs per annum which was within the limits laid down in Schedule V and Section 197 and other applicable provisions of the Companies Act 2013.</p>

(3)	Recognition and awards	Shri A.S. Rao: The appointee is well recognised in the Iron and Steel industry as a pioneer and trend setter. Dr. Shailendra Dasari: The appointee is recognised as a ranked professional in the industry and as a faculty in teaching profession.
(4)	Job profile and his suitability	Shri A.S. Rao: Shri A.S. Rao is an Engineer in Metallurgy by profession and holds an Hons in B. Tech. Shri A.S. Rao is the Chief Promoter Director on the Board of the Company since inception and is an accomplished professional with rich experience of over five decades in Iron and Steel industry. Shri Rao has now successfully completed 18 years as Executive Vice Chairman of this Company. He oversees day to day affairs of the Company. Shri A.S. Rao has extended his personal guarantees apart from pledging 1424000 equity shares held by him in the Company to the secured lenders who have extended term / corporate loans and working capital loans to the Company. Dr. Shailendra Dasari: Dr. Shailendra Dasari, B.Tech., PGDM(IIMA), Ph.D., is a Graduate in Electronics and Communication Engineering and holds a Master in Business Management from one of the premier management institutions in India. He also holds a doctorate in Business Management. He has rich and varied industrial experience of over 35 years and in particular Pipe manufacturing. He is responsible and incharge for operations of the Company at Haresamudram plant of the Company.
(5)	Remuneration Proposed	Shri A.S. Rao: As set out in the resolution Dr. Shailendra Dasari: As set out in the Resolution
(6)	Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person	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.
(7)	Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any.	Shri A.S. Rao: Shri A.S. Rao, the appointee Director and Shri A. Naresh Kumar, Managing Director, being relative of Shri A. S. Rao are deemed to be interested or concerned in the Resolution. Shri A.S. Rao holds 1424000 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. Dr. Shailendra Dasari: Dr. Shailendra Dasari has been associated with the Company for last three years in the capacity of Executive Director (Operations) prior to which as President for about six months in the Company 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.
III.	Other information:	
(1)	Reasons of loss or inadequate profits	The performance during the year impacted adversely due to working capital constraints and consequent stress in the finances of the Company. The Company has requested the secured lenders for restructuring of the debt which is under process.
(2)	Steps taken or proposed to be taken for improvement	Company has implemented an Integrated Project involving forward and backward integration which has been commissioned and this is expected to improve the performance of the Company in the long term. The performance is expected to be normal once the restructuring of the debt as requested by the Company is in place from the secured lenders.
(3)	Expected increase in productivity and profits in measurable terms.	Productivity and Profitability is expected to improve as the operations are integrated and value addition is taking place within the Company once the restructuring of the debt as requested by the Company is in place from the secured lenders.

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

Name of Director	Shri A.S. Rao	Dr. Shailendra Dasari
DIN	00899415	07263439
Date of Birth	13.08.1942	04.11.1954
Date of Appointment	08.11.1989	01.10.2015
Qualifications	B. Tech (Hons)	B.Tech., PGDM(IIMA), Ph.D.
Expertise in specific functional areas	Over 50 years in Iron and Steel industry	Over 35 years in industry and 5 years as a faculty in teaching.
List of Companies in which outside directorship held as on 31 <sup>st</sup> March, 2018.	1. Maruti Industries Limited 2. Vamsadhara Polymers Limited 3. Ganapati Adusumilli Fininvest private Limited	Nil
Chairman / Member of the Committees of the Board of the other Companies in which he is a Director as on 31 <sup>st</sup> March, 2018.	Nil	Nil
No. Shares Held	1424000	Nil

Hyderabad  
Date: 14.08.2018  
CIN:L27109TG1989PLC010654

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

By order of the Board  
(A. NARESH KUMAR)  
MANAGING DIRECTOR  
(DIN:00112566)



## DIRECTORS' REPORT

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

Your Board of Directors has pleasure in presenting the 29<sup>th</sup> Annual Report together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2018:

### FINANCIAL RESULTS:

Your Board of Directors reports the following financial results for the year 2017-18:

(Amount in ₹)			
SL NO.	Particulars	Year ended 31-03-2018	Year ended 31-03-2017
1.	Gross revenue from operations	2487308166	11315975529
2.	Other income	81026938	119101662
3.	Operating profit /(loss) before finance costs and depreciation	(1152735074)	1009041013
4.	Finance costs	1405597605	1169215306
5.	Depreciation and amortization	505310460	482032028
6.	Profit / (loss) before tax	(3063643139)	(642206321)
7.	Tax expense	0	0
8.	Net Profit / (loss) after tax	(3063643139)	(642206321)
9.	Earning /(loss)per Equity Share-Basic	(60.19)	(12.62)
10.	Earning/(loss)per Equity Share-Diluted	(60.19)	(12.62)

The performance during the year was impacted adversely due to factors beyond the control of the Company. The performance suffered due to working capital constraints and the consequent financial stress which resulted in underutilization of capacities and plant shut downs. Accordingly, the gross revenue at ₹2487308166/- is lower as compared to previous year's revenue of ₹11315975529/-. The year ended with loss before tax of ₹3063643139/- as against loss before tax of ₹642206321/- in the previous year. During the year, in the absence of virtual certainty deferred tax asset on account of unabsorbed depreciation and business loss and others amounting to ₹1114567283/- as against previous year's amount of ₹1047886528/- has been recognized to the extent it can be realised fully against deferred tax liability. Accordingly, the tax impact is nil in both current and previous years. The year ended with net loss after tax of ₹3063643139/- as against net loss after tax of ₹642206321/- in the year before. Accordingly, the loss per share accounted for at ₹60.19 as compared to loss per share of ₹12.62 in the previous year.

### DIVIDEND AND GENERAL RESERVE:

The Board of Directors has not recommended any dividend for the year 2017-18 due to loss incurred during the year and carry forward loss from earlier years. Company cannot declare dividend until the carry forward loss is fully set off against the profits as provided in the Companies Act 2013. The Board of Directors also has not proposed to transfer any amount to General Reserve in view of the carry forward loss.

### DIRECTORS' RESPONSIBILITY STATEMENT:

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

- i) In the preparation of Annual Accounts for the Financial Year 2017-18 the applicable Indian Accounting Standards (Ind AS) had been followed with proper explanation relating to material departures;
- ii) The Accounting Policies selected were applied consistently and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March 2018 and of the Loss of the Company for the year ended on that date;
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) The Annual Accounts have been prepared on a going concern basis;
- v) Internal financial controls to be followed by the Company have been laid down and that such Internal Financial Controls are adequate and were operating effectively; and
- vi) Proper systems had been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.



**AUDIT COMMITTEE:**

The Audit Committee comprises Chairman -Shri K.Thanu Pillai, Independent Director and two other Independent Director members -Shri Syed Anis Hussain, and Shri S.N.Rao. Smt Y. Prameela Rani and Shri M.S. Rama Mohan Rao have ceased to be members of the Audit Committee with effect from 20.11.2017 and 01.10.2017 respectively upon cessation of directorship. The Audit Committee at its meeting held on 30<sup>th</sup> May 2018 has considered and approved the Audited Accounts of the Company for the financial year ended 31<sup>st</sup> March 2018. The Audited Accounts for the financial year ended 31<sup>st</sup> March 2018, as approved and recommended by the Audit Committee, do not require any explanations from the Board.

**CORPORATE GOVERNANCE:**

Pursuant to Listing Regulations 2015 the Company is required to comply with the Code of Corporate Governance for the financial year under review. Accordingly, the Reports on Corporate Governance and Management Discussion and Analysis together with Auditors' Report on compliance of Code of Corporate Governance are attached to this Report and forms part of the Annual Report. These Reports are to be read in conjunction with this Directors' Report.

**DIRECTORS:**

Shri A.S. Rao and Dr. Shailendra Dasari are liable for retirement of Directors by rotation at the end of the ensuing 29<sup>th</sup> Annual General Meeting and being eligible, offer themselves for re-appointment at the said Annual General Meeting.

Shri A.S. Rao has been appointed as Executive Vice Chairman at 26<sup>th</sup> Annual General Meeting held on 30.09.2015 for a period of three years effective from 27.07.2015 to 26.07.2018 and the office of Executive Vice Chairman is liable for retirement of Directors by rotation. Shri A.S. Rao is eligible for re-appointment and approval of the Members for his re-appointment is being sought in the ensuing Annual General Meeting. The Nomination and Remuneration Committee at its meeting held on 30.05.2018 has recommended the re-appointment and the Board of Directors at its meeting held on 30.05.2018 has commended the resolution for re-appointment to the members for their approval in the ensuing Annual General Meeting.

Dr. Shailendra Dasari has been appointed as Executive Director (Operations) at 26<sup>th</sup> Annual General Meeting held on 30.09.2015 for a period of three years effective from 01.10.2015 to 30.09.2018 and the office of Executive Director (Operations) is liable for retirement of Directors by rotation. Dr. Shailendra Dasari is eligible for re-appointment and approval of the Members for his re-appointment is being sought in the ensuing Annual General Meeting. The Nomination and Remuneration Committee at its meeting held on 14.08.2018 has recommended the re-appointment and the Board of Directors at its meeting held on 14.08.2018 has commended the resolution for re-appointment to the members for their approval in the ensuing Annual General Meeting.

In the opinion of the Board the proposed appointees fulfils the conditions specified in the Companies Act 2013 and Rules made thereunder and keeps the Board strengthened. These appointments are subject to approval of secured lenders who have lent to the Company term / corporate loans and working capital loans and approval of members in the Annual General Meeting.

Smt Y. Prameela Rani, an Independent Director on the Board of the Company has resigned due to personal reasons and her resignation was accepted by the Board with effect from 20.11.2017. Shri M. Sreerama Mohan Rao, small shareholder holder director ceased to be director with effect from 01.10.2017 on expiry of tenor of appointment. Board wishes to place on record of its appreciation for the valuable services rendered by these Directors during their tenure.

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

The Board of Directors confirms that based on the declarations given by all the Independent Directors in pursuance of provisions of Section 149(7) of the Companies Act 2013 they meet the criteria of independence as provided in Section 149(6) of the Companies Act 2013.

**AUDITORS AND AUDIT REPORT:**

The tenor of present Auditors M/s Majeti & Co., Chartered Accountants, Hyderabad has been fixed for period of five years at the Annual General Meeting held on 29.09.2017 subject to ratification of appointment at every subsequent Annual General Meeting. However the Ministry of Corporate Affairs, Government of India, has vide Companies (Amendment) Act 2017 notified vide notification dated 07.05.2018 that such ratification of appointment of statutory auditors is not required at the subsequent Annual General Meetings which in other words means that appointment made initially continues to be effective until the expiry of five years from the date of their appointment. Accordingly no ratifications of appointment of statutory auditors is proposed in the ensuing Annual General Meeting.

With respect to the Independent Auditors' Report for the year ended 31<sup>st</sup> March 2018 which forms part of the Annual Report containing emphasis of matter and qualification your Board of Directors state that the management replies to the same are as under:

1. With respect to emphasis matter the explanation contained in Note No.35 to the financial statements is self-explanatory and the opinion of the Auditors is unmodified in respect of this matter.

2. With respect to Qualification on Trade receivables, supplier advances and capital advances as at March 31, 2018 the explanation contained in Note No.38 to the financial statements is self-explanatory and does not require further explanations.

The Independent Auditors' Report for the financial year ended 31<sup>st</sup> March 2018 which forms part of the Annual Report do not require any further explanations from the Board.

**COST AUDITORS AND COST AUDIT REPORT:**

Company appointed M/s. S. Mahadevan & Co, Coimbatore, Practicing Cost Accountants (Firm's Registration Number 00007), as Cost Auditors for the financial year 2016-17 and 2017-18. The Cost Compliance Report as prepared by the Cost Auditors for the financial year 2016-17 has been filed with the Central Government with in the due date. The Cost Compliance Report for the year 2017-18 prepared by the said Cost Auditors has been reviewed and adopted by the Board. The Board of Directors based on the recommendations of the Audit Committee, has appointed M/s S. Mahadevan & Co., Practicing Cost Accountants (Firm's Registration Number : 00007) as Cost Auditors for conducting Cost Audit of the Cost Records of the Company for the year 2018-19. In pursuance of the provisions of Section 148 and other applicable provisions, if any, of the Companies Act 2013, read with Companies (Audit and Auditors) Rules 2014 the remuneration payable for conducting the Cost Audit for the year ending 31<sup>st</sup> March 2019 to M/s S. Mahadevan & Co., Practicing Cost Accountants is being placed before the Members in the ensuing Annual General Meeting for their ratification and approval.

**SECRETARIAL AUDITOR AND SECRETARIAL AUDIT REPORT:**

M/s D. Hanumanta Raju & Co., Practicing Company Secretaries, Hyderabad who have been appointed as Secretarial Auditor for the financial year 2017-18 have conducted the Audit of the Secretarial Records and submitted their Report in MR-3 which is annexed to this Report (Annexure-V). With respect to observation of Secretarial Auditor on Non-appointment of woman director on the Board, the response of your Board is that the Company is in search of suitable person who has sectoral and financial background with integrity and is in the process of identifying the person for complying with Regulation 17 of Listing Regulations 2015. The Board of Directors at its meeting held on 30<sup>th</sup> May 2018 has re-appointed D. Hanumanta Raju & Co., Practicing Company Secretaries, Hyderabad as Secretarial Auditor for the financial year 2018-19.

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

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

**DIRECTORS, EMPLOYEES AND THEIR REMUNERATION:**

The particulars of employees required to be furnished pursuant to Section 197(12) of the Companies Act 2013 read with sub rule (2) to Rule 5 to the Companies (Appointment & Remuneration) Rules, 2014, as amended, are not required to be provided as there were no employees drawing remuneration more than the stipulated limits. Details of Remuneration Policy and payment of remuneration to all Directors / Key Managerial Personnel / other managerial employees is given in the Report on Corporate Governance under the head Nomination and Remuneration Committee which forms part of this Report. Managing Director and other Whole Time Directors have not received any remuneration or commission from holding or subsidiary companies as the Company do not have such companies. In the opinion of the Board the level and composition of remuneration to Directors, Key Managerial Personnel and other managerial employees is reasonable and sufficient to attract, retain and motivate the people who could run the Company efficiently. The Board affirms that the remuneration paid is in accordance with Remuneration Policy of the Company. The relationship between performance and remuneration is clear and meets appropriate benchmarks and that the remuneration criteria succinctly balances between fixed and variable pay wherever set reflecting short and long term performance objectives appropriate to the working of the Company and its goals. Disclosures required to be made pursuant to Rule 5 to the Companies (Appointment & Remuneration) Rules, 2014 are attached to this report (Annexure-II).

**DEMATERIALIZATION OF EQUITY SHARES:**

The Agreements entered into by the Company with the two Depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for dematerialisation of Shares are in force and the Company's Shares are in dematerialised mode under ISIN No. INE176C01016. As per the Securities and Exchange Board of India (SEBI) directives, the Equity Shares of the Company are to be compulsorily traded in dematerialisation form with effect from 26<sup>th</sup> February 2001. Further the Securities and Exchange of India (SEBI) in its circular dated 20.04.2018 has stated that the equity shares have to compulsorily converted into dematerialization before 5<sup>th</sup> December 2018 and thereafter dematerialized equity shares are only eligible for transfers with the exception of transmissions. In view of the significant benefits that accrue on dematerialisation of securities, Members may avail the facility.

**LISTING OF SHARES ON STOCK EXCHANGES:**

The Equity Shares of the Company are listed on BSE Ltd (formerly The Bombay Stock Exchange Limited) Stock Code:526093 and The National Stock Exchange of India Limited (NSE) Stock Code: SATHAISPAT and are regularly traded. The listing fee to these Stock Exchanges has been paid upto date.

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

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

**FIXED DEPOSITS:**

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

**RISK MANAGEMENT:**

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

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

The Company has put in place Internal Financial Controls that will ensure the policies and procedures of the Company are followed regularly so that the business of the Company is conducted in orderly and efficient manner. The Internal Financial Controls are applied inter alia to test various aspects in the conduct of business including adherence to Company's policies, safeguarding Company's assets, prevention and detection of frauds and errors or irregularities, the accuracy and completeness of the accounting records and timely preparation of reliable financial information and the financial statements. In the opinion of the Board such Internal Financial Controls are adequate and were operating effectively. During the year such Internal Financial Controls have been tested and no reportable weaknesses in the design and operations were observed. With respect to the Independent Auditors' Report for the year ended 31<sup>st</sup> March 2018 which forms part of the Annual Report containing qualification on the Internal Financial Controls your Board of Directors state that the management replies to the same are contained in Note No.38 to the financial statements which is self-explanatory.

**RELATED PARTY TRANSACTIONS:**

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

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

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

**EXTRACTS OF ANNUAL RETURN:**

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

**CORPORATE SOCIAL RESPONSIBILITY:**

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

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

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

The Lenders, having constituted Joint Lenders Forum (JLF), in their meeting held on i.e. 07-Jun-2017 have acceded in-principle to the request of the Company for S4A scheme with Reference date i.e. 07-Jun-2017 which scheme shall be finalised within 180 days from Reference Date in terms of guidelines / directions of Reserve Bank of India (RBI) issued from time to time with

respect to S4A scheme. Under the S4A scheme, the debt exposure of the Company based on Techno Economic Viability study will be bifurcated into two parts –Sustainable and Unsustainable debt. The Sustainable debt amount which shall not be less than 50% of existing debt, shall have to be serviced by the Company on the same terms as that of existing terms and conditions including repayment schedules. The Unsustainable debt portion of the exposure shall be converted in to equity or other instruments as mutually agreed between the Company and the JLF by following the RBI guidelines for the S4A scheme with a clearly spelt out terms. JLF gets 180 days from Reference Date to formulate the resolution plan and implement the same after due internal approvals.

The S4A scheme however could not be implemented due to non-fulfillment of mandatory norm of sufficient cash flows six months prior to and after the reference date and the same was called off on 19.11.2017. Consequent to the calling off the implementation of the S4A scheme and the debt of the Company was classified by JLF as Non-Performing Asset (NPA).

#### **Debt Restructuring:**

Consequent to the calling off the implementation of the S4A scheme and classifying the debt of the Company by JLF as Non-Performing Asset (NPA) the Company has requested the JLF to consider deep restructuring of the debt which the banks have considered favourably and initiated the process of restructuring which is under different stages of progress and shall be implemented upon full tie up of restructuring package. The restructuring plan envisages extended tenors of repayment of loans and sanction of additional working capital funding. The restructuring plan also envisages no haircuts to banks and the sacrifice amount on interest concessions requested by the Company would be fully re-compensated after the end of restructuring scheme. Promoters have offered to pledge their total shareholding to the secured lenders apart from offering some personal assets as a collateral security upon sanction of the restructuring plan. The existing personal guarantees of Wholtime Promoter Directors continues to be inforce. The management believes that the shortage of working capital funds faced by the Company will be temporary and lenders will consider the request for deep restructuring of the debt and arrive at the resolution plan at the earliest.

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

#### **Plant shutdown:**

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

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

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

There are no significant and material orders passed by the Regulators, or Courts or Tribunals impacting the going concern status and Company's operations in future. However the Company in the year 2015-16 along with some other buyers of Iron Ore contested before the Hon'ble High Court of Karnataka (HC) the levy of Forest Development Tax (FDT) by the miners on their sale of Iron Ore. The Hon'ble HC vide its judgement dated 15.02.2016 has granted partial relief to the Company and directed the Government of Karnataka (GOK) to refund the FDT collected earlier. Following the judgement the Company has vide its letter dated 09.03.2016 filed an application for refund of 2325.73 lakhs towards FDT collected in the earlier years. However Government of Karnataka and some mining companies have since gone on appeal before the Hon'ble Supreme Court against the above judgement. Company has also filed a petition before the Hon'ble High Court of Karnataka against collection of Forest Development Fee (FDF) on purchase of Iron Ore and the petition has been held in favour of the Company where an amount of Rs.264.11 lakhs was ordered to be refunded to the Company. The Government of Karnataka has appealed before the Hon'ble Supreme Court against the Order of High Court of Karnataka. Pending disposal of these appeals, the Company has not recognised the said refund claims in its books of account in the Financial Year 2017-18 or in the earlier financial years.

#### **SUBSIDIARY OR ASSOCIATE COMPANIES:**

There are no subsidiary or associate companies to the Company as at the end of 31<sup>st</sup> March 2018. Accordingly no Consolidated Financial Statements is required to be prepared and reported.

#### **CREDIT RATING:**

During the year Brickwork Ratings India Private Limited., has assigned BWR D rating for the Company's long term bank borrowings and BWR D for working capital limits a notch down considering the stress in the financial resources of the Company. The rating will be revisited by the Rating agency once the restructuring of the debt is implemented.

**STANDALONE FINANCIAL STATEMENTS:**

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

**BOARD'S APPROVAL:**

This Directors' Report has been considered, approved and adopted by the Board of Directors at its meeting held on 14<sup>th</sup> August 2018. The accompanying Financial Statements were approved and adopted by the Board of Directors at its meeting held on 30<sup>th</sup> May 2018.

**ACKNOWLEDGMENTS:**

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

for and on behalf of the Board

Place: Hyderabad  
Date: 14.08.2018

(K. Thanu Pillai)  
Chairman  
(DIN:00025312)

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

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

( Amount in ₹ )

I) Foreign Exchange Earnings:	
a) F.O.B value of exports :	Nil
II) Foreign Exchange Outgo:	
a) C.I.F. value of imports:	
I. Raw materials :	24,07,46,551
ii. Capital goods :	1,20,41,679
b) Usance interest :	1,29,21,638

for and on behalf of the Board

Place: Hyderabad  
Date: 14.08.2018

(K. Thanu Pillai)  
Chairman  
(DIN:00025312)



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

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

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

S.No.	Directors	Ratio
	<b>Independent Directors:</b>	
1.	Shri K. Thanu Pillai	1.09
2.	Shri Syed Anis Hussain*	3.41
3.	Shri S.N.Rao	0.72
4.	Smt Y.Prameela Rani #	0.59
5.	Shri M.S.Rama Mohan Rao Δ	0.59
	<b>Whole Time Directors:</b>	
6.	Shri A.Naresh Kumar	46.38
7.	Shri A.S.Rao	39.99
8.	Dr. Shailendra Dasari	41.94

\* Including arrears of previous year Rs.150000/-

# Ceased to be director with effective from 20.11.2017 by virtue of resignation.

Δ Ceased to be director with effective from 01.10.2017 on expiry of tenure of appointment.

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

S.No.	Directors	% increase
	<b>Independent Directors:</b>	
1.	Shri K. Thanu Pillai	50.56
2.	Shri Syed Anis Hussain	8.91
3.	Shri S.N.Rao	71.15
4.	Smt Y.Prameela Rani	-14.29
5.	Shri M.S.Rama Mohan Rao	-14.29
	<b>Whole Time Directors:</b>	
6.	Shri A.Naresh Kumar	12.31
7.	Shri A.S. Rao	13.89
8.	Dr. Shailendra Dasari	8.96
	<b>Key Managerial Personnel:</b>	
9.	Shri K.V.Krishna Rao	12.10

1. Remuneration of Independent Directors for current year includes fees for committee meetings.
2. Remuneration of Shri Syed Anis Hussain is computed considering the arrears of previous year of Rs.150000/- as if paid in the previous year.
3. Remuneration of Smt Y. Prameela Rani and Shri M.S. RamaMohan Rao is up to the date of their resignation or expiry of tenure, respectively and hence is lower.

- e) The percentage increase in the median remuneration of employees in the financial year: (-)6.39%
- f) The number of permanent employees on the rolls of Company: 1024
- g) The explanation on the relationship between average increase in remuneration and Company performance:  
The weighted average increase in remuneration of employees across including those who left the services of the Company and new joiners is (-)3.32%. The individual increments varied from 6% to 14% based on the performance of each employee.

- h) Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company:

S.No.	Description	Amount ₹	Comparative%
1.	Aggregate remuneration of Key Managerial Personnel during financial year 2017-18	3707245	
2.	Revenue	2487308166	
3.	Loss before tax	3063643139	
4.	Remuneration of Key Managerial Personnel as % of Revenue		0.15
5.	Remuneration of Key Managerial Personnel as % of profit before tax		negative

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

S.No.	Particulars	31.03.2018	31.03.2017	% change
1.	Market capitalisation	908565000	2756235000	-67.04
2.	Price Earnings Ratio	-29.66	-4.26	-596.24

S.No.	Particulars	31.03.2018	IPO price April 1994	% change
1.	Market price -BSE	17.85	10.00	178.50
2.	Market price -NSE	17.65	10.00	176.50

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

The weighted average increase in remuneration of employees across including those who left the services of the Company and new joiners is (-)3.32%. The percentile increase in the remuneration of managerial personnel is within the normal range of increase of other employees.

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

for and on behalf of the Board

Place: Hyderabad  
Date: 14.08.2018

(K. Thanu Pillai)  
Chairman  
(DIN:00025312)

**ANNEXURE-III TO DIRECTORS' REPORT**
**FORM NO. AOC-2**

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

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

1	Details of contracts or arrangements or transactions not at arm's length basis :	
(a)	Name(s) of the related party and nature of relationship	During the financial year 2017-18, Sathavahana Ispat Limited has not entered into any contracts or arrangements or transactions that are not at arm's length basis.
(b)	Nature of contracts/arrangements/transactions	
(c)	Duration of the contracts / arrangements / transactions	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
(e)	Justification for entering into such contracts or arrangements or transactions	
(f)	date(s) of approval by the Board	
(g)	Amount paid as advances, if any:	
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to section 188	
2.	Details of material contracts or arrangement or transactions at arm's length basis :	
(a)	Name(s) of the related party and nature of relationship	The details are provided in the Report on Corporate Governance and accompanying Financial Statements. Transactions, contracts or arrangements entered into by the Company are in the ordinary course of business, on an annual renewal basis and at arm's length price. These transactions were duly approved by the Audit Committee and the Board on 30 <sup>th</sup> May 2017.
(b)	Nature of contracts/arrangements/ transactions	
(c)	Duration of the contracts / arrangements / transactions	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any:	
(e)	Date(s) of approval by the Board, if any:	
(f)	Amount paid as advances, if any:	

for and on behalf of the Board

Place: Hyderabad  
Date: 14.08.2018

(K. Thanu Pillai)  
Chairman  
(DIN:00025312)

**ANNEXURE-IV TO DIRECTORS' REPORT**

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON MARCH 31, 2018

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

**I. REGISTRATION AND OTHER DETAILS:**

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

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

All the business activities contributing 10 % or more of the total turnover of the Company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the Company
1	Ductile Iron Pipe -Manufacture	24311	43.59
2	Metallurgical Coke-Manufacture	19101	32.92
3	Pig Iron -Manufacture	24101	11.60

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

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

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

Category code	Category of Share holder	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year			
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares
(A)	Shareholding of Promoter and Promoter Group								
(1)	Indian:								
(a)	Individuals / Hindu undivided family	12090090	0	12090090	23.75	12078987	0	12078987	23.73
(b)	Central Government/State Government(s)								
(c)	Bodies Corporate	4200000	0	4200000	8.25	4200000	0	4200000	8.25
(d)	Financial Institutions / Banks								
(e)	Any other (specify)								
	<b>Sub -Total (A) (1)</b>	16290090	0	16290090	32.00	16278987	0	16278987	31.98
(2)	Foreign :								
(a)	Individuals (Non-Resident individuals/ Foreign individuals)								
(b)	Bodies Corporate	2520000	0	2520000	4.95	2520000	0	2520000	4.95
(c)	Institutions								
(d)	Any other (specify)								
	<b>Sub -Total (A) (2)</b>	2520000	0	2520000	4.95	2520000	0	2520000	4.95
	<b>Total Shareholding of promoter and promoter Group (A)= (A)(1) + (A)(2)</b>	18810090	0	18810090	36.95	18798987	0	18798987	36.93
(B)	Public Shareholding								
(1)	Institutions								
(a)	Mutual Funds / UTI	0	31700	31700	0.06		26300	26300	0.05
(b)	Financial Institutions / Banks	0	12800	12800	0.03	13803	12800	26603	0.05
(c)	Central Government/State Government(s)								
(d)	Venture Capital Funds								
(e)	Insurance Companies								
(f)	Foreign Institutional Investors	9772643	0	9772643	19.19	9630996	0	9630996	18.92
(g)	Foreign Venture Capital Investors								
(h)	Any other (specify)								
	<b>Sub-Total (B) (1)</b>	9772643	44500	9817143	19.29	9644799	39100	9683899	19.03
(2)	Non-Institutions								
(a)	Bodies Corporate	1666701	52500	1719201	3.38	2061654	52500	2114154	4.15
(b)	Individuals								
	i. Individual shareholders holding nominal share capital upto Rs. 1 lakh	6233427	1898827	8132254	15.98	7217810	1857657	9075467	17.83
	ii. Individual shareholders holding nominal share capital in excess of Rs.1 lakh.	6296250	22200	6318450	12.41	5026997	22200	5049197	9.92
(c)	Any other (specify) :								
(c.i)	Trusts	1000	0	1000	0.00	0	0	0	0.00
(c.ii)	NRIs/OCBs	289553	49600	339153	0.67	116335	48100	164435	0.32
(c.iii)	Clearing members	186393	0	186393	0.37	437545	0	437545	0.86
(c.iv)	Foreign Bodies Corporate	5576316	0	5576316	10.96	5576316	0	5576316	10.96
	<b>Sub-Total (B) (2)</b>	20249640	2023127	22272767	43.76	20436657	1980457	22417114	44.05
	<b>Total Public Shareholding (B)= (B)(1) + (B)(2)</b>	30022283	2067627	32089910	63.05	30081456	2019557	32101013	63.07
	<b>Total (A) + (B)</b>	48832373	2067627	50900000	100.00	48880443	2019557	50900000	100.00
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0.00	0	0	0	0.00
	<b>GRAND TOTAL (A)+ (B)+(C)</b>	48832373	2067627	50900000	100.00	48880443	2019557	50900000	100.00



**ii) Shareholding of Promoters:**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total Shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total Shares	% Change in share holding during the year
1	Shri A. Shivaji Rao	1424000	2.80	2.80	1424000	2.80	2.80	0.00
2	Smt A. Mutya Bai	4921585	9.67	5.78	4910482	9.65	5.76	-0.02
3	Shri A. Naresh Kumar	2019105	3.97	0.66	2019105	3.97	0.66	0.00
4	Shri A. Ashok Kumar	3319110	6.52	0.00	3319110	6.52	0.00	0.00
5	Smt N. Chilakamma	210000	0.41	0.00	210000	0.41	0.00	0.00
6	Smt Deepa N. Adusumilli	129100	0.25	0.00	129100	0.25	0.00	0.00
7	Shri P. Ajay Kumar	67190	0.13	0.00	67190	0.13	0.00	0.00
8	Ganapati Adusumilli	4200000	8.25	0.00	4200000	8.25	0.00	0.00
9	Fininvest Private Limited							
	Ganapati Holdings Pte Limited	2520000	4.95	0.00	2520000	4.95	0.00	0.00
	Total	18810090	36.95	9.24	18798987	36.93	9.22	-0.02

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

Sl. No.	Description	Shareholding at the beginning of the year		Cumulative Share holding during the year	
		No. of Shares	% of total Share of the Company	No. of Shares	% of total Share of the Company
1.	At the beginning of the year	18810090	36.95	18798987	36.93
2.	Date wise Increase / Decrease in Promoters shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc) :	0	0	0	0
3.	At the end of the year	18810090	36.95	18798987	36.93

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

S. No.	Name of shareholder	Description	Date	Shareholding at the beginning of the year		Cumulative Shareholding at the end of the year	
				No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	One Earth Capital Limited	At the beginning of the year increase / decrease* At the End of the year	01-04-2017  31-03-2018	5576316 0 0	10.96 0.00 0.00	5576316 5576316 5576316	10.96 10.96 10.96
2	Plutus Terra India Fund	At the beginning of the year increase / decrease* At the End of the year	01-04-2017  31-03-2018	4990000 0 0	9.80 0.00 0.00	4990000 4990000 4990000	9.80 9.80 9.80
3	Antara India Evergreen Fund Limited	At the beginning of the year Market Sale* Market Sale* Market Sale* Market Sale* Market Sale* At the End of the year	01-04-2017 13-10-2017 20-10-2017 27-10-2017 03-11-2017 10-11-2017 31-03-2018	4782643 -10000 -111950 -8000 -1697 -10000 0	9.40 -0.02 -0.22 -0.02 0.00 -0.02 0.00	4782643 4772643 4660693 4652693 4650996 4640996 4640996	9.40 9.38 9.16 9.14 9.14 9.12 9.12
4	Bhavesb Dhiresh Bhai Shah	At the beginning of the year Market purchase* Market purchase* Market purchase* Market purchase* Market purchase* Market purchase* Market purchase* Market purchase* Market purchase* Market purchase* At the End of the year	01-04-2017 19-05-2017 26-05-2017 02-06-2017 09-06-2017 16-06-2017 23-06-2017 07-07-2017 21-07-2017 11-08-2017 31-03-2018	0 154456 62015 28337 31320 64618 55310 41317 39196 24786 0	0.00 0.30 0.12 0.06 0.06 0.13 0.11 0.08 0.08 0.05 0.00	0 154456 216471 244808 276128 340746 396056 437373 476569 501355 501355	0.00 0.30 0.43 0.48 0.54 0.67 0.78 0.86 0.94 0.98 0.98
5	Subramanian P	At the beginning of the year Market purchase* Market purchase* Market purchase* At the End of the year	01-04-2017 07-04-2017 21-04-2017 02-06-2017 31-03-2018	41890 8100 9000 9000 0	0.08 0.02 0.02 0.02 0.00	41890 49990 58990 67990 67990	0.08 0.10 0.12 0.13 0.13
6	Quantum Securities Pvt Limited	At the beginning of the year Market Sale* Market Sale* Market Sale* Market purchase* Market purchase* Market Sale* Market Sale* Market Sale* Market purchase* Market Sale* Market Sale* Market purchase* Market purchase* At the End of the year	01-04-2017 14-04-2017 21-04-2017 28-04-2017 12-05-2017 26-05-2017 02-06-2017 09-06-2017 18-08-2017 30-09-2017 06-10-2017 08-12-2017 31-03-2018	231769 -750 -1000 -500 140999 50000 -50000 -2689 -19500 18000 -18000 18000 0	0.46 0.00 0.00 0.00 0.28 0.10 -0.10 -0.01 -0.04 0.04 -0.04 0.04 0.00	231769 231019 230019 229519 370518 420518 370518 367829 348329 366329 348329 366329 366329	0.46 0.45 0.45 0.45 0.73 0.83 0.73 0.72 0.68 0.72 0.68 0.72 0.72
7	Neville Jiyibhoy Mistry	At the beginning of the year increase / decrease* At the End of the year	01-04-2017  31-03-2018	160865 0 0	0.32 0.00 0.00	160865 160865 160865	0.32 0.32 0.32
8	Geeta Potluri	At the beginning of the year Market purchase* Market purchase* Market purchase* Market purchase* At the End of the year	01-04-2017 02-03-2018 16-03-2018 23-03-2018 31-03-2018 31-03-2018	0 5019 82568 61420 7184 0	0.00 0.01 0.16 0.12 0.01 0.00	0 5019 87587 149007 156191 156191	0.00 0.01 0.17 0.29 0.31 0.31
9	Kamal Visaria	At the beginning of the year Market purchase* Market purchase* Market purchase* Market purchase* Market purchase* Market Sale* Market Sale* Market Sale* Market Sale* Market purchase* Market Sale* Market Sale* Market Sale* Market purchase* Market purchase* At the End of the year	01-04-2017 05-05-2017 12-05-2017 19-05-2017 26-05-2017 02-06-2017 09-06-2017 16-06-2017 07-07-2017 21-07-2017 01-09-2017 08-09-2017 15-09-2017 30-09-2017 06-10-2017 08-12-2017 31-03-2018	0 57163 42500 13711 242126 159906 -31387 -30961 -3058 -20095 20000 -20000 -95267 -189210 6444 2084 0	0.00 0.11 0.08 0.03 0.48 0.31 -0.06 -0.06 -0.01 -0.04 0.04 -0.04 -0.19 -0.37 0.01 0.00 0.00	0 57163 99663 113374 355500 515406 484019 453058 450000 429905 449905 429905 334638 145428 151872 153956 153956	0.00 0.11 0.20 0.22 0.70 1.01 0.95 0.89 0.88 0.84 0.88 0.84 0.66 0.29 0.30 0.30 0.30
10	Vibha S Hinduja	At the beginning of the year increase / decrease* At the End of the year	01-04-2017 26-01-2018 31-03-2018	151800 -800 0	0.30 0.00 0.00	151800 151000 151000	0.30 0.30 0.30

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

(v) Shareholding of Directors and Key Managerial Personnel:

S.No.	Name of the Director and Key Managerial Personnel	Description	Date	Shareholding at the beginning of the year		Cumulative shareholding at end of the year	
				No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	Syed Anis Hussain, Independent Director	At the beginning of the year	01-04-2017	1000	0.00	1000	0.00
		increase / (Decrease)*		0	0.00	1000	0.00
		At the End of the year	31-03-2018	0	0.00	1000	0.00
2	K.V.Krishna Rao, Key Managerial Personnel	At the beginning of the year	01-04-2017	500	0.00	500	0.00
		increase / (Decrease)*		0	0.00	500	0.00
		At the End of the year	31-03-2018	0	0.00	500	0.00

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

V. INDEBTEDNESS:

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

Amount ₹

Description	Secured loans excluding deposits	Unsecured loans	Deposits	Total indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	3895811805	0	0	3895811805
ii) Interest due but not paid	37315179	0	0	37315179
iii) Interest accrued but not due	43349216	0	0	43349216
Total (i+ii+iii)	3976476200	0	0	3976476200
Change in Indebtedness during the financial year				
- Addition	877198321	0	0	877198321
- Reduction	78236786	0	0	78236786
Net Change	798961535	0	0	798961535
Indebtedness at the end of the financial year				
i) Principal Amount	3817575019	0	0	3817575019
ii) Interest due but not paid	931215532	0	0	931215532
iii) Interest accrued but not due	26647184	0	0	26647184
Total (i+ii+iii)	4775437735	0	0	4775437735

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

Amount ₹

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager			Total Amount
		A.S. Rao Executive Vice Chairman	A.Naresh Kumar, Managing Director	Dr. Shailendra Dasari Executive Director (operations)	
1.	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	4848064	5540000	4740000	15128064
	(b) Value of perquisites u/s 17(2) Income-Tax Act, 1961	71600	165513	420000	657113
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	0	0	0	0
	Sub Total	4919664	5705513	5160000	15785177
2.	Stock Option	0	0	0	0
3.	Sweat Equity	0	0	0	0
4.	Commission				
	- as % of profit	0	0	0	0
	- others, specify...	0	0	0	0
5.	Others, please specify	0	0	0	0
6.	Total (A)	4919664	5705513	5160000	15785177
Ceiling as per the Companies Act 2013					15785177

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

**B. Remuneration to other directors:**

Amount ₹

Sl. No.	Particulars of Remuneration	Fee for attending board / Committee meetings	Commission	Others please specify	Total Amount
1.	Independent Directors:				
	Shri K. Thanu Pillai	134000	0	0	134000
	Shri Syed Anis Hussain*	419000	0	0	419000
	Shri S.N.Rao	89000	0	0	89000
	Smt Y.Prameela Rani#	72000	0	0	72000
	Shri M.S.Rama Mohan Rao△	72000	0	0	72000
	Total (1)	786000	0	0	786000
2.	Other Non-Executive Directors	0	0	0	0
	Total (2)	0	0	0	0
	Total B=(1+2)	786000	0	0	786000
Ceiling as per the Companies Act 2013					786000
* Including arrears of previous year Rs.150000/-					
# Ceased to be director with effective from 20.11.2017 by virtue of resignation.					
△ Ceased to be director with effective from 01.10.2017 on expiry of tenure of appointment.					

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

Sl. No.	Particulars of Remuneration	Amount ₹	
		Name of Key Managerial Personnel other than MD/WTD/Manager K.V.Krishna Rao, CFO & Company Secretary	Total Amount
1.	Gross Salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961	3440800	3440800
	(b) Value of perquisites u/s 17(2) of the Income-Tax Act, 1961	266445	266445
	(c) Profits in lieu of salary under section 17(3) Income-Tax Act, 1961	0	0
	Sub total	3707245	3707245
2.	Stock Option	0	0
3.	Sweat Equity	0	0
4.	Commission		
	- as % of profit	0	0
	- others, specify..	0	0
5.	Others, please specify	0	0
6.	Total (A)	3707245	3707245
Ceiling as per companies Act 2013			3737245

VII. Penalties/Punishment/Compounding of offences:

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

for and on behalf of the Board

Place: Hyderabad  
Date: 14.08.2018

(K. Thanu Pillai)  
Chairman  
(DIN:00025312)



**ANNEXURE-V TO DIRECTORS' REPORT****Form No. MR-3****SECRETARIAL AUDIT REPORT****FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2018**

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

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

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2018, complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minutes books, forms and returns filed and other records maintained by the Company for the financial year ended on 31<sup>st</sup> March, 2018, according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the Rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 & 2015;
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; (Not applicable to the Company during the period of audit)
  - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (Not applicable to the Company during the period of audit)
  - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not applicable to the Company during the period of audit) and
  - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; (Not applicable to the Company during the period of audit)
  - i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
- (vi) Other Laws specifically applicable to the Company include:
  - i. Electricity Act, 2003
  - ii. The Karnataka Electricity (Taxation on Consumption) Act, 1959
  - iii. The Boilers Act, 1923
  - iv. The Contract Labour (Regulation And Abolition) Act, 1970
  - v. Mines and Minerals (Development and Regulations) Act, 1957
  - vi. The Bureau of Indian Standards Act, 1986
  - vii. Andhra Pradesh Electricity Duty Act, 1939
  - viii. The Karnataka Forest Act, 1963

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India

(ii) The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited (NSE). During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. as mentioned above **except that there is no Woman Director on the Board of the Company.**

**We further report that**

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

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

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

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

**We further report that the** Scheme for Sustainable Structuring of Stressed Assets (S4A Scheme) for restructuring of the debt which was under consideration could not be implemented due to non-fulfilment of mandatory norms under the said scheme. Now during the period under review the debt of the Company has been classified by Joint Lenders Forum (JLF) as Non-Performing Asset (NPA) by the secured lenders and the request of the company for restructuring of the debt is under consideration of the said lenders.

**We further report that** operations at ferrous division have been impacted and the plant was under shut down since 12th June 2017. Also the operations at Kudithini Plant where Metallurgical Coke facility was running partly on job work basis and partly for own production were impacted.

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

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

Place: Hyderabad  
Date: 14.08.2018

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

**'Annexure A'**

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

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

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

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

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

Place: Hyderabad  
Date:14.08.2018

## REPORT ON CORPORATE GOVERNANCE

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

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

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

### 2. BOARD OF DIRECTORS:

The Board of Directors consists of six Directors of which three are Executive and three are Non-executive Directors and among these two are Promoter Directors; one non-promoter Director and three are Independent Directors. The Independent Directors constitute 50.00% of the Board's strength. Again, Non-executive Directors constitute 50.00% of the board's strength. The Chairman of the Board is Non-executive, Independent Director.

• Composition and category of Directors is as follows:

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

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

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

Name of the Director	Board meetings		Attendance at last AGM
	Held	Attended	
Shri K.Thanu Pillai	6	6	Yes
Shri A.S.Rao	6	6	Yes
Shri Syed Anis Hussain	6	6	Yes
Shri S.N.Rao	6	4	Yes
Shri A.Naresh Kumar	6	6	Yes
Dr. Shailendra Dasari	6	5	Yes
Smt Y.Prameela Rani*	4	4	Yes
Shri M.S.Rama Mohan Rao@	4	4	Yes

\* Ceased to be a director with effect from 20.11.2017 by virtue of resignation.

@ Ceased to be director with effect from 01.10.2017 by virtue of expiry of tenure.

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

Name of the Director	Board of Directors		Board Committees	
	Director	Chairman	Member	Chairman
Shri K.Thanu Pillai	8	None	2	2
Shri A.S.Rao	3	None	None	None
Shri Syed Anis Hussain	2	None	2	None
Shri S.N.Rao	2	None	None	None
Shri A.Naresh Kumar	5	None	None	None
Dr. Shailendra Dasari	None	None	None	None

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

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

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

During the year the Company has held six Board of Directors meetings. The dates on which these meetings held were: 30<sup>th</sup> May 2017; 28<sup>th</sup> August 2017; 14<sup>th</sup> September 2017; 29<sup>th</sup> September 2017; 08<sup>th</sup> December 2017 and 13<sup>th</sup> February 2018. The maximum interval between any two meetings was not more than four calendar months. The Independent Directors have met one time on 27<sup>th</sup> March 2018 for familiarisation programme and evaluation of performance of Directors.

• Board meetings Process:

The Agenda for the board meetings is circulated in advance which will contain the information and

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

• **Reappointment of Directors at the 29<sup>th</sup> Annual General Meeting:**

1. Dr. Shailendra Dasari in terms of appointment at the 26<sup>th</sup> Annual General Meeting held on 30.09.2015 is liable to retire by rotation at the ensuing Annual General Meeting of the Company and being eligible have offered himself for re-appointment.

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

2. Shri A.S.Rao in terms of modification of terms of appointment at the 25<sup>th</sup> Annual General Meeting held on 30.09.2014 and his re-appointment at the 26<sup>th</sup> Annual General Meeting held on 30.09.2015 is liable to retire by rotation at the ensuing Annual General Meeting of the Company and being eligible have offered himself for re-appointment.

Shri A.S.Rao, B.Tech (Hons) in Metallurgy is the Chief Promoter of the Company who has to his credit over five decades of rich experience in the Iron and Steel industry. He had earlier served in Steel Authority of India Limited (SAIL) for over 21 years before moving on to his own business. He is a first-generation entrepreneur and has successfully implemented the existing Pig Iron project in 1992-93 with a distinction of being the first project of its kind to have Co-generation Power plant and also the least cost project of similar capacity in the country. Shri Rao took active part and was the guiding force in the brownfield expansions and setting up of greenfield projects implemented during the

last one and a half decade by the Company involving both backward and forward integration whereby the Company grew from manufacturer of a single product to a basket of products reaping and retaining significant value additions to the Company in the chain of Iron making. Shri Rao was the Managing Director of the Company during the period from 1991-1999 and is at present the Executive Vice Chairman of the Company. Under his able stewardship the Company weathered ups and downs in the industry and the present growth in the Company could be squarely attributed to his expertise and hard work.

• **Cessation of Directorship:**

1. Smt Y. Prameela Rani, an Independent Director on the Board of the Company has resigned due to personal reasons and her resignation was accepted by the Board with effect from 20.11.2017.
2. Shri M.Sreerama Mohan Rao, small shareholder holder director ceased to be director with effect from 01.10.2017 by expiry of tenor of appointment.

• **Familiarisation Programme of Independent Directors:** At every meeting of the Board of Directors, the Whole Time Directors, over and above the agenda items, give an updation to the Independent Directors on the various technical, financial and general business aspects affecting the Company's business. The departmental heads from various departments were also called in to explain to the Independent Directors technical, financial, commercial, legal aspects affecting the Company's business. The Independent Directors have also met on 27.03.2018 as a part of familiarisation programme and performance evaluation. Details of familiarisation programme to the Independent Directors are placed in the investors' column of the company's website at [www.sathavahana.com](http://www.sathavahana.com).

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

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

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

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

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

• **Board's performance evaluation:**

Independent Directors have met on 27<sup>th</sup> March 2018 to carry out performance appraisal of the Independent Directors where the role and responsibilities of Independent Directors in terms of various provisions of Companies Act 2013 and Regulations 25 (3) & (4) of the Listing Regulations. As a part of Independent Directors' training Shri D. Hanumanta Raju of M/s D. Hanumanta Raju & Co., Practicing Company Secretaries, Hyderabad gave a brief on the role and responsibilities of the Independent Directors. Later the Whole Time Directors joined the meeting for carrying out the evaluation of Board/Board Committees/Individual Directors. Where performance of individual Director was evaluated, the Director concerned stayed away from the process. Before attempting at evaluation process the Board recognized its fiduciary role, its role in planning and formulating long term strategies, goals and policies and its duties to the Company and Stakeholders.

The performance evaluation of the Board was carried out with reference to its understanding of Company's mission; governing principles; long term vision, strategies, policies; industry and product profile; Company's role and responsibility as a corporate citizen. Board's performance evaluation was also done among others with reference to its ability and capability to guide the Company on long term policies, long range strategic thinking and planning. Evaluation performance also touched upon parameters like Board's ability to stay abreast of issues and trends; open communication,

meaningful participation and sound resolution of issues and policy related decisions. From the point of view of meetings conducted, the evaluation performance was reviewed with reference to whether meeting facilitates focus & progress on important Company matters, reconsider and revises policies as and when required; whether new members received prompt and thorough orientation; whether reports on performance, finances, targets are presented timely; whether agendas are well balanced allowing appropriate time for critical issues; whether meetings are held for sufficient length, whether agendas are timely, accurate, contains useful and sufficient information so as to facilitate rightful decision making; whether the functioning of Board is collegial, polite during meetings, respects majority view on issues; communicates its directions, delegations in one voice and whether the meetings are held on regular basis and in compliance with regulatory requirements. With reference to performance evaluation of various Board Committees the issues like whether the composition of each Committee is adequate and balanced, whether the deliberations at the Committee meetings were within the overall objectives for which it was constituted, whether the deliberations are effectively and adequately communicated to the Board, and whether the meetings are held on regular basis and members are participating in the meetings regularly.

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

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



### 3. AUDIT COMMITTEE:

The Audit Committee of Board of Directors comprises Shri K. Thanu Pillai, Shri Syed Anis Hussain and Shri S.N.Rao as its members all of whom are Independent Non-executive Directors. Smt Y. Prameela Rani and Shri M.S.Rama Mohan Rao ceased to be members of the Committee with effect from 20.11.2017 and 01.10.2017 respectively by virtue of cessation of their directorship consequent to resignation and expiry of tenor of appointment respectively. Shri K. Thanu Pillai is the Chairperson of the Audit Committee. Company Secretary is also functioning as Secretary to the Audit Committee. Representatives of Statutory Auditors and representatives of Internal Auditor are invited to be present at the meetings of the Committee. The Audit Committee meets the requirements of both section 177 of the Companies Act 2013 and Regulation 18 of the Listing Regulations 2015.

The Committee has all the powers, duties and obligations conferred upon and vested in it in terms of Section 177 of the Companies Act, 2013 as amended from time to time and also such additional powers, functions / features, duties, obligations and discretions as is contained in Regulation 18 of the Listing Regulations as amended from time to time and / or any other powers, duties and obligations that may be given or assigned from time to time by the Board of Directors and the said Committee shall submit its reports, recommendations etc., to the Board of Directors on all matters.

The Audit Committee met five times during the year. The dates on which these meetings held were: 30<sup>th</sup> May 2017; 28<sup>th</sup> August 2017; 14<sup>th</sup> September 2017; 08<sup>th</sup> December 2017 and 13<sup>th</sup> February 2018. The attendance of the members at these meetings vis-à-vis meetings held during their tenure was as under: Shri K. Thanu Pillai 5/5; Shri Syed Anis Hussain 5/5; Shri S.N.Rao 3/5; Smt Y.Prameela Rani 3/3 and Shri M.S.Rama Mohan Rao 3/3. The necessary quorum was present at all the meetings. At the last Annual General Meeting held on 29.09.2017, Shri K. Thanu Pillai, Chairperson of the Committee was present.

### 4. NOMINATION AND REMUNERATION COMMITTEE:

Nomination and Remuneration Committee comprises Shri K. Thanu Pillai; Shri Syed Anis Hussain and Shri S.N.Rao as its members all of whom are Independent Non-executive Directors. Members of the committee elects the Chairman of the meeting at the time of each meeting.

The responsibilities of the Committee is to review and fix the remuneration package of the Managing/ Whole-time Directors/ Key Managerial Personnel based on performance and other criteria; to

consider and approve service contracts, notice period, severance fee; and to consider and approve stock option schemes, if any; to consider and review the appointment and re-appointment of Independent Directors; any other powers, duties and obligations that may be given or assigned from time to time by the Board of Directors and the said Committee shall submit its reports, recommendations etc., to the Board of Directors on all matters. The Committee has met twice on 28<sup>th</sup> August 2017 and 13<sup>th</sup> February 2018 during the financial year and the necessary quorum was present in the meetings held. The attendance of the members at these meetings vis-à-vis meetings held was as under: Shri K. Thanu Pillai 2/2; Shri Syed Anis Hussain 2/2; and Shri S.N.Rao 1/2.

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

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

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

#### i) Remuneration Policy to Whole Time Directors:

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

#### ii) Remuneration Policy to Independent Directors:



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

- iii) Remuneration Policy to Key Managerial Personnel and other managerial employees: The remuneration to the Key Managerial Personnel and other managerial employees is by way of fixed salary and some performance based incentives. Salary comprises basic salary, allowances and perquisites in accordance with the Company's policy. Salaries are subject to annual increments ranging from 6 to 14 percent on an average with certain exceptions for those whose performance is considered better. Salaries and annual increments are considered in consultation with the Nomination and Remuneration Committee which then is delegated to Managing Director. These personnel are covered under the group insurance policies of the Company.

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

Name of the Director	₹			
	Salary and Allowances	Benefits	Commission	Total
1. Shri A.S.Rao Executive vice Chairman	4848064	71600	0	4919664
2. Shri A. Naresh Kumar Managing Director	5540000	165513	0	5705513
3. Dr. Shailendra Dasari Executive Director (Operations)	4740000	420000	0	5160000
Total	15128064	657113	0	15785177

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

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

Name of the Director	Sitting fees (In ₹)			No. of Equity Shares held/ % holding
	As a Director	As a Committee Member	Total	
1. Shri K. Thanu Pillai	84000	50000	134000	0 0%
2. Shri Syed Anis Hussain *	84000	335000	419000	1000 0%
3. Shri S.N.Rao	60000	29000	89000	0 0%
4. Smt Prameela Rani#	48000	24000	72000	0 0%
5. Shri M.S.Rama Mohana Rao△	48000	24000	72000	500 0%
Total	324000	462000	786000	

\* Including arrears of previous year Rs.150000/-

# Ceased to be director with effective from 20.11.2017 by virtue of resignation.

△ Ceased to be director with effective from 01.10.2017 on expiry of tenure of appointment.

#### 5. STAKEHOLDERS' RELATIONSHIP COMMITTEE:

The Stakeholders' Relationship Committee comprises Shri Syed Anis Hussain, Shri A.S.Rao and Shri A.Naresh Kumar as its members and is headed by Shri Syed Anis Hussain as Chairperson. Shri K.V. Krishna Rao, Chief Financial Officer & Company Secretary has been nominated as the Compliance Officer.

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

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

During the year the Committee has met 45 times. The necessary quorum was present in all the meetings.

During the year under review, investors' grievances received were nil and no complaints were outstanding as on 31<sup>st</sup> March 2018.

Share transfers in dematerialisation mode pending on 31<sup>st</sup> March 2018 were nil.

#### 6. CODE OF BUSINESS CONDUCT AND ETHICS:

In line with the avowed policy on Corporate Governance, the Company has evolved a Code of Business Conduct and Ethics (hereafter referred to as "the Code") applicable to all Directors and senior

management of the Company and the same was adopted by the Board of Directors at its meeting held on 29<sup>th</sup> April 2006. The Code is appended to this Annual Report as an exhibit elsewhere. A link is available in Company's website at [www.sathavahana.com](http://www.sathavahana.com) under investors' column.

The Code has since been circulated to all the Directors and members of senior management and their compliance reports for the financial year 2017-18 have been obtained by the Company.

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

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

I hereby declare and confirm that the Company has complied with the terms of Code of Business Conduct and Ethics evolved by the Company and has obtained the statements of compliance from all the members of the Board of Directors and senior management of the Company for the financial year 2017-18 and further confirm that there are no incidences of violation of the code.

Sd/-

(A.Naresh Kumar)  
Managing Director."

**7. CEO / CFO CERTIFICATION:**

The Managing Director jointly with Chief Financial Officer in accordance with Regulation 17(8) of Listing Regulations have furnished to the Board of Directors a certificate certifying therein, inter alia, that the Financial Statements and the Cash Flow Statement for the financial year 2017-18 submitted to the Audit Committee and to the Board of Directors, have been reviewed by them and further affirmed to the best of their knowledge and belief that the said financial statements are compliant of the criteria set out in Part B to Schedule II of the Listing Regulations.

**8. GENERAL BODY MEETINGS:**

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

Year	Type of meeting	Venue	Date	Time
2014-15	26th AGM	Sri Sagi Rama Krishnam Raju Community Hall, Madhuranagar, Hyderabad-500 038	30.09.2015	3.00PM
2015-16	27th AGM	Same as above	30.09.2016	3.00PM
2016-17	28th AGM	Same as above	29.09.2017	3.00PM

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

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

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

No Special Resolutions were passed at the 27<sup>th</sup> and 28<sup>th</sup> Annual General Meeting held on 30.09.2016 and 29.09.2017 respectively.

**26<sup>th</sup> Annual General Meeting held on 30.09.2015:**

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

**9. DISCLOSURES:**

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

The following are the Related Party Transactions with the Directors:

**(i) Rental Agreements:**

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

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

- Corporate Social Responsibility:

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

CSR committee has all the powers, duties and obligations conferred upon and vested in it in terms of Section 135 of the Companies Act, 2013 as amended from time to time and Rules, Notifications, circulars issued under the said Act and also such additional powers, functions / features, duties, obligations and

discretions as is contained in the Listing Regulations as amended from time to time and / or any other powers, duties and obligations that may be given or assigned from time to time by the Board of Directors and the said Committee shall submit its reports, recommendations etc., to the Board of Directors on all matters.

The Corporate Social Responsibility shall be discharged by the CSR Committee in consultation with the Board of Directors. The CSR Committee shall meet as often as required.

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

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

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

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

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

c) **Whistle Blower Mechanism:**

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

Whistle Blower Mechanism details are also provided on Company's website [www.sathavahana.com](http://www.sathavahana.com) in investors' column.

d) **Nirbhaya Committee:**

The Company has constituted a Committee by name "Nirbhaya Committee" as required under the provisions of Companies Act 2013 and the Listing Regulations for monitoring and ensuring the safety and security of women employees with Shri A.S.Rao, Shri A. Naresh Kumar and Shri S.N.Rao as members. The members of the Committee shall elect a Chairman from amongst themselves for every meeting of the Committee. The Committee is empowered to take all steps, decisions required in connection with safety and security of women employees and to delegate all or any of the power hereby conferred. The Committee has not met during the year as there were no agenda to be discussed.

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

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

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

The Company hereby declare that the Company has complied with all the mandatory requirements of Listing Regulations 2015 as amended except with respect to representation of woman director on the Board as at 31.03.2018. The Company is in search of a suitable person who has sectoral and financial background with integrity and is in the process of identifying the person for complying with Regulation 17 (1) of Listing Regulations 2015. This is a subject matter of qualification of Auditor's on compliance of Code of Corporate Governance which stands answered accordingly by your Board. Non-mandatory requirements of Listing Regulations 2015 will be adopted as and when these are felt necessary.

h) **Accounting treatment:**

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act. The financial statements up to year ended 31 March 2017 were prepared in

accordance with the accounting principles generally accepted in India and accounting standards notified under Companies (Accounting Standard) Rules, 2006 (as amended) and other relevant provisions of the Act (Indian GAAP).

These financial statements are the first financial statements of the Company under Ind AS. An explanation of how the transition from previous Indian GAAP to Ind AS was carried out in accordance with Ind AS 101 First-Time adoption of Indian Accounting Standards with the date of transition as April 01, 2016 and its affect on the Company's financial position, financial performance and cash flows is stated in Notes 26 forming part of the financial statements.

i) **Risk Management:**

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

**10. MEANS OF COMMUNICATION:**

Half yearly and quarterly results are normally published in the newspapers viz., The Financial

Express (English daily) and the Andhra Prabha (Telugu daily) on approval of the financial results by the Board of Directors. The Company immediately after announcement of financial results sends to the Stock Exchanges the financial results. Annual reports are also being sent to the Stock Exchanges simultaneously at the time of posting to the members and the same are being made available on the websites of Stock Exchanges where the shares of the Company are listed and also on Stock Exchanges sponsored website [www.corpfiling.co.in](http://www.corpfiling.co.in). The financial results and annual reports would also be made available on Company's website [www.sathavahana.com](http://www.sathavahana.com) in the investor's column.

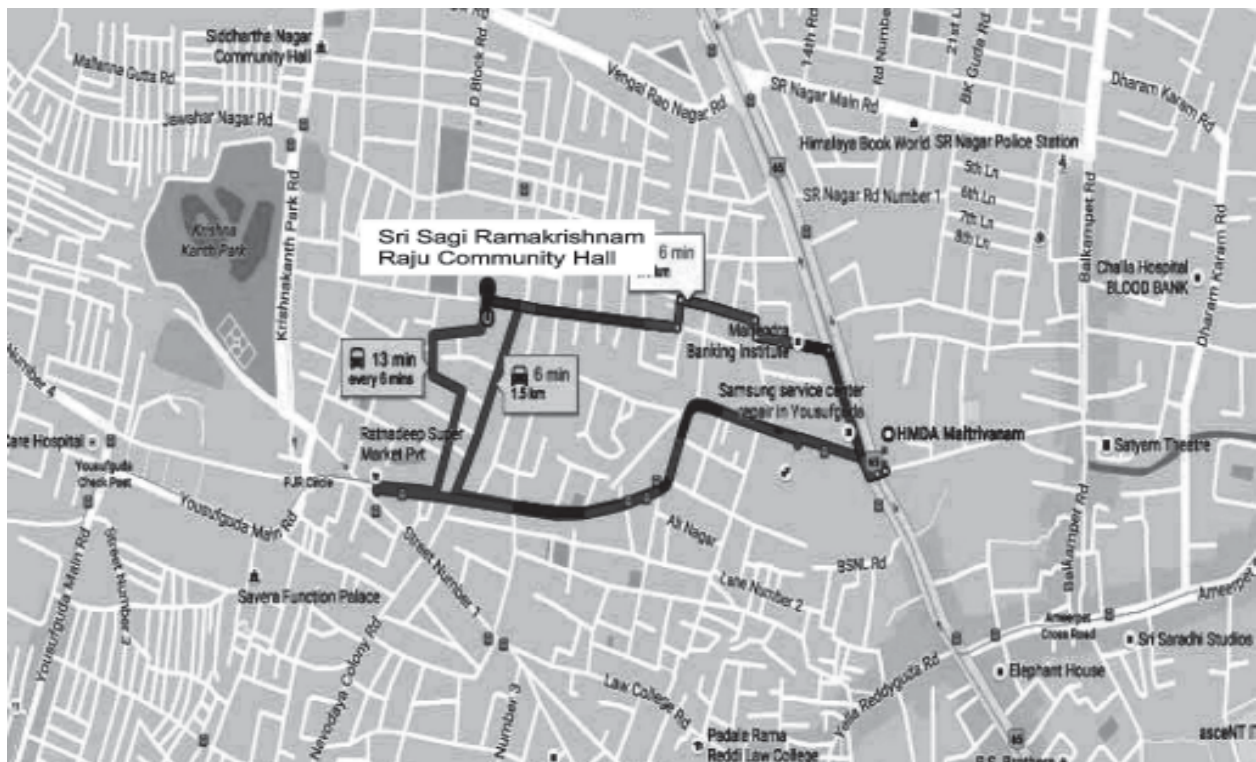
Financial results are sent regularly to Stock Exchanges where the shares of Company are listed, financial institutions and banks upon their publication.

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

**11. GENERAL SHAREHOLDERS INFORMATION:**

- |              |  |
|--------------|--|
| a) AGM       | : 29 <sup>th</sup> Annual General Meeting  |
| Day and Date | : Saturday, the 29 <sup>th</sup> September 2018                                  |
| Time         | : 3.00 p.m.  |
| Venue        | : Sri Sagi Ramakrishnam Raju Community Hall, Madhura Nagar, Hyderabad – 500 038. |

**ROUTE MAP TO VENUE :**





b) Financial Calendar: Tentative schedule is as under.

i) Unaudited Financial Results

1. First quarter : First fortnight of August 2018.
2. Half yearly : First fortnight of November 2018.
3. Third quarter : First fortnight of February 2019.

ii) Audited Financial Results: Last week of May 2019.

c) Date of book closure:

i) Physical mode : 16.09.2018 to 29.09.2018  
both days inclusive.

ii) Electronic mode : 15.09.2018

iii) Cut off Date / : 15.09.2018  
Record date

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

Name of the Stock exchange	Stock code
BSE Limited	526093
National Stock Exchange of India Limited	SATHAISPAT
ISIN Code for electronic trading and dematerialisation in NSDL / CDSL	INE 176C01016

The fee to the above Stock Exchanges has been paid up to financial year 2018-19.

e) Market price data: high/low price on BSE and NSE during each month in last financial year 2017-18.

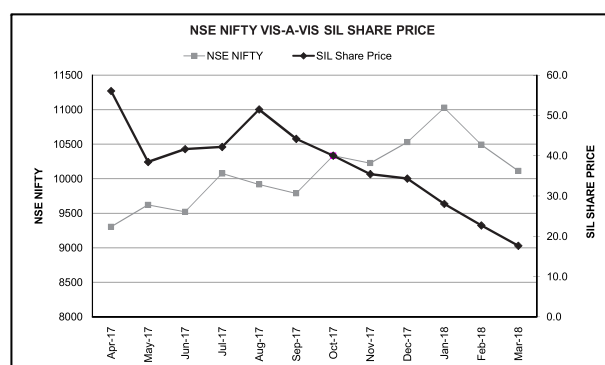
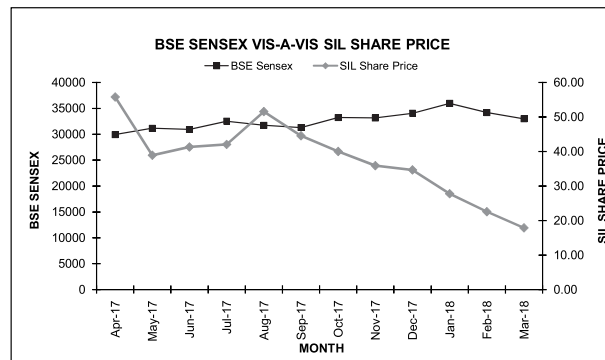
BSE: ₹/ Share

Month	High	Low	Month	High	Low
April	64.80	54.00	October	47.50	38.00
May	56.00	33.00	November	41.00	34.00
June	44.70	35.10	December	37.00	30.55
July	49.60	39.20	January	38.50	27.10
August	53.00	34.00	February	28.75	18.70
September	53.80	41.00	March	23.45	17.60

NSE: ₹/ Share

Month	High	Low	Month	High	Low
April	64.90	53.95	October	48.05	38.15
May	56.00	32.50	November	41.50	33.60
June	44.90	35.05	December	36.75	30.75
July	49.90	41.15	January	39.00	27.00
August	52.80	33.90	February	28.90	19.00
September	54.00	41.35	March	23.75	17.10

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



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

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

email: xlfield@gmail.com

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

i) Distribution of shareholding and shareholding pattern as on 31<sup>st</sup> March 2018:

No. of shares		No. of Shareholders		Shareholding	
From	To	Nos.	% to total	Nos.	% to total
1	500	13619	80.51	2803992	5.51
501	1000	1633	9.66	1432259	2.81
1001	2000	704	4.16	1110551	2.18
2001	3000	281	1.66	740342	1.46
3001	4000	119	0.70	436263	0.86
4001	5000	157	0.93	748222	1.47
5001	10000	183	1.08	1384862	2.72
10001 and above		220	1.30	42243509	82.99
Total		16916	100.00	50900000	100.00

The shareholding pattern as on 31<sup>st</sup> March 2018:

S.No.	Category of shareholder	Number of share holders	Total Number of shares	Total shareholding as a percentage of total number of shares
<b>A.</b>	<b>Shareholding of Promoter and Promoter Group</b>			
A.1	Indian	8	16278987	31.98
A.2	Foreign	1	2520000	4.95
<b>B.</b>	<b>Public Shareholding</b>			
B.1	Mutual Funds	5	26300	0.05
	Financial Institutions / Banks	9	26603	0.05
	Foreign Institutional Investors	2	9630996	18.92
B.2	Bodies Corporate	215	2114154	4.15
	Individuals	16411	14124664	27.76
	Non Resident Indians	159	164435	0.32
	Clearing Members	105	437545	0.86
	Foreign Bodies Corporate	1	5576316	10.96
<b>Grand Total</b>		<b>16916</b>	<b>50900000</b>	<b>100.00</b>

Top ten Equity Shareholders of the Company as on March 31, 2018:

S. No.	Name of the Shareholder	Number of Equity Shares held	Percentage of holding
1	One Earth Capital Limited, Mauritius	5576316	10.96
2	Plutus Terra India Fund, Mauritius	4990000	9.80
3	Smt A. Mutya Bai	4910482	9.65
4	Antara India Evergreen Fund Ltd., Mauritius	4640996	9.12
5	Ganapati Adusumilli Fininvest Private Limited	4200000	8.25
6	Shri A.Ashok Kumar	3319110	6.52
7	Ganapati Holdings Pte Limited, Singapore	2520000	4.95
8	Shri A. Naresh Kumar	2019105	3.97
9	Shri A. Sivaji Rao	1424000	2.80
10	Shri Bhavesh Dhiresbhai shah	501355	0.98

**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 48880443 shares constituting 96.03% of paid-up share capital have been converted into fungible form upto 31<sup>st</sup> March 2018. The Company's Equity Shares are regularly traded in dematerialised form on BSE (Stock Code: 526093) and NSE (stock code: sathaispat).

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

**Issue of GDRs/ADRs/Warrants:** The Company has not issued any GDRs / ADRs / Warrants or any convertible instruments which are outstanding as on March 31, 2018. The Share Warrants issued in the past were fully converted into Equity Shares within the time frame allowed for such conversion.

j) Plant locations:

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

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

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

For and on behalf of the Board

(K.THANU PILLAI)  
CHAIRMAN  
(DIN: 00025312)

Place: Hyderabad  
Date: 14.08.2018



## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. INDUSTRY STRUCTURE AND DEVELOPMENTS:

The Company is engaged in the manufacture and sale of Pig Iron; Ductile Iron Pipes and Metallurgical Coke - an input material for Pig Iron, thus operates in the iron and steel industry, which is considered as core sector. The Company is also into Power generation.

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

Pig Iron is of two grades – basic grade and foundry grade. Basic grade is used in the manufacture of Steel and whereas foundry grade is used for making castings. Basic grade is produced mainly by the Integrated Steel Plants (ISPs) for captive consumption in the manufacture of steel and exports. Part of the production is also diverted to the domestic market. Foundry grade is mainly used for castings and is produced by the Mini Blast Furnace units. The Company is into Pig Iron manufacture since inception. A major portion of Pig Iron manufactured is captively consumed in the manufacture of Ductile Iron Pipes.

Pig Iron is the basic raw material for most of the engineering products and construction industry. Pig Iron is also a raw material for foundry and engineering industry. With the significant growth in the main user industries like automobiles, construction, foundries, the demand for iron and steel has increased significantly. The total production of Pig Iron in India has increased from one and a half Million tons in 1991-92 to the present level of over 9.9 million tons in 2017-18. The production for sale of Pig Iron as per statistics (provisional) released by the Joint Plant Committee (JPC) attached to the Ministry of Steel for the financial year 2017-18 is at 9.408 million tons as against 9.388 million tons in the previous year, registering a growth of 0.2%. Continued adverse economic conditions, Supply side issues and volatile prices of steel raw materials, intensive competition from Integrated Steel Players have had a significant bearing on the performance of the Pig Iron industry in India.

Metallurgical Coke is the key input material for Iron making. The Company has integrated itself backward for this key input material. The surplus Metallurgical Coke production from this facility is being sold in the nearby market. The Company is also operating a Co-generation Power plant where the surplus Power after meeting the captive needs is being sold to third parties. The Company is operating this facility for over decade now. A major portion of the Metallurgical Coke manufactured is captively consumed in the manufacture of Pig Iron.

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

#### GLOBAL SCENARIO:

The global Iron and Steel industry has recorded growth of 3.9% in 2017 although the growth rates were different in different regions – some recording greater than 5.0-6.0%. The growth momentum in the industry that started early 2017 sustained throughout the year on the back of moderate global economic growth. Strengthening momentum and favourable investment cycle in developed economies has given some surprising growth moments in the year. However the emerging economies other

than P.R. China were non-resilient to the growth momentum. Structural imbalances, protectionism and excess capacities continues to be the major hurdles in the demand growth of Iron and Steel industry. Despite these adverse factors the global Steel production has recorded 1.691 billion tons in the year 2017 as against 1.62 billion tons in the previous year. Of this, the production in Asia was at 68.8% as against 69.1% in the year before. P.R.China accounted for 71.5% of production in Asia and 49.2% of global production. The other major Asian countries Viz., Japan, India, S.Korea account for 23.8% and 16.4% of Asian and global production respectively. India with its production of steel at 104.9 mmt in 2017 now ranked the third largest producer of Steel accounting for 8.7% and 6.0% Asian and global production respectively. The global Pig Iron production was at 1.18 billion tons in 2017 as against 1.164 billion tons in the last year. The sentiment in the Iron and Steel industry was mixed with uneven demand and volatile steel raw material prices.

#### INDIAN SCENARIO:

The year 2017-18 the Indian Steel industry reported highest production of 104.9 million tons registering a growth of 3.1%.

Indian Steel industry continues to be third largest producer of Steel in the world accounting for 8.7% and 6.0% of Asian and Global steel production respectively. During the year the trade gap was at 2.14 mmt and the country was net exporter of Steel widening the gap between imports at 7.48 million tons and exports at 9.62 million tons. The year saw an apparent Steel consumption at 90.68 million tons as against 84.04 million tons during the last year. The Indian Pig Iron sector continues to report a negative growth trend where the gross production has come down from 10.34 million tons to 9.92 million tons during the current year registering negative growth of 4%. The prices of finished iron and steel have seen some volatility during the year which impacted the margins for quite long time. High debt and high interest costs continue to haunt the performance of the Indian Iron and Steel industry and some of them have faced debt crisis.

#### PRICE TRENDS:

The price trends during the year was headed north for most part of the year as the trend that started late FY 2017 continued to increase during the year with a brief correction interregnum partly due to demand supply conditions and partly due to global influence. The prime hard Coking Coal prices that were ruling at US\$300/mt went up further saw a peak of about US\$350/mt F.O.B. Australia only to be corrected soon thereafter to US\$220/mt towards year end. The Iron Ore Fines prices that were at about Rs.4800/mt have moved both ways and were ruling at same level towards year end. The finished Steel prices went up to peak of about Rs.56000/mt registering an average increase by about 41%. The Metallurgical Coke prices too witnessed an average increase of 24% which were ruling at about Rs.26000/mt towards year end. The Pig Iron prices too increased by about 26% during the year the ex-works prices were ruling at about Rs.29000/mt towards year end. The prices of Ductile Iron Pipes have also gone up by about 20% during the year. Overall the price trends were headed northward leaving some margins to the players in the industry.

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

- i) As the Company's Pig Iron enjoys brand value and being one of the low-cost producers of Pig Iron, there is an opportunity of increasing the market share. The Company has augmented additional capacity at its existing operations to improve its market share.
- ii) Opportunity of modernising the plant, which not only

facilitates further efficiency and reduction in process costs but also increases volumes. The Company is carrying out on a continuous basis modernisation of its existing operations to improve its efficiency parameters and bring down operating costs over a period.

- iii) Being in the intermediate stage in the industry there is an opportunity for both backward integration and forward integration. The Company has set up a Coke Oven facility with Co-generation of Power at a Greenfield site—as a first phase of backward integration. The Company has also set up Sinter Plant as a backward integration and Ductile Iron Pipe plant as forward integration at its Pig Iron making plant.
- iv) Company sources Coking Coal, a key input material, by importing from outside India and thus suffers from import constraints. However, the Company has identified reliable suppliers, which minimises the import constraints. The Company has set up a Metallurgical Coke making facility with latest technology at a Greenfield project site to minimize the impact of import of Metallurgical Coke.
- v) Ban on Iron Ore mining in the vicinity of the plant is a threat in sourcing the key raw material viz., Iron ore. The Company is able to source the Iron Ore through e-auction process held from time to time by the Government nominated Committee. It is expected that this arrangement will continue until the ban on mining of Iron Ore is completely lifted. Major mines are allowed to operate now.
- vi) Future competition from the prospective domestic producers of Pig Iron. The Company is conscious of the threat and constantly upgrading its technology so as to derive competitive advantage. Moreover, the Company has set up a Ductile Iron Pipe making facility so as to utilise captively a major portion of liquid hot metal.
- vii) As the customs duties on Pig Iron imports are lowered from time to time there is an import threat to that extent. However, given the importers' profile of Pig Iron who are mainly foundries and are in an unorganised sector, the import threat is minimal. Moreover, with the surge in global demand for Iron and Steel and increase in raw material prices, the availability of Iron and Steel at competitive price is remote. Negligible imports during the last couple of years are an ample indication of zero risk of the threat. Moreover, the forward integration into Ductile Iron Pipe making would further minimise such threat.
- viii) The levy of export duty on Pig Iron is a deterrent for exporting the Pig Iron. Given the global scenario of high prices and growing demand, such levy will have less bearing in the short term but is a major deterrent in the long term. Exporting Pig Iron -a value added product over Iron Ore makes a sense and hence such levy on Pig Iron in all probability will not be re-imposed. Moreover, the Company has now implemented the forward integration into Ductile Iron Pipes whereby the captive consumption of Pig Iron would increase and dependence on the markets would come down.
- ix) The Company's business is mainly commodity business. The financial health of the unit will be affected by adverse changes in the industry and commodity markets. Company implemented facilities involving both forward integration and backward integration and thus the risk would be minimised.

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

The Company's business comprises manufacture and sale of Pig Iron

and Ductile Iron Pipes as one segment called Ferrous Products and manufacture of Metallurgical Coke with Co-generation Power as the other segment. The operations of the Company during the year under review were adversely impacted due to working capital constraints and consequent stress in the financial resources. Actual production of Pig Iron and Pig Iron Scrap during the year was 14970 MTs as against 174608 MTs in the previous year. The actual sales in volume terms were 20131 MTs as against 172305 MTs in the previous year (including 7511 MTs, previous year 123271 MTs captive consumption in the manufacture of Ductile Iron Pipes). The Company's market share in Pig Iron constitutes a negligible share of the domestic consumption. The production of Ductile Iron pipe and Pipe scrap was at 12841 MTs as compared to 131759 MTs in the year before. Metallurgical Coke including Coke Fines was at 194349 MTs (including job work of 143454 MTs) as against 195872 MTs in the previous year. Out of the total production, 11061 MTs was captively consumed as against 142468 MTs in the previous year. The Company sold 32309 MTs of Metallurgical Coke and Coke Fines as against 58303 MTs in the last year in the nearby markets. The Co-generation Power plant at Kudithini generated 29063560 KWH of Power as against 96409452 KWH in the year before, of which 22683000 KWH, previous year 79926000 KWH was sold and 8393560 KWH (previous year 18136452 KWH) were captively consumed (including Power Plant auxiliary load) that includes Power import of 2013000 KWH (previous year 1653000 KWH). The gross sales revenues of products and services in value terms were ₹2487308166/- as compared to ₹11315975529/- in the last year.

### 4. OUTLOOK:

The signs of recovery that prevailed during the last year continues to be present in the current year indicating a healthier growth for global Iron and Steel industry. The short-term outlook is hazy but the long medium to long term growth appears to be positive. Factors like marginal economic growth rates in the emerging economies, excess steel capacities, weak demands, increased trade tensions and protectionist measures would have an adverse bearing on short term growth of the industry. On the other hand, the expected uptick in the economic growth in the advanced economies, measures to improve the demand by stimulus packages and policy measures to drive the demand for steel would be the factors that would give better outlook in the medium to long term. The Indian Iron and Steel industry continues to show a healthy growth trends on the back of steady economic growth. Various policy measures to boost the economic growth in the form 'make in India', increased infrastructure and public spending are driving the steel demand. However, the challenges on the bank loans to industry and increased non-performing assets with Banks, high interest costs, and volatile price trends are of concern in the growth of the industry. Your Company after creating a value chain has been suffering from working capital constraints which led to severe financial stress. To overcome from the financial stress, your Company has approached the secured lenders to restructure the debt which under active consideration of the banks. Your Company is confident of restoring the normalcy once restructuring package as requested is sanctioned by the secured lenders.

### 5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

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

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

The Financial Statements for the year under review have been prepared on a going concern basis and in compliance with provisions of the Companies Act 2013 and by following the generally accepted accounting principles in India and the applicable mandatory Ind As Accounting Standards notified by the Government under section 133 of the Companies which the Company adopted being first time adoption with transition dated 01<sup>st</sup> April 2016. The operational performance vis-à-vis financial performance is as under:

PARAMETER	FY 2017-18		FY 2016-17		Growth/ reduction %	
	Quantity	Value Rs.Cr	Quantity	Value Rs.Cr	Quantity	Value
Pig Iron						
Production (mt)	14970		174608		(91.43)	
Captive use(mt)	7511		123271		(93.91)	
Sales(mt)	12620	28.87	49034	111.72	(74.26)	(74.16)
Ductile Iron Pipes						
Production(mt)	12841		131759		(90.25)	
Captive use(mt)	0		3566		(100.00)	
Sales(mt)	33218	108.42	124517	492.86	(73.32)	(78.00)
Metallurgical Coke						
Production(mt)*	194349		195872		(0.78)	
Captive use(mt)	11061		142468		(92.24)	
Sales(mt)	32309	80.62	58303	108.00	(44.58)	(25.35)
Power						
Generation(mu)	29.064		96.409		(69.85)	
Captive use (mu)	8.394		18.136		(53.72)	
Sales(mu)	22.683	6.06	79.926	27.69	(71.62)	(78.11)
Trading and others*		24.76		391.33		(93.67)
Gross Sales		248.73		1131.60		(78.02)
Less:Excise Duty		4.94		36.00		(86.28)
Net Sales		243.79		1095.6		(77.75)

\* includes Jobwork of 143454 MTs (Previous yar Nil MTs) value ₹9.32 crores (previous year Rs. Nil).

Note : Product description includes by-products in the form of scrap and fines.

The operational performance during the year across all segments is lower due to lower volumes which in turn was impacted due to working capital constraints and consequent financial stress resulting in shut down of ferrous division from 12.06.2017 and operating Metallurgical Coke facility partially on job work and partially for own production. The production volume of Pig Iron at 14970 MTs as compared with 174608 MTs in the year before was lower by 74.16%. Consequently the Pig Iron sales were also lower at 12620 MTs (including 7511 MTs used in production of Ductile Iron Pipes) as against 172305 MTs in the year before (including 123271 MTs used in production of Ductile Iron Pipe making. The Ductile Iron pipe production too was lower at 12841 MTs as compared to 131759 MTs in the year before a reduction by 90.3% year on year with sales at 33218 MTs as against 124517 MTs in the last year. Metallurgical Coke production was at 194349 MTs (including Job work of 143454 MTs) as against 195872 MTs in the previous year. The captive consumption of Metallurgical Coke was at 11061 MTs as against 142468 MTs in the year before. The sale of Metallurgical Coke consequently was at 32309 MTs as compared with 58303 MTs in the previous year. The lower Metallurgical Coke capacity utilisation also impacted the Co-generation Power where the Power generation has come down from 96409452

KWH to 29063560 KWH in the current year and at the same time the sale of Power was also lower at 22683000 KWH as compared with 79926000 KWH in the previous year while consuming the balance units on auxiliary loads and captive use. On the back of these adverse conditions the Company recorded a gross sales of ₹2487308166/- as compared with ₹11315975529/- in the last year lower by 78.0%. Accordingly the net sales has come down from ₹ 10956011729/- to ₹2437873950/- which is lower by 77.8%. The average sales realisation on Pig Iron including pig iron Scrap during the year under review works out to ₹22876/MT as against ₹22784/MT during the last year. The average price on sale of Ductile Iron Pipes and Pipe Scrap was at ₹ 32638/- in comparison to ₹39582/MT in the year before. The average sales realisation on sale of surplus Metallurgical Coke including Coke fines was at ₹24953/MT as compared to ₹18524/MT in the previous year. The average sales realisation on power sold was at ₹2.67/KWH as against ₹3.46/KWH in the last year. The average cost of Iron Ore and Iron Ore fines consumed was at ₹4833/MT excluding disputed taxes as compared with ₹2902/MT in the last year. The average cost of Coking Coal consumed was at ₹15574/MT as against ₹10218/MT in the year before. The prices of raw material were very volatile and the sale prices of finished goods were too fluctuating often with some time lags which impacted the margins.

On the financial performance front the operating loss before finance costs and depreciation and amortisation was at ₹1152735074/- as against operating profit of ₹ 1009041013/- in the last year. The year ended with loss before and after tax of ₹ 3063643139/- as compared with a loss before and after tax of ₹ 642206321/- in the year before. The performance during the year in line with operational performance impacted mainly due to working capital constraints. During the year in the absence of virtual certainty deferred tax asset on account of unabsorbed depreciation and business loss and others amounting to ₹ 1114567283/- (previous year ₹1047886528/-) has been recognised to the extent it can be realised fully against deferred tax liability. The tax impact accordingly is nil during the year as was the case during the previous year.

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

The Company has a strong and dedicated workforce. The relations between the management and the workforce continue to be cordial during the year. The employees are imparted training on site and are encouraged to participate in the decision-making process. The management acknowledges the contributions made by each employee at all levels and records its appreciation for the co-operation extended, but for which the present growth would not have been possible. The employee strength of the Company is 1024 persons excluding working Directors as on 31<sup>st</sup> March 2018.

## 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**

1. This certificate is issued in accordance with the terms of our engagement letter dated October 18, 2017
2. This report contains details of compliance of conditions of Corporate Governance by Sathavahana Ispat Limited ('the Company'), for the year ended on March 31, 2018, as stipulated in Regulations 17 to 27, clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "SEBI Listing Regulations"), pursuant to listing agreement with Stock exchanges.

### Management's Responsibility

3. The compliance with the conditions of Corporate Governance is the responsibility of the Management of the Company. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure compliance with the conditions of the Corporate Governance stipulated in the SEBI Listing Regulations.

### Auditor's Responsibility

4. Our responsibility was limited to examining the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
5. Pursuant to the requirements of the SEBI Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Company has complied with the conditions of Corporate Governance as stipulated in SEBI Listing Regulations for the year ended March 31, 2018.
6. We conducted our examination in accordance with the Guidance Note on Certificates for Special purposes, Guidance note on Certificate of Corporate Governance, both issued by the Institute of the Chartered Accountants of India (the "ICAI") and the Standards on Auditing specified under Section 143(10) of the Companies Act 2013, in so far as applicable for the purpose of this certificate. The Guidance Note on Reports or Certificates for Special Purposes requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

### Basis for Qualified Opinion

8. Based on our examination of the records, there is an intermittent vacancy of woman director with effect from November 20, 2017 which needs to be fill up the vacancy within three months from the date of vacancy or immediate next board meeting, whichever is later, according to second proviso to Section 149(1) of the Companies Act, 2013. However no appointment was made on this regard as on date of our report. Accordingly, the Company has caused non-compliance under Regulation 27(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

### Qualified Opinion

9. Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, except for the effect of the matter described in the Basis for Qualified opinion section of our report, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned SEBI listing Regulations.
10. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

### Restriction on Use

11. The certificate is addressed and provided to the members of the Company solely for the purpose to enable the Company to comply with the requirement of the SEBI Listing Regulations, and it should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

For MAJETI & CO  
Chartered Accountants  
Firm's Registration No: 0159755

Place: Hyderabad  
Date: August 14, 2018

Kiran Kumar Majeti  
Partner  
Membership No: 220354



## Independent Auditor's Report

To the Members of

**SATHAVAHANA ISPAT LIMITED**

### Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of **SATHAVAHANA ISPAT LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2018, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS 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 Ind AS financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order issued under section 143(11) of the Act.

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

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

We believe that the audit evidence obtained by us, is sufficient and appropriate to provide a basis for our qualified audit opinion on the Ind AS financial statements.

### Basis for Qualified Opinion

Note no. 38 to the Ind AS financial statements, where in management has considered outstanding trade receivables, Supplier advances and capital advances of Rs.46,71,24,493/-, Rs.4,40,72,265/- and Rs 2,70,23,201/- respectively for period more than one-year as good and fully recoverable as at the balance sheet date. For reasons stated in the aforesaid note, and due to confirmations being not available and pending reconciliation adjustments we are unable to comment on the recoverability of these receivables, advances and its consequential effect on these financial statements.

### Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, the aforesaid Ind AS 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 Ind AS and other accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2018, and its loss, total comprehensive loss, its cash flows and the changes in equity for the year ended on that date.

### Material uncertainty related to Going Concern

We draw attention to Note no. 35 to the Ind AS financial statements, which indicates that the Company has incurred a net loss of Rs. 306,36,43,139/- during the year and negative other equity of Rs.199,31,87,179/- as at the balance sheet date, has eroded entire net worth of the Company and, as of that date, the Company's current liabilities exceeded its current assets by Rs.760,94,19,443/-. Defaults in repayment of loans and interest payments and shut down of the operations at Ferrous division since June 12, 2017 due to non-availability of working capital funds. These events or conditions, along with other matters as set forth in Note 35,

indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. However, the Ind AS financial statements of the Company have been prepared on a going concern basis for the reasons stated in the said Note.

Our opinion is not modified in respect of this matter.

#### Other Matters

The comparative financial information of the Company for the year ended March 31, 2017 and the transition date opening balance sheet as at April 01, 2016 included in these Ind AS financial statements, are based on the statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by the predecessor auditor whose report for the year ended March 31, 2017 and March 31, 2016 dated May 30, 2017 and May 30, 2016 respectively expressed an unmodified opinion on those financial statements, and have been restated to comply with Ind AS. Adjustments made to the previously issued said financial information prepared in accordance with the Companies (Accounting Standards) Rules, 2006 to comply with Ind AS have been audited by us.

Our opinion is not modified in respect of this matter.

#### Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that:
  - a) We have sought and except for the matters described in the Basis for Qualified Opinion paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion, proper books of account as required by law have been kept by the Company.
  - c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
  - d) Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.
  - e) The matter described in the Basis for Qualified Opinion paragraph as above, in our separate Report in "Annexure A" and in the Material uncertainty related to Going Concern paragraph above in our opinion, may have an adverse effect on the functioning of the Company.

- f) On the basis of the written representations received from the directors of the Company as on March 31, 2018, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, from being appointed as a director in terms of Section 164(2) of the Act.
- g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.
- h) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses a qualified opinion on the operating effectiveness of the Company's internal financial controls over financial reporting.
- i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements. (Refer Note No.30 to the Ind AS Financial Statements)
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act ("the Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order.

For MAJETI & CO  
Chartered Accountants  
Firm's Registration No: 015975S

Kiran Kumar Majeti  
Partner  
Membership No: 220354

Place: Hyderabad  
Date: May 30, 2018



**ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT**

(Referred to in paragraph 1 (h) under ‘Report on Other Legal and Regulatory Requirements’ of our report of even date)

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

We have audited the internal financial controls over financial reporting of **SATHAVAHANA ISPAT LIMITED** (“the Company”) as of March 31, 2018 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

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

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

**Auditor’s Responsibility**

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

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

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

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

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

**Basis for Qualified opinion**

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in the operating effectiveness of the Company's internal financial controls over financial reporting as at March 31, 2018:

- a) Refer note no 38 of the Ind AS financial statements, in respect of long outstanding overdue trade receivables and advances, whereby evidences of control over monitoring /assessing recoverability of such over dues, including assessment of provision for doubtful trade receivables and advances were not operating effectively. This could potentially result in the Company not recognising a provision for doubtful/old overdue trade receivables and advances.
- b) The Company's internal financial controls over recording of period end expenses in timely manner particularly relating service vendors, were not operating effectively which could potentially result in not recognising expense in relevant period, results in recognising prior year expense.

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

**Qualified Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, maintained adequate internal financial controls over financial reporting as of March 31, 2018, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India", and except for the possible effects of the material weaknesses described in Basis for Qualified Opinion paragraph above on the achievement of the objectives of the control criteria, the Company's internal financial controls over financial reporting were operating effectively as of March 31, 2018.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the Ind AS financial statements of the Company for the year ended March 31, 2018, and these material weaknesses do not affect our qualified opinion on the said Ind AS financial statements of the Company.

For MAJETI & CO  
Chartered Accountants  
Firm's Registration No: 015975S

Kiran Kumar Majeti  
Partner  
Membership No: 220354

Place: Hyderabad  
Date: May 30, 2018

**ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT**

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- I. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items on rotation basis which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
- (c) The title deeds of immovable properties, as disclosed in Note 3 on fixed assets to the financial statements, are held in the name of the Company.
- ii. The physical verification of inventory excluding stocks with third parties have been conducted at reasonable intervals by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.
- iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products.

We have broadly reviewed the same, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is not regular in depositing undisputed statutory dues, including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, and cess and other material statutory dues, as applicable, except Goods and Service tax with the appropriate authorities. The extent of the arrears of statutory dues outstanding as at March 31, 2018 are as follows:

Name of the statute	Nature of dues	Amount(Rs.)	Period to which it relates	Due date	Date of Payment
Income Tax Act, 1961	Tax Deducted at source	1,40,77,565	July 2017 to March 2018	on 7 <sup>th</sup> day of next month	Not Yet Paid
Income Tax Act, 1961	Tax Collected at source	39,52,011	July 2017 to March 2018	on 7 <sup>th</sup> day of next month	Not Yet Paid
Employees' Provident Funds & Miscellaneous Provisions Act, 1952	Provident Fund	89,19,070	September 2017 to March 2018	on 15 <sup>th</sup> of next month	Not Yet Paid

Name of the statute	Nature of dues	Amount(Rs.)	Period to which it	Due date	Date of Payment
Employee state Insurance Act	Employees State Insurance	13,98,534	Feb2018 to March 2018	on 15th of next month	Not Yet Paid
Andhra Pradesh Tax on Professions, Trades, Callings and Employments Act, 1987	Professional Tax	4,78,080	July 2017 to March 2018	on 10th of next Month	Not Yet Paid
Karnataka Tax on Professions, Trades, Callings and Employments Act, 1976	Professional Tax	1,84,600	July 2017 to March 2018	on 10th of next Month	Not Yet Paid
Telangana Tax on Profession, Trades, Callings and employment Act, 1987	Professional Tax	78,400	July 2017 to March 2018	on 10th of next Month	Not Yet Paid

- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of service-tax, value added tax which have not been deposited on account of any dispute. The particulars of dues of income tax, sales tax, duty of excise, duty of customs, as at March 31, 2018 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount(Rs.)	Period to which the amount relates	Forum where the dispute is pending
Central Sales Tax, 1956	Sales Tax	23,29,595	2005-06	Sales Tax Appellate Tribunal, Hyderabad
Income Tax Act, 1961	Interest on Dividend Distribution Tax	13,79,100	2009-10	Deputy Commissioner of Income Tax, Hyderabad
Central Excise Act, 1944	Excise duty and penalty	2,53,99,502	September 2011-March 2015	The commissioner of central excise and customs, Belgaum
Central Excise Act, 1944	Excise duty and penalty	66,80,087	September 2011- May 2015	The Commissioner (Vizag Appeal-II), Guntur
Customs Act, 1962	Customs duty and penalty	10,47,95,907	2012-13	The Customs, Excise and Service Tax Appellate Tribunal, Hyderabad

- viii. According to the records of the Company examined by us and the information and explanations given to us, The Company has delayed in repayment of principle and interest as mentioned below for the period from March 2017 to March 2018 aggregating ₹ 145,90,07,059/-

Term Loans (Refer note 13 to the financial statements)	Nature of dues	Amount of default (Rs.)	Period of default and remains unpaid as at balance sheet date
<b>From Banks</b>			
Canara Bank	Principal	26,68,47,148	59-365 Days
Canara Bank	Interest	16,74,63,510	59-424 Days
State Bank of India	Principal	22,79,00,000	1-366 Days
State Bank of India	Interest	14,99,35,974	1-365 Days
Andhra Bank	Principal	20,23,69,830	1-366 Days
Andhra Bank	Interest	12,77,11,904	1-365 Days
<b>From Non-Banking Finance Company</b>			
Industrial Finance Corporation of India	Principal	19,83,68,877	60-335 Days
Industrial Finance Corporation of India	Interest	11,84,09,815	60-335 Days

Working capital Borrowings (Refer note 13 to the financial statements)	Fund based limit (Sanctioned) (Rs.)	Balance outstanding as at March 31, 2018 (Rs.)	Overdrawn balance (Rs.)	Interest overdue (Rs.)
From Canara Bank	26,40,00,000	2,24,33,50,949	1,97,93,50,949	-
From State Bank of India	40,20,00,000	1,70,65,81,675	1,30,45,81,675	23,39,69,022
From Andhra Bank	26,40,00,000	1,74,21,58,006	1,47,81,58,006	13,37,25,306
Total	93,00,00,000	5,69,20,90,630	4,76,20,90,630	36,76,94,328

- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- xv. The Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For MAJETI & CO  
Chartered Accountants  
Firm's Registration No: 0159755

Place: Hyderabad  
Date: May 30, 2018

Kiran Kumar Majeti  
Partner  
Membership No: 220354

**BALANCE SHEET AS AT 31ST MARCH 2018**

(All amounts in Indian Rupees)

Particulars	Note No.	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
<b>ASSETS</b>				
<b>I Non-current assets</b>				
a) Property, plant and equipment	3	7,78,28,85,585	8,27,21,40,496	8,61,29,59,059
b) Capital work-in-progress	3	30,73,99,190	28,85,30,530	26,13,94,418
c) Intangible assets	4	62,140	1,35,640	2,09,140
d) Financial assets				
(i) Investments	5	20,24,545	82,84,302	74,36,641
(ii) Other financial assets	6	6,42,59,086	6,24,86,157	5,47,04,604
e) Other non-current assets	7(i)	7,50,38,651	7,85,00,522	8,45,29,133
<b>Total Non-current assets</b>		<b>8,23,16,69,197</b>	<b>8,71,00,77,647</b>	<b>9,02,12,32,995</b>
<b>II Current assets</b>				
(a) Inventories	8	70,33,56,861	2,19,73,90,098	1,67,79,24,052
(b) Financial assets				
(i) Trade receivables	9	70,41,81,181	1,14,84,62,164	1,89,09,61,060
(ii) Cash and cash equivalents	10	10,85,71,697	88,50,956	2,42,94,314
(iii) Bank balances other than (ii) above	11	17,25,29,380	88,88,40,603	81,73,43,462
(c) Other current assets	7(ii)	22,44,91,180	45,86,99,722	39,88,14,738
<b>Total Current assets</b>		<b>1,91,31,30,299</b>	<b>4,70,22,43,543</b>	<b>4,80,93,37,626</b>
<b>TOTAL ASSETS</b>		<b>10,14,47,99,496</b>	<b>13,41,23,21,190</b>	<b>13,83,05,70,621</b>
<b>EQUITY AND LIABILITIES</b>				
<b>III Equity</b>				
a) Equity share capital	12	50,90,00,000	50,90,00,000	50,90,00,000
b) Other equity		(1,99,31,87,179)	1,05,74,73,096	1,69,40,29,360
<b>Total Equity</b>		<b>(1,48,41,87,179)</b>	<b>1,56,64,73,096</b>	<b>2,20,30,29,360</b>
<b>LIABILITIES</b>				
<b>IV Non-current liabilities</b>				
a) Financial liabilities				
(i) Borrowings	13(i)	2,05,57,23,445	2,80,52,84,904	3,65,08,10,272
(b) Provisions	14	5,07,13,488	5,77,35,778	2,18,19,250
<b>Total Non-current liabilities</b>		<b>2,10,64,36,933</b>	<b>2,86,30,20,682</b>	<b>3,67,26,29,522</b>
<b>V Current liabilities</b>				
(a) Financial liabilities				
(i) Borrowings	13(ii)	5,69,20,90,630	2,62,75,27,831	2,12,27,10,070
(ii) Trade payables: (Refer note- 32)		-	-	-
- dues to micro and small enterprises		-	-	-
- dues to others		67,37,79,585	4,37,66,90,596	4,47,71,57,403
(iii) Other financial liabilities	15	3,04,62,77,672	1,52,04,41,323	1,24,92,51,043
(b) Other current liabilities	16	9,88,50,936	45,33,28,368	7,54,72,958
(c) Provisions	14	1,15,50,919	48,39,294	3,03,20,265
<b>Total current liabilities</b>		<b>9,52,25,49,742</b>	<b>8,98,28,27,412</b>	<b>7,95,49,11,739</b>
<b>TOTAL LIABILITIES</b>		<b>11,62,89,86,675</b>	<b>11,84,58,48,094</b>	<b>11,62,75,41,261</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,14,47,99,496</b>	<b>13,41,23,21,190</b>	<b>13,83,05,70,621</b>

The accompanying notes of 1-38 are an integral part of the financial statements

Per our report of even date

For and on behalf of the Board of Directors

For Majeti &amp; Co.,

Chartered Accountants

Firm's Registration Number: 0159755

 K.Thanu Pillai  
Chairman

 A.S.Rao  
Executive Vice Chairman

Kiran Kumar Majeti

Partner

Membership Number: 220354

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

 A.Naresh Kumar  
Managing Director

 Hyderabad  
May 30, 2018



**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2018**

(All amounts in Indian Rupees)

Particulars	Notes	For the year ended March 31, 2018	For the year ended March 31, 2017
I Revenue from operations	17	2,48,73,08,166	11,31,59,75,529
II Other income	18	8,10,26,938	11,91,01,662
<b>III Total Income (I+II)</b>		<b>2,56,83,35,104</b>	<b>11,43,50,77,191</b>
<b>IV Expenses</b>			
(a) Cost of raw materials consumed	19	1,40,12,66,923	5,05,03,72,738
(b) Purchase of stock in trade		5,02,60,050	3,79,50,68,223
(c) Changes in inventories of finished goods, work-in-progress and scrap	20	1,03,16,26,183	(34,93,08,955)
(d) Excise duty		4,94,34,216	35,99,63,800
(e) Employee benefits expense	21	31,12,69,760	39,72,43,585
(f) Finance costs	22	1,40,55,97,605	1,16,92,15,306
(g) Depreciation and amortization expense	23	50,53,10,460	48,20,32,028
(h) Other expenses	24	87,72,13,046	1,17,26,96,787
<b>Total Expenses(IV)</b>		<b>5,63,19,78,243</b>	<b>12,07,72,83,512</b>
<b>V Loss before tax (III-IV)</b>		<b>(306,36,43,139)</b>	<b>(64,22,06,321)</b>
<b>VI Tax expense</b>			
(a) Current tax	25	-	-
(b) Deferred tax	25	-	-
<b>Total tax expense (VI)</b>		<b>-</b>	<b>-</b>
<b>VII Loss for the year (V-VI)</b>		<b>(306,36,43,139)</b>	<b>(64,22,06,321)</b>
<b>VIII Other Comprehensive Income</b>			
(A) Items that will not be reclassified to profit or loss			
-Remeasurements of defined benefit plan		1,29,82,864	56,50,057
<b>Total Other Comprehensive Income before Tax</b>		<b>1,29,82,864</b>	<b>56,50,057</b>
Income tax relating to above		-	-
<b>Other Comprehensive Income for the year (VIII)</b>		<b>1,29,82,864</b>	<b>56,50,057</b>
<b>IX Total Comprehensive Income for the year (VII+VIII)</b>		<b>(3,05,06,60,275)</b>	<b>(63,65,56,264)</b>
<b>X Loss per share (Par value of Rs.10 each)</b>			
- Basic and Diluted	36	(60.19)	(12.62)

The accompanying notes of 1-38 are an integral part of the financial statements

Per our report of even date

**For Majeti & Co.,**

Chartered Accountants

Firm's Registration Number: 0159755

**Kiran Kumar Majeti**

Partner

Membership Number: 220354

 Hyderabad  
May 30, 2018

**For and on behalf of the Board of Directors**
**K.Thanu Pillai**  
Chairman

**A.S.Rao**  
Executive Vice Chairman

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

**A.Naresh Kumar**  
Managing Director

**Statement of changes in equity for the year ended March 31, 2018**

(All amounts in Indian Rupees )

a. Equity share capital			
Equity shares of Rs.10/- each issued, subscribed and fully paid up.	Number of Shares	Amount	
As at April 01, 2016	5,09,00,000	50,90,00,000	
Changes in equity share capital	-	-	
As at March 31, 2017	5,09,00,000	50,90,00,000	
Changes in equity share capital	-	-	
As at March 31, 2018	5,09,00,000	50,90,00,000	
b. Other Equity			
Particulars	Reserves & surplus		
	Capital Reserve	Securities Premium	General reserve
Balance as at April 1, 2016	63,000	93,00,00,000	1,00,20,00,000
Impact of correction of error(Refer Note: 26(c)(9))			(22,44,95,072)
Restated balance as at April 1, 2016	63,000	93,00,00,000	(1,35,38,568)
Loss for the year	-	-	(23,80,33,640)
-Remeasurements of defined benefit plan obligations, net of income tax	-	-	(64,22,06,321)
Total comprehensive income for the year	-	-	(64,22,06,321)
Balance as at March 31, 2017	63,000	93,00,00,000	56,50,057
Balance as at April 1, 2017	63,000	93,00,00,000	56,50,057
Loss for the year	-	-	56,50,057
-Remeasurements of defined benefit plan obligations, net of income tax	-	-	(63,65,56,264)
Total comprehensive income for the year	-	-	56,50,057
Balance as at March 31, 2018	63,000	93,00,00,000	1,05,74,73,096
Nature and purpose of reserves			
Capital Reserve:			
This reserve represents share application money received from allottees and forfeiture due to non payment with in due date as per terms of issue.			
Securities premium reserve:			
This reserve represents the premium on issue of equity shares and can be utilised in accordance with the provisions of the Companies Act, 2013			
General Reserve:			
General reserve is used for strengthening the financial position and meeting future contingencies and losses and in accordance with the provisions of the Companies Act, 2013			
Retained Earnings:			
Retained earnings represents the cumulative profits of the Company and effects of remeasurement of defined benefit plan obligations. This Reserve can be utilized in accordance with the provisions of the Companies Act, 2013.			
For Majeti & Co.,			
Chartered Accountants			
Firm's Registration Number: 0159755			
Kiran Kumar Majeti			
Partner			
Membership Number: 220354			
Hyderabad			
May 30, 2018			
K.V.Krishna Rao			
Chief Financial Officer &			
Company Secretary			
K.Thanu Pillai			
Chairman			
A.S.Rao			
Executive Vice Chairman			
A.Naresh Kumar			
Managing Director			

For and on behalf of the Board of Directors

**Statement of cash flow for the year ended March 31, 2018**

(All amounts in Indian Rupees )

Particulars	Year ended 31st March 2018	Year ended 31st March 2017
<b>Cash flow from operating activities:</b>		
<b>Profit/ (Loss) before tax</b>	<b>(3,06,36,43,139)</b>	<b>(64,22,06,321)</b>
Adjustments for:		
Depreciation and amortisation expense	<b>50,53,10,460</b>	48,20,32,028
Unrealised foreign exchange gain (net)	<b>62,603</b>	(1,96,64,489)
Interest income	<b>(3,68,04,708)</b>	(7,17,92,142)
Dividend income classified as investing activities	<b>(5,148)</b>	(4,500)
Finance cost	<b>1,37,08,60,855</b>	99,66,11,497
Other Comprehensive Income	<b>1,29,82,864</b>	56,50,057
Net (gain)/loss arising on investments mandatorily measured at		
Fair value through profit and loss	<b>59,878</b>	(7,96,629)
(Profit) / Loss on sale of Property, Plant and Equipment(net)	-	17,057
(Profit)/ Loss on sale of investments	<b>(56,045)</b>	(70,950)
Bad debts written off	<b>15,71,23,644</b>	40,66,480
Debit balances written off	<b>17,90,64,913</b>	-
Provision for doubtful advances no longer required written back	<b>(2,50,00,000)</b>	-
Provision for doubtful trade receivables no longer required written back	-	(35,75,764)
Provision for doubtful trade receivables, advances and deposits	<b>11,63,06,575</b>	-
Provision for diminution in value of investments no longer required written back	-	(60,032)
<b>Operating Profit before working capital changes</b>	<b>(78,37,37,248)</b>	<b>75,02,06,292</b>
Adjustments for:		
Trade receivables and other assets	<b>25,89,31,095</b>	67,27,33,937
Inventories	<b>1,49,40,33,237</b>	(51,94,66,046)
Trade payables, other liabilities and provisions	<b>(4,08,43,97,729)</b>	40,10,77,001
<b>Cash generated from operating activities</b>	<b>(3,11,51,70,645)</b>	<b>1,30,45,51,184</b>
Income tax paid	<b>10,51,626</b>	31,66,851
<b>Net cash flow from operating activities</b>	<b>(3,11,41,19,019)</b>	<b>1,30,77,18,035</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment, Intangibles etc.,	<b>(4,51,19,127)</b>	(17,82,63,002)
Proceeds from disposal /sale of property, plant and equipment	-	28,819
Proceeds from sale of long-term non-trade investments	<b>62,55,924</b>	79,950
Redemption/ maturity of bank deposits		
(Original maturity of more than 3 months)	<b>69,79,40,089</b>	(7,08,11,778)
Interest received	<b>5,34,30,619</b>	6,92,09,301
Dividend received	<b>5,148</b>	4,500
<b>Net cash inflow /(outflow) from investing activities</b>	<b>71,25,12,653</b>	<b>(17,97,52,210)</b>

**Statement of cash flow for the year ended March 31, 2018 (Contd...)**

(All amounts in Indian Rupees)

Particulars	Year ended 31st March 2018	Year ended 31st March 2017
<b>Cash flows from financing activities:</b>		
Proceeds/(repayment) of long-term borrowings (net)	(6,95,73,159)	(75,62,33,544)
Proceeds/(repayment) of short-term borrowings (net)	3,06,45,62,799	52,90,55,187
Finance costs paid	(49,36,62,533)	(91,62,30,826)
<b>Net cash (outflow) from financing activities</b>	<b>2,50,13,27,107</b>	<b>(1,14,34,09,183)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>9,97,20,741</b>	<b>(1,54,43,358)</b>
Cash and cash equivalents at the beginning of the year	88,50,956	2,42,94,314
<b>Cash and cash equivalents at the end of the year</b>	<b>10,85,71,697</b>	<b>88,50,956</b>

**Notes:**

- The Cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7)- "Statement of Cash Flows".
- Previous year figures have been regrouped /reclassified to conform to current year classification.
- Taxes paid are treated as arising from operating activities and are not bifurcated between investing and financing activities.
- Amendment to Ind AS 7**

Effective April 1, 2017, the Company adopted the amendment to Ind AS 7, which require the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the Balance Sheet for liabilities arising from financing activities, to meet the disclosure requirement. The adoption of amendment did not have any material impact on the financial statements.

The accompanying notes of 1-38 are an integral part of the financial statements

Per our report of even date

**For Majeti & Co.,**

Chartered Accountants

Firm's Registration Number: 0159755

**Kiran Kumar Majeti**

Partner

Membership Number: 220354

Hyderabad

May 30, 2018

**For and on behalf of the Board of Directors**

**K.Thanu Pillai**  
Chairman

**A.S.Rao**  
Executive Vice Chairman

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

**A.Naresh Kumar**  
Managing Director

## Notes to the Financial Statements

### 1 Background:

- 1.1 Sathavahana Ispat Limited (SIL), (the 'company') is a public limited company incorporated under the provisions of erstwhile Companies Act, 1956 having its registered office at Hyderabad in the state of Telangana, India. The Equity Shares of the Company are listed with Stock Exchanges in India viz., BSE Limited, Mumbai (Stock Code:526093) and the National Stock Exchange of India Limited, Mumbai (Stock Code: SATHAISPAT").
- 1.2 'Sathavahana Ispat Limited (the Company) is engaged in the manufacture of ferrous products, Metallurgical Coke with Co-generation of Power. The ferrous products plant is in Anantapuram District of Andhra Pradesh and the Metallurgical Coke with Co-generation Power facility is in Bellary District, Karnataka. A major portion of Metallurgical Coke is captively used for manufacture of ferrous products. The Company's turnover is mainly from domestic markets.
- 1.3 The Financial statements are approved for issue by the Company's Board of Directors on May 30, 2018

### 2 Significant Accounting Policies:

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Compliance with Ind AS:

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

The financial statements up to year ended 31 March 2017 were prepared in accordance with the accounting principles generally accepted in India and accounting standards notified under Companies (Accounting Standard) Rules, 2006 (as amended) and other relevant provisions of the Act (Indian GAAP).

These financial statements are the first financial statements of the company under Ind AS. Refer note 26 for an explanation of how the transition from previous Indian GAAP to Ind AS was carried out in accordance with Ind AS 101 First- Time Adoption of Indian Accounting Standards with the date of transition as April 01, 2016 and its affect on the company's financial position, financial performance and cash flows.

#### 2.1 Basis of Preparation of financial statements:

The financial statements have been prepared as a going concern on accrual basis of accounting. The company has adopted historical cost basis for assets and liabilities except for certain items which have been measured on a different basis and such basis is disclosed in the relevant accounting policy. Previous year figures have been regrouped /reclassified to conform to current year classification. The financial statements are presented in Indian Rupees (INR).

#### Current and non-current classification:

An asset is classified as current if (i) It is expected to be realized or sold or consumed in the Company's normal operating cycle; (ii) It is held primarily for the purpose of trading; (iii) It is expected to be realized within twelve months after the reporting period; or (iv) It is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current if (i) It is expected to be settled in normal operating cycle; (ii) It is held primarily for the purpose of trading; (iii) It is expected to be settled within twelve months after the reporting period; (iv) It has no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

Deferred tax assets and liabilities are classified as non current only. All other assets and liabilities are classified as non-current.

All assets and liabilities have been classified as current or non-current as per Company's operating cycle and other criteria set out in Schedule-III of the Companies Act 2013. Based on the nature of business, the Company has ascertained its operating cycle as 12 months for the purpose of Current or non-current classification of assets and liabilities.

## Notes to the Financial Statements

### 2.2 Segment Reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments. Refer Note. 34 for segment information.

Segment revenue arising from third party customers is reported on the same basis as revenue in the financial statements. Inter-segment revenue is reported on the basis of transactions which are primarily market led. Segment results represent profits before finance charges, unallocated expenses and taxes.

“Unallocated Expenses” include revenue and expenses that relate to costs attributable to the enterprise as a whole and are not attributable to segments.

### 2.3 Functional and presentation currency:

#### (i) Functional and presentation currency:

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The financial statements are presented in Indian rupee (INR), which is companies functional and presentation currency.

#### (ii) Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in statement of profit and loss. Non-monetary items that are measured in terms of historical cost in a foreign currency, using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in statement of profit and loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equity investments classified as Fair value through other comprehensive income (FVOCI) are recognised in other comprehensive income.

### 2.4 Use of estimates, assumptions and judgements:

The preparation of financial statements in conformity with Ind AS requires management of the Company to make estimates and assumptions and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management’s best knowledge of current events and actions, actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognized prospectively in the current and future periods.

Following are the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving critical estimates or judgements are:

- Estimation of useful life
- Estimation of defined benefit obligation (Refer note. 21(a)(ii))
- Estimation of expected credit loss on financial assets (Refer note. 9(i))
- Estimation of recognition of deferred tax assets for carried forward tax losses (Refer note. 25)



## Notes to the Financial Statements

### 2.5 Revenue recognition:

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are inclusive of excise duty and net of returns, trade allowances, rebates, value added taxes, goods and service tax (GST) and amounts collected on behalf of third parties.

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the activities as described below.

#### i) Sale of goods:

Timing of recognition & measurement

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Transfer of risks and rewards vary depending on the individual terms of contract of sale. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

#### ii) Sale of Services:

Timing of recognition & measurement

Revenue recognition is based on the terms and conditions as per the contracts entered into / understanding with the customers. All revenues from services, as rendered, are recognised when persuasive evidence of an arrangement exists, the sale price is fixed or determinable and collectability is reasonably assured and are reported net of sales incentives, discounts based on the terms of the contract and applicable indirect taxes.

#### iii) Dividend Income:

Dividend income on investments is accounted for when the right to receive the payment is established, which is generally when shareholders approve the dividend. Dividend income is included in Other Income in the Statement of Profit and Loss.

#### iv) Interest Income:

Interest income from debt instruments is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

### 2.6 Property, Plant and Equipment :

#### Recognition and measurement:

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing an asset to working condition and location for its intended use. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Items such as spares are capitalized when they meet the definition of property, plant and equipment. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Likewise, expenditure towards major inspections and overhauls are identified as a separate component and depreciated over the expected period till the next overhaul expenditure.

#### Subsequent expenditure:

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future economic benefits from the existing asset beyond its previously assessed standard of performance/life. All other expenses on existing property, plant and equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and

## Notes to the Financial Statements

loss for the period during which such expenses are incurred.

### **Derecognition:**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefit is expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognised in profit and loss in the period the item is derecognised.

### **Depreciation expense:**

Depreciation is computed on a straight line basis so as to write off cost of assets over the useful lives of tangible fixed assets in the manner prescribed in Schedule II of the Act. The Company reviews the residual value, useful lives and depreciation method annually and, if expectations differ from previous estimates, the change is accounted for as a change in accounting estimate on a prospective basis. Property, Plant and Equipment individually costing Rs. 5,000 or below are fully depreciated in the year of purchase. Depreciation on additions/deletions is calculated on a monthly pro-rata basis.

Leasehold Land is amortised over the period of lease on straight line basis.

### **Transition to Ind AS:**

On transition to Ind AS, the Company has elected the option of fair value as deemed cost for Land, as on the date of transition. All other items of property, plant and equipment use the carrying value measured as per the previous Indian GAAP as the deemed cost as at 1st April 2016.

## **2.7 Intangible Assets and amortisation :**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

These assets are amortised over a period of 3 years, which is based on their estimated useful life. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

### **Transition to Ind AS:**

On transition to Ind AS, the Company has elected to continue with the carrying value of all of intangible assets recognized as at 1st April 2016 measured as per the previous GAAP and use that carrying value as the deemed cost of intangible assets.

## **2.8 Equity instruments:**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company is recognised at the proceeds, net of direct costs of the capital issue.

## **2.9 Financial Instruments:**

### **Classification, initial recognition and measurement:**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized on the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

### **Financial Assets :**

Classification: The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments recognition of gains and losses depends on the business model in which the investment is held. For investments in equity instruments, recognition of gains and losses depends on whether the Company has made an irrevocable election at the

## Notes to the Financial Statements

time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

**At initial recognition**, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

### **Subsequent measurement - Debt instruments**

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments

#### **At amortised cost:**

Financial assets having contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding and that are held within a business model whose objective is to hold such assets in order to collect such contractual cash flows are classified in this category. Subsequently, these are measured at amortised cost using the effective interest method less any impairment losses.

#### **At fair value through other comprehensive income (FVOCI):**

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows on specified dates that are solely payment of principle and interest on the principle amount outstanding and selling financial assets.

#### **At fair value through profit or loss (FVTPL):**

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are immediately recognised in profit or loss.

#### **Other Equity Investments:**

All other equity investments are measured at fair value, with value changes recognised in Statement of Profit and Loss, except for those equity investments for which the Company has elected to present the value changes in 'Other Comprehensive Income', there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

#### **Cash and cash equivalents:**

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

#### **Bank balances other than cash and cash equivalents:**

Bank balances and other deposits with banks pledged or lien marked against bank guarantees and letters of credit issued by banks are treated as Margin Money.

#### **Trade receivables:**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

#### **(ii) Financial liabilities:**

##### **Classification, initial recognition and measurement:**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate. All financial liabilities are recognised initially

## Notes to the Financial Statements

at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

### **Subsequent measurement:**

Financial liabilities are carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

### **Trade and other payables:**

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 180 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### **Loans and borrowings:**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

### **Derecognition of financial instruments:**

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On de-recognition of a financial asset the difference between the carrying amount and the consideration received is recognised in the statement of profit and loss. The Company derecognises financial liabilities when, and only when, the Company's obligation are discharged, cancelled or have expired. On de-recognition of a financial liability the difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of profit and loss.

### **Off-setting financial instruments:**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on occurrence of future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group or the counterparty.

## **2.10 Impairment of Assets:**

### **Financial assets :**

The Company assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. In accordance with Ind AS 109, the Company uses 'Expected Credit Loss' (ECL) model, for evaluating impairment of financial assets other than those measured at fair value through profit and loss (FVTPL). Expected credit losses are measured through a loss allowance at an amount equal to - The 12-months expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or - Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). For trade receivables Company applies 'simplified approach' which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company uses historical default rates to determine impairment loss on the portfolio of trade receivables. At every reporting date these historical default rates are reviewed and changes in the forward looking estimates are analysed. For other assets, the

## Notes to the Financial Statements

Company uses 12 month ECL to provide for impairment loss where there is no significant increase in credit risk. If there is significant increase in credit risk full lifetime ECL is used.

### **Non-financial assets:**

Property, Plant and Equipment and Other intangible assets with finite life are evaluated for recoverability when there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss.

### **2.11 Borrowing costs:**

Borrowing costs include exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are charged to the Statement of Profit and Loss for the period for which they are incurred.

### **2.12 Inventories:**

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. Cost of raw materials and stores comprise of cost of purchase.

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.

Trading goods are valued at lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Obsolete, defective and unserviceable inventories are provided for or written off net of scrap value.

### **2.13 Taxation:**

Tax expense comprises of current tax and deferred tax. Current tax is measured at the amount expected to be paid to / recovered from the tax authorities, based on estimated tax liability computed after taking credit for allowances and exemption in accordance with the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the income taxes are recognised in other comprehensive income or directly in equity, respectively.

Advance taxes and provisions for current income taxes are presented in the statement of financial position after off-setting advance tax paid and income tax provision arising in the same tax jurisdiction and where the relevant tax paying units intends to settle the asset and liability on a net basis.

#### **Deferred income taxes -Balance sheet approach**

Deferred income tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount, except when the deferred



## Notes to the Financial Statements

income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction. Deferred income tax asset are recognised to the extent it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be received or settled.

Deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is probable evidence that the Company will pay normal income tax after the tax holiday period.

Deferred tax assets and liabilities are offset when it relates to income taxes levied by the same taxation authority and the relevant entity intends to settle its current tax assets and liabilities on a net basis.

The Company recognises interest levied and penalties related to income tax assessments in interest expenses.

### **Minimum Alternate Tax (MAT)**

Minimum Alternate Tax (MAT) paid as per *provisions of* Indian Income Tax Act, 1961 is in the nature of unused tax credit which can be carried forward and utilised when the Company will pay normal income tax during the specified period. Deferred tax assets on such tax credit is recognised to the extent that it is probable that the unused tax credit can be utilised in the specified future period. The net amount of tax recoverable from, or payable to, the taxation authority is included as part of assets or liabilities in the balance sheet.

## **2.14 Leases:**

At the inception of a lease, the lease arrangements is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

### **As a lessee:**

Leases of property, plant and equipment where the company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

### **As a lessor:**

Lease income from operating leases where the company is a lessor is recognised in income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the balance sheet based on their nature.

## **2.15 Provisions, contingent liabilities and contingent assets:**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The expense

## Notes to the Financial Statements

relating to any provision is presented in the statement of profit and loss net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as other finance expense.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

A contingent assets is not recognised unless it becomes virtually certain that an inflow of economic benefits will arise. When an inflow of economic benefits is probable, contingent assets are disclosed in the financial statements.

Provisions, Contingent liabilities and contingent assets are reviewed at each balance sheet date.

### 2.16 Employee benefits:

#### (i) Short-term obligations:

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

#### (ii) Other long-term employee benefit obligations:

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the appropriate market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

The Company operates the following post-employment schemes

- (a) Defined benefit plans such as gratuity and;
- (b) Defined contribution plans such as provident fund.
- (c) State Plans

#### (a) Defined benefit plans-Gratuity obligations:

The liability or assets recognized in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The benefits which are denominated in currency other than INR, the cash flows are discounted using market yields determined by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

## Notes to the Financial Statements

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and change in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service cost.

**(b) Defined contribution plans:**

The Company pays provident fund contributions to publicly administered funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognized as employee benefit expense when they are due.

**(c) State Plans:**

Employer's contribution to Employee's State Insurance is charged to Statement of Profit and Loss.

### 2.17 Dividends:

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period. Proposed dividend is recognised as a liability in the period in which it is declared by the Company, usually when approved by shareholders in a general meeting or paid.

### 2.18 Earnings per share:

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### 2.19 Recent accounting pronouncements :

Ind AS 115- Revenue from Contract with Customers On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard permits two possible methods of transition • Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8- Accounting Policies, Changes in Accounting Estimates and Errors • Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach) The effective date for adoption of Ind AS 115 is financial periods beginning on or after April 1, 2018. The Company will adopt the standard on April 1, 2018 by using the cumulative catch-up transition method and accordingly comparatives for the year ending or ended March 31, 2018 will not be retrospectively adjusted. The effect on adoption of Ind AS 115 is expected to be insignificant.

Ind AS 21- The effect of changes in exchange rates On 28 March, 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The amendment will come into force from 1st April, 2018. There is no material effect on the financial statements, since the Company is following the same method in recording the foreign currency transactions.

**Notes to the Financial Statements**

(All amounts in Indian Rupees )

**Note 3: Property, plant and equipment:**

	Freehold Land	Freehold Buildings	Plant and Equipment	Furniture and Fixtures	Vehicles	Office Equipment	Data processing Equipment	Leased hold land	Total	Capital work-in-progress
<b>As At March 31, 2017</b>										
<b>Gross carrying amount</b>										
Deemed Cost as at April 01, 2016 (Refer 3(ii)& (v))	56,73,15,629	93,00,60,751	9,13,84,15,437	90,44,680	7,82,05,438	1,65,11,173	90,51,091	3,31,42,622	10,78,17,46,821	26,13,94,418
Additions	-	-	12,67,45,090	1,98,165	1,27,66,416	10,86,070	3,90,100	-	14,11,85,841	2,71,36,112
Disposals	-	-	-	3,22,291	9,17,512	3,57,804	55,934	-	16,53,541	-
<b>Closing gross carrying amount</b>	<b>56,73,15,629</b>	<b>93,00,60,751</b>	<b>9,26,51,60,527</b>	<b>89,20,554</b>	<b>9,00,54,342</b>	<b>1,72,39,439</b>	<b>93,85,257</b>	<b>3,31,42,622</b>	<b>10,92,12,79,121</b>	<b>28,85,30,530</b>
<b>Accumulated depreciation</b>										
Opening accumulated depreciation	-	11,33,85,633	1,98,95,94,468	43,90,412	4,35,43,759	1,07,44,422	71,29,068	-	2,16,87,87,762	-
Depreciation charge during the year	-	2,58,36,871	44,73,07,123	6,86,387	56,59,473	17,01,767	7,66,907	-	48,19,58,528	-
Disposals	-	-	-	3,22,291	8,71,636	3,57,804	55,934	-	16,07,665	-
<b>Closing accumulated depreciation</b>	<b>-</b>	<b>13,92,22,504</b>	<b>2,43,69,01,591</b>	<b>47,54,508</b>	<b>4,83,31,596</b>	<b>1,20,88,385</b>	<b>78,40,041</b>	<b>-</b>	<b>2,64,91,38,625</b>	<b>-</b>
Net carrying amount as at March 31, 2017	56,73,15,629	79,08,38,247	6,82,82,58,936	41,66,046	4,17,22,746	51,51,054	15,45,216	3,31,42,622	8,27,21,40,496	28,85,30,530
Net carrying amount as at April 01, 2016	56,73,15,629	81,66,75,118	7,14,88,20,969	46,54,268	3,46,61,679	57,66,751	19,22,023	3,31,42,622	8,61,29,59,059	26,13,94,418
<b>As At March 31, 2018</b>										
<b>Gross carrying amount</b>										
Opening Gross carrying amount	56,73,15,629	93,00,60,751	9,26,51,60,527	89,20,554	9,00,54,342	1,72,39,439	93,85,257	3,31,42,622	10,92,12,79,121	28,85,30,530
Additions	-	-	1,54,81,820	21,297	-	1,62,867	3,16,066	-	1,59,82,050	1,88,68,660
<b>Closing gross carrying amount</b>	<b>56,73,15,629</b>	<b>93,00,60,751</b>	<b>9,28,06,42,347</b>	<b>89,41,851</b>	<b>9,00,54,342</b>	<b>1,74,02,306</b>	<b>97,01,323</b>	<b>3,31,42,622</b>	<b>10,93,72,61,170</b>	<b>30,73,99,190</b>
<b>Accumulated depreciation</b>										
Opening accumulated depreciation	-	13,92,22,504	2,43,69,01,591	47,54,508	4,83,31,596	1,20,88,385	78,40,041	-	2,64,91,38,625	-
Depreciation charge during the year	-	2,58,59,579	46,92,45,296	5,87,746	73,82,876	14,77,459	6,84,004	-	50,52,36,960	-
Disposals	-	-	-	-	-	-	-	-	-	-
<b>Closing accumulated depreciation as at March 31, 2018</b>	<b>-</b>	<b>16,50,82,083</b>	<b>2,90,61,46,887</b>	<b>53,42,254</b>	<b>5,57,14,471</b>	<b>1,35,65,844</b>	<b>85,24,045</b>	<b>-</b>	<b>3,15,43,75,585</b>	<b>-</b>
<b>Net carrying amount as at March 31, 2018</b>	<b>56,73,15,629</b>	<b>76,49,78,669</b>	<b>6,37,44,95,459</b>	<b>35,99,597</b>	<b>3,43,39,871</b>	<b>38,36,461</b>	<b>11,77,278</b>	<b>3,31,42,622</b>	<b>7,78,28,85,585</b>	<b>30,73,99,190</b>

**Note:**

- Capital work in progress mainly consist of cost incurred for the New Boiler at Kudithini Plant.
- The Company has elected the option of fair value as deemed cost for Freehold Land, as on the date of transition to Ind AS. Fair value of the freehold land was determined by using the market comparable method. This means that valuations performed by the valuers are based on active market prices, significantly adjusted for difference in the nature, location or condition of the properties. As at the date of revaluation April 01, 2016, the properties fair values are based on valuations performed by G.P Sankaram & Associates, Hyderabad an accredited independent valuers who has relevant valuation experience.
- Under the agreement with the KIADB, at the expiry of sale cum lease the Company owns the leasehold land at the expiry of stipulated period subject to conditions provided in agreement and the company is expected to fulfil the conditions stipulated in the agreement /-
- Refer Note 37 for assets pledged as security in favour of the Lenders.
- Capitalised borrowing costs - Adjustment made (net of Depreciation) to Buildings Rs. 60,18,267/- & Plant & Equipment Rs. 4,46,62,793/- on account of borrowing costs capitalised during the installation period as per Para D7AA of Ind AS 101.

**Notes to the Financial Statements**

(All amounts in Indian Rupees )

**Note 4: Intangible assets (Acquired):**

	<b>Computer Software</b>
<b>Year ended March 31, 2017</b>	
<b>Gross carrying amount</b>	
Deemed Cost as at April 01, 2016	10,97,820
Additions	-
<b>Closing gross carrying amount as at March 31, 2017</b>	<b>10,97,820</b>
<b>Accumulated amortisation</b>	
Opening accumulated amortisation as at April 01, 2016	8,88,680
<b>Amortisation charge during the year</b>	<b>73,500</b>
<b>Closing accumulated amortisation as at March 31, 2017</b>	<b>9,62,180</b>
Closing net carrying amount as at March 31, 2017	1,35,640
Closing net carrying amount as at April 01, 2016	2,09,140
<b>Year ended March 31, 2018</b>	
<b>Gross carrying amount</b>	
Opening Gross carrying amount as at April 01, 2017	10,97,820
Additions	-
<b>Closing gross carrying amount as at March 31, 2018</b>	<b>10,97,820</b>
<b>Accumulated amortisation</b>	
Opening accumulated amortisation as at April 01, 2017	9,62,180
Amortisation charge during the year	73,500
<b>Closing accumulated depreciation as at March 31, 2018</b>	<b>10,35,680</b>
Closing net carrying amount as at March 31, 2018	62,140

**Note 5: Non-Current Investments:**

	<b>March 31, 2018</b>	<b>March 31, 2017</b>	<b>April 01, 2016</b>
<b>(Quoted, fully paid up)</b>			
<b>Investment in equity instruments ( at FVTPL)</b>			
IDBI Bank Ltd 10,720 (March 31, 2017 -10,720 shares, April 01,2016 - 10,720 shares) Equity shares of Rs.10/- each, fully paid (formerly Industrial Development Bank of India)	<b>7,74,520</b>	8,05,072	7,45,040
IFCI Ltd 10,000 (March 31, 2017-10,000 & April 01 ,2016-10,000 ) Equity shares of Rs.10/- each, fully paid	<b>1,97,500</b>	2,97,000	2,46,000
State Bank of India 1,980 Equity shares of Rs.10/- each, fully paid (formerly State Bank of Travancore (March 31, 2017- 900 & April 01, 2016 -1050) Equity shares of Rs.10/- each, fully paid )	<b>4,95,198</b>	5,79,348	4,04,828
<b>Total (equity instrument)</b>	<b>14,67,218</b>	16,81,420	13,95,868
<b>(Unquoted, fully paid up)</b>			
<b>Investment in Mutual Funds (at FVTPL)</b>			
SBI Mutual Fund 5,000 (March 31, 2017-5,000 & April 01, 2016-5,000 ) Units of Rs.10/- each, fully paid	<b>1,86,100</b>	1,67,861	1,39,605
Canara Robeco Mutual Fund 19,119 (March 31, 2017-5,19,109 & April 01 ,2016-5,19,109 ) Units of Rs.10/- each, fully paid	<b>3,71,227</b>	64,35,021	59,01,168
<b>Total (Mutual Funds)</b>	<b>5,57,327</b>	66,02,882	60,40,773
<b>Total Non-current investments</b>	<b>20,24,545</b>	82,84,302	74,36,641



**Notes to the Financial Statements**

(All amounts in Indian Rupees )

	March 31, 2018	March 31, 2017	April 01, 2016
Aggregate amount of unquoted investments	5,57,327	66,02,882	60,40,773
Aggregate amount of quoted investments	14,67,218	16,81,420	13,95,868
Aggregate market value of quoted investments	14,67,218	16,81,420	13,95,868
Aggregate market value of unquoted investments	5,57,327	66,02,882	60,40,773

**Note 6: Other Financial assets:**
**i) Non-Current**

	March 31, 2018	March 31, 2017	April 01, 2016
Unsecured, Considered good			
Deposits with Government, Public Bodies and Others	3,21,57,271	3,19,41,055	2,14,48,360
Keyman insurance and benefits thereon receivable	3,21,01,815	3,05,45,102	3,32,56,244
<b>Total other non-current financial assets</b>	<b>6,42,59,086</b>	<b>6,24,86,157</b>	<b>5,47,04,604</b>

**Note 7 : Other Assets:**
**i) Non-current Assets**

	March 31, 2018	March 31, 2017	April 01, 2016
Capital advances (Refer Note:31)			
- Considered good	3,11,50,969	3,36,06,559	3,80,76,025
- Considered doubtful	97,54,976	-	-
Less: Provision for doubtful advances	(97,54,976)	-	-
Advances other than capital advances:			
Taxes paid under protest against legal cases			
- Considered good	65,42,630	61,33,963	61,33,963
Other deposits			
- Considered doubtful	54,02,173	-	-
Less: Provision for doubtful deposits	(54,02,173)	-	-
Pre-paid expenses	29,49,368	33,12,690	17,04,984
Prepaid taxes ( Net of provision for taxation)	3,43,95,684	3,54,47,310	3,86,14,161
<b>Total other non-current assets</b>	<b>7,50,38,651</b>	<b>7,85,00,522</b>	<b>8,45,29,133</b>

**ii) Other Current Assets:**

	March 31, 2018	March 31, 2017	April 01, 2016
(Unsecured)			
<u>Advances other than capital advances:</u>			
Security Deposits			
- With Statutory Authorities	2,81,28,043	4,66,98,458	5,18,33,171
- Others			
- Considered good	8,69,996	16,04,810	15,07,014
- Considered doubtful	10,21,784	-	-
Less: Provision for doubtful deposits	(10,21,784)	-	-
Balance with government authorities			
- Considered good	9,62,94,314	5,09,85,386	7,45,98,106
- Considered doubtful	1,89,84,281	-	-
Less: Provision for doubtful deposits	(1,89,84,281)	-	-
Prepaid expenses	89,38,620	6,74,45,865	3,10,51,354
Advances to suppliers	8,37,87,716	26,35,28,915	20,87,85,215
Other advances and receivable			
- Considered good	64,72,491	2,84,36,288	3,10,39,878
- Considered doubtful	16,81,500	-	-
Less: Provision for doubtful deposits	(16,81,500)	-	-
Other advances considered doubtful	2,50,00,000	2,50,00,000	2,50,00,000
Less: Provision for doubtful advances	-	(2,50,00,000)	(2,50,00,000)
Less: Written off during the year	(2,50,00,000)	-	-
<b>Total other current assets</b>	<b>22,44,91,180</b>	<b>45,86,99,722</b>	<b>39,88,14,738</b>

**Notes to the Financial Statements**

(All amounts in Indian Rupees )

**Note 8: Inventories (Valued at cost and net realisable value whichever is lower except for by-product and scrap. By-product and scrap are valued at net realisable value):**

	March 31, 2018	March 31, 2017	April 01, 2016
Raw materials	18,43,24,640	65,18,10,003	41,56,39,720
Work-in-progress	9,04,56,157	29,55,46,804	16,98,62,257
Finished goods	34,14,34,302	1,16,67,97,681	94,32,33,811
Stores and spares	8,69,92,466	8,19,14,157	14,79,27,349
Scrap	1,49,296	13,21,453	12,60,915
<b>Total inventories</b>	<b>70,33,56,861</b>	<b>2,19,73,90,098</b>	<b>1,67,79,24,052</b>

**The above includes material in transit as under:**

	March 31, 2018	March 31, 2017	April 01, 2016
Raw materials	8,67,54,350	2,00,05,507	3,19,58,815
Finished goods	-	1,46,47,727	1,24,87,712
Stores and spares	-	66,61,909	66,37,457
<b>Total</b>	<b>8,67,54,350</b>	<b>4,13,15,143</b>	<b>5,10,83,984</b>

Note:

- Raw Material & Finished goods Includes stock lying with the third party as on March 31, 2018 : ₹ 2,08,37,906/- (March 31, 2017 : ₹ 14,13,22,404, April 01, 2016: ₹ 26,24,57,432/- )
- Inventories are hypothecated to banks under working capital financing. (Refer Note :37)

**Note 9: Trade receivables:**

	March 31, 2018	March 31, 2017	April 01, 2016
(Unsecured)			
- considered good	70,41,81,181	1,42,21,81,556	2,25,75,09,830
- considered doubtful	9,30,56,138	1,35,94,277	1,71,70,041
Less: Allowance for doubtful receivables	(9,30,56,138)	(1,35,94,277)	(1,71,70,041)
Less : Bills discounted with a bank	-	(27,37,19,392)	(36,65,48,770)
<b>Total trade receivables</b>	<b>70,41,81,181</b>	<b>1,14,84,62,164</b>	<b>1,89,09,61,060</b>

Note 9 (i) : Movement in the provision for impairment of trade receivables:

	March 31, 2018	March 31, 2017
<b>Balance at the beginning of the year</b>	<b>1,35,94,277</b>	<b>1,71,70,041</b>
Movement in expected credit loss allowances on trade receivables (calculated at lifetime expected credit losses)	23,65,85,505	4,90,716
Bad debts written off during the year	(15,71,23,644)	(40,66,480)
<b>Balance at the end of the year</b>	<b>9,30,56,138</b>	<b>1,35,94,277</b>

Note 9(ii): Trade Receivables are hypothecated to banks under working capital financing. (Refer Note :37)

**Note 10: Cash and cash equivalents:**

	March 31, 2018	March 31, 2017	April 01, 2016
Balances with banks			
- in current accounts	10,80,83,385	82,00,872	2,07,10,038
Cash on hand	4,88,312	6,50,084	35,84,276
<b>Total cash and cash equivalents</b>	<b>10,85,71,697</b>	<b>88,50,956</b>	<b>2,42,94,314</b>

**Note 11: Bank balances other than cash and cash equivalents:**

	March 31, 2018	March 31, 2017	April 01, 2016
Earmarked Balances for unpaid dividend (Refer Note : 15(i))	22,03,760	39,48,983	58,46,461
Margin money deposits with Banks (Refer Note 30(i) )	17,03,25,620	88,48,91,620	81,14,97,001
<b>Total Bank balances other than cash and cash equivalents</b>	<b>17,25,29,380</b>	<b>88,88,40,603</b>	<b>81,73,43,462</b>

Note11(a) : Margin Money Deposits includes Rs.17,03,25,620/- (2017: Rs.88,48,81,620/- and 2016 Rs.81,14,87,001/-) pledged/ lien marked against bank guarantees and Letter of Credit issued by the Bank.

**Notes to the Financial statements**

(All amounts in Indian Rupees )

**Note12 : Equity share capital:**
**Authorised equity share capital:**

	Number of shares	Amount
As at April 01, 2016	6,00,00,000	60,00,00,000
Movement during the year	-	-
As at March 31, 2017	6,00,00,000	60,00,00,000
Movement during the year	-	-
<b>As at March 31, 2018</b>	<b>6,00,00,000</b>	<b>60,00,00,000</b>

**(i) Reconciliation of number of shares outstanding:**
**Issued, Subscribed and Paid up Equity Share capital**

	Number of shares	Amount
As at April 01, 2016	5,09,00,000	50,90,00,000
Movement during the year	-	-
As at March 31, 2017	5,09,00,000	50,90,00,000
Movement during the year	-	-
<b>As at 31st March 2018</b>	<b>5,09,00,000</b>	<b>50,90,00,000</b>

**ii) Terms/rights attached to equity shares :**

The company has only one class of equity shares having a par value of Rs.10 per share. Each Holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of 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.

**(iii) Details of shareholders holding more than 5% equity shares in the company:**

	<b>PROMOTERS GROUP</b>		
	Smt A . Mutya Bai*	Shri A . Ashok Kumar	Ganapati Adusumilli Fininvest Private Limited
<b>As At April 01, 2016</b>			
Number of shares	49,21,585	33,19,110	42,00,000
% holding	9.67%	6.52%	8.25%
<b>As At March 31, 2017</b>			
Number of shares	49,21,585	33,19,110	42,00,000
% holding	9.67%	6.52%	8.25%
<b>As At March 31, 2018</b>			
Number of shares	49,10,482	33,19,110	42,00,000
% holding	9.65%	6.52%	8.25%

\* Pledge on 153651 equity shares for an amount of Rs. 27,31,534/- invoked and sold by IFCI after the balance sheet date due to default in repayment of principal and service of interest.

**Notes to the Financial Statements**

(All amounts in Indian Rupees)

	<b>OTHER THAN PROMOTER GROUP</b>			
	Stemcor AG.	Plutus Terra India Fund	Antara India Evergreen Fund Limited	One Earth Capital Limited
<b>As At April 01, 2016</b>				
Number of shares	55,76,316	49,90,000	49,90,000	-
% holding	10.96%	9.80%	9.80%	-
<b>As At March 31, 2017</b>				
Number of shares	-	49,90,000	47,82,463	55,76,316
% holding	-	9.80%	9.40%	10.96%
<b>As At March 31, 2018</b>				
Number of shares	-	49,90,000	46,40,996	55,76,316
% holding	-	9.80%	9.12%	10.96%

**Note 13: Borrowings**
**(i): Non-current borrowings**

	<b>March 31, 2018</b>	March 31, 2017	April 01, 2016
<b>(Secured)</b>			
<b>Term Loans:</b>			
i. From Banks	<b>2,99,10,75,443</b>	3,03,27,89,729	3,74,27,61,756
ii. From IFCI Limited	<b>81,71,18,877</b>	84,37,50,000	90,00,00,000
iii. From Banks and other parties	<b>93,80,699</b>	1,92,72,077	1,78,84,344
<b>Total</b>	<b>3,81,75,75,019</b>	3,89,58,11,806	4,66,06,46,100
Less: Current maturities of long-term debt	<b>(1,74,58,70,944)</b>	(1,06,58,82,644)	(97,65,90,820)
Less: Unamortised upfront fees and other borrowing Cost	<b>1,59,80,630</b>	2,46,44,258	3,32,45,008
<b>Total Non-current borrowings</b>	<b>2,05,57,23,445</b>	2,80,52,84,904	3,65,08,10,272

**Secured borrowings and assets pledged as security**

- 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 Promoter Directors of the Company. The Principal amount on these term loans are generally repayable in 32 equated quarterly instalments after moratorium period of one year with interest payable on monthly rests. The interest rates vary from 12.5% to 13.75% p.a. Borrowing from IFCI Limited is secured by first mortgage and charge on immovable properties including movable assets, both present and future, ranking pari passu with the existing lenders and guaranteed by one Promoter Director of the Company and further secured by pledge of twenty five percent of equity shares held by the promoters in the company. The borrowing from IFCI Limited is repayable in sixteen equated quarterly instalments after a moratorium period of one year from the date of first disbursement with interest 13.55% payable on monthly rests.
- The period of maturity with reference to five term Loan Borrowings from Balance Sheet date are: (a) Loan 1 comprises of 5 quarterly instalments of ₹12550000/- each, one quarterly instalment of ₹11746778/-; (b) Loan 2 comprises of 1 quarterly instalment of ₹15750000/-, 1 instalment of ₹9000000/-, 6 quarterly instalments of ₹7875000/- each and 1 quarterly instalment of ₹7846976/- (c) Loan 3 comprises of 19 quarterly instalments of ₹85625000/- each, and 1 quarterly instalment of ₹9873486/- (d) Loan 4 comprises of 20 quarterly instalments of ₹42000000/- each and 1 quarterly instalment of ₹17983203/-, and 19 quarterly instalments of ₹18000000/- each (e) Loan 5 comprises of 14 quarterly instalments of ₹56250000/- each and one quarterly instalment of ₹29618877/-.
- Other loans from banks and other party are on hypothecation of assets and guaranteed by the Managing Director of the Company. These loans are mostly repayable in 36 equated monthly instalments including interest. The interest rates vary from 9.50% to 11.5% p.a. The future maturities from the Balance Sheet date comprises (a) loan 1 comprises two instalments of ₹618929/- each and (b) loan 2 comprises thirty eight instalments of ₹93012/- each (c) loan 3 comprises forty instalments of ₹20112/-each; (d) loan 4 comprises thirty nine instalments of ₹14799/- each and (e) loan 5 comprises thirty instalments of ₹143870/- each. All instalments includes interest.

## Notes to the Financial Statements

(All amounts in Indian Rupees )

- iv. The above borrowings and interest due thereon have not been paid as on balance sheet date are stated below:  
v. The carrying amounts of financial and non-financial assets pledged as security for the above borrowing are disclosed in note 37.

### (ii): Current borrowings

	March 31, 2018	March 31, 2017	April 01, 2016
<b>Secured-Payable on demand</b>			
Working Capital Loans from Banks	5,69,20,90,630	1,48,75,75,850	89,78,40,985
Buyer's Credit	-	1,13,99,51,981	1,22,48,69,085
<b>Total current borrowings</b>	<b>5,69,20,90,630</b>	<b>2,62,75,27,831</b>	<b>2,12,27,10,070</b>

### Secured borrowings and assets pledged as security

- i) Working capital loans from banks and Buyer's credit are secured by first charge on the entire current assets and further secured by second charge on entire fixed assets of the Company and guaranteed by two Promoter Directors of the Company. The rate of interest on working capital loans varies from 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 carrying amounts of financial and non-financial assets pledged as security are disclosed in note no. 37

**Defaults in repayment of Long Term Borrowings and interest thereon which are paid and unpaid as at balance sheet date:**

	Period of default (as at reporting date)	March 31, 2018	March 31, 2017	April 01, 2016
<b>Default- Paid</b>				
<b>Term Loans:</b>				
From Canara Bank				
- Principal	86 Days	2,37,14,286	-	-
- Interest	86 Days	2,75,60,309	-	-
From Andhra Bank				
- Interest	90 Days	39,58,505	-	-
<b>Total</b>		<b>5,52,33,100</b>	<b>-</b>	<b>-</b>
<b>Default- Unpaid</b>				
From State Bank of India				
- Principal	1-366 Days	22,79,00,000	44,00,000	-
- Interest	1-365 Days	14,99,35,974	-	-
From Andhra Bank				
- Principal	1-366 Days	20,23,69,830	1,27,73,966	-
- Interest	1-365 Days	12,77,11,905	97,54,870	-
From Canara Bank				
- Principal	59-365 Days	26,68,47,148	2,37,14,286	-
- Interest	59-424 Days	16,74,63,510	2,75,60,309	-
From IFCI Limited				
- Principal	60-335 Days	19,83,68,877	-	-
- Interest	60-335 Days	11,84,09,815	-	-
<b>Total</b>		<b>1,45,90,07,059</b>	<b>7,82,03,431</b>	<b>-</b>
<b>Grand Total</b>		<b>1,51,42,40,159</b>	<b>7,82,03,431</b>	<b>-</b>

### Defaults in working capital borrowings:

	Fund based limit (Sanctioned)	Balance as at March 31, 2018 (Refer note i below)	Overdrawn balance	Interest overdue
From Canara Bank	26,40,00,000	2,24,33,50,949	1,97,93,50,949	-
From State Bank of India	40,20,00,000	1,70,65,81,675	1,30,45,81,675	23,39,69,022
From Andhra Bank	26,40,00,000	1,74,21,58,006	1,47,81,58,006	13,37,25,306
<b>Total</b>	<b>93,00,00,000</b>	<b>5,69,20,90,630</b>	<b>4,76,20,90,630</b>	<b>36,76,94,328</b>

- i) Company had non fund based limit of Rs. 592,00,00,000/- sanctioned by above bankers as at March 31, 2018. Overdrawn balance includes amount of Rs. 436,00,44,527/- arising on devolvement of letters of credit.  
ii) No defaults on working capital borrowings as at March 31, 2017 and April 01, 2016.



**Notes to the Financial statements**

(All amounts in Indian Rupees )

**Note 14: Provisions:**

	<b>March 31, 2018</b>	March 31, 2017	April 01, 2016
<b>Retirement Benefit Obligations</b>			
<b>Current</b>			
Gratuity (Refer Note :21(a))	<b>64,63,829</b>	30,50,017	2,03,30,415
Leave encashment	<b>50,87,090</b>	17,89,277	99,89,850
<b>Total</b>	<b>1,15,50,919</b>	48,39,294	3,03,20,265
<b>Non-Current</b>			
Gratuity (Refer Note :21(a))	<b>3,77,53,726</b>	4,52,78,748	2,11,25,201
Leave encashment	<b>1,29,59,762</b>	1,24,57,030	6,94,049
<b>Total</b>	<b>5,07,13,488</b>	5,77,35,778	2,18,19,250

**Note 15: Other Financial liabilities:**

	<b>March 31, 2018</b>	March 31, 2017	April 01, 2016
<b>Current</b>			
Current maturities of long-term borrowings	<b>1,74,58,70,944</b>	1,06,58,82,644	97,65,90,820
<b>Interest accrued</b>			
Due for payment	<b>93,12,15,532</b>	3,73,15,179	-
Not due for payment	<b>2,66,47,184</b>	4,33,49,216	2,83,724
Unpaid dividend (Refer Note : 15.1)	<b>22,03,760</b>	39,48,983	58,46,461
Creditors for Other Liabilities			
Creditors for Capital works	<b>6,01,93,605</b>	6,31,00,033	7,75,10,548
Employee benefits payable	<b>10,82,49,818</b>	11,83,57,932	5,91,08,970
Creditors for expenses	<b>17,18,96,829</b>	18,84,87,336	12,99,10,519
<b>Total other financial liabilities</b>	<b>3,04,62,77,672</b>	1,52,04,41,323	1,24,92,51,043

Note 15.1 : Unpaid dividend account represents dividend amount unclaimed and no amount is due for deposit in Investor Education and Protection Fund

**Note 16: Other current liabilities:**

	<b>March 31, 2018</b>	March 31, 2017	April 01, 2016
Statutory liabilities	<b>2,91,88,260</b>	2,73,75,389	1,67,22,443
Advance from customers	<b>6,96,62,676</b>	42,59,52,979	5,87,50,515
<b>Total other current liabilities</b>	<b>9,88,50,936</b>	45,33,28,368	7,54,72,958

**Notes to the Financial statements**

(All amounts in Indian Rupees )

**Note 17: Revenue from operations:**

	March 31, 2018	March 31, 2017
Sale of products (including excise duty)	2,16,75,77,022	7,41,61,59,019
Sale of traded goods	5,27,06,303	3,89,36,16,021
Sale of services	9,32,19,238	-
Gross Revenue (including excise duty of Rs. 4,94,34,216/- (Previous year Rs.35,99,63,800/-)	2,31,35,02,563	11,30,97,75,040
<b>Other Operating Revenue:</b>		
Sale of scrap out of manufacturing process	17,38,05,603	62,00,489
<b>Total revenue from operations</b>	<b>2,48,73,08,166</b>	<b>11,31,59,75,529</b>

**Note 18: Other income:**

	March 31, 2018	March 31, 2017
Interest income from financial assets at amortised cost	3,68,04,708	7,17,92,142
Dividend income from investments mandatorily measured at FVTPL	5,148	4,500
Net gain/(loss) arising on investments mandatorily measured at FVTPL	(59,878)	7,96,629
Net gain on foreign currency transactions and translations	1,55,28,525	2,22,33,187
Net gain on sale of investments mandatorily measured at FVTPL	56,045	70,950
Sale of other scrap	80,25,550	61,44,038
Liabilities no longer required written back	1,33,60,759	-
Provision for doubtful debts no longer required written back	-	35,75,764
Provision for diminution in value of investments no longer required written back	-	60,032
Other non-operating income	73,06,081	1,44,24,420
<b>Total other income</b>	<b>8,10,26,938</b>	<b>11,91,01,662</b>

**Note 19: Cost of raw materials consumed:**

	March 31, 2018	March 31, 2017
Opening Stock	65,18,10,003	41,56,39,720
Add: Purchases	93,37,81,560	5,28,65,43,021
Less: Closing Stock	18,43,24,640	65,18,10,003
<b>Total cost of raw materials consumed</b>	<b>1,40,12,66,923</b>	<b>5,05,03,72,738</b>

**Note 20: Changes in inventories of finished goods, work-in-progress and scrap:**

	March 31, 2018	March 31, 2017
<b>Opening Balance:</b>		
Finished goods	1,16,67,97,681	94,32,33,811
Work-in-progress	29,55,46,804	16,98,62,257
Scrap	13,21,453	12,60,915
	<b>1,46,36,65,938</b>	<b>1,11,43,56,983</b>
<b>Closing Balance:</b>		
Finished goods	34,14,34,302	1,16,67,97,681
Work-in-progress	9,04,56,157	29,55,46,804
Scrap	1,49,296	13,21,453
	<b>43,20,39,755</b>	<b>1,46,36,65,938</b>
<b>Total changes in inventories of finished goods, work-in-progress and scrap</b>	<b>1,03,16,26,183</b>	<b>(34,93,08,955)</b>

**Notes to the Financial Statements**

(All amounts in Indian Rupees )

**Note 21: Employee benefits expense:**

	March 31, 2018	March 31, 2017
Salaries, wages, bonus and other allowances	29,13,00,850	36,09,58,809
Contribution to provident fund and other funds	1,18,23,614	2,61,63,304
Contribution to ESI	39,53,989	18,79,532
Staff welfare expenses	41,91,307	82,41,940
<b>Total employee benefits expense</b>	<b>31,12,69,760</b>	<b>39,72,43,585</b>

**Note 21(a):**
**(i) Defined Contribution plans:**

**Employer's Contribution to Provident Fund:** Contributions are made to provident fund in India for employees at the rate of 12% of basic salary as per regulations. The contributions are made to registered provident fund administered by the government. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation.

**Employer's Contribution to State Insurance Scheme:** Contributions are made to State Insurance Scheme for employees at the rate of 4.75%. The Contributions are made to Employee State Insurance Corporation (ESI) to the respective State Governments of the Company's location. This Corporation is administered by the Government and the obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation.

	March 31, 2018	March 31, 2017
Employer's Contribution to Provident Fund	1,38,86,316	1,86,72,106
Employer's Contribution to ESI	39,53,989	18,79,532

**(ii) Defined Benefits plans:**
**(i) Post-employment obligations- Gratuity:**

The company provides for gratuity for employees in India as per the payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionately for 15 day's salary multiplied for the number of years of service. The gratuity plan is a funded plan and the Company makes contributions to recognized funds in India. The company does not fully fund the liability and maintains a target level of funding to be maintained over a period of time based on estimations of expected gratuity payments.

**A) Reconciliation of opening and closing balances of Defined Benefit Obligation:**

	Gratuity (Unfunded)	
	March 31, 2018	March 31, 2017
Defined Benefit Obligation at beginning of the year	4,83,28,765	4,14,55,616
Current Service Cost	46,42,622	98,34,567
Past Service Cost	27,52,112	-
Interest Cost	35,47,028	32,92,303
Actuarial (Gain) / Loss	(1,29,82,864)	(56,50,057)
Benefits Paid	(20,70,108)	(6,03,664)
Defined Benefit Obligation at year end	4,42,17,555	4,83,28,765

**B) Expenses recognised during the year:**

	Gratuity (Unfunded)	
	March 31, 2018	March 31, 2017
<b>In Income Statement:</b>		
Current Service Cost	46,42,622	98,34,567
Past Service Cost	27,52,112	-
Interest Cost	35,47,028	32,92,303
Return on Plan Assets	-	-
<b>Net Cost</b>	<b>1,09,41,762</b>	<b>1,31,26,870</b>
<b>In Other Comprehensive Income:</b>		
Actuarial (Gain) / Loss	(1,29,82,864)	(56,50,057)
<b>Net (Income)/ Expense For the period Recognised in OCI</b>	<b>(1,29,82,864)</b>	<b>(56,50,057)</b>

## Notes to the Financial Statements

(All amounts in Indian Rupees )

### Significant estimates: Actuarial assumptions and sensitivity

The significant actuarial assumptions were as follows:

	March 31, 2018	March 31, 2017
Discount rate	8%	7.5%
Salary growth rate	5%	5%
Withdrawal Rate	1%-10%	1%-10%
Retirement Age	58 Years	58 Years
Adjusted Average Future Services	23.24	25.49
Mortality Table(L.I.C)	2006-08	2006-08

### Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	31 March 2018
<b>Defined Benefit Obligation</b>	<b>4,42,17,555</b>
<b>Discount rate:</b>	
Increase : +1%	4,10,86,570
Decrease: -1%	4,78,28,498
<b>Salary Growth rate:</b>	
Increase : +1%	4,80,61,285
Decrease: -1%	4,07,84,188
<b>Withdrawal rate:</b>	
Increase : +1%	4,49,52,873
Decrease: -1%	4,33,80,577

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

### Defined benefit liability and employer contributions:

The weighted average duration of the defined benefit obligation is 13.38 years. The expected cash flows over the next years is as follows:

Particulars	March 31, 2018
Defined benefit obligation-gratuity	
Less than a year	64,63,829
Between 2-5 years	1,47,57,085
Over 6 years	2,02,86,164

### Risk Management

Through its defined benefit plans, the company is exposed to a number of risks, the most significant of which are detailed below:

**Salary Cost Inflation Risk:** The present value of the Defined Benefit Plan liability is calculated with reference to the future salaries of participants under the Plan. Increase in salary due to adverse inflationary pressures might lead to higher liabilities.

### Note 22: Finance costs:

	March 31, 2018	March 31, 2017
Interest and finance charges on financial liabilities carried at amortised cost	1,37,08,60,855	99,66,11,497
Other borrowing costs	3,47,36,750	17,26,03,809
<b>Total Finance costs</b>	<b>1,40,55,97,605</b>	<b>1,16,92,15,306</b>

### Note 23: Depreciation and amortisation expense:

	March 31, 2018	March 31, 2017
Depreciation of property, plant and equipment	50,52,36,960	48,19,58,528
Amortisation of intangible assets	73,500	73,500
<b>Total depreciation and amortisation expense</b>	<b>50,53,10,460</b>	<b>48,20,32,028</b>

**Notes to the Financial Statements**

(All amounts in Indian Rupees )

**Note 24: Other expenses:**

	March 31, 2018	March 31, 2017
Power and fuel	12,08,28,523	5,31,32,020
Consumption of stores and spare parts	3,50,74,295	33,04,13,155
Operation and maintenance charges	5,51,55,652	17,08,44,402
Rent (Refer Note 24(b))	43,39,610	46,90,048
Repairs		
- Buildings	7,69,601	60,76,641
- Machinery	4,29,59,932	10,18,41,238
- Others	11,72,012	8,78,641
Insurance	3,29,97,390	2,62,46,818
Excise duty adjustment in Finished goods inventory	(1,94,08,259)	57,78,515
Rates and taxes, excluding taxes on income	67,08,224	1,08,13,832
Legal and Professional charges	2,18,66,732	1,86,56,410
Payments to Auditors (Refer note 24 (a))	16,55,274	48,36,400
Directors sitting fee	7,86,000	4,06,000
Printing and stationery	14,32,841	23,44,998
Communication expenses	22,74,708	28,49,346
Travelling and conveyance	50,04,087	61,42,043
Vehicle maintenance	1,16,26,367	2,11,32,294
Loss on sale of property, plant and equipment	-	17,057
Bad debts written off	15,71,23,644	40,66,480
Debit balances written off		
Less : Against provision made in earlier years	17,90,64,913 (2,50,00,000)	-
Allowances for doubtful advances	15,40,64,913	-
Allowances for doubtful trade receivables	97,54,976	-
Allowances for doubtful deposits	7,94,61,861	-
Carriage and freight	2,70,89,738	-
Bank Charges	6,44,86,954	29,71,69,997
Commission on sales	61,01,401	79,97,744
Packing material consumed	87,41,210	1,88,94,310
Miscellaneous expenses	24,72,575	1,93,05,915
	4,26,72,786	5,81,62,483
<b>Total other expenses</b>	<b>87,72,13,046</b>	<b>1,17,26,96,787</b>

**Note 24(a): Details of payments to auditors:**

	March 31, 2018	March 31, 2017
<b>Payment to auditors</b>		
As Statutory Auditor	8,00,000	13,74,000
As Tax Auditor	-	9,20,000
For Quarterly Reviews	8,00,000	12,98,500
For Certification	15,000	7,66,029
Taxation matters	-	3,68,650
Re-imbursement of expenses	40,274	1,09,221
<b>Total payments to auditors</b>	<b>16,55,274</b>	<b>48,36,400</b>

**Note 24(b): Details of Operating Lease:**

The Company's significant leasing arrangements are in respect of operating leases for office building premises. These leasing arrangements which are not non-cancellable for a period of 11 months and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as 'Rent'.

	March 31, 2018	March 31, 2017
Not later than one year	28,07,400	28,07,400
Later than one year	-	-

**Note 24(c): Corporate Social Responsibility (CSR):**

In terms of provisions of sub section 5 to section 135 of the Companies Act, 2013 the company is not required to earmark any fund for corporate social responsibility activities in view of past losses.

**Notes to the Financial statements**

(All amounts in Indian Rupees )

**Note 25: Income tax expense:**

This note provides an analysis of the company's income tax expense, show amounts that are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the company's tax positions.

**(a) Income tax expense**

	March 31, 2018	March 31, 2017
Current tax on profits for the year	-	-
Deferred tax	-	-
<b>Income tax expense</b>	-	-

**(b) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:**

	March 31, 2018	March 31, 2017
Profit / (Loss) from operations before tax	<b>(3,06,36,43,139)</b>	(64,22,06,321)
Tax at the Indian tax rate of 30.9% (2016-17 -30.9%)	-	-
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:	-	-
Expenses not allowed for tax purpose	-	-
Tax effect due to non-taxable income	-	-
<b>Income tax expenses</b>	-	-

**Deferred Tax:**

In the absence of reasonable certainty Company has recognized deferred tax assets arising on account of carried forward tax losses and unabsorbed depreciation to the extent of the deferred tax liability. In the absence of probable tax profits against which the same can be utilised. Company is incurring losses since two years and doesn't expect the future taxable income in the near future.

	March 31, 2018	March 31, 2017	April 01, 2016
Deferred tax liability	<b>1,11,45,67,283</b>	1,04,78,86,528	95,36,54,044
Deferred tax asset	<b>(1,11,45,67,283)</b>	(1,04,78,86,528)	(95,36,54,044)
<b>Net Deferred tax Liability /(Asset)</b>	-	-	-

**Movement in Deferred tax assets:**

	Property, plant and equipment	Fair valuation of land	Other deferred tax liabilities	Tax losses	Other deferred tax assets	Total
As at April 01, 2016	81,16,17,949	12,11,19,523	2,09,16,572	(93,14,03,171)	(2,22,50,873)	-
Charged/(credited):						
- to profit or loss	9,87,95,267	(13,13,566)	(32,49,217)	(8,94,52,905)	(47,79,579)	-
- to other comprehensive income						
As at March 31, 2017	91,04,13,216	11,98,05,957	1,76,67,355	(1,02,08,56,076)	(2,70,30,452)	-
Charged/(credited):						
- to profit or loss	6,84,25,520	9,20,867	(26,65,632)	(3,20,98,534)	(3,45,82,221)	-
- to other comprehensive income						
<b>As at March 31, 2018</b>	<b>97,88,38,736</b>	<b>12,07,26,824</b>	<b>1,50,01,723</b>	<b>(1,05,29,54,610)</b>	<b>(6,16,12,673)</b>	-



## Notes to the Financial Statements

(All amounts in Indian Rupees )

### Unused tax losses and unused tax credits for the purposes of deferred tax :

Unused tax losses and unused tax credits for which no deferred tax assets have been recognized are attributable to the following

	March 31, 2018	March 31, 2017	April 01, 2016
Unused tax losse	2,71,42,66,166	1,17,21,31,462	72,10,54,271
Unabsorbed tax depreciation	76,48,93,434	13,97,13,863	-
Mat credit entitlement	58,73,857	58,73,857	58,73,857
	3,48,50,33,457	1,31,77,19,182	72,69,28,128
Potential tax benefit @ 31.20 %	1,08,73,30,439	41,11,28,385	22,68,01,576

The following table details the expiry of the unused tax losses:

	March 31, 2018	March 31, 2017	April 01, 2016
Unused tax losses			
Less then 5 years	98,41,36,164	98,41,55,137	26,78,76,204
Less then 6 years	11,62,04,098	-	33,69,73,969
Less then 7 years	7,17,72,227	11,62,04,098	-
Less then 8 years	1,54,21,53,677	7,17,72,227	11,62,04,098
	2,71,42,66,166	1,17,21,31,462	72,10,54,271

#### Note:

- Mat Credit Entitlement will be carried forward up to the Assessment year 2025-26 under the Income Tax Act, 1961
- Unabsorbed depreciation does not have any expiry period under the Income Tax Act, 1961

### Note 26 : First-time adoption of Ind AS:

#### Transition to Ind AS:

These are the Company's first financial statements prepared in accordance with Ind AS.

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended March 31, 2018, the comparative information presented in these financial statements for the year ended March 31, 2017 and in the preparation of an opening Ind AS balance sheet at April 01, 2016 (company's date of transition). In preparing its opening Ind AS balance sheet, the Company has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies (Accounting standards) Rules, 2006 (as amended) and other relevant provisions of the Act (previous GAAP or Indian GAAP). An explanation on how the transition from previous GAAP to Ind AS has effected the Company's financial position, financial performance and cash flows is set out in the following tables and notes.

#### A. Exemptions and exceptions availed:

Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from previous GAAP to Ind AS.

##### A.1 Ind AS optional exemptions:

##### A.1.1 Deemed Cost:

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities except for certain class of assets i.e. Freehold land which are measured on its fair value at carrying value as deemed cost.

## Notes to the Financial Statements

(All amounts in Indian Rupees )

### A.2 Ind AS mandatory exceptions:

#### A.2.1 Estimates:

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with the estimates made for the same date in accordance with previous GAAP(after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at April 01, 2016 are consistent with the estimates as at the same date made in conformity with previous GAAP. The Company made estimates for following items in accordance with Ind AS at the date of transition as these were not required under previous GAAP:- Investments in equity instruments at FVPL- Impairment of financial asset based on expected credit loss model.

#### A.2.2 Classification and measurement of financial asset:

Ind AS 101 requires an entity to assess classification and measurement of financial assets on the basis of the facts and circumstances that exist on the date of transition to Ind AS.

### B. Reconciliations between previous GAAP and Ind AS ( as at April 01, 2016 and March 31, 2017):

(i) Reconciliation of equity as at transition dated: April 01, 2016:

	Note No	Previous GAAP	Adjustments	Ind AS
<b>ASSETS:</b>				
<b>I Non-current assets:</b>				
(a) Property, plant and equipment	5,6	8,11,00,47,480	50,29,11,579	8,61,29,59,059
(b) Capital work-in-progress		26,13,94,418	-	26,13,94,418
(c) Intangible assets		2,09,140	-	2,09,140
(d) Financial assets				
(i) Investments	2	62,46,722	11,89,919	74,36,641
(ii) Other financial assets		5,47,04,604	-	5,47,04,604
(e) Other non-current assets	7	9,04,02,990	(58,73,857)	8,45,29,133
<b>Total Non-current assets</b>		<b>8,52,30,05,354</b>	<b>49,82,27,641</b>	<b>902,12,32,995</b>

	Note No	Previous GAAP	Adjustments	Ind AS
<b>II Current assets:</b>				
(a) Inventories		1,67,79,24,052	-	1,67,79,24,052
(b) Financial assets				
(i) Trade receivables		1,89,09,61,060	-	1,89,09,61,060
(ii) Cash and cash equivalents		2,42,94,314	-	2,42,94,314
(iii) Bank balances other than (ii) above		81,73,43,462	-	81,73,43,462
(c) Other current assets		39,88,14,738	-	39,88,14,738
<b>Total Current assets</b>		<b>4,80,93,37,626</b>	<b>-</b>	<b>4,80,93,37,626</b>
<b>TOTAL ASSETS</b>		<b>1333,23,42,980</b>	<b>49,82,27,641</b>	<b>13,83,05,70,621</b>

**Notes to the Financial Statements**

(All amounts in Indian Rupees )

	Note No	Previous GAAP	Adjustments	Ind AS
<b>EQUITY AND LIABILITIES:</b>				
<b>III Equity:</b>				
(a) Equity share capital		50,90,00,000	-	50,90,00,000
(b) Other equity	(iv)	1,17,60,95,279	51,79,34,081	1,69,40,29,360
<b>Total Equity</b>		<b>168,50,95,279</b>	<b>51,79,34,081</b>	<b>2,20,30,29,360</b>
<b>IV Non-current liabilities:</b>				
(a) Financial liabilities				
(i) Borrowings	6	368,40,55,280	(3,32,45,008)	3,65,08,10,272
(b) Provisions		2,18,19,250	-	2,18,19,250
<b>Total Non-current liabilities</b>		<b>370,58,74,530</b>	<b>(3,32,45,008)</b>	<b>3,67,26,29,522</b>
<b>V Current liabilities:</b>				
(a) Financial liabilities				
(i) Borrowings		212,27,10,070	-	2,12,27,10,070
(ii) Trade payables		447,71,57,403	-	4,47,71,57,403
(iii) Other financial liabilities	9	123,57,12,475	1,35,38,568	1,24,92,51,043
(b) Other current liabilities		7,54,72,958	-	7,54,72,958
(c) Provisions		3,03,20,265	-	3,03,20,265
(d) Current tax liabilities (net)		-	-	-
<b>Total current liabilities</b>		<b>794,13,73,171</b>	<b>1,35,38,568</b>	<b>7,95,49,11,739</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1333,23,42,980</b>	<b>49,82,27,641</b>	<b>13,83,05,70,621</b>

\* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

## (ii) Reconciliation of equity as at March 31, 2017

	Note No	Previous GAAP	Adjustments	Ind AS
<b>ASSETS:</b>				
<b>I Non-current assets:</b>				
(a) Property, plant and equipment	5,6	776,70,79,340	50,50,61,156	827,21,40,496
(b) Capital work-in-progress		28,85,30,530	-	28,85,30,530
(c) Intangible assets		1,35,640	-	1,35,640
(d) Financial assets				
(i) Investments	5	62,97,754	19,86,548	82,84,302
(ii) Other financial assets		6,24,86,157	-	6,24,86,157
(e) Other non-current assets	7	8,43,74,379	(58,73,857)	7,85,00,522
<b>Total Non-current assets</b>		<b>820,89,03,800</b>	<b>50,11,73,847</b>	<b>871,00,77,647</b>
<b>II Current assets:</b>				
(a) Inventories		219,73,90,098	-	219,73,90,098
(b) Financial assets				
(i) Trade receivables		114,84,62,164	-	114,84,62,164
(ii) Cash and cash equivalents		88,50,956	-	88,50,956
(iii) Bank balances other than (ii) above		88,88,40,603	-	88,88,40,603
(c) Other current assets		45,86,99,722	-	45,86,99,722
<b>Total Current assets</b>		<b>470,22,43,543</b>	<b>-</b>	<b>470,22,43,543</b>
<b>TOTAL ASSETS</b>		<b>1291,11,47,343</b>	<b>50,11,73,847</b>	<b>1341,23,21,190</b>

**Notes to the Financial Statements**

(All amounts in Indian Rupees )

	Note No	Previous GAAP	Adjustments	Ind AS
<b>EQUITY AND LIABILITIES:</b>				
<b>III Equity:</b>				
(a) Equity share capital		50,90,00,000	-	50,90,00,000
(b) Other equity	(iv)	52,84,00,533	52,90,72,563	105,74,73,096
<b>Total Equity</b>		<b>103,74,00,533</b>	<b>52,90,72,563</b>	<b>156,64,73,096</b>
<b>IV Non-current liabilities:</b>				
(a) Financial liabilities				
(i) Borrowings	6	282,99,29,161	(2,46,44,257)	280,52,84,904
(b) Provisions		5,77,35,778	-	5,77,35,778
<b>Total Non-current liabilities</b>		<b>288,76,64,939</b>	<b>(2,46,44,257)</b>	<b>286,30,20,682</b>
<b>V Current liabilities:</b>				
(a) Financial liabilities				
(i) Borrowings		262,75,27,831	-	262,75,27,831
(ii) Trade payables		437,66,90,596	-	437,66,90,596
(iii) Other financial liabilities	9	152,36,95,782	(32,54,459)	152,04,41,323
(b) Other current liabilities		45,33,28,368	-	45,33,28,368
(c) Provisions		48,39,294	-	48,39,294
(d) Current tax liabilities (net)			-	
<b>Total current liabilities</b>		<b>898,60,81,871</b>	<b>(32,54,459)</b>	<b>898,28,27,412</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1291,11,47,343</b>	<b>50,11,73,847</b>	<b>1341,23,21,190</b>

\* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

## (iii) Reconciliation of total comprehensive income for the year ended March 31, 2017:

	Note No	Previous GAAP	Adjustments	Ind AS
Revenue from operations	3(i)	10,95,60,11,729	35,99,63,800	11,31,59,75,529
Other Income	2	11,83,05,033	7,96,629	11,91,01,662
<b>Total Income</b>		<b>11,07,43,16,762</b>	<b>36,07,60,429</b>	<b>11,43,50,77,191</b>
<b>Expenses:</b>				
Cost of raw material consumed		5,05,03,72,738	-	5,05,03,72,738
Purchase of stock in trade		3,79,50,68,223	-	3,79,50,68,223
Changes in inventories of finished goods, work in progress and scrap	3(ii)	(34,35,30,440)	(57,78,515)	(34,93,08,955)
Excise duty	3(i)	-	35,99,63,800	35,99,63,800
Employee benefit expenses	1, 8	39,15,93,528	56,50,057	39,72,43,585
Finance cost	6	1,16,06,14,556	86,00,750	1,16,92,15,306
Depreciation and amortisation expense	6	48,41,81,604	(21,49,576)	48,20,32,028
Other expenses	3(ii), 9	1,18,37,11,299	(1,10,14,512)	1,17,26,96,787
		<b>11,72,20,11,508</b>	<b>35,52,72,004</b>	<b>12,07,72,83,512</b>
<b>Profit before exceptional items and tax</b>		<b>(64,76,94,746)</b>	<b>54,88,425</b>	<b>(64,22,06,321)</b>
Exceptional Items		-	-	-
<b>Profit before tax after exceptional items</b>		<b>(64,76,94,746)</b>	<b>54,88,425</b>	<b>(64,22,06,321)</b>
<b>Income tax expense</b>				
-Current tax		-	-	-
-Deferred tax		-	-	-
<b>Total tax expense</b>		-	-	-
<b>Profit after tax</b>		<b>(64,76,94,746)</b>	<b>54,88,425</b>	<b>(64,22,06,321)</b>
Other Comprehensive income		-	56,50,057	56,50,057
Current tax relating to OCI		-	-	-
<b>Total comprehensive income for the year</b>		<b>(64,76,94,746)</b>	<b>1,11,38,482</b>	<b>(63,65,56,264)</b>

\* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

**Notes to the Financial Statements**

(All amounts in Indian Rupees )

(iv) Reconciliation of total equity as at April 01, 2016 and March 31, 2017 :

	Note	March 31, 2017	April 01, 2016
Total Equity (shareholder's funds) as per previous GAAP		1,03,74,00,533	1,68,50,95,279
<b>Impact of correction of error :</b>	9		
Relating to Financial Year 2015-16		-	(1,67,93,027)
Relating to other years (net of expenses)		32,54,460	32,54,460
<b>Restated balance as at April 01, 2016</b>		<b>1,04,06,54,993</b>	<b>1,67,15,56,712</b>
Adjustments:			
Impact of measuring investments at Fair Value through Profit or Loss (FVTPL)	2	19,86,548	11,89,919
On accounts of borrowings adjustments to property, plant and equipment	6	(4,85,31,484)	(5,06,81,060)
Fair Value adjustments relating to Property, Plant and Equipment	5	55,35,92,639	55,35,92,639
Financial liabilities at amortised cost using Effective interest rate	6	2,46,44,257	3,32,45,008
Deferred tax on GAAP adjustments	7	(58,73,857)	(58,73,857)
<b>Total adjustments</b>		<b>52,58,18,103</b>	<b>53,14,72,649</b>
<b>Total Equity as per Ind AS</b>		<b>1,56,64,73,096</b>	<b>2,20,30,29,361</b>

(v) Reconciliation of total comprehensive income for the year ended March 31, 2017:

	Note No	March 31, 2017
Profit after tax as per previous GAAP		(64,76,94,746)
Adjustments:		
Remeasurement of post employment benefit	8	(56,50,057)
Financial Liabilities at Amortised cost using Effective Interest Rate (Net)	6	(86,00,750)
Depreciation on accounts of borrowings adjustments to property, plant and equipment	6	21,49,576
Impact of measuring investments at Fair Value through Profit or Loss (FVTPL)	2	7,96,629
Prior year adjustments	9	1,67,93,027
<b>Total Adjustments</b>		<b>54,88,425</b>
<b>Profit after tax as per Ind As</b>		<b>(64,22,06,321)</b>
Other Comprehensive Income		56,50,057
Current tax relating to OCI		-
<b>Total comprehensive income as per Ind AS</b>		<b>(63,65,56,264)</b>

(vi) There were no significant reconciliation items between cash flows prepared under Previous GAAP and those prepared under Ind AS.

## Notes to the Financial Statements

### C: Notes to first-time adoption:

#### Note 1: Remeasurements of post-employment benefit obligations:

Under Ind AS, remeasurements i.e. Actuarial gains and losses are recognised in Other Comprehensive Income as compared to being recognised in the statement of profit and loss under the previous GAAP. These remeasurements were forming part of the profit or loss for the year. As a result of this change, the profit for the year ended March 31, 2017 decreased by ₹ 56,50,057/-. There is no impact on the total equity as at March 31, 2017.

#### Note 2: Fair valuation of investments :

Under the previous GAAP, investments in equity instruments and mutual funds were classified as long term investments or current investments based on the intended holding period and realizability. Long term investments were carried at cost less provision for other than temporary decline in the value of such investments. Current investments were carried at lower of cost and fair value. Under Ind AS, these investments are required to be measured at fair value. The resulting fair value changes of these investments has been recognised in retained earnings as at the date of transition and subsequently in the profit and loss for the year ended March 31, 2017. This increased the retained earnings by ₹ 7,96,629/- as at March 31, 2017 (April 01, 2016- ₹ 11,89,919/-).

#### Note 3 (i): Excise Duty:

Under the previous GAAP, revenue from sale of products was presented exclusive of excise duty. Under Ind AS, revenue from sale of goods is presented inclusive of excise duty. The excise duty paid is presented inclusive of excise duty. The excise duty paid is presented on the face of the statement of profit and loss as part of expenses. This change has resulted in an increase in total revenue and total expenses for the year ended March 31, 2017 by ₹ 35,99,63,800/- There is no impact on the total equity and profit.

#### Note 3(ii): Movement of Excise Duty in Finished goods:

Movement of excise duty in finished goods, reclassified from changes in inventories to other expenses amounting to ₹ 57,78,515/-. There is no impact on the profit or (Loss) for the year.

#### Note 4: Reserves and Surplus:

Retained earnings as at April 01, 2016 has been adjusted consequent to the above Ind AS transition adjustments.

The Company had received a Government grant towards State Investment Subsidy with an outstanding amount of ₹ 20,00,000/- These amounts have been transferred to retained earnings since the assets related to the grant have been fully depreciated as at April 01, 2016.

#### Note 5: Property, Plant and Equipment:

The Company have considered fair value for property, viz land admeasuring over 271.51 acres, situated in India, with impact of ₹ 55,35,92,639/- in accordance with stipulations of Ind AS 101 with the resultant impact being accounted for in the reserves.

#### Note 6: Borrowings:

Under previous GAAP, transaction costs incurred in connection with borrowings are accounted upfront and either charged to profit or loss for the period or capitalised to fixed assets in which such transaction costs is incurred. Ind AS requires Finance Liabilities consisting of Long Term Borrowings to be designated and measured at amortised cost based on Effective Interest Rate (EIR) method. The transaction costs incurred towards origination of borrowings are required to be deducted from the carrying amount of borrowings on initial recognition. These costs are recognized in profit or loss over the tenure of the borrowing as part of the interest expense by applying the effective interest rate method. Resultant impact being accounted for in the reserves & borrowings. This change has also resulted in an increase in finance cost for the year ended March 31, 2017 by ₹ 86,00,750/- and also decrease in depreciation charge of ₹ 21,49,576/- on account of reversal of processing costs of ₹ 5,06,81,060/- from property, plant and equipment, as per the clarification given in Ind AS Transition facilitation group (ITFG).

#### Note 7: Taxation:

MAT credit entitlement is in the nature of deferred tax, accordingly, on transition, the company has reclassified such MAT Credit to deferred tax. However due to lack of reasonable certainty in recognition of deferred tax asset the company derecognised the MAT. This change has decreased the retained earnings by ₹ 58,73,858/-

#### Note 8: Other Comprehensive Income:

Under Ind AS, all items of income and expense recognized in a period should be included in the profit or loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit or loss but are shown in the statement of profit or loss as 'other comprehensive income' includes remeasurements of defined benefit plans. The concept of 'other comprehensive income' did not exist under previous GAAP.

#### Note 9: Prior year errors:

Under Ind AS 8, adjustments to material prior period errors are made retrospectively by restating the comparative amounts for the prior period to retained earnings at the beginning of the earliest period presented, in the first set of financial statements after the error is discovered.

The retained earnings as at April 01, 2016 stand corrected from (₹ 22,44,95,072) to (₹ 23,80,33,640) i.e. by ₹ 1,35,38,568 which represents the net impact of the restatement due to correction of the errors.

#### Reconciliation of Prior period errors:

	₹
Prior Period errors as described in the previous year Balance sheet	1,67,93,028
Prior Period errors as noted during 2017-18 relating to 2015-16 (net)	(32,54,460)
<b>Total</b>	<b>1,35,38,568</b>



**Notes to the Financial statements**

(All amounts in Indian Rupees )

**Financial Instruments and Risk Management:**
**Note 27: Fair value Hierarchy:**

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2: Inputs other than quoted price including within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case with listed instruments where market is not liquid and for unlisted instruments.

**Note:**

- (i) The carrying amounts of trade payables, other financial liabilities, borrowings, cash and cash equivalents, other bank balances, trade receivables and other financial assets are considered to be the same as their fair values due to their short term nature and recoverability from the parties.

Set out below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values.

**Categories of financial instruments:**

Particulars	Notes	Level	As at March 31, 2018		As at March 31, 2017		As at April 01, 2016	
			Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>A. Financial assets:</b>								
<b>a) Measured at amortised cost (AC)</b>								
Cash and cash equivalents	10	3	10,85,71,697	10,85,71,697	88,50,956	88,50,956	2,42,94,314	2,42,94,314
Other bank balances	11	3	17,25,29,380	17,25,29,380	88,88,40,603	88,88,40,603	81,73,43,462	81,73,43,462
Trade receivables	9	3	70,41,81,181	70,41,81,181	114,84,62,164	114,84,62,164	189,09,61,060	189,09,61,060
Other financial assets	6	3	6,42,59,086	6,42,59,086	6,24,86,157	6,24,86,157	8,45,29,133	8,45,29,133
<b>Total financial assets at AC</b>			<b>104,95,41,344</b>	<b>104,95,41,344</b>	<b>210,86,39,880</b>	<b>210,86,39,880</b>	<b>281,71,27,969</b>	<b>281,71,27,969</b>
<b>b) Measured at Fair value through Profit and loss (FVTPL)</b>								
<b>Non Current Investments</b>	5							
a) Unquoted mutual funds		2	5,57,327	5,57,327	66,02,882	66,02,882	60,40,773	60,40,773
b) Investment in equity instruments		1	14,67,218	14,67,218	16,81,420	16,81,420	13,95,868	13,95,868
<b>Total Financial assets at FVTPL</b>			<b>20,24,545</b>	<b>20,24,545</b>	<b>82,84,302</b>	<b>82,84,302</b>	<b>74,36,641</b>	<b>74,36,641</b>
<b>B. Financial liabilities:</b>								
<b>a) Measured at amortised cost</b>								
Trade payables		3	67,37,79,585	67,37,79,585	4,37,66,90,596	4,37,66,90,596	4,47,71,57,403	4,47,71,57,403
Borrowings	13	3	7,74,78,14,075	7,74,78,14,075	5,43,28,12,735	5,43,28,12,735	5,77,35,20,342	5,77,35,20,342
Other financial liabilities	15	3	3,04,62,77,672	3,04,62,77,672	1,52,04,41,323	1,52,04,41,323	1,24,92,51,043	1,24,92,51,043
<b>Total financial liabilities at AC</b>			<b>11,46,78,71,332</b>	<b>11,46,78,71,332</b>	<b>11,32,99,44,654</b>	<b>11,32,99,44,654</b>	<b>11,49,99,28,788</b>	<b>11,49,99,28,788</b>

**Notes to the Financial statements**

(All amounts in Indian Rupees )

**Note 28: Financial Risk Management:**

The Company's principal financial liabilities, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, and cash and cash equivalents that derive directly from its operations. The Company also holds FVTPL investments. Company is exposed primarily to Credit Risk, Liquidity Risk and Market risk (fluctuations in foreign currency exchange rates and interest rate) which may adversely impact the fair value of its financial instruments.

**(A) Credit Risk:**

Credit risk is the risk or potential of loss that may occur due to failure of counterparty to meet the obligation on agreed terms and conditions of the financial contract. Credit risk arises from financial assets such as cash and cash equivalents, trade receivables and other financial assets. The company has a credit risk management policy in place to limit credit losses due to non-performance of financial counterparties and customers. Management of the Company monitors exposure to credit risk on an ongoing basis at various levels.

**a) Trade receivables:**

An impairment analysis is performed at each reporting date on an individual basis for major receivables. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively based on historical data and payment statistics. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

The ageing analysis of the trade receivables (gross of provisions) has been considered from the date the invoice :

Particulars	March 31, 2018	March 31, 2017	April 01, 2016
Below 6 Months	13,84,79,718	70,36,89,306	1,60,49,12,076
up to one year	9,85,76,970	25,94,07,936	13,63,33,211
More than one year	56,01,80,631	19,89,59,199	16,68,85,814
<b>Total</b>	<b>79,72,37,319</b>	<b>1,16,20,56,441</b>	<b>1,90,81,31,101</b>
Less: Expected credit loss	9,30,56,138	1,35,94,277	1,71,70,041
<b>Net trade receivables</b>	<b>70,41,81,181</b>	<b>1,14,84,62,164</b>	<b>1,89,09,61,060</b>

Following are the Expected credit loss (Calculated at lifetime expected credit losses for the year) for trade receivables under simplified approach:

Particulars	March 31, 2018	March 31, 2017	April 01, 2016
<b>Expected credit loss</b>			
Opening Balance	1,35,94,277	1,71,70,041	1,71,70,041
Provision made/(reversed) during the year	23,65,85,505	4,90,716	11,38,742
Less: Bad debts written off	(15,71,23,644)	(40,66,480)	(11,38,742)
Closing Balance	9,30,56,138	1,35,94,277	1,71,70,041

**b) Cash and cash equivalents and other financial assets:**

All of our cash equivalents and other bank balances are carried at fair value. Cash and cash equivalents are deposited with financial institutions that management believes are of high credit quality and accordingly, minimal credit risk exists. With respect to six non operative bank accounts the company doesn't have sufficient evidence for the balance outstanding and impairment is made of Rs 47,606/- (Previous year Rs Nil) . In addition, the Company is exposed to credit risk in relation to financial guarantees given to banks by the Company. The Company's maximum exposure in this respect is the maximum amount the Company would have to pay if the guarantee is called on. Refer Note 30 (i).

**B) Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

**Notes to the Financial statements**

(All amounts in Indian Rupees )

However, in view of various unfavourable factors as set out in Note 35, the Company has been experiencing stressed liquidity condition. In order to overcome such situation, the Company has been taking measures to ensure that the Company's cash flow from business borrowing or financing is sufficient to meet the cash requirements for the Company's operations. As discussed in the aforesaid note management believes deep restructuring plan will be considered by consortium of bankers, accordingly Term loans had been disclosed as per terms of present loan covenant with bankers.

**Year ended April 01, 2016**

Particulars	<1 Year	1-3 Years	> 3 Years	Total
<b>Financial liabilities:</b>				
Long term borrowings	97,65,90,820	191,62,67,733	1,73,45,42,539	4,62,74,01,092
Short term borrowings	212,27,10,070	-	-	2,12,27,10,070
Trade Payables	447,71,57,403	-	-	4,47,71,57,403
Other financial liabilities	27,26,60,223	-	-	27,26,60,223
<b>Total financial liabilities</b>	<b>784,91,18,516</b>	<b>191,62,67,733</b>	<b>173,45,42,539</b>	<b>1149,99,28,788</b>

**Year ended March 31, 2017**

Particulars	<1 Year	1-3 Years	> 3 Years	Total
<b>Financial liabilities:</b>				
Long term borrowings	106,58,82,644	165,47,54,799	1,15,05,30,105	3,87,11,67,548
Short term borrowings	262,75,27,831	-	-	2,62,75,27,831
Trade Payables	437,66,90,596	-	-	4,37,66,90,596
Other financial liabilities	45,45,58,679	-	-	45,45,58,679
<b>Total financial liabilities</b>	<b>852,46,59,750</b>	<b>165,47,54,799</b>	<b>1,15,05,30,105</b>	<b>11,32,99,44,654</b>

**Year ended March 31, 2018**

Particulars	<1 Year	1-3 Years	> 3 Years	Total
<b>Financial liabilities:</b>				
Long term borrowings	174,58,70,944	153,21,18,877	52,36,04,568	3,80,15,94,389
Short term borrowings	569,20,90,630	-	-	5,69,20,90,630
Trade Payables	67,37,79,585	-	-	67,37,79,585
Other financial liabilities	130,04,06,728	-	-	1,30,04,06,728
<b>Total financial liabilities</b>	<b>941,21,47,887</b>	<b>153,21,18,877</b>	<b>52,36,04,568</b>	<b>1146,78,71,332</b>

**(C) Market Risk:**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, FVTPL Investments.

- Interest Rate Risk**

Interest rate risk is the risk that the future cash flows or the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Company policy is to obtain favourable interest rates available. The Company is significantly exposed to interest rate risks that relates primarily to interest bearing financial liabilities.

Interest rate risk is managed by the company with primary objective of limiting the extent to which interest expense could be affected by an adverse movement in interest rates.

**Interest Rate risk- Sensitivity analysis**

An increase / decrease of 50 basis points in the interest rate at the end of the reporting period for the variable financial instruments would (decrease)/ increase profit after taxation for the year by the amounts shown below.

**Notes to the Financial statements**

(All amounts in Indian Rupees)

Particulars	March 31, 2018	March 31, 2017	April 01, 2016
Total Floating rate borrowings	<b>949,36,85,019</b>	649,86,95,379	675,01,11,162
Increase in interest rate basis points by 50	<b>4,74,68,425</b>	3,24,93,477	3,37,50,556
Decrease in interest rate basis points by 50	<b>(4,74,68,425)</b>	(3,24,93,477)	(3,37,50,556)

- Foreign Currency Risk**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency). The exposure of entity to foreign currency risk is very limited on account of limited transactions in foreign currency which is not material.

- i) Foreign Currency Risk - Sensitivity**

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The analysis is based on the assumption that the Foreign Currency has increased/(decreased) by 2.5% with all other variables held constant.

**2.5% increase or decrease in foreign exchange rates will have the following impact on profit before tax**

Particulars	March 31, 2018	March 31, 2017
USD	3,03,221	4,62,72,402
Euro	-	16,02,076
GBP	-	90,134

**Unhedged foreign currency exposure as at the reporting date:**

Currency	March 31, 2018		March 31, 2017	
	Payable for supply and services	Buyer's Credit	Payable for supply and services	Buyer's Credit
USD (In number)	<b>1,86,097</b>	-	1,19,90,429	1,65,55,777
EURO (In number)	-	-	-	9,25,419
GBP (In number)	-	-	14,711	29,866
Equivalent Amount in Indian Currency	<b>1,21,28,856</b>	-	77,86,32,424	1,13,99,51,981

- Other price risk**

**Commodity Risk**

Commodity price risk is the threat that a change in the price of a production input will adversely impact a producer who uses that input. Factors that can affect commodity prices include political and regulatory changes, seasonal variations, weather, technology and market conditions. The company has commodity price risk, primarily related to the purchases of coal, iron ore and the management monitors its purchases closely to optimise the price. However, in case of power segment the management do not bear significant exposure to earnings risk, as such changes are included in the rate-recovery mechanisms with the customers.

Our company is basically engaged in Ductile Iron Pipe Market and the company's turnover depends on the market risk of price volatility of the these products. The prices of the Ductile Iron pipe are determined by the market factors. The revenue/price of the DI Pipe products of the company are basically impacted by the cost of raw material inputs, production cost, and international and regional market conditions. Any positive and negative changes in any of the above factors can increase and reduce the revenue of the company generated from such products.

**Notes to the Financial statements**

(All amounts in Indian Rupees )

**Note 29: Capital Management:**

The fundamental goal of capital management are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and - maintain an optimal capital structure to reduce the cost of capital. For the purpose of company's capital management, capital includes issued capital and all other equity reserves.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The company's policy is to keep the gearing ratio at an optimum level to ensure that the debt related covenant are complied with.

However in view of certain adverse factors and challenges being faced by the Company over past few years as explained in Note 35, the net worth of the Company has been eroded and the Company has initiated certain measures/been actively engaging with the lenders for restructuring of its debts at sustainable level and thereby continuing to operate as a going concern. The Company has not declared any dividend since financial year 2010-11.

**The Company monitors the capital structure on the basis of total debt to equity ratio :**

Particulars	March 31,2018	March 31, 2017	April 01, 2016
Net Debt	<b>9,21,47,87,702</b>	5,60,49,52,803	5,91,43,19,847
Equity	<b>(1,48,41,87,179)</b>	1,56,64,73,096	2,20,30,29,360
<b>Total Capital ( Net Debt+Equity)</b>	<b>7,73,06,00,523</b>	7,17,14,25,899	8,11,73,49,207
<b>Gearing ratio</b>	<b>119%</b>	78%	73%

**Net debt is as follows:**

Particulars	March 31,2018	March 31, 2017	April 01, 2016
A) Total borrowings			
Non-current borrowings	<b>2,05,57,23,445</b>	2,80,52,84,904	3,65,08,10,272
Current borrowings	<b>5,69,20,90,630</b>	2,62,75,27,831	2,12,27,10,070
Current Maturity of long term debt	<b>1,74,58,70,944</b>	1,06,58,82,644	97,65,90,820
Total(A)	<b>9,49,36,85,019</b>	6,49,86,95,379	6,75,01,11,162
B) Cash and cash equivalents	<b>10,85,71,697</b>	88,50,956	2,42,94,314
Bank balances other than cash and cash equivalents	<b>17,03,25,620</b>	88,48,91,620	81,14,97,001
Total(B)	<b>27,88,97,317</b>	89,37,42,576	83,57,91,315
<b>C) Net Debt (A-B)</b>	<b>9,21,47,87,702</b>	5,60,49,52,803	5,91,43,19,847

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit certain banks to immediately call loans and borrowings. Pending restructuring plan with consortium banker, management believes consortium banker consider restructuring of loan along with additional working capital facilities.

The Company has delayed in repayment of dues to banks and financial institutions during the year. (Refer note no :13 )

**Notes to the Financial statements**

(All amounts in Indian Rupees)

**Note 30: Contingent Liabilities :**

	March 31, 2018	March 31, 2017	April 1, 2016
i) On account of Letter of Credit and Guarantees issued by the bankers.	2,00,00,000	2,64,60,000	1,49,60,000
ii) Claims against the company not acknowledged as debt	5,25,65,945	5,25,65,945	46,13,462
iii) Taxes and duty demands contested by the company:			
Central excise	3,24,31,189	3,24,31,189	89,38,903
Commercial Taxes	1,34,91,800	42,04,325	42,04,325
Income tax	13,79,100	13,79,100	13,79,100
Customs	10,87,03,540	10,87,03,540	10,87,03,540
Sub Total (iii)	15,60,05,629	14,67,18,154	12,32,25,868
<b>Total (i+ii+iii)</b>	<b>22,85,71,574</b>	<b>22,57,44,099</b>	<b>14,27,99,330</b>

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

**Note 31: Commitments:**

	March 31, 2018	March 31, 2017	April 1, 2016
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	-	1,60,38,560	1,82,22,614

**Note 32 : Payables to Micro, Small & Medium Enterprises:**

Information pertaining to Micro and Small Enterprises as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 (Act) as given below has been determined to the extent such parties have been identified on the basis of information available with the Company:

	March 31, 2018	March 31, 2017	April 1, 2016
Principal amount remaining unpaid as on 31st March	NIL	NIL	NIL
Interest due thereon as on 31st March	NIL	NIL	NIL
Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of payment made to the supplier beyond the appointed day during the year	NIL	NIL	NIL
Interest due and payable for the period of delay in making payment ( which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Act	NIL	NIL	NIL
Interest accrued and remaining unpaid as at 31st March	NIL	NIL	NIL
Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Act	NIL	NIL	NIL

Note :The list of undertakings covered under MSMED was determined by the Company on the basis of information available with the Company and has been relied upon by the auditors.



**Notes to the Financial statements**

(All amounts in Indian Rupees)

**Note 33: Related Party Transactions:**

<b>(a) Key Management personnel(KMP)</b>	: Naresh Kumar Adusumilli (Managing Director) : Kolappa Thanu Pillai (Chairman) : Adusumilli Sivaji Rao (Executive Vice Chairman) : Shailendra Dasari (Executive Director (Operations)) : M. Sree Rama Mohan Rao (Independent Director* ceased w.e.f 01.10.2017) : Srinivas Narayana Rao (Independent Director) : Syed Anis Hussain (Independent Director) : Prameela Rani (Independent Director *Resigned w.e.f 20.11.2017)
<b>(b) Relative of Key Management personnel</b>	: A. Mutya Bai (Relative of two directors) : A. Ashok Kumar (Relative of Naresh Kumar Adusumilli)

**(c) Transactions with Related Parties:**

	March 31, 2018		March 31, 2017	
	Amount	Outstanding balance	Amount	Outstanding balance
<b>Key Management Personnel:</b>				
Managerial Remuneration and Short term employee benefits to Key Management Personnel	<b>1,57,85,177</b>	<b>1,39,36,612</b>	1,39,84,867	1,75,20,071
Sitting Fees paid	<b>7,86,000</b>	-	4,06,000	-
Lease Rent	<b>5,83,200</b>	<b>38,78,280</b>	5,83,200	33,53,400
Rent Deposit	-	<b>12,15,000</b>	-	12,15,000
<b>Relatives of Key Management Personnel:</b>				
Lease Rent	<b>19,84,200</b>	<b>56,96,996</b>	19,84,200	69,21,066
Rent Deposit	-	<b>19,89,000</b>	-	19,89,000

**(d) Information Regarding Significant Transactions / Balances**

(Generally in excess of 10% of the total transaction value of the same type)

	March 31, 2018	March 31, 2017
<b>Managerial Remuneration and Short term employee benefits to</b>		
<b>Key Management Personnel:</b>		
- Naresh Kumar Adusumilli	<b>57,05,513</b>	50,80,210
- Shailendra Dasari	<b>51,60,000</b>	45,84,992
- Shivaji Rao Adusumilli	<b>49,19,664</b>	43,19,665
<b>Sitting Fees paid:</b>		
- Kolappa Thanu Pillai	<b>1,34,000</b>	89,000
- Syed Anis Hussain	<b>4,19,000</b>	97,000
- Srinivas Narayana Rao	<b>89,000</b>	52,000
- Prameela Rani	<b>72,000</b>	84,000
- M.Sree Rama Mohan Rao	<b>72,000</b>	84,000
<b>Lease Rent :</b>		
- Naresh Kumar Adusumilli	<b>5,83,200</b>	5,83,200
- A. Ashok Kumar	<b>10,00,800</b>	10,00,800
- A. Mutya Bai	<b>9,83,400</b>	9,83,400

**(e) Terms and Conditions:**

Transactions relating to dividends were on the same terms and conditions that applied to other stake holders.

**Notes to the Financial statements**

(All amounts in Indian Rupees )

**Note 34: Disclosure as required under Ind As 108 - Operating Segments :**
**Operating Segments:**

1. Ferrous Products, which includes Pig Iron & Ductile Iron Pipes
2. Metallurgical Coke with Co-generation Power

**Identification of Segments:**

The Managing Director has been identified as being Chief Operating Decision Maker (CODM). The CODM monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit and loss of the segment and is measured consistently with profit or loss in the financial statements. Operating segments have been identified on the basis of the nature of products for which discrete financial information is available.

**Segment revenue and results :**

The expenses and income which are not directly attributable to any business segment are shown as unallocable expenditure (net of unallocable income).

**Segment assets and liabilities:**

Assets used by the operating segment and mainly consist of property plant and equipment, trade receivable, cash and cash equivalents and inventories. Segment Liabilities include trade payables and other liabilities. Common assets and liabilities which cannot be allocated to any of the segments are shown as a part of unallocable assets/liabilities.

**Segment Revenue, Results, Segment Assets And Segment Liabilities:**

	As at March 31, 2018	As at March 31, 2017
<b>1 Segment Revenue:</b>		
Ferrous Products	1,54,39,39,343	6,06,53,70,092
Metallurgical Coke with Co-generation Power	1,19,91,85,631	7,54,18,33,182
Total	2,74,31,24,974	13,60,72,03,274
Less: Inter Segment Revenue	25,58,16,808	2,29,12,27,745
<b>Sales/Revenue From Operations</b>	<b>2,48,73,08,166</b>	<b>11,31,59,75,529</b>
<b>2 Segment Results:</b>		
Ferrous Products	(1,12,14,34,736)	46,69,46,763
Metallurgical Coke with Co-generation Power	(53,05,09,397)	6,78,72,692
Total	(1,65,19,44,133)	53,48,19,455
Less : Other un-allocable expenditure	61,01,401	78,10,471
Total Segment results before interest and tax	(1,65,80,45,534)	52,70,08,984
<b>Finance Costs (Net)</b>	<b>1,40,55,97,605</b>	<b>1,16,92,15,306</b>
<b>Profit/(Loss) before tax</b>	<b>(3,06,36,43,139)</b>	<b>(64,22,06,321)</b>
<b>Tax</b>	<b>-</b>	<b>-</b>
<b>Net Profit/(Loss) after tax</b>	<b>(3,06,36,43,139)</b>	<b>(64,22,06,321)</b>
<b>Other Comprehensive Income (Net of Tax)</b>	<b>(1,29,82,864)</b>	<b>(56,50,057)</b>
<b>Total Other Comprehensive Income</b>	<b>(3,05,06,60,275)</b>	<b>(63,65,56,264)</b>
<b>3 Segment Assets:</b>		
Ferrous Products	5,92,97,15,326	8,57,08,32,643
Metallurgical Coke with Co-generation Power	4,17,64,60,181	4,50,26,96,507
Total	10,10,61,75,507	13,07,35,29,150
<b>Segment Liabilities:</b>		
Ferrous Products	6,48,91,36,537	6,49,20,68,983
Metallurgical Coke with Co-generation Power	5,13,76,46,378	5,05,67,32,135
Total	11,62,67,82,915	11,54,88,01,118
Unallocated (Net)	3,64,20,229	4,17,45,064
Total	(1,48,41,87,179)	1,56,64,73,096

**Notes to the Financial statements**

(All amounts in Indian Rupees)

**Note 35: Going Concern:**

“As at March 31, 2018, the company had negative other equity of Rs.1,99,31,87,179/- and the company incurred losses during the preceding two years. The company has delayed payment of loans and interest and loan accounts have been classified as non-performing assets by banks. Due to tight cash flows and non-availability of working capital limits the operations at ferrous division have been impacted and the plant was under shut down since 12th June 2017. The operations at Kudithini works too were impacted where Metallurgical Coke facility is running partially on job work basis and power generation is also partially operated. This impact is likely to continue until the restructuring of the debt is done by the financing institution and banks. Notwithstanding the above, the financial results of the company have been prepared on going concern basis as management believes that the shortage of working capital funds will be temporary and lenders will consider the request for deep restructuring of the debt and arrive at the resolution plan at the earliest. Presently lead banker of consortium in-principally agreeable to the request of the company for restructuring of the debt and its sanction is awaited. Management believes remaining banks will take same view as decided in the lender meetings. The Company views that the deep restructuring will help to restart and establish profitable operations of the company and it would be able to meet commitments and reduce debt. The auditors of the company had drawn an emphasis of matter relating to “Material uncertainty related to Going Concern” in their Audit Report for the year in this regard.

**Note 36: Earnings per share:**

	March 31, 2018	March 31, 2017
<b>(a) Basic EPS:</b>		
Basic earnings per share attributable to the equity holders of the company	(60.19)	(12.62)
<b>(b) Diluted EPS:</b>		
Diluted earnings per share attributable to the equity holders of the company	(60.19)	(12.62)
<b>(c) Reconciliation of earnings used in calculating earnings per share:</b>		
	March 31, 2018	March 31, 2017
<b>Basic earnings per share:</b>		
Profit/ (Loss) attributable to the equity holders of the company used in calculating basic earnings per share	(3,06,36,43,139)	(64,22,06,321)
<b>Diluted earnings per share:</b>		
Profit/(Loss) attributable to the equity holders of the company used in calculating diluted earnings per share	(3,06,36,43,139)	(64,22,06,321)
<b>(d) Weighted average number of shares used as the denominator:</b>		
	March 31, 2018	March 31, 2017
Weighted average number of equity shares used as the denominator in calculating basic earnings per share	5,09,00,000	5,09,00,000
Adjustments for calculation of diluted earnings per share:	Nil	Nil
<b>Weighted average number of equity shares used as the denominator in calculating diluted earnings per share</b>	<b>5,09,00,000</b>	<b>5,09,00,000</b>

**Notes to the Financial statements**

(All amounts in Indian Rupees)

**Note 37: Assets pledged as security:**

The carrying amounts of Company's assets pledged as security for current and non current borrowings are:

	March 31, 2018	March 31, 2017	April 01, 2016
<b>Working Capital Loans from banks (Secured):</b>			
<b>First Charge on Current:</b>			
Financial Asset	98,52,82,258	2,04,61,53,723	2,73,25,98,836
Non-Financial Asset	92,78,48,041	2,65,60,89,820	2,07,67,38,790
<b>Second Charge on Fixed Assets:</b>			
Fixed Assets	8,09,03,46,915	8,56,08,06,666	8,87,45,62,617
<b>Towards Current Borrowings</b>	<b>10,00,34,77,214</b>	<b>13,26,30,50,209</b>	<b>13,68,39,00,243</b>
<b>Non Current Borrowings (Secured):</b>			
<b>First Charge on Fixed Assets:</b>			
Fixed Assets	8,09,03,46,915	8,56,08,06,666	8,87,45,62,617
<b>Second Charge on Current Assets:</b>			
Financial Asset	98,52,82,258	2,04,61,53,723	2,73,25,98,836
Non-Financial Asset	92,78,48,041	2,65,60,89,820	2,07,67,38,790
<b>Towards Non Current Borrowings</b>	<b>10,00,34,77,214</b>	<b>13,26,30,50,209</b>	<b>13,68,39,00,243</b>

**Note 38: Note on Balances:**

Trade receivables, supplier advances and capital advances as at March 31, 2018 includes of ₹ 46,71,24,493/-, ₹ 4,40,72,265/- and ₹ 2,70,23,201/- respectively due for a period of more than one year for which no provision has been made in the books of account, as the management considers these receivables as good and recoverable. The management assesses the recoverability of trade receivables on regular basis and there is no uncertainty at present on recoverability of these receivables. legal cases were preferred where required to ensure recoverability. Based on the review during the year ₹ 15,71,23,644/-, were written off as bad debts, ₹ 15,40,64,913/- were written of as bad advances. Also provisions were made against debtors for ₹ 7,94,61,861/-, against capital advances ₹ 97,54,976/-, and other deposits ₹ 2,70,89,738/- wherever management believes doubtful of recovery. With regard to other long outstanding capital and supplier advances management is confident of recoverability and no provision at present is required to be made. This is a subject matter of qualification in the audit report for the year ended March 31, 2018.

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.

Per our report of even date

**For Majeti & Co.,**

Chartered Accountants

Firm's Registration Number: 0159755

**For and on behalf of the Board of Directors**
**K.Thanu Pillai**  
Chairman

**A.S.Rao**  
Executive Vice Chairman

**Kiran Kumar Majeti**

Partner

Membership Number: 220354

 Hyderabad  
May 30, 2018

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

**A.Naresh Kumar**  
Managing Director

## CODE OF BUSINESS CONDUCT AND ETHICS

### INTRODUCTION:

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

### 2. POLICY STATEMENT:

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

### 3. OBJECTIVE:

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

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

### 4. AUTHORITY:

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

### 5. APPLICATION:

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

### 6. DISCLOSURE:

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

annual statement in the Annual Report of the Company addressed to all stake holders to the shareholders that all the Directors and Senior Management of the Company has complied with the standards of the Code and a certificate from every person affirming the compliance has been obtained.

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

## 7. STANDARDS:

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

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

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

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

account for such benefit or gain to the Company.

### 8.1 **Confidentiality:**

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

8.1.2 Confidential information concerning Company include possible / future business opportunities, customer and supplier data or profile, financial performance, unpublished financial information and / or financial data, unpublished securities information, technology and technical information, technical advancements, patents, trademarks, 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 should endeavor to comply with all the applicable laws and regulations with respect to conduct of Company's business and personal conduct both within and outside work place.

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

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

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

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

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

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

- 12.1.5 Directors and Senior Management are discouraged from accepting any gifts, contributions, donations other than customary nature from any parties and discourage offering

such things to any third parties in the conduct of Company's business.

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

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

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

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

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

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

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

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

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

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

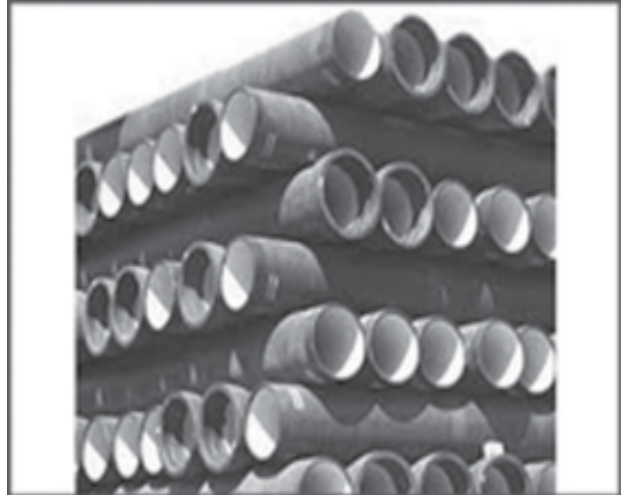
- 15.1.2 All employees are encouraged to report any violations or situations having potential of any violation should be brought to the notice of immediate supervisors or to the Chairman of the Company.

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

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