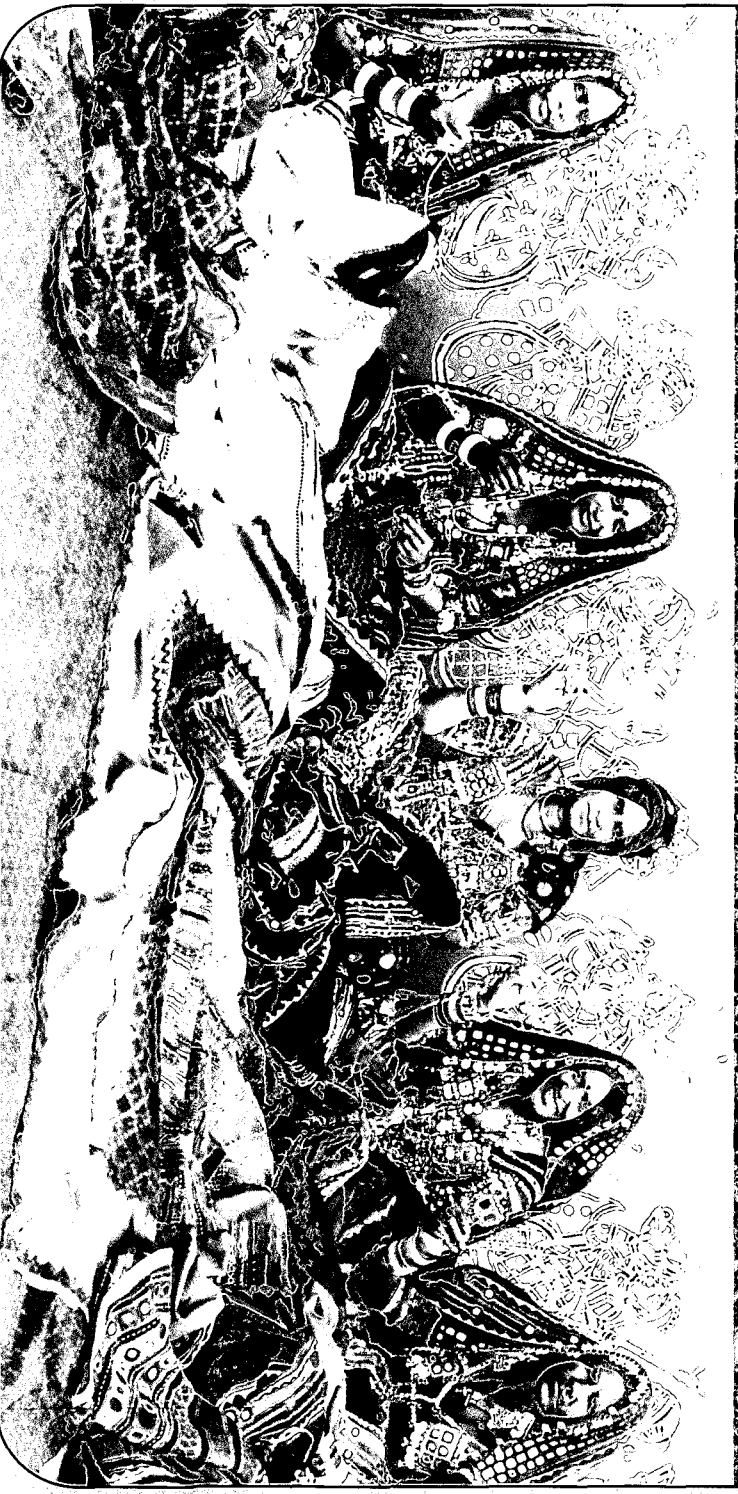


# 55<sup>th</sup> ANNUAL REPORT

2008-09



*The Sandur Manganese & Iron Ores Limited*





*The Sandur Manganese & Iron Ores Limited*

**ANNUAL REPORT  
2008 – 09**

M. Y. Ghorpade  
Chairman Emeritus

**DIRECTORS**

S. Y. Ghorpade  
Chairman & Managing Director

Nazim Sheikh  
Executive Director

S. H. Mohan  
Technical Director

P. K. Devanathan  
Director

Syed Abdul Aleem  
Director

M. S. Rama Rao  
Director

E. B. Desai  
Director

Susheeladevi Ghorpade  
Director

T. R. Satish Chandran  
Director (up to 11 May 2009)

S.R. Sridhar  
Director (Mines) (w.e.f. 1 October 2008)

N. C. Viswanathan  
Director (w.e.f. 28 May 2009)

R. Subramanian  
Director (w.e.f. 28 May 2009)

**COMPANY SECRETARY &  
COMPLIANCE OFFICER**

Md. Abdul Saleem

**FINANCIAL CONTROLLER & CFO**

K. Raman

**AUDIT COMMITTEE**

P. K. Devanathan, Chairman  
Syed Abdul Aleem, Member  
M. S. Rama Rao, Member  
T. R. Satish Chandran, Member (up to 11 May 2009)  
N. C. Viswanathan, Member (w.e.f. 28 May 2009)  
R. Subramanian, Member (w.e.f. 28 May 2009)

**REMUNERATION COMMITTEE**

E. B. Desai, Chairman  
P. K. Devanathan, Member  
Syed Abdul Aleem, Member  
M. S. Rama Rao, Member  
T. R. Satish Chandran, Member (up to 11 May 2009)

**INVESTORS GRIEVANCE &  
SHARE TRANSFER COMMITTEE**

P. K. Devanathan, Chairman  
S. Y. Ghorpade, Member  
Nazim Sheikh, Member  
Syed Abdul Aleem, Member  
M. S. Rama Rao, Member

**AUDITOR**

M/s. Deloitte Haskins & Sells  
Bangalore

**SOLICITOR**

M/s. Mulla & Mulla and Craigie Blunt & Caroe  
Mumbai

**BANKER**

State Bank of Mysore

**SHARE TRANSFER AGENT**

Venture Capital & Corporate  
Investments Private Limited  
Hyderabad

**REGISTERED OFFICE:**  
LAKSHMIPUR, SANDUR – 583 119  
BELLARY DIST. KARNATAKA



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## THE SANDUR MANGANESE & IRON ORES LIMITED

Regd. Office: Lakshmipur, Sandur - 583 119

Bellary Dist. Karnataka

### NOTICE

**Notice** is hereby given that the Fifty-fifth Annual General Meeting of the Members of the Company will be held on Friday, the 25th day of September 2009 at 11.00 A.M. at Anuradha Hall, Shivapur, Sandur - 583 119, to transact, with or without modifications, as may be permissible, the following business:

#### ORDINARY BUSINESS

1. To consider, approve and adopt the Audited Balance Sheet of the Company as at 31 March 2009, Profit and Loss Account for the year ended on that date, together with the reports of the Auditors and the Directors' thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of M. S. Rama Rao, who retires by rotation and, being eligible, offers himself for re-election.
4. To appoint a Director in place of S. H. Mohan, Technical Director, who retires by rotation as Director and, being eligible, offers himself for re-election.
5. To appoint a Director in place of P. K. Devanathan, who retires by rotation and, being eligible, offers himself for re-election.
6. To re-appoint Deloitte Haskins & Sells, Chartered Accountants, Bangalore, as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

#### SPECIAL BUSINESS

7. To consider and, if thought fit, to pass the following resolution, which will be proposed as an **ORDINARY RESOLUTION**:

"RESOLVED THAT pursuant to Articles 122(a) and 146(1) of the Company's Articles of Association and in conformity with the provisions of Sections 256 and 257 of the Companies Act, 1956, N. C. Viswanathan (who was appointed as an Additional Director of the Company on 28 May 2009 by the Board of Directors and who holds office under Article 128 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956 only up to the date of this Annual General Meeting, and in respect of whom, the Company has received a notice in writing along with the deposit of Rs.500/- under Section 257 of the said Act from a member proposing the candidature of N. C. Viswanathan for the office of Director) be and is hereby elected and appointed a Director of the Company, liable to retire by rotation."

8. To consider and, if thought fit, to pass the following resolution, which will be proposed as an **ORDINARY RESOLUTION**:

"RESOLVED THAT pursuant to Articles 122(a) and 146(1) of the Company's Articles of Association and in conformity with the provisions of Sections 256 and 257 of the Companies Act, 1956, R. Subramanian (who was appointed as an Additional Director of the Company on 28 May 2009 by the Board of Directors and who holds office under Article 128 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956 only up to the date of this Annual General Meeting, and in respect of whom, the Company has received a notice in writing along with the deposit of Rs.500/- under Section 257 of the said Act from a member proposing the candidature of R. Subramanian for the office of Director) be and is hereby elected and appointed a Director of the Company, liable to retire by rotation."

9. To consider and, if thought fit, to pass the following resolution, which will be proposed as a **SPECIAL RESOLUTION**:

"RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and any other law for the time being in force and subject to such approvals, consents, sanctions and



permissions, as may be necessary, consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include Committee(s) of the Board of Directors or persons authorized by the Board of Directors to invest, a sum not exceeding Rs.6.00 crore in the equity share capital of Shimoga Steels Limited (SSL), Mysore, Rs.15.00 crore, in the equity share capital of Star Metallics and Power Private Limited (SMPPL), a subsidiary of the Company, Rs.15.00 crore in the equity share capital of M. B. Smelters Private Limited (MBS), notwithstanding that such investment shall be over and above sixty percent of the Company's paid up share capital and free reserves or hundred percent of the Company's free reserves, whichever is more."

"RESOLVED FURTHER THAT the aforesaid proposed transactions shall be in addition to the present exposure of the Company by way of loans made, guarantees given, securities provided and/or investments made by the Company and approvals obtained for such purpose." and

"RESOLVED FURTHER THAT the aforesaid investments be made by the Company out of internal resources or in such other manner as the Board thinks appropriate and the Board be and is hereby authorized to finalise the terms of the aforesaid investments and to settle any question or doubt and to execute such deeds, agreements, documents and writings and do all such acts, matters, deeds and things as may be necessary or desirable to implement this resolution or otherwise considered by the Board to be in the best interests of the Company."

10. To consider and, if thought fit, to pass the following resolution, which will be proposed as a **SPECIAL RESOLUTION**:

"RESOLVED THAT pursuant to the provisions of Section 314(1) and other applicable provisions, if any, of the Companies Act, 1956 read with Rule 10C of the Companies (Central Government's) General Rules & Forms, 1956 and Director's Relatives (Office or Place of Profit) Rules, 2003, appointment of Mubeen Ahmed Sheriff, a relative of Nazim Sheikh (Executive Director of the Company who has also been nominated as Director on the Board of Star Metallics and Power Private Limited (SMPPL), a subsidiary of the Company) as Assistant General Manager (Commercial) in SMPPL, be and is hereby approved."

11. To consider and, if thought fit, to pass the following resolution, which will be proposed as a **SPECIAL RESOLUTION**:

"RESOLVED THAT pursuant to the provisions of Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956, the Company do take up the business mentioned in sub-clauses (7), (13), (24) and (25) of the objects clause of the Memorandum of Association and the Company do take up the business of developing properties acquired and / or to be acquired."

12. To take on record resolution passed under Section 372A by the shareholders of the Company through postal ballot in accordance with the provisions of Section 192A of the Companies Act, 1956, read with Companies (Passing of Resolution by Postal Ballot) Rules, 2001:

"RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and any other law for the time being in force, consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include Committee(s) of the Board of Directors or persons authorized by the Board of Directors for making investments, giving loans, providing securities and/or extending guarantees, from time to time, in one or more tranches, to and on behalf of Star Metallics and Power Private Limited (SMPPL), Hospet, Bellary District, Karnataka, a subsidiary of the Company, provided that the aggregate amount involved in respect of the above shall not exceed Rs.100 crore, notwithstanding that the same shall be over and above sixty percent of the Company's paid up share capital and free reserves or hundred percent of the Company's free reserves, whichever is more."

"RESOLVED FURTHER THAT the aforesaid proposed transactions shall be in addition to the present exposure of the Company by way of loans made, guarantees given, securities provided and /or investments made by the Company and approvals obtained for such purpose." and

"RESOLVED FURTHER THAT the aforesaid investments, loans etc., be made by the Company out of internal resources or in such other manner as the Board thinks appropriate and the Board be and is hereby authorized to finalise terms of the aforesaid transactions and to settle any question or doubt and to execute such deeds, agreements, documents and writings and do all such acts, matters, deeds and things as may be necessary or desirable to implement this resolution or otherwise considered by the Board to be in the best interests of the Company."



## NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. IN ORDER TO BE EFFECTIVE THE PROXIES SHOULD BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN **48 HOURS** BEFORE THE MEETING.
2. An Explanatory Statement in respect of item Nos.7 to 12 of the aforesaid Notice is annexed hereto in pursuance of Section 173(2) of the Companies Act, 1956 and as required under clause 49[IV(G)(i)] of the Listing Agreements with the Stock Exchanges brief particulars of directors who are proposed to be re-appointed are also provided.
3. As a matter of economy, copies of Annual Report will not be distributed at the venue of General Meeting and therefore, Members, their representatives and proxies are requested to bring their copies of the Annual Report, mailed by the Company to the members at their registered addresses.
4. Pursuant to the provisions of Section 154 of the Companies Act, 1956 and Clause 16 of the Listing Agreements with Stock Exchanges, the Register of Members and Share Transfer Books of the Company will be closed from **Friday, 18 September 2009 to Friday, 25 September 2009 (both days inclusive)**.
5. Members are requested to quote their Folio Number / Client ID, in all correspondence and intimate any change in their address to the Company / Share Transfer Agent promptly.
6. Equity shares of the Company are listed on the Bangalore Stock Exchange Limited and Bombay Stock Exchange Limited. Annual Listing Fee for the financial year 2009-10 has been paid to both the Stock Exchanges.

By Order of the Board  
for The Sandur Manganese & Iron Ores Limited

Place : Bangalore  
Date : 30 July 2009

**Md Abdul Saleem**  
Company Secretary



## EXPLANATORY STATEMENT

In terms of Section 173(2) of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to the Special Business mentioned in the accompanying Notice. Further, information required under clause 49[IV(G)(i)] of the Listing Agreements with the Stock Exchanges is also provided hereunder:

### ITEM No. 3

**M. S. Rama Rao**, a graduate in civil engineering has held senior positions such as member of various committees of the Bureau of Indian Standards, Chief Engineer (Civil Designs) in Karnataka Power Corporation Limited, consultant on hydro and mini hydel projects, etc.

He has rich experience in the areas of detailed design of dams and other civil structures, technical feasibility studies administration. He is a member of Audit Committee, Remuneration Committee and Investors Grievance & Share Transfer Committee of the Board of Directors of the Company. In compliance with Clause 49(III)(i) of the Listing Agreements with the Stock Exchanges, he has been appointed as director on the Board of Star Metallics and Power Private Limited (SMPPL), a subsidiary of the Company, with effect from 6 November 2008.

He is not holding any shares of the Company.

### ITEM No. 4

**S. H. Mohan**, a post graduate in mechanical engineering joined the Company in 1970 as Executive Trainee and held several important positions including those of Manager (Materials), General Manager (Plant), Senior General Manager (Plant), etc. He was co-opted on the Board as Technical Director with effect from 31 January 2001.

He has rich and varied experience in functional areas such as materials management, commercial management, finance, personnel management, administration and general management.

He is a director on the Board of Skand Private Limited and has been nominated as whole-time director on the Board of SMPPL (subsidiary of the Company) with effect from 6 November 2008. He is playing a key role in setting up the 32MW thermal power plant of SMPPL.

He is holding 1,250 equity shares of the Company.

### ITEM No. 5

**P. K. Devanathan** holds an honours degree in science and was a member of Indian Audit and Accounts Service (IA&AS). In 1977 he opted for retirement from the IA&AS and joined the Company as Financial Controller, a position he held till his retirement in 1985.

He was appointed as Director on the Board of the Company in January 2001 and he is the Chairman of the Audit Committee and Investors Grievance & Share Transfer Committee and a member of the Remuneration Committee. He does not hold directorship of any other Company.

He holds 2,000 equity shares of the Company.

### ITEM No.7

**N. C. Viswanathan** is a retired I.A.S. officer who held the position of Additional Chief Secretary & Development Commissioner, Government of Karnataka (GoK) before his retirement from the Indian Administrative Service on 30 June 2002.

He is a post graduate in commerce and during his 36 years in the Indian Administrative Service has held various important positions, including Assistant Commissioner, Kundapura Sub-Division (1968-1970), Deputy Commissioner, Bellary District (1970-1972), Deputy Secretary, Ministry of Defence, Govt. of India (1975-1979), Commissioner of Industrial





Development & Director of Industries & Commerce (1981-1985), Vice Chairman & Managing Director, KSRTC (1985-1987), Chairman & Managing Director, Vikranth Tyres, Mysore (1987-1990), Principal Secretary to the Chief Minister, GoK (1990-1992), Principal Secretary, Information, Tourism & Youth Services, GoK (1992 -1995), Principal Secretary, Commerce & Industries Department, GoK (1995 - 1999).

To utilize his vast experience and knowledge for the progress of the Company, he was co-opted as an Additional Director on the Board of the Company on 28 May 2009 and was appointed as a member of the Audit Committee.

The Company is in receipt of a notice under Section 257 of the Companies Act, 1956 from a shareholder proposing the appointment of N. C. Viswanathan as a Director on the Board of the Company, liable to retire by rotation, in accordance with the provisions of Sections 255 and 256 of the Companies Act, 1956.

He is not holding any shares in the Company. He is the Chairman of Vishwas Organic Technologies Private Limited.

The Ordinary Resolution at Item 7 is proposed accordingly.

#### **Interest of Directors**

N. C. Viswanathan is interested in this resolution relating to him.

#### **ITEM No.8**

**R. Subramanian**, founder-partner of R. Subramanian and Company, Chartered Accountants is a first class commerce graduate, fellow member of Institute of Chartered Accountants of India (ICAI), associate member of Institute of Cost and Works Accountants of India (ICWAI), Institute of Company Secretaries of India (ICSI) and Institute of Chartered Secretaries (ICS), London. He is also a recipient of gold medal in management accountancy of ICAI. He has held senior positions in finance departments of large industrial enterprises. He has presented research papers in various domestic and international professional conferences / seminars and is an active member of committees of Chamber of Commerce. He is also a nominated Member of Company Law Advisory Committee, Government of India.

The rich experience of R. Subramanian in finance and allied fields would greatly benefit the Company.

He was co-opted as an Additional Director on the Board of the Company on 28 May 2009 and was appointed as a member of the Audit Committee.

The Company is in receipt of a notice under Section 257 of the Companies Act, 1956 from a shareholder proposing the appointment of R. Subramanian as a Director on the Board of the Company, liable to retire by rotation, in accordance with the provisions of Sections 255 and 256 of the Companies Act, 1956.

He is not holding any shares in the Company. He is a director on the Board of VST Tillers Tractors Limited.

The Ordinary Resolution at Item 8 is proposed accordingly.

#### **Interest of Directors**

R. Subramanian is interested in this resolution relating to him.

#### **ITEM No. 9**

The Company has a well established policy to ensure value addition of natural resources at its disposal as well as local industrialization. In pursuance of this policy, the Company had set up a ferroalloy plant way back in 1968 at Vyasankere by installing three submerged arc furnaces to produce ferroalloys by using its own manganese ore mined at its Mines. Unfortunately, the ferroalloys plant had to be closed down due to unviable power tariff and eventually sold for the revival of the Company in accordance with the rehabilitation scheme sanctioned by the Hon'ble Board for Industrial & Financial Reconstruction (BIFR). However, by virtue of good performance and accrual of profits, in its endeavour to pursue the policy of value addition, captive consumption, local industrialization and employment, the Company has made investments in Star Metallics and Power Private Limited (SMPPL) which has plans of restarting ferroalloy operations using SMIORE's old furnaces which were earlier sold by SMIORE, and also setting up a 32MW power plant to ensure sustained viability



on a long term basis. While investment in SMPPL would result in captive consumption of about 50% of its high grade manganese ore, the Company is now proposing to give effect to a strategic alliance with M. B. Smelters Private Limited (MBS) located at Hindupur which would result in captive consumption of atleast 50% of its low grade manganese ores for production of Spiegel and manganese alloys. MBS has the advantage of low priced power being supplied to them under a special scheme for the ferroalloy industry being implemented by the Government of Andhra Pradesh.

In order to also establish avenues for value addition, to its low grade iron ore reserves which may not be readily saleable at all times in future, the Company proposes venturing into iron ore beneficiation project. The Company also has entered into an arrangement with Shimoga Steels Limited (SSL) for utilizing its steel rolling facility. The Company proposes to supply its 63 grade iron ore to local steel plants on conversion basis to receive steel ingots in lieu thereof, which would then be rolled to TMT bars and other such steel products at SSL, Mysore to result in value addition and also local use of its iron ore reserves.

Such arrangements as detailed above would result in very strategic and valuable investments made by the Company and lay the foundation for a long term, stable, electro metallurgical and mining industry, with amalgamation of manganese and iron ore resource and captive electric power to be in the midst of a growing steel industry in the area of Sandur-Hospet region.

**(a) Investment in SSL**

The Company has entered into a Memorandum of Understanding (MOU) on 29 February 2008 with Padmavathi Software Solutions Private Limited (PSSPL) for utilizing the facility of rolling mill/foundry of SSL on an exclusive basis.

PSSPL is a Special Purpose Vehicle (SPV) formulated for the purpose of inducting funds for the revival of SSL, a public limited company declared sick under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 by the Hon'ble BIFR. Presently, PSSPL is holding equity shares of Rs. 607.00 lakh in SSL against the total paid up share capital of Rs.610.55 lakh which is 99.42% of SSL's equity share capital and in terms of which SSL shall be the subsidiary of PSSPL.

Further, the Company has provided an advance of Rs.6.00 crore to PSSPL for making available the facilities of rolling mill/foundry of SSL to the Company on an exclusive basis to be returned by way of adjustment of conversion cost to be paid for conversion of iron ore to be supplied by the Company and return of proportionate quantity of steel.

As security for the said advance of Rs.6.00 crore, in accordance with the terms of MOU, SSL should create charge on the proportionate area of land out of the 1,41,645 sq. mtrs (approx. 35 acres) of land held by SSL after it being released by the existing charge holders. In the meanwhile, as security for the said advance, PSSPL has pledged 6 crore equity shares of Re.1 each (which are locked in for a period of three years from 7 November 2007) and 7,04,966 equity shares of Re.1/- each of SSL held by PSSPL.

It is proposed to get the aforesaid equity shares of Re.1/- each of SSL, pledged by PSSPL, transferred in the name of the Company. Since the transfer of said shares in the name of the Company amounts to investment under the provisions of Section 372A of the Companies Act, 1956, this Special Resolution at Item 9 is commended for members' approval.

**Interest of Directors**

None of the Directors has any specific interest in this resolution.

**(b) Investment in SMPPL**

The attention of the members is drawn to the Special Resolution passed at the 54th Annual General Meeting of the Company held on 25 September 2008 and the subsequent Special Resolution passed under Section 372A of the Companies Act, 1956 by postal ballot in accordance with Section 192A, for making investments, giving loans, providing securities and extending guarantees to Star Metallics and Power Private Limited (SMPPL), a subsidiary of the Company, aggregating to Rs.150.00 crore i.e., Rs.50.00 crore in the form of equity and Rs.100.00 crore towards providing loan, security and guarantee.



As part of implementation of the Rehabilitation Scheme sanctioned by the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) in its order dated 31 December 2002 and in accordance with the approval of the Asset Sale Committee, the Company sold its two 20 MVA furnaces together with the associated equipment at the Metal & Ferro Alloys Plant, Vyasankere to Prime Technologies of Emirates Trading Agency Group (ETA Group), Dubai for a consideration of Rs.32.00 crore, payable in installments over a period of 4 years from November 2004 to November 2008.

Without moving any asset from its present location, Prime Technologies has paid Rs.18.93 crore in installments (excluding interest and penal interest) out of which Rs. 16.00 crore is attributable to one furnace and the balance Rs.2.93 crore as part payment towards the second furnace. ETA Group has expressed certain difficulties in paying the balance as per schedule and is seeking more time or alternatively permission to assign the second furnace to SMPPL by considering payment made so far of Rs.2.93 crore as its equity contribution in SMPPL. Consequently, SMPPL will have to pay to SMIORE the balance consideration of Rs. 13.07 crore for the furnace assigned to it by ETA Group.

ETA Group proposes to implement its plan so far as one furnace is concerned, i.e., to shift the same to the Bahrain Ferro Alloys Plant, and for which Rs.16.00 crore has already been paid by it to SMIORE.

In the present recessionary market conditions since SMIORE cannot sell the said furnace at the price agreed on 30 December 2004 and SMPPL being Company's subsidiary set up for operating ferroalloys plant with one 15MVA furnace and one 20MVA furnace, it is proposed to provide the aforesaid 20MVA furnace as capital contribution against allotment of equity shares of SMPPL. As of result of this allotment, the shareholding of SMIORE, Euro Industrial Enterprises Private Limited (EIEPL) and ETA Group in SMPPL will be in the ratio of approximately 71:20:9 against the proposed shareholding pattern of 60:20:20 respectively.

Since the proposed investment is exceeding the limits prescribed under Section 372A of the Companies Act, 1956 and the earlier approvals accorded by the members of the Company, Special Resolution at Item 9 is commended for shareholders' approval.

#### **Interest of Directors**

S. Y. Ghorpade, Nazim Sheikh, S. H. Mohan and M. S. Rama Rao nominated by the Company as directors on the Board of SMPPL and Susheeladevi Ghorpade being relative of S. Y. Ghorpade may be concerned or interested in the resolution.

#### **(c) Investment in MBS**

With a view to establish value addition of manganese ores mined by the Company, it is proposed to participate in ferroalloys project of M. B. Smelters Private Limited (MBS), Hindupur. MBS is a well known name in ferroalloy field producing exotic ferroalloys like Manganese Boron, Low Carbon SiMn and welding fluxes through Thermic Alloy process. It has acquired two 9 MVA furnaces from Khandewal Ferroalloys in Nagpur and one 2 MVA refining arc furnace and proposes to produce Spiegel and High MnO slag in one furnace using the Company's low grade Mn ore. The high MnO slag could then be used in the other furnace to produce High Carbon FeMn or SiMn. Alternatively, both the furnaces can produce HC FeMn/SiMn using high grade Mn ore from the Company / MBS / Company's associates. MBS is desirous that the Company join hands with it in developing its Hindupur Project costing about Rs.60.00 crore with 50 : 50 debt : equity ratio. Company's participation in ferroalloys project of MBS could result in value addition and captive consumption of low grade manganese ores.

In view of the above it is proposed to acquire equity to the extent 49% in the equity share capital of MBS.

Since such investments are exceeding the limits prescribed under Section 372A of the Companies Act, 1956, this Special Resolution at Item 9 is commended for shareholders' approval.

#### **Interest of Directors**

None of the Directors has any specific interest in this resolution.



#### **ITEM No. 10**

The Company is in receipt of a communication dated 10 November 2008 from SMPPL, a subsidiary of the Company, intimating the appointment of Mubeen Ahmed Sheriff as Assistant General Manager (Commercial) in SMPPL with effect from 5 November 2008 on a gross remuneration not exceeding Rs.48,000/- per month.

He is a qualified mechanical engineer with over 5 years of experience in the industry, including international experience in procurement functions, exports and imports with a large Dubai based Business House.

Mubeen Ahmed Sheriff is a relative of Nazim Sheikh who is an Executive Director of the Company and also a Director on the Board of SMPPL. Accordingly his appointment in SMPPL requires approval of the Company's shareholders under Section 314(1) of the Companies Act, 1956.

His appointment was taken note by the Board of Directors of SMPPL at its meeting held on 6 November 2008 and the shareholders of SMPPL approved the same at the Extra-ordinary General Meeting held on 9 January 2009.

#### **Interest of Directors**

Nazim Sheikh is interested in this resolution.

#### **ITEM No. 11**

With the improvement in performance and financial health of the Company, in pursuance of its objectives of making good investment of available surplus funds and since all the real estate properties of the Company had to be sold as part of rehabilitation scheme sanctioned by the Hon'ble BIFR, the Company acquired a property in Bangalore during September 2008 by participating in the auction conducted by the XVIII Additional City Civil and Sessions Judge, Bangalore.

After considering various proposals, the Company intends to develop the property in association with a Developer. Pursuant to the provisions of Section 149(2A) of the Companies Act, 1956, the Company requires approval of the shareholders to commence any new business which is not germane to the business which it is carrying on at the commencement of the Companies (Amendment) Act, 1965 and since the development of the aforesaid property is interpreted to result in commencement of a new business by invoking the provisions contained in sub-clauses (7), (13), (24) and (25) of the objects clause of the Memorandum of Association, the Company seeks approval of the shareholders for commencement of business specified in the aforesaid clauses of the Memorandum of the Company.

Accordingly, this Special Resolution at Item 11 is commended for members' approval.

#### **Interest of Directors**

None of the Directors has any specific interest in this resolution.

#### **ITEM No. 12**

In accordance with the consent provided by the Shareholders at the 54th Annual General Meeting of the Company held on 25 September 2008, the Company invested in the Equity Share Capital of Star Metallics and Power Private Limited (SMPPL) which will be operating ferroalloys plant and setting up a 32MW captive power plant at Vyasankere. In view of the said investment, SMPPL became a subsidiary of the Company as per Section 4 of the Companies Act, 1956.

In order to make the Ferroalloy & Captive Power Plant project of SMPPL more attractive and to minimize borrowings from Bank(s), it was proposed that the Company provide further funds to, and undertake obligations on behalf of, SMPPL as provided in the resolution.

As per Rule 4(g) of The Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, resolution for giving loans or extending guarantees or providing securities in excess of the limits prescribed under sub-section (1) of Section 372A has to be passed through Postal Ballot.



The Board recommended the Special Resolution as set out in the Notice for the approval of the shareholders.

The Company despatched postal ballot forms on 22 December 2008 and advised the shareholders to return the duly completed Postal Ballot forms to the Scrutinizer, on or before 24 January 2009.

The scrutinizer, Parameshwar G. Hegde, Practicing Company Secretary submitted his report dated 28 January 2009 stating that he has received 128 postal ballot forms from members holding 66,46,312 shares i.e., 75.96% of paid up share capital of the Company. Out of the above, 2 postal ballots from members holding 250 shares were found to be invalid. Out of the valid votes, 116 members holding 66,41,462 shares have voted in favour of the resolution and 10 members holding 4,600 shares voted against the resolution.

The said report was placed before the Board of Directors at its meeting held on 29 January 2009 wherein S. Y. Ghorpade - Chairman & Managing Director announced that the said resolution has been passed with 99.93% votes cast in favour of the resolution.

The stock exchanges were informed about the postal ballot result on 29 January 2009 and the same was published in All India Editions of Financial Express on 30 January 2009.

#### **Interest of Directors**

S. Y. Ghorpade, Nazim Sheikh, S. H. Mohan and M. S. Rama Rao nominated by the Company as directors on the Board of SMPPL and Susheeladevi Ghorpade being relative of S. Y. Ghorpade may be concerned or interested in the resolution.

By Order of the Board  
for The Sandur Manganese & Iron Ores Limited

Place: Bangalore  
Date : 30 July 2009

**Md. Abdul Saleem**  
Company Secretary



## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2009

The Directors are pleased to present their Report and Audited Statement of Accounts for the year ended 31 March 2009:

### FINANCIAL RESULTS

		<b>Current Year</b> <b>Rs Lakh</b>	Previous Year Rs Lakh
a)	Net Sales/Income	42781.78	26967.02
b)	Other Income	286.90	127.68
	Total income	43068.68	27094.70
c)	Expenditure		
	(i) Variable	13027.73	14406.53
	(ii) Fixed	6546.62	4223.75
	(iii) Depreciation / Amortization	988.51	969.95
	(iv) Interest	1.97	6.19
	Total	20564.83	19606.42
d)	Profit/(Loss) before taxes	22503.85	7488.28
e)	Less Taxes :		
	i) Current Tax	8825.00	850.00
	ii) MAT credit entitlement	-	(285.00)
	iii) Deferred Tax	(1090.00)	1119.00
	iv) Fringe Benefit Tax	21.80	23.41
f)	Net Profit/(Loss)	14747.05	5780.87
g)	Add: Balance brought forward from the previous year	1743.66	(3217.29)
h)	Profit before appropriation	16490.71	2563.58
i)	Less: Appropriations :		
	i) Dividend on preference shares	13.72	205.07
	ii) Dividend on equity shares	262.50	-
	iii) Tax on Dividends	46.94	34.85
	iv) Transfer to Capital Redemption Reserve	51.40	-
	v) Transfer to general reserve	1475.00	580.00
	Total	1849.56	819.92
j)	Profit/(Loss) carried to Balance Sheet	14641.15	1743.66

The Company earned profit before tax of Rs.22,503.85 lakh after charging Rs.988.51 lakh towards depreciation on fixed assets and amortization of mining lease rights and Rs.1.97 lakh towards interest.

After taking into account charging off Fringe Benefit Tax of Rs.21.80 lakh, income tax of Rs.8,825.00 lakh, deferred tax of (Rs.1,090.00 lakh), dividend on shares of Rs.276.22 lakh, tax on dividends of Rs.46.94 lakh, transfer to capital redemption reserve of Rs.51.40 lakh and transfer to general reserve of Rs.1,475.00 lakh, the profit carried to the Balance Sheet is Rs.14,641.15 lakh.



<b>OPERATIONS</b>		<b>Current Year (Tonnes)</b>	<b>Previous Year (Tonnes)</b>
<b>Mines:</b>			
<b>Manganese Ore:</b>	Production	<b>236614</b>	217819
	Salvaged from dumps	<b>4212</b>	41409
	Sales	<b>295434</b>	243617
<b>Iron Ore :</b>	Production	<b>1172845</b>	738724
	Salvaged from dumps	<b>332829</b>	419591
	Sales	<b>1448817</b>	1158315

Compared with the previous year, Manganese Ore production during the financial year 2008-09 increased by 9% from about 2,17,819 tonnes to 2,36,614 tonnes. About 4,212 tonnes were salvaged from old waste dumps. Sale was of the order of about 2,95,434 tonnes, including drawal from stock, which is 21% more than the previous year. Export constituted about 17% of revenue though about 22% of sales volume.

Production of Iron Ore increased by about 4,34,121 tonnes compared to that of the previous year. Demand for low grade enabled usage of about 3,32,829 tonnes of Iron Ore salvaged from old dumps, which had hitherto been lying unsold for a long period.

#### **DIVIDEND**

The Directors recommend final dividend of Rs.1.50 per equity share for the financial year ended 31 March 2009, subject to the approval of the shareholders. Together with the interim dividend of Rs.1.50/- per share declared on 29 January 2009 the total dividend for the year is proposed at Rs.3.00 per share of Rs.10/- each, aggregating to Rs.2.625 crore. The dividend will be paid to members whose names appear in the Register of Members as on 25 September 2009; in respect of shares held in dematerialized form, it will be paid to members whose names are furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as beneficial owners as on that date.

The dividend pay out for the year under review has been formulated in accordance with the Company's policy to pay sustainable dividend linked to long term performance and also keeping in view the Company's need for capital for its growth plans and the intent to finance such plans through internal accruals to the maximum.

#### **INVESTMENTS**

To establish value addition as well as local use of its manganese ore, in accordance with the special resolution passed under Section 372A of the Companies Act, 1956 by the Shareholders of the Company at the 54th Annual General Meeting held on 25 September 2008, the Company has invested Rs.50.00 crore in the equity share capital of Star Metallics and Power Private Limited (SMPPL) against which SMPPL has allotted 1,95,00,000 equity shares of Rs.10/- each at a premium of Rs.10/- per share i.e., for Rs.39.00 crore and considered the balance Rs.11.00 crore as share application money pending allotment, by virtue of which SMPPL has become subsidiary of the Company on 25 October 2008.

Further, in accordance with the consent accorded by the shareholders under Section 372A of the Companies Act, 1956, through postal ballot, the results of which were announced on 29 January 2009, the Company has provided Corporate Guarantee in favour of Commissioner of Customs, Chennai on behalf of SMPPL to an extent of Rs.10.50 crore and also executed an agreement with SMPPL for extending long term secured loan of Rs.60.00 crore for the purpose of operating ferroalloys plant and setting up a 32 MW coal based power plant, against which an amount of Rs.22.50 crore is paid till now. Further, the Company has also invested in mutual funds to the extent of Rs.50.00 crore.

#### **SUBSIDIARY**

As stated above, by virtue of 1,95,00,000 equity shares allotted by SMPPL on 25 October 2008, SMPPL became subsidiary of the Company as per Section 4 of the Companies Act, 1956.

SMPPL will be operating ferroalloys plant and is in the process of setting up a 32MW captive power plant at Vyasankere.



In order to have proper control over the affairs of SMPPL, the Company has nominated two of its whole time directors namely S. Y. Ghorpade and Nazim Sheikh as directors and one of its whole time directors i.e., S. H. Mohan as whole time director on the Board of SMPPL. Further, in compliance with the provisions of Clause 49 of the Listing Agreements with Stock Exchanges, the Company has nominated one of its independent directors i.e., M. S. Rama Rao as a director on the Board of SMPPL resulting in majority of SMPPL's Board being controlled by the Company.

### **CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements, the audited Consolidated Financial Statements are provided in the Annual Report.

### **DEMATERIALIZATION**

In compliance with Securities Exchange Board of India Circular No. FITTC / DC / POLICY - CIR - 01/2001 dated 3 August 2001, upon the net-worth turning positive, the Company once again made applications to CDSL and NSDL to establish electronic connectivity facilitating dematerialization of Company's equity shares. Considering the said applications, the Company was allotted International Securities Identification Number (ISIN) INE149K01016 and CDSL vide its letter No.CDSL/OPS/SS/EQ/6177 dated 18 February 2009 and NSDL vide its letter No.Ref-NSDL/II/PI/JNG/3869/2009 dated 28 March 2009 have communicated the admission of 87,50,000 equity shares of Rs.10/- each of the Company bearing distinctive numbers from 1 to 8750000. Accordingly, shareholders holding 13,75,216 shares of the Company have already converted their shares in to dematerialized form and the remaining shareholders can opt to get their shares dematerialized by submitting the original share certificates to their respective depository participants with whom they have their demat accounts.

### **DIRECTORS**

T. R. Satish Chandran resigned from Directorship of the Company due to setback in his health and accordingly ceased to be a Director with effect from 11 May 2009. Board placed on record its appreciation for the valuable contribution made by T. R. Satish Chandran.

N. C. Viswanathan and R. Subramanian were co-opted as Additional Directors at the Board Meeting held on 28 May 2009. Notices under Section 257 of the Companies Act, 1956 have been received from members signifying their intention to propose the names of aforesaid Directors and resolutions for their election have been included in the notice convening the Annual General Meeting.

M. S. Rama Rao, S. H. Mohan and P. K. Devanathan are liable to retire by rotation and, being eligible, offer themselves for re-election.

None of the Directors of the Company are disqualified for being appointed as Directors as specified under Section 274 of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 2000.

Board commends for passing of proposed resolutions for the appointment / reappointment of the aforesaid directors.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors state that:

- In the preparation of accounts, the applicable accounting standards have been followed.
- Accounting policies selected were applied consistently.
- Reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of affairs of the Company as at the end of 31 March 2009 and of the profit for the year ended on that date.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
- The annual accounts of the Company have been prepared on a going concern basis.

### **AUDITORS**

Messrs Deloitte Haskins & Sells, Chartered Accountants, retire at the conclusion of this Annual General Meeting and





being eligible, offer themselves for re-appointment.

## **CORPORATE GOVERNANCE**

The Directors' Report on Corporate Governance is annexed to this report. The Certificate of the Auditors, Messrs Deloitte Haskins and Sells, Chartered Accountants, regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges is also annexed.

## **CORPORATE SOCIAL RESPONSIBILITY**

- The Company directly and indirectly supports three schools at the mines, four schools at Vyaṣankere (where it used to operate ferroalloys plant in the past) and nearly six schools and colleges in and around Sandur. The institutions have been catering to the educational needs of employees' children as well as the children of Sandur and surrounding villages. The Company has donated Rs.100 lakh to Shivapur Shikshana Samithi, Sandur on the occasion of celebration of Golden Jubilee by The Sandur Residential School run by Shivapur Shikshana Samithi which has developed into a premier institution of the region and a member of the ICSE which comprises of about 75% schools in the Country.
- Under Akshaya Patra programme, Company provides free mid-day meals to children studying in some of the aforesaid schools and two Government schools at Sandur.
- The Company's Community Health Centre namely "Arogya" at Sandur meets the medical requirements of employees free of cost and also the general public of Sandur and other adjacent villages. In association with Vittala of Bangalore, Arogya provides specialized eye care facility.
- The Company's welfare organisation called Sandur Kushala Kala Kendra was established for nurturing and development of traditional handicrafts, upliftment and gainful employment of rural artisans.
- The Company continues to provide a package of essential food grains, to suffice needs of a family of about five per month, at 1972 prices, to all its employees and workmen, including temporary workmen.

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

Particulars relating to conservation of energy and technology absorption stipulated in the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 are not applicable as the Metal & Ferroalloys Plant was not operated by the Company. The particulars regarding expenditure and earnings in foreign exchange appear as items No. 7 and 8 respectively in the Notes to the Accounts.

## **EMPLOYEES**

During the year there were no employees whose particulars are required to be disclosed under Section 217 (2A) of the Companies Act, 1956.

## **ACKNOWLEDGEMENTS**

The Directors wish to thank the Banks for the support extended during the financial year to the Company.

The Directors also wish to place on record their appreciation of the cordial labour-management relations and the good work put in by all employees of the Company.

for and on behalf of the Board

Place: Bangalore  
Date : 30 July 2009

**S. Y. GHORPADE**  
Chairman & Managing Director



## REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE FOR THE YEAR 2008-09

### 1. Company's philosophy on code of governance

The Company believes that corporate governance is directing and controlling the business with the overriding objective of optimizing return for the shareholders. The Company aims to achieve this by providing long-term visibility of its business, ensuring effective relationship with stakeholders, establishing systems that help the Board in understanding risk appetite and monitoring risk at every stage of corporate evolution process.

The Company further believes in values such as fairness, kindness, efficiency, transparency, accountability and integrity in Corporate Governance.

### 2. Board of Directors

- Composition and Category of Directors**

As on 31 March 2009, the Board comprises of ten members, of whom four are whole time directors, viz., Chairman & Managing Director, Executive Director, Technical Director and Director (Mines), one non-executive promoter and the remaining five are independent non-executive directors. Chairman & Managing Director is one of the promoters of the Company. All the directors are highly qualified, professional and have vast experience in industry.

- The particulars of directors, their attendance at Board Meetings during the financial year and at the last Annual General Meeting are as under :**

Name of Director	Category	Attendance	
		Board Meetings	Last AGM
S. Y. Ghorpade	Chairman & Managing Director	5	Yes
Nazim Sheikh	Executive Director	5	Yes
S. H. Mohan	Technical Director	5	Yes
P. K. Devanathan	Non-Executive & Independent	5	Yes
Syed Abdul Aleem	Non-Executive & Independent	5	No
M.S. Rama Rao	Non-Executive & Independent	4	Yes
E. B. Desai	Non-Executive & Independent	5	No
Susheeladevi Ghorpade	Non-Executive Promoter	5	No
T. R. Satish Chandran (from 4 June 2008 upto 11 May 2009)	Non-Executive & Independent	4	No
S. R. Sridhar (w.e.f. 1 October 2008)	Director (Mines)	2	NA

The Board has, at its meeting held on 28 May 2009, co-opted N. C. Viswanathan (non-executive & independent) and R. Subramanian (non-executive & independent) as Additional Directors.

- Number of Directorships and Committee Memberships held by the Directors in Domestic Public Companies as at 31 March 2009 are as indicated below :**

Name of Director	Directorships (Excluding this Company)	Committee Memberships (Excluding this Company)	
		As Chairman	As Member
S. Y. Ghorpade	-	-	-
P. K. Devanathan	-	-	-



Name of Director	Directorships (Excluding this Company)	Committee Memberships (Excluding this Company)	
		As Chairman	As Member
Nazim Sheikh	-	-	-
S. H. Mohan	-	-	-
Syed Abdul Aleem	-	-	-
M. S. Rama Rao	-	-	-
E. B. Desai	8	4	3
Susheeladevi Ghorpade	-	-	-
T. R. Satish Chandran	-	-	-
S. R. Sridhar	1	-	-

- **Board Meetings**

Meetings of the Board of Directors are generally held at the Company's Corporate Office in Bangalore and are scheduled well in advance. The Board Meetings are held at least once in a quarter to review the quarterly performance and the financial results apart from transacting other items of business requiring the Board's attention. The Company Secretary in consultation with the Chairman & Managing Director and Executive Director prepares agenda for the meetings. The Board papers are circulated to Directors in advance. Senior Management personnel are invited to attend the Board Meetings and provide clarifications as and when required.

The Company has an Executive Chairman and half of the Board comprise of independent directors. The Company had no pecuniary relationship or transactions with any of the Non-Executive Directors, except payment of sitting fees for attending meetings of the Board and its Committees thereof, during the year under review.

The information as required under Annexure 1A to Clause 49 of the listing agreement is being regularly placed before the Board. The Board also reviews the declaration made by the Chairman & Managing Director and the Company Secretary regarding compliance with all laws applicable to the Company on a quarterly basis.

The Board of Directors met five times during the financial year on 28 April 2008, 30 July 2008, 12 August 2008, 30 October 2008 and 29 January 2009. The interval between any two successive meetings did not exceed four months.

### 3. Audit Committee

- **Powers of the Audit Committee**

- a) to investigate any activity within its terms of reference
- b) to seek information from any employee
- c) to obtain outside legal or other professional advice
- d) to secure attendance of outsiders with relevant expertise, if it considers necessary.

- **Terms of reference of the Audit Committee**

- a) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor, fixation of audit fee.



- c) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- d) Reviewing with the management the annual financial statements before submission to the Board, focusing primarily on:
- any changes in accounting policies and practices
  - major accounting entries based on exercise of judgement by management
  - qualifications in draft audit report
  - significant adjustments arising out of audit
  - going concern assumption
  - compliance with accounting standards
  - compliance with stock exchange and legal requirements concerning financial statements
  - any related party transactions i.e., transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large.
- e) Reviewing with the management matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
- f) Reviewing with the management and external and internal auditors, the adequacy of internal control systems.
- g) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- h) Discussion with internal auditors of any significant findings and follow up there on.
- i) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- j) Discussion with external auditors before the audit commences of the nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- k) Reviewing the Company's financial and risk management policies.
- l) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- m) Reviewing Management Discussion and Analysis of financial condition and results of operations.
- n) Reviewing with the management, the quarterly financial statements before submission to the Board for approval.

**Composition, name of the members and their attendance at meetings during the financial year are as under :**

Name	Designation	Category	No. of meetings attended
P. K. Devanathan	Chairman	Non-Executive & Independent	4
Syed Abdul Aleem	Member	Non-Executive & Independent	4
M. S. Rama Rao	Member	Non-Executive & Independent	3
T. R. Satish Chandran (from 4 June 2008 upto 11 May 2009)	Member	Non-Executive & Independent	3



The Company Secretary acts as Secretary to the Committee.

The meetings are scheduled well in advance and the whole time directors and senior management personnel of the Company, the Statutory Auditors and Internal Auditors are invited to attend the meetings.

The Audit Committee members are financially literate and have relevant finance and / or audit exposure. The Chairman, P. K. Devanathan is the financial expert.

P. K. Devanathan, Chairman of the Audit Committee was present at the AGM.

- **Meetings held during the year 2008-09**

The Audit Committee met four times during the financial year on 28 April 2008, 30 July 2008, 30 October 2008 and 29 January 2009. The interval between any two successive meetings did not exceed four months. The quorum as required under clause 49(II) (B) was maintained at all the meetings.

#### 4. Remuneration Committee

- **Brief description of terms of reference**

Remuneration Committee was constituted in April 2002. The Committee was reconstituted at the Board Meeting held on 28 April 2008 to include E. B. Desai as Chairman and M. S. Rama Rao as member of the Committee with effect from 28 April 2008 and T. R. Satish Chandran as a member from 4 June 2008 upto 11 May 2009.

- **Composition, names of members and Chairman and their attendance**

The Committee consists of five independent non-executive Directors, viz., E. B. Desai - Chairman, P. K. Devanathan, Syed Abdul Aleem, M. S. Rama Rao and T. R. Satish Chandran. The Company Secretary acts as Secretary to the Committee.

One meeting of the Remuneration Committee was held on 30 July 2008 during the financial year 2008-09 to consider the reappointment and increase in remuneration of S. Y. Ghorpade - Chairman & Managing Director, Nazim Sheikh - Executive Director and S. H. Mohan - Technical Director and also to consider appointment of S. R. Sridhar as Director (Mines) and recommend his remuneration. All the members of the Committee were present at the meeting.

- **Remuneration policy**

The remuneration policy is to pay salary / compensation and benefits adequately so as to attract, motivate and retain talent.

The remuneration payable to the whole time directors was approved by the members at the 54th Annual General Meeting of the Company held on 25 September 2008.

**Details of remuneration paid to the whole time directors for the year 2008-09:**

Rs. lakh

Name of the Director	Salary	Perquisites	Contributions	Term
S.Y. Ghorpade Chairman & Managing Director	8.02	11.69	2.17	3 years from 1 July 2008
Nazim Sheikh Executive Director	7.27	10.70	1.97	
S. H. Mohan Technical Director	7.27	10.70	1.97	
S. R. Sridhar Director (Mines)*	4.50	9.00	1.21	3 years from 1 October 2008



The above does not include Gratuity and Leave benefits, as these are determined on an actuarial basis for the Company as a whole.

\* Remuneration details provided for the period from 1 October 2008 to 31 March 2009 since S. R. Sridhar was appointed as whole time director with effect from 1 October 2008.

The Company does not have stock option scheme, there is no variable component in the remuneration and there is no severance fee. Service contracts exist with the whole time directors which contain their terms and conditions including remuneration, notice period etc., as approved by the Members. The Agreement may be terminated by either party at any time by giving three months' notice to the other party.

***Remuneration to non-executive directors for the financial year 2008-09:***

The non-executive directors do not receive any remuneration from the Company other than sitting fee for attending meetings of the Board and its Committees thereon and reimbursement of expenses incurred on traveling and stay in case of outstation directors.

***Details of Sitting Fee paid to Non-executive Directors during the financial year 2008-09:***

(Rupees)

P. K. Devanathan	1,15,000
Syed Abdul Aleem	1,15,000
M. S. Rama Rao	90,000
E. B. Desai	55,000
Susheeladevi Ghorpade	50,000
T. R. Satish Chandran	85,000

P. K. Devanathan holds 2,000 equity shares and E. B. Desai holds 5,750 equity shares in the Company. The other non-executive Directors do not hold any shares of the Company.

**5. Investors' Grievance & Share Transfer Committee**

'Investors' Grievance and Share Transfer Committee' which was constituted on 26 July 2006 was reconstituted at the Board Meeting held on 28 April 2008 to include M. S. Rama Rao and Syed Abdul Aleem - Independent Directors, as members.

The committee consists of five directors to oversee the redressal of shareholders' and investors' complaints, if any, and to consider and approve transfer and transmission of shares and issue of duplicate share certificates. The committee is headed by P. K. Devanathan (Chairman), who is an independent non-executive director. S. Y. Ghorpade, Nazim Sheikh, Syed Abdul Aleem and M. S. Rama Rao are its members. The Company Secretary acts as Secretary to the Committee.

To expedite the process of share transfers / transmission, authority has been delegated by the Board severally to the Chairman & Managing Director, Executive Director and the Company Secretary who will be regularly attending to share transfers and transmissions, issue fresh share certificates in lieu of old share certificates lost / mutilated or on transfer, sub-division, consolidation, renewal, exchange etc., subject to the related deeds / documents being in order.

Venture Capital and Corporate Investments Private Limited (VCCIPL), one of the leading SEBI registered Category - I Registrar and Transfer Agents has been appointed as Share Transfer Agent of the Company to process share transfer requests on behalf of the Company. The Chairman & Managing Director or Executive Director or Company Secretary approves the share transfer registers and a statement of share transfers / transmissions



effected, share certificates issued in each quarter are placed before the Investor Grievance & Share Transfer Committee for approval and are also placed before the Board of Directors for ratification at their next meeting.

The Investors' Grievance & Share Transfer Committee met four times during the financial year on 28 April 2008, 30 July 2008, 30 October 2008 and 29 January 2009. The interval between any two successive meetings did not exceed four months.

- **Name and Designation of Compliance officer:**

Md. Abdul Saleem, Company Secretary

- **Composition, names of the members and their attendance at meetings are as under:**

Name	Designation	Category	No. of meetings attended
P. K. Devanathan	Chairman	Non-Executive & Independent	4
S. Y. Ghorpade	Member	Executive Director	4
Nazim Sheikh	Member	Executive Director	4
Syed Abdul Aleem	Member	Independent Director	4
M. S. Rama Rao	Member	Independent Director	3

- **Number of shareholder complaints received, number solved to the satisfaction of the shareholder and number of pending transfers:**

The Company received 35 complaints, of which 33 were solved to the satisfaction of the shareholders and 2 complaints were pending as on 31 March 2009.

There are no pending share transfer requests as on 31 March 2009.

## 6. General Body Meetings

- Location and time of the last three AGMs

The Annual General Meetings for the last three years were held on 25 September 2008 at 11.00 a.m., 27 September 2007 at 11.00 a.m. and 28 September 2006 at 11.00 a.m. The meetings were held in Anuradha Hall, Shivapur, Sandur - 583 119. Nine special resolutions were passed at the past three Annual General Meetings.

- A special resolution was passed on 29 January 2009 by the Company's members through postal ballot under the provisions of Section 372A of the Companies Act, 1956, for making investments, giving loans, providing securities and/or extending guarantees, from time to time, in one or more tranches, to and on behalf of Star Metallics and Power Private Limited (SMPPL), a subsidiary of the Company, provided that the aggregate amount involved in respect of the above shall not exceed Rs.100 crore, being in addition to the existing exposure of the Company by way of loans made, guarantees given, securities provided and /or investments made by the Company and approvals obtained for such purpose

### Details of Voting Pattern

	Ballots*	Votes	% of Votes
In favour	116	66,41,462	99.93%
Against	10	4,600	0.07%

\* excludes 2 invalid votes



The votes cast in favour of the resolutions are 99.93% of the total votes received and consequently, the resolution for giving loans or extending guarantees or providing securities in excess of the limits prescribed under sub-section (1) of Section 372A, by the Company, has been passed by requisite majority.

Person who conducted postal ballot exercise: Parameshwar G. Hegde  
Practicing Company Secretary

- The Company has not proposed to pass any special resolution through postal ballot.

## 7. Subsidiary Company

Star Metallics and Power Private Limited (SMPPL) allotted 1,95,00,000 equity shares of Rs.10/- each at a premium of Rs.10/- per share on 25 October 2008 and in accordance with the provisions of Section 4 of the Companies Act, 1956, it has become subsidiary of the Company.

The Company, being a major shareholder, has nominated four of its Directors as Directors on the Board of SMPPL. S. Y. Ghorpade, Chairman & Managing Director of the Company is the non-executive Chairman of SMPPL and S. H. Mohan, Technical Director of the Company is a whole-time director of SMPPL. Nazim Sheikh, Executive Director and M.S. Rama Rao, Independent Director of the Company are the other two nominated directors.

The operations of SMPPL are being controlled and monitored by the Company, inter alia, by following means:

- Financial statements, in particular the investments made by SMPPL, is reviewed by the Audit Committee of the Company.
- Minutes of the meetings of SMPPL's Board are placed before the Company's Board regularly.
- A statement showing all significant transactions and arrangements entered into by SMPPL is placed before the Company's Board periodically.

## 8. Disclosures

- **Related Party Transactions:** During the year under review, besides the transactions reported in Note 12 of Schedule 9 to the Financial Statements in the Annual Report, there are no other related party transactions of the Company with its promoters, directors or the management or their relatives, subsidiary and associates. These transactions do not have any potential conflict with the interest of the Company at large. The material related party transactions, if any, are placed before the Audit Committee periodically. Further there are no material individual transactions that are not in normal course of business and not on an arm's length basis.
- **Disclosure of Accounting Treatment:** The Company follows Accounting Standards notified by the Central Government under the Companies (Accounting Standards) Rules, 2006 and in the preparation of financial statements, the Company has not adopted a treatment different from that prescribed in any Accounting Standard.
- **Disclosure by Senior Management:** Senior management has made disclosures to the Board relating to all material financial and commercial transactions stating that they did not have personal interest that could result in a conflict with the interest of the Company at large.
- **Details of Non-Compliance:** There have been no instances of non-compliance by the Company and no penalties, strictures have been imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.
- **Risk Management:** The Company is committed to strengthen its risk management capability in order to protect and enhance shareholder value. Accordingly, the Company has laid down procedures to prevent the risk from occurring and if it cannot be prevented, to minimize the adverse impact of such risk. The Board responds to the Executive Management's need for enhanced risk information and improved governance and has an effective internal control and management reporting system. The Audit Committee of the Board reviews Internal Audit findings, if any, and provides strategic guidance on internal controls. The Company follows the framework to attain a balanced approach that considers risk and return.





## 9. Means of Communication

- Quarterly financial results are being regularly sent to Bangalore Stock Exchange Limited and Bombay Stock Exchange Limited
- The quarterly results are generally published in The Financial Express and Sanjevani newspapers.
- No presentation has been made to Institutional Investors or to the Analysts.
- Management Discussion and Analysis is forming part of this Annual Report.

## 10. General Shareholder Information

i) Date, Time and Venue of the Annual General Meeting

25 September 2009 at 11.00 a.m. at Anuradha Hall, Shivapur, Sandur - 583 119.

ii) Financial Year : 1 April 2008 to 31 March 2009

iii) Financial Calendar (tentative and subject to change)

Financial Reporting for the quarter ended 30 June 2009	30 July 2009
Financial Reporting for the quarter ending 30 September 2009	By end of October 2009
Financial Reporting for the quarter ending 31 December 2009	By end of January 2010
Financial Reporting for the quarter ending 31 March 2010	By end of April / May 2010

iv) Dates of Book Closure:

18 September 2009 to 25 September 2009 (Both days inclusive)

v) Dividend Payment Date: on or after 25 September 2009

vi) Listing on Stock Exchanges:

The Company's shares are listed on

Bangalore Stock Exchange Limited  
No.51, 1<sup>st</sup> Cross, J. C. Road  
BANGALORE - 560 027

Bombay Stock Exchange Limited  
P. J. Towers, Dalal Street  
MUMBAI - 400 001

Listing Fees :

The Company has paid the annual listing fee for the year 2009-10 to both the Stock Exchanges where the securities of the Company are listed.

vii) Stock Code: Bombay Stock Exchange Limited (BSE) - 504918

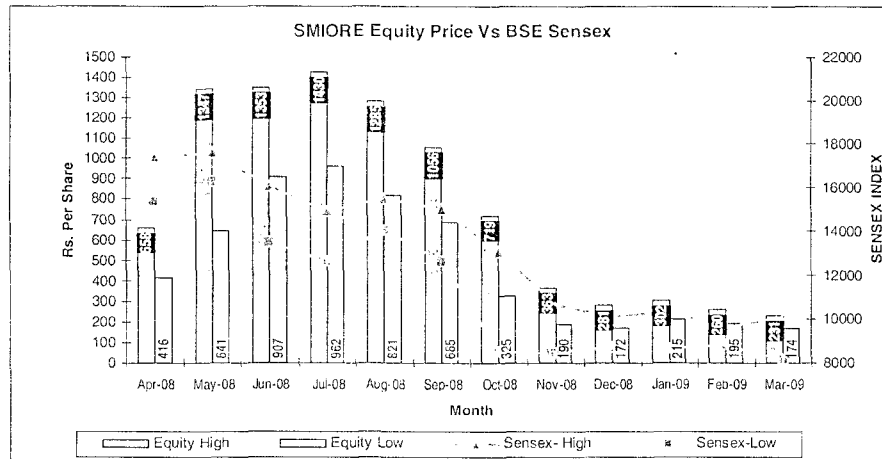
Bangalore Stock Exchange Limited (BgSE) - SM



viii) Monthly High and Low Quotation of Company's shares traded on BSE

Month	Open Rs.	High Rs.	Low Rs.	Close Rs.	No. of Shares	No. of Trades	BSE Sensex (Average)
Apr 2008	425.90	657.55	416.00	654.15	102350	620	16291
May 2008	686.85	1347.25	641.00	1218.95	422800	2137	16946
Jun 2008	1158.05	1353.10	907.00	1106.90	181500	1538	14997
Jul 2008	1060.00	1429.70	962.45	1308.75	154700	1353	13716
Aug 2008	1243.35	1285.00	820.75	861.75	114200	1034	14722
Sep 2008	895.00	1055.75	685.10	685.10	41050	398	13943
Oct 2008	650.85	719.00	324.60	324.60	28500	131	10550
Nov 2008	308.40	362.75	189.60	191.00	90000	605	9454
Dec 2008	190.00	280.70	172.45	259.40	44600	356	9514
Jan 2009	268.00	302.00	215.00	235.65	28550	237	9350
Feb 2009	223.90	260.40	195.45	199.00	49600	209	9188
Mar 2009	195.00	230.85	174.00	208.00	76050	253	8995

ix) Comparison of Company's share price movement with BSE Sensex



x) Distribution of Equity Shareholding as on 31 March 2009

Shareholding of Nominal value of Rs.		No. of shareholders	No. of Shares	% to total Capital
Up to	5000	3,115	4,20,554	4.81
5001	10000	218	1,74,666	2.00
10001	20000	109	1,64,460	1.88
20001	30000	42	1,05,450	1.21
30001	40000	25	89,450	1.02
40001	50000	16	75,500	0.86
50001	100000	36	2,52,800	2.89
100001	Above	44	74,67,120	85.33
<b>Total</b>		<b>3,605</b>	<b>87,50,000</b>	<b>100.00</b>



xi) Shareholding pattern as on 31 March 2009

Categories	No. of Shares	% to Total
Promoters, Directors and their relatives and associates	65,10,050	74.40
Banks and Financial Institutions	2,39,770	2.74
Mutual Funds	2,850	0.03
Insurance Companies	1,00,000	1.14
Foreign Institutional Investors	7,300	0.08
Other bodies corporate	2,87,710	3.30
Public	16,02,320	18.31
<b>TOTAL</b>	<b>87,50,000</b>	<b>100.00</b>

xii) Registrar and Transfer Agents

Venture Capital and Corporate Investments Private Limited, 12-10-167, Bharatnagar, Hyderabad - 500 018

xiii) Share Transfer System

Venture Capital and Corporate Investments Private Limited (VCC IPL), one of the leading SEBI registered Category - I Registrar and Transfer Agents has been appointed as Share Transfer Agent of the Company to process share transfer requests on behalf of the Company. The Chairman & Managing Director or Executive Director or Company Secretary approves the share transfer registers and a statement of share transfers / transmissions effected, share certificates issued in each quarter are placed before the Investors Grievance & Share Transfer Committee for approval and are also placed before the Board of Directors for ratification at their next meeting.

xiv) Dematerialization of Shares and Liquidity

In compliance with Securities Exchange Board of India Circular No.FITTC/DC/POLICY-CIR-01/2001 dated 3 August 2001, upon the net-worth turning positive, the Company once again made applications to Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL) to establish electronic connectivity facilitating dematerialization of Company's equity shares. Considering the said applications, the Company was allotted International Securities Identification Number (ISIN) INE149K01016 and CDSL vide its letter No.CDSL/OPS/SS/EQ/6177 dated 18 February 2009 and NSDL vide its letter No.Ref-NSDL/II/PI/JNG/3869/2009 dated 28 March 2009 have communicated the admission of 87,50,000 equity shares of Rs.10/- each of the Company bearing distinctive numbers from 1 to 8750000. Accordingly, 80205 equity shares have been dematerialized as on 31 March 2009.

xv) There are no outstanding GDRs / ADRs / Warrants or any Convertible Instruments due for conversion.

xvi) Directors seeking appointment / re-appointment

As required under Clause 49(IV)(G), particulars of Directors seeking appointment / re-appointment are given in the Explanatory Statement of the Notice of the Annual General Meeting to be held on 25 September 2009.

xvii) There is no stock option scheme.

xviii) Plant location:

Mines: Mines, Deogiri - 583 119, Via Sandur, Bellary District.

Plant: Metal & Ferroalloys plant, Vyasankere - 583 222, Mariammanahalli Post, Hospet.

xix) Address for correspondence

**Registered Office:-**

The Sandur Manganese & Iron Ores Limited, Lakshimpur, Sandur, Bellary District, Karnataka - 583 119



**Corporate Office:-**

The Sandur Manganese & Iron Ores Limited, 217, Bellary Road, Sadashivanagar, Bangalore - 560 080

**11. CEO / CFO Certification**

The Chairman & Managing Director, being the Chief Executive Officer (CEO) and the Financial Controller, being the Chief Finance Officer (CFO) have certified to the Board in accordance with clause 49 (v) of the Listing Agreement pertaining to CEO/CFO certification for the financial year 2008-09, which is annexed thereto.

**12. Affirmation of Compliance with Code of Conduct**

The Chairman & Managing Director of the Company has given a certificate confirming that the Company has obtained from all the members of the Board and Senior Management, affirmation of their compliance with the Code of Conduct for Directors and Senior Management in respect of the financial year 2008-09 and the same were placed before the Board at its meeting held on 28 May 2009. The copy of the said certificate is annexed hereto.

**13. STATUS OF COMPLIANCE WITH THE NON - MANDATORY REQUIREMENTS OF CLAUSE 49 OF THE LISTING AGREEMENT IS GIVEN BELOW:**

- (i) **Non-Executive Chairman's Office:** The Chairman of the Company is an Executive Chairman and hence this provision is not applicable.
- (ii) **Tenure of Independent Directors:** The Board has not specifically determined the maximum tenure for Independent Directors. They are liable to retire by rotation as per the applicable provisions and if eligible, may be re-appointed at the Annual General Meeting of the Company.
- (iii) **Remuneration Committee:** Details are given under the heading 'Remuneration Committee'.
- (iv) **Shareholder Rights:** The quarterly and annual financial results of the Company are published in leading newspapers and are provided to Stock Exchanges in compliance with the provisions of Listing Agreements. The complete Annual Report is sent to each and every shareholder of the Company.
- (v) **Audit qualifications:** During the year under review, there was no audit qualification to the Company's financial statements.
- (vi) **Training of Board Members:** At the meetings of the Board and the Committees thereon, Directors are extensively briefed on all business related matters, risk assessment and minimization procedures, developments and trends in the market, new initiatives and statutory amendments etc.
- (vii) **Mechanism for evaluating non-executive Board Members:** The role of the Board of Directors is to provide direction and exercise control to ensure that the Company is managed in a manner that fulfils shareholders' aspirations and the societal expectations. The performance of the non-executive directors is discussed during their re-appointment and the Board also considers their reputation and status in the corporate sector. Other than the above the Company does not have a mechanism for evaluating non-executive Board Members.
- (viii) **Whistle Blower Policy:** The Company does not have any specific whistle blower policy as such but encourages an open door policy where employees have access to the Heads of the Department and also to the whole time directors during their visit to the respective departments wherein they have been provided with the liberty to report matters pertaining to unethical behavior, actual or suspected fraud and the promoters provide absolute and adequate safeguards against victimization of employees who avail of opportunity to report the same.

**14. Auditor's Certificate on Compliance with Clause 49 of the Listing Agreement:**

Auditor's Certificate is annexed to the Report of the Directors.

for and on behalf of the Board

Place: Bangalore  
Date : 30 July 2009

**S. Y. GHORPADE**  
Chairman & Managing Director



## CERTIFICATE

We, S. Y. Ghorpade, Chairman & Managing Director and K. Raman, Financial Controller being nominated as Chief Finance Officer (CFO) and responsible for the finance function certify that in respect of the financial year ended on 31 March 2009:

- a) we have reviewed the financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:-
  - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
- b) there are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct;
- c) we accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company, pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps have been taken to rectify these deficiencies;
- d)
  - i) there has not been any significant change in internal control over financial reporting during the year under reference;
  - ii) there has not been any significant change in accounting policies during the year requiring disclosures in the notes to the financial statements; and
  - iii) we are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Place : Bangalore  
Date : 28 May 2009

S.Y. Ghorpade  
Chairman & Managing Director

K. Raman  
Financial Controller & CFO

## CERTIFICATE

I, S. Y. Ghorpade, Chairman & Managing Director do hereby certify and confirm that the Company has obtained from all the members of the Board and Senior Management, affirmation of their compliance with the Code of Conduct for Directors and Senior Management in respect of the financial year 2008-09 and the same were placed before the Board at its meeting held on 28 May 2009.

for The Sandur Manganese & Iron Ores Limited

Place : Bangalore  
Date : 30 July 2009

S.Y. Ghorpade  
Chairman & Managing Director.

## AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

### To the Members of The Sandur Manganese & Iron Ores Limited

We have examined the compliance of conditions of Corporate Governance by The Sandur Manganese & Iron Ores Limited, for the year ended March 31, 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

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

For Deloitte Haskins & Sells  
Chartered Accountants

Place : Bangalore  
Date : 30 July 2009

S. Sundaresan  
Partner  
(M. No. 25776)



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### 1. BACKGROUND

The Management Discussion and Analysis Report sets out the developments in the business, the Company's performance since last report and the future outlook. This report is part of the Directors' Report and the Audited Financial Statements, forming part of the Annual Report. However, certain statements made in this report relating to the projections, outlook, expectations, estimates etc., may constitute 'forward looking statements' within the meaning of applicable laws and regulations and may differ from actuals. Several factors could make a significant difference to the Company's operations, including climatic conditions, economic conditions affecting demand and supply, government regulations, revision in government policies, taxation and natural calamities, over which the Company does not have any control.

### 2. INDUSTRIAL OVERVIEW, MARKET SCENARIO, OPPORTUNITIES AND THREATS

Outlook for the Company's products, namely Manganese (Mn) Ore & Iron ore is linked directly to the status of steel industry in India and overseas. Production of ferroalloys in the country has dropped considerably during the last six months and is expected to remain stagnant for most part of this year. Although, during the previous year, the demand for ferroalloy within India grew marginally, bulk of the rise in demand and consequent production of ferroalloy was attributed to phenomenal rise in export of Mn based ferroalloys. However, due to drastic cuts in steel production almost all over the world, including China, the demand for ferroalloys from India in the export market has almost vanished. This coupled with fall in prices of ferroalloy in the international market has dealt a severe blow to Indian ferroalloy industry. This has led to steep fall in production of ferroalloy in India despite marginal increase in consumption within India. Several Ferroalloy units have either shut down or reduced their production. Mn ore demand is directly linked to ferroalloy production in India and therefore demand for Mn ore produced by the Company has also reduced considerably. Due to fall in production of steel by Japanese steel mills and ferroalloy production in China, even export demand for Mn ore has reduced. There has been a steep fall in price of Mn ore in the international market and this coupled with increase in logistics cost has made export of low grade ores unviable. Demand for Mn ore for most part of this year is expected to be low.

Iron ore sales are dependent on export demand from China and drastic fall in demand due to fall in production of Steel in China has reduced the prospects of exports to China. Although the demand for high grade iron ore exists in smaller quantities, reduced export prices and higher logistics costs have made exports lesser profitable. Company's production of high grade iron ore has reduced due to some depletion of reserves in present areas of exploitation but efforts are on to export the available medium grade iron ore. However this has become difficult due to lower prices and increased logistics cost.

Export of high and medium grade iron ore fines will be on a low key. Efforts are on to market low grade iron ore produced by the Company to beneficiation plants in the neighborhood who have better availability of water and are able to upgrade the same and export.

Lumpy iron ore produced by the Company is being crushed to meet the specifications of pig iron and sponge iron industry. Demand for this product is steady and is expected to be stable though pricing may come under pressure. Demand for iron ore produced by the Company will remain stagnant at reduced price levels for most part of this year.

Company is making efforts to add value to iron ore produced by the Company by converting it into steel. Company has entered into arrangement with a local mini steel plant to produce TMT bars from steel billets supplied by the Company. This is in keeping with the Company's policy and aims of value addition, captive consumption and domestic industrialization. The Company has commenced marketing TMT bars and hopes to achieve an annual production and sale of about 50,000 - 60,000 tonnes.

### 3. SEGMENT-WISE PERFORMANCE

#### a) Mining

During the year ended 31 March 2009, the Mines produced 2,40,826 tonnes of Mn Ore including 4,212 tonnes of low grade ore salvaged from old dumps. The Company exported 64,110 tonnes and made domestic sales of



2,31,324 tonnes making the aggregate Mn ore sales of 2,95,434 tonnes.

The Mines also produced 11,72,845 tonnes of iron ore besides salvaging 3,32,829 tonnes of low-grade ore from old dumps. The Company exported 50,880 tonnes and made domestic sales of 13,97,937 tonnes making the aggregate iron ore sales of 14,48,817 tonnes.

**b) Conversion of Iron ore to Steel**

The Company has entered into an agreement for conversion of iron ore into pig iron and cast / rolled steel products and during the year under review 505 tonnes of TMT bars have been manufactured and 104 tonnes were sold on trail basis.

**c) Services rendered by Projects Division**

The Company has also generated revenue of about Rs.155.09 lakh during the year. This was mainly by way of project consultation and supervision of ferroalloy projects being set up by the buyers of Company's furnaces.

**4. OUTLOOK, RISKS AND CONCERNS**

As stated earlier, there has been a steep fall in the demand for Mn and Iron Ore during the second half of the current financial year and we expect the same to remain dull for the financial year 2009-10. Increase in railway freight from May 2008 has discouraged export of low grade ore at a time when the prices were falling. As a result, export of low grade iron ore fines, which has little or no demand in the country, has become unviable. Further, there have been indications that the government may ban export of iron ore and to encourage its utilization in the domestic market and conserve the same for future domestic steel production.

**5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has well-developed internal control systems and clearly defined delegation of powers to its executives. The Company has an Internal Audit Department, which independently monitors the compliance with the approved internal control procedures and exercise of powers strictly as per the approved delegation of powers.

Further, to substantially expand the scope of internal audit, the Company has appointed M/s. P. Chandrasekar, Chartered Accountants as internal auditor with effect from 1 April 2008.

**6. FINANCIAL PERFORMANCE**

During the year ended 31 March 2009, the Company earned profit before tax of Rs.22,503.85 lakh after charging Rs.988.51 lakh towards depreciation on fixed assets and amortization of mining lease rights and Rs.1.97 lakh towards interest.

After taking into account charging off Fringe Benefit Tax of Rs.21.80 lakh, income tax of Rs.8,825.00 lakh, deferred tax of (Rs.1,090.00 lakh), the profit of Rs.1,743.66 lakh brought forward from the previous year in the Profit and Loss Account, dividend on shares of Rs.276.22 lakh, tax on dividends of Rs.46.94 lakh, transfer to capital redemption reserve of Rs.51.40 lakh and transfer to general reserve of Rs.1,475.00 lakh, the profit carried to the Balance Sheet is Rs.14,641.15 lakh.

**7. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS**

As on 1 April 2008, the Company had employee strength of 1,199. During the year, 194 employees were recruited and 99 employees were separated. Excluding the 16 employees on consolidated remuneration, employee strength at the end of the financial year 2008-09 was 1,294.

The Company has a record of cordial relations with its employees ever since its inception.

for and on behalf of the Board

Place: Bangalore  
Date : 30 July 2009

**S. Y. GHORPADE**  
Chairman & Managing Director



## AUDITORS' REPORT

TO THE MEMBERS OF THE SANDUR MANGANESE & IRON ORES LIMITED

1. We have audited the attached balance sheet of The Sandur Manganese & Iron Ores Limited as at 31st March, 2009 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
  - c) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - d) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - e) on the basis of written representations received from the directors, as on 31st March 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
    - (i) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2009;
    - (ii) in the case of the profit and loss account, of the profit for the year ended on that date; and
    - (iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

for **Deloitte Haskins & Sells**  
Chartered Accountants

**S. Sundaresan**  
Partner  
(Membership No. 25776)

Place : Bangalore  
Date : 28<sup>th</sup> May, 2009





**ANNEXURE REFERRED TO IN PARAGRAPH (3) OF THE AUDITORS' REPORT TO THE MEMBERS OF THE SANDUR MANGANESE & IRON ORES LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009.**

- i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets were physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, the Company is in the process of completing the reconciliation of the assets verified with the fixed asset records and discrepancies, if any, identified on such reconciliation will be dealt with in the books of account on completion of the reconciliation.
- (c) During the year, the Company has not disposed off a substantial part of the fixed assets.
- ii) (a) In our opinion, the inventory has been physically verified during the year by the management at reasonable intervals.
- (b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, in our opinion, the Company has maintained proper records of inventory. Discrepancies noticed on physical verification of stocks as compared to the book records were not material in relation to the operations of the Company and have been properly dealt with in the books of account.
- iii) (a) According to the information and explanations given to us, the Company has not granted any loan, secured or unsecured to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956, other than secured loans granted during the year to one subsidiary company. The maximum amount involved in such transactions at any time during the year, and the year end balance was Rs.807.97 lakhs.
- (b) In our opinion, the rate of interest and other terms and conditions on which loans have been granted are not prima facie prejudicial to the interest of the Company.
- (c) The principal amounts and interest have not become due for payment during the year.
- (d) As at the end of the financial year, there is no overdue amount in excess of Rs.1 lakh in respect of loans granted.
- (e) According to the information and explanations given to us, the Company has not taken any loan, secured or unsecured from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, clause iii (f) and (g) are not applicable.
- iv) In our opinion, and according to the information and explanations given to us, having regard to the explanations that some of the items purchased and most of the items sold are of a special nature for which comparable alternative quotations are not available, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to the purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses, if any, in internal control system.
- v) In respect of the contracts or arrangements entered in the register maintained in pursuance of section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - (a) The particulars of contracts or arrangements referred to in section 301 that needed to be entered into the register maintained under the said section have been so entered.
  - (b) Where each of such transactions is in excess of Rs.5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
- vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public during the year.



- vii) In our opinion, the Company has an internal audit system which is commensurate with the size and nature of its business.
- viii) According to the information and explanations given to us, maintenance of cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 for the Company's products.
- ix) (a) In our opinion, and according to the information and explanations given to us, while there were delays in depositing certain dues, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Value Added Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and other material statutory dues, if any, applicable to it with appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund. As at the last day of the financial year, there are no arrears of such undisputed statutory dues outstanding for a period of more than six months from the day they became payable.
- (b) According to the information and explanations given to us, details of dues of sales tax, wealth tax, service tax, customs duty, excise duty, income tax and cess which have not been deposited as on 31st March 2009 on account of any dispute are given below:

Name of the statute	Nature of the dues	Amount (Rs. in lakhs)	Period to which the amount relates	Forum where dispute is pending
The Customs Act, 1962	Custom duty including interest	281.26	1986-09	High Court of Andhra Pradesh Commissioner of Customs, Goa
		990.42	1990-09	
The Central Excise Act, 1944	Service tax	293.35	2004-08	Customs, Excise and Service Tax Appellate Tribunal

- x) The Company has neither accumulated losses at the end of the financial year nor it has incurred cash losses during the current financial year and in the immediately preceding financial year.
- xi) In our opinion, according to the information and explanations given to us, the Company has not taken any loan from financial institutions or bank or debenture holders and therefore, reporting on the same does not arise.
- xii) We are of the opinion, that the Company has maintained adequate records where the Company has granted advances on the basis of security by way of pledge of shares.
- xiii) The provisions of special statute applicable to chit fund and nidhi / mutual benefit fund / society are not applicable to the Company.
- xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments.
- xv) According to the information and explanations given to us, the Company has not given any guarantees during the year for loans taken by others from banks or financial institutions.
- xvi) The Company has not availed any term loans during the year.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, funds raised on short term basis have prima facie, not been used during the year for long term investment.
- xviii) The Company has not made any preferential allotment of shares during the year.
- xix) The Company has not issued any debentures during the year.
- xx) The Company has not raised any money by way of public issue during the year.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

for **Deloitte Haskins & Sells**  
Chartered Accountants

**S. Sundaresan**  
Partner  
(Membership No. 25776)

Place : Bangalore  
Date : 28<sup>th</sup> May, 2009



## BALANCE SHEET AS AT 31 MARCH, 2009

	Schedules	31.03.2009 Rs. lakh	31.03.2008 Rs. lakh
<b>I. SOURCES OF FUNDS</b>			
<b>1. SHARE HOLDERS' FUNDS</b>			
(a) Share Capital	1	874.99	926.39
(b) Reserves and surplus	2	<u>17,904.41</u>	<u>3,480.52</u>
		18,779.40	4,406.91
<b>2. DEFERRED TAX LIABILITY</b>		<u>29.00</u>	<u>1,119.00</u>
		<u>18,808.40</u>	<u>5,525.91</u>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. FIXED ASSETS</b>	3		
(a) Gross block		15,561.62	12,433.93
(b) Less depreciation		<u>7,528.17</u>	<u>6,619.73</u>
(c) Net block		<u>8,033.45</u>	<u>5,814.20</u>
(d) Capital work-in-progress		<u>396.97</u>	<u>56.29</u>
		8,430.42	5,870.49
<b>2. INVESTMENTS</b>	4	8,912.39	0.05
<b>3. CURRENT ASSETS, LOANS AND ADVANCES</b>	5		
(a) Inventories		4,333.15	1,112.43
(b) Sundry debtors		4,364.80	3,212.15
(c) Cash and bank balances		3,136.44	2,085.06
(d) Loans and advances		<u>3,187.56</u>	<u>1,737.87</u>
		<u>15,021.95</u>	<u>8,147.51</u>
Less :			
<b>4. CURRENT LIABILITIES AND PROVISIONS</b>	6		
(a) Liabilities		10,860.66	6,563.25
(b) Provisions		<u>2,695.70</u>	<u>1,928.89</u>
		<u>13,556.36</u>	<u>8,492.14</u>
<b>Net current assets</b>		<u>1,465.59</u>	<u>(344.63)</u>
		<u>18,808.40</u>	<u>5,525.91</u>
Notes to accounts	9		

The schedules referred to above form an integral part of the Balance Sheet

Per our report attached

for and on behalf of the Board of Directors

for Deloitte Haskins & Sells  
Chartered Accountants

**S. Y. GHORPADE**  
Chairman & Managing Director

**NAZIM SHEIKH**  
Executive Director

**S. SUNDARESAN**  
Partner

**MD. ABDUL SALEEM**  
Company Secretary

**K. RAMAN**  
Financial Controller & CFO

Place : Bangalore  
Date : 28 May 2009

Place : Bangalore  
Date : 28 May 2009



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

	Schedules	2008-09 Rs. lakh	2007-08 Rs. lakh
<b>INCOME</b>			
Gross sales and services		42,781.78	26,967.02
Less : Excise duty		-	-
Net sales and services		42,781.78	26,967.02
Other income	7	286.90	127.68
		<u>43,068.68</u>	<u>27,094.70</u>
<b>EXPENDITURE</b>			
Mining, manufacturing and other expenses	8	19,574.35	18,630.28
Depreciation / Amortisation	3	988.51	969.95
Interest :-			
Others		1.97	6.19
		<u>20,564.83</u>	<u>19,606.42</u>
<b>Profit / (Loss) before tax</b>		<b>22,503.85</b>	<b>7,488.28</b>
<b>Taxes :</b>			
Current tax		8,825.00	850.00
MAT credit entitlement		-	(285.00)
Deferred tax		(1,090.00)	1,119.00
Fringe benefit tax		21.80	23.41
		<u>7,756.80</u>	<u>1,707.41</u>
<b>NET PROFIT / (LOSS)</b>		<b>14,747.05</b>	<b>5,780.87</b>
Profit / (loss) brought forward		1,743.66	(3,217.29)
		<u>16,490.71</u>	<u>2,563.58</u>
Less : Appropriation			
Dividend on Equity shares			
Interim		131.25	-
Final		131.25	-
Dividend on Preference Shares		13.72	205.07
Tax on Dividend		46.94	34.85
Transfer to Capital Redemption Reserve		51.40	-
Transfer to General Reserve		1,475.00	580.00
		<u>1,849.56</u>	<u>819.92</u>
Carried to Balance Sheet		<u>14,641.15</u>	<u>1,743.66</u>
Notes to accounts	9		
Earnings per share of Rs. 10 each			
Basic and Diluted (Rs.)		168.35	63.33

The schedules referred to above form an integral part of the Profit and Loss Account

Per our report attached to the balance sheet for and on behalf of the Board of Directors

for Deloitte Haskins & Sells  
Chartered Accountants

S. SUNDARESAN  
Partner

Place : Bangalore  
Date : 28 May 2009

S. Y. GHORPADE  
Chairman & Managing Director

MD. ABDUL SALEEM  
Company Secretary

Place : Bangalore  
Date : 28 May 2009

NAZIM SHEIKH  
Executive Director

K. RAMAN  
Financial Controller & CFO



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	2008-09 Rs. lakh	2007-08 Rs. lakh
<b>A. Cashflows from operating activities</b>		
Net Profit / (Loss) before tax	22,503.85	7,488.28
Adjustment for :		
- Depreciation / Amortisation	988.51	969.95
- Assets discarded	19.92	0.47
- (Profit)/loss on sale of fixed assets - net	(0.68)	(0.01)
- Bad debts / advances written off	27.08	8.92
- Interest expenses	1.97	6.19
- Interest Income	(185.04)	(80.27)
- Income from mutual funds	(21.95)	-
- Dividend Income	(0.04)	(0.04)
- Liabilities no longer required written back	(21.03)	(15.13)
<b>Operating profit/(loss) before working capital changes</b>	<u>23,312.59</u>	<u>8,378.36</u>
Adjustments for :		
- (Increase)/Decrease in sundry debtors	(1,380.54)	(823.75)
- (Increase)/Decrease in inventories	(3,220.72)	(250.66)
- (Increase)/Decrease in loans and advances	(543.58)	(542.12)
- Increase/(Decrease) in current liabilities / provisions	4,640.34	(7,479.71)
Cash generated from operations	22,808.09	(717.88)
- Direct taxes paid	(8,068.84)	(268.82)
<b>NET CASH FROM / (USED IN) OPERATING ACTIVITIES</b>	<u>14,739.25</u>	<u>(986.70)</u>
<b>B. Cashflows from investing activities</b>		
Additions to fixed assets (including capital work-in-progress and advances on capital Account)	(3,593.29)	(206.85)
Proceeds from sale of fixed/other assets	226.68	1,378.32
(Purchase)/sale of mutual funds	(5,012.34)	-
Investment in shares of subsidiary	(3,900.00)	-
Share application money pending allotment	(1,100.00)	-
Interest received	109.67	80.27
Income from mutual funds	21.95	-
Dividend received	0.04	0.04
<b>NET CASH FROM / (USED IN) INVESTING ACTIVITIES</b>	<u>(13,247.29)</u>	<u>1,251.78</u>
<b>C. Cashflows from financing activities</b>		
Repayment of borrowings	-	(125.00)
Redemption of Preference shares	(51.40)	-
Dividend on shares and tax thereon	(387.21)	-
Interest paid	(1.97)	(6.19)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<u>(440.58)</u>	<u>(131.19)</u>
<b>NET CASH FLOW DURING THE PERIOD (A+B+C)</b>	<u>1,051.38</u>	<u>133.89</u>
Cash and cash equivalents (opening balance)	2,085.06	1,951.17
Cash and cash equivalents (closing balance)	3,136.44	2,085.06

Cash & Cash equivalents includes :

- term deposits of Rs. 241.07 lakh (previous year : Rs. 273.07 lakh) under lien against bank guarantee
- current account Rs. 355.61 lakh (previous year : Rs. 971.58 lakh) in the Escrow Account to be utilised as per the Escrow agreement with the customer

Per our report attached to the balance sheet for and on behalf of the Board of Directors

for **Deloitte Haskins & Sells**  
Chartered Accountants

**S. SUNDARESAN**  
Partner

Place : Bangalore  
Date : 28 May 2009

**S. Y. GHORPADE**  
Chairman & Managing Director

**MD. ABDUL SALEEM**  
Company Secretary

Place : Bangalore  
Date : 28 May 2009

**NAZIM SHEIKH**  
Executive Director

**K. RAMAN**  
Financial Controller & CFO



## SCHEDULES FORMING PART OF THE BALANCE SHEET

	31.03.2009	31.03.2008
	Rs. lakh	Rs. lakh
<b>1. SHARE CAPITAL</b>		
<b>i) AUTHORISED</b>		
1,40,00,000 equity shares of Rs.10 each	1,400.00	1,400.00
1,00,000 'B' 16% redeemable cumulative preference shares of Rs.100 each	<u>100.00</u>	<u>100.00</u>
	<b>1,500.00</b>	<b>1,500.00</b>
<b>ii) ISSUED AND SUBSCRIBED</b>		
87,50,000 equity shares of Rs.10 each fully called up	875.00	
Less : Calls in arrears Rs. 122 (previous year Rs. 122)	<u>0.01</u>	<u>0.01</u>
	<b>874.99</b>	<b>874.99</b>
Of the above shares -		
(a) 207,500 equity shares of Rs 10 each were allotted as fully paid up pursuant to contracts without payments having been received in cash.		
(b) 65,250 equity shares of Rs 10 each were allotted as fully paid up bonus shares by way of capitalisation of reserves.		
Nil (Previous year: 51,413) 'B' 16% redeemable cumulative preference shares of Rs.100 each.		
Nil * (previous year 51,389) preference shares fully paid up	-	51.39
Nil * (previous year 24) preference shares partly paid up	<u>-</u>	<u>0.01</u>
* Redeemed during the year.	-	51.40
	<u><b>874.99</b></u>	<u><b>926.39</b></u>
<b>2. RESERVES AND SURPLUS</b>		
(i) Share premium account as per last balance sheet	967.23	967.23
(ii) Capital redemption reserve- as per last balance sheet	49.25	49.25
Add: Transfer from profit & loss account	<u>51.40</u>	<u>-</u>
	<b>100.65</b>	<b>49.25</b>
(iii) General reserve- as per last balance sheet	720.38	140.38
Add: Transfer from profit & loss account	<u>1,475.00</u>	<u>580.00</u>
	<b>2,195.38</b>	<b>720.38</b>
(iv) Balance in Profit and Loss Account	<u><b>14,641.15</b></u>	<u><b>1,743.66</b></u>
	<u><b>17,904.41</b></u>	<u><b>3,480.52</b></u>



## SCHEDULES FORMING PART OF THE BALANCE SHEET

### 3. FIXED ASSETS

Rs lakh

DESCRIPTION	COST/ VALUATION				DEPRECIATION			NET BOOK VALUE		
	As at 01.04.2008	Additions	Deletions	As at 31.03.2009	As at 01.04.2008	For the year	On deletions	Upto 31.03.2009	As at 31.03.2009	As at 31.03.2008
<b>Tangible Assets</b>										
1. Freehold land	86.88	2,952.56	-	3,039.44	-	-	-	-	3,039.44	86.88
2. Leasehold land	6.04	-	6.04	-	-	-	-	-	-	6.04
3. Buildings and roads	380.89	25.50	21.90	384.49	184.94	9.83	11.98	182.79	201.70	195.95
4. Railway siding	14.28	-	-	14.28	11.93	0.33	-	12.26	2.02	2.35
5. Plant and machinery	965.89	122.08	9.35	1,078.62	901.25	17.02	9.03	909.24	169.38	84.64
6. Vehicles	92.57	122.17	32.74	182.00	73.38	12.55	30.96	54.97	127.03	19.19
7. Furniture, fittings and equipment	169.07	6.37	30.96	144.48	117.78	11.76	28.10	101.44	43.04	51.29
<b>Intangible Assets</b>										
Mining lease rights	10,718.31	-	-	10,718.31	5,330.45	937.02	-	6,267.47	4,450.84	5,387.96
	12,433.93	3,228.68	100.99	15,561.62	6,619.73	988.51	80.07	7,528.17	8,033.45	5,814.20
Previous year	12,360.04	84.66	10.77	12,433.93	5,658.79	969.95	9.01	6,619.73		
Capital work in progress, at cost									396.97	56.29
									8,430.42	5,870.49

Note: \* estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance paid) Rs. 1,019.37 lakh (previous year Rs. 45.37 lakh)

**31.03.2009**      **31.03.2008**  
**Rs. lakh**              **Rs. lakh**

### 4. INVESTMENTS

Long term - at cost (non-trade)

Quoted -

47,25,191 (previous year : 47,25,191) equity shares of Rs 10 each in Sandur Laminates Limited

**879.67**              **879.67**

(Market value not ascertained as there was no trading)

500 (previous year : 500) equity shares of

Rs 10 each fully paid up in HDFC Bank Limited

**0.05**                      **0.05**

(Market value Rs. 3.87 lakh (previous year Rs 2.72 lakh))

**879.72**                      **879.72**

Unquoted -

In Subsidiary :

1,95,00,000 Equity Shares of Rs. 10 each at a premium of Rs. 10 per share in Star Metallics & Power Private Limited purchased during the year

**3,900.00**                      **-**

In Others :

9,00,000 (previous year : 9,00,000) equity shares of Rs 10 each in Sandur Microcircuits Limited

**90.00**                      **90.00**  
**3,990.00**                      **90.00**

Current- (at lower of cost and fair value)

Investment in Mutual Funds

Unquoted -

Birla Sun Life FTP - Institutional Series BA - Growth

**500.00**                      **-**

5,000,000 units (previous year : nil)

of Rs. 10 each (5,000,000 units purchased and Nil units sold during the year)

**Carried Forward**

**500.00**                      **-**



## SCHEDULES FORMING PART OF THE BALANCE SHEET

4. INVESTMENTS (Contd.)	31.03.2009 Rs. lakh	31.03.2008 Rs. lakh
<b>Brought Forward</b>	500.00	-
Birla Sun Life FTP - Series BH - Institutional Growth 5,000,000 units (previous year; Nil) of Rs.10 each (5,000,000 units purchased and Nil Units sold during the year)	500.00	-
Birla Sun Life Short Term Fund - Institutional Daily Dividend 5,106,580 units (previous year; Nil) of Rs.10 each (5,106,580 units purchased (including dividend reinvested 109,328 units) and Nil Units sold during the year)	510.94	-
DSP BR FMP 12M Series 2 - Institutional Growth 5,000,000 units (previous year; nil) of Rs.10 each (5,000,000 units purchased and Nil Units sold during the year)	500.00	-
DSP BR Money Manager Fund - Institutional Plan - Daily Dividend 54 units (previous year; Nil) of Rs.1000 each (50,014 units purchased (including dividend reinvested 54 units) and 49,960 units sold during the year)	0.53	-
Franklin India Treasury Man IP(DD) 50 units (previous year; nil) of Rs.1000 each (30,050 units purchased (including dividend reinvested 50 units) and 30,000 units sold during the year)	0.50	-
Franklin Sr.I X - Plan E (G) 3,000,000 units (previous year; nil) of Rs.10 each (3,000,000 units purchased and Nil units sold during the year)	300.00	-
HDFC 370D - Aug 08(9)(1) - WP(G) 2,000,000 units (previous year; nil) of Rs.10 each (2,000,000 units purchased and Nil units sold during the year)	200.00	-
ICICI Prudential Institutional Liquid Plan - Super Institutional Daily Dividend 3,747 units (previous year; nil) of Rs.10 each (5,003,747 units purchased (including dividend reinvested 3,747 units) and 5,000,000 units sold during the year)	0.37	-
ICICI Prudential FMP Series 46 5,000,000 units (previous year; nil) of Rs.10 each (5,000,000 units purchased and Nil units sold during the year)	500.00	-
Kotak 12Mth Series 9 - Inst (G) 5,000,000 units (previous year; nil) of Rs.10 each (5,000,000 units purchased and Nil units sold during the year)	500.00	-
Sundaram FTP Sr.IV - 367 Days - Inst(G) 5,000,000 units (previous year; nil) of Rs.10 each (5,000,000 units purchased and Nil units sold during the year)	500.00	-
TATA Fixed Horizon Fund Series 18 10,000,000 units (previous year; nil) of Rs.10 each (10,000,000 units purchased and Nil units sold during the year)	1,000.00	-
	<u>5,012.34</u>	<u>-</u>
	9,882.06	969.72
Less : Provision for diminution in value of investments	<u>969.67</u>	<u>969.67</u>
	<u>8,912.39</u>	<u>0.05</u>





## SCHEDULES FORMING PART OF THE BALANCE SHEET

The total net asset value (NAV) of unquoted investments (Mutual Fund units) as at March 31, 2009:  
Rs 5,481.87 lakh (previous year Nil)

During the year the following investments were purchased and sold:

1. 40,00,000 units of DSP BlackRock Strategic Bond Fund - Regular Plan -  
Weekly Dividend at a cost of Rs 400 lakh;
2. 60,00,000 units of TFLD TATA Floater Fund - Daily Dividend at a cost of Rs 600 lakh

<b>5. CURRENT ASSETS, LOANS AND ADVANCES</b>	<b>31.03.2009</b>	<b>31.03.2008</b>
	<b>Rs. lakh</b>	<b>Rs. lakh</b>
<b>A. INVENTORIES</b>		
Stores and spare parts	85.63	90.74
Raw materials	39.07	-
Finished goods	<u>4,208.45</u>	<u>1,021.69</u>
	<u>4,333.15</u>	<u>1,112.43</u>
<b>B. SUNDRY DEBTORS (Unsecured)</b>		
<b>Trade Debtors</b>		
Debts outstanding for a period exceeding six months-		
Considered good	16.54	41.36
Other debts-considered good *	<u>3,134.43</u>	<u>1,731.95</u>
	<b>3,150.97</b>	<b>1,773.31</b>
<b>Other Debtors</b>		
Debts outstanding for a period exceeding six months-		
Considered good	<u>1,213.83</u>	<u>1,438.84</u>
	<u>4,364.80</u>	<u>3,212.15</u>
* includes Rs.1,383.57 lakh (previous year Rs.Nil) dues from subsidiary company where some of the directors of the Company are directors		
<b>C. CASH AND BANK BALANCES</b>		
Cash on hand	1.53	3.60
With scheduled banks in-		
Current Accounts*	1,330.59	1,808.39
Term deposits		
-under lien against bank guarantee	241.07	273.07
-others	<u>1,563.25</u>	<u>-</u>
	<u>3,136.44</u>	<u>2,085.06</u>
* Includes Rs. 355.61 lakh (Previous year : Rs 971.58 lakh) in the Escrow Account to be utilised as per the Escrow Agreement with the customer		
<b>D. LOANS AND ADVANCES</b>		
<b>Secured and considered good</b>		
Advances recoverable in cash or kind or for value to be received		
- from subsidiary company	807.97	-
- from others	600.00	600.00
<b>Unsecured and considered good</b>		
Advances recoverable in cash or kind or for value to be received*	679.59	852.87
(Includes Rs. 0.13 lakh (previous year: Rs. 0.38 lakh) due from directors of the company; maximum amount due at any time during the year Rs.5.11 lakh (previous year : Rs.3.43 lakh))		
<b>Carried Forward</b>	<u>2,087.56</u>	<u>1,452.87</u>



## SCHEDULES FORMING PART OF THE BALANCE SHEET

	31.03.2009 Rs. lakh	31.03.2008 Rs. lakh
<b>5. CURRENT ASSETS, LOANS AND ADVANCES (Contd.)</b>		
<b>Brought Forward</b>	<b>2,087.56</b>	1,452.87
Share application money with subsidiary company, pending allotment	1,100.00	-
MAT credit entitlement	-	285.00
(*Includes capital advance of Rs. 165.31 lakh (previous year : Rs.95.20 lakh))	<u>3,187.56</u>	<u>1,737.87</u>
	<u>15,021.95</u>	<u>8,147.51</u>
<b>6. CURRENT LIABILITIES AND PROVISIONS</b>		
<b>LIABILITIES (see note 15 of Schedule 9)</b>		
Sundry Creditors		
Dues to Micro enterprises and Small enterprises (see note 10 of Schedule 9)	-	-
Others	<u>9,330.58</u>	4,670.03
	<u>9,330.58</u>	4,670.03
Advance received from customers	<u>1,530.08</u>	1,893.22
	<u>10,860.66</u>	6,563.25
<b>PROVISIONS</b>		
Provision for taxation, net of payments	1,045.04	553.07
Provision for fringe benefit tax, net of payments	3.28	2.29
Proposed dividend on equity shares	131.25	-
Preference dividend	-	205.07
Tax on dividends	44.62	34.85
Gratuity	59.08	150.06
Pension	1,213.15	854.02
Leave salary	<u>199.28</u>	129.53
	<u>2,695.70</u>	1,928.89
	<u>13,556.36</u>	<u>8,492.14</u>

## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	2008-09 Rs. lakh	2007-08 Rs. lakh
<b>7. OTHER INCOME</b>		
Dividend on shares	0.04	0.04
Income from Mutual Funds	21.95	-
Interest on Fixed Deposits and others (tax deducted at source Rs. 33.41 lakh ; previous year : Rs. 16.20 lakh)	185.04	80.27
Exchange gain (net)	0.97	-
Liabilities/provisions no longer required written back	21.03	15.13
Miscellaneous receipts	41.13	22.37
Profit on sale of fixed assets (net)	0.68	0.01
Sale of petroleum products (Net of consumption of Rs. 1,449.71 lakh; previous year: Rs. 1,328.41 lakh.)	16.06	9.86
	<u>286.90</u>	<u>127.68</u>



## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	2008-09 Rs. lakh	2007-08 Rs. lakh
<b>8. MINING, MANUFACTURING AND OTHER EXPENSES</b>		
Raw materials and components consumed	166.64	-
Raw material conversion cost	121.56	-
Payments to and provision for employees:		
Salaries, wages and bonus	1,706.27	1,252.03
Contribution to provident and other funds	296.35	111.15
Subsidy on food grains	294.24	211.07
Employees' welfare expenses	651.01	468.24
	<u>2,947.87</u>	<u>2,042.49</u>
Stores and spares consumed	254.60	137.89
Power and fuel	31.53	34.04
Repairs and maintenance to :		
Plant and machinery	64.94	61.38
Buildings	154.95	49.84
Others	160.60	216.93
	<u>380.49</u>	<u>328.15</u>
Mine running expenses	9,698.62	9,817.85
Rent	64.34	58.27
Insurance	11.46	7.69
Rates and taxes	3,126.57	1,825.11
Freight, loading and siding charges	4,886.36	4,005.05
Commission, sales and service charges on export sales	71.14	31.90
Selling expenses	27.73	19.25
Administrative expenses	600.42	361.56
Assets discarded	19.92	0.47
Bad debts/advances written off	27.08	8.92
Bank Charges	40.33	61.32
Miscellaneous expenses	284.45	111.77
	<u>22,761.11</u>	<u>18,851.73</u>
Decrease / (increase) in finished goods		
Opening finished goods	1,021.69	800.24
Closing finished goods	4,208.45	1,021.69
	<u>(3,186.76)</u>	<u>(221.45)</u>
	<u>19,574.35</u>	<u>18,630.28</u>



## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

### 9. NOTES TO ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

#### 1) Accounting Policies

The financial statements are prepared in accordance with Generally Accepted Accounting Principles under the historical cost convention (except revaluation of fixed assets) on an accrual basis and in accordance with the requirements of the Companies Act, 1956.

**i) Use of estimates:**

The Company uses prudent and reasonable assumptions and estimates in the preparation of its financial statements, and these are reflected in the reported amounts of income and expenses during the year, and the reported balances of assets and liabilities, and disclosures relating to contingent liabilities, as at the date of the financial statements.

**ii) Fixed Assets:**

Fixed assets are capitalized at acquisition cost including directly attributable cost of bringing the asset to its working condition for the intended use. Certain assets have been revalued as on 31<sup>st</sup> March, 1985 and the resultant surplus has been added to the cost of the assets.

**iii) Depreciation/Amortisation:**

The Company's assets at head office and mines (including assets transferred to plant from these locations) are depreciated on the written down value method and at plant (including assets transferred to other locations from plant) are depreciated on the straight line method at the rates and in manner prescribed in Schedule XIV to the Companies Act, 1956.

Mining lease rights are amortised over the useful life of the mine or lease period, whichever is shorter.

Individual assets costing less than Rs.5,000/- are depreciated in full in the year of its purchase.

**iv) Impairment of Fixed Assets:**

Consideration is given at each Balance Sheet Date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an impairment loss is recognized when the carrying amount exceeds greater of net selling price and value in use.

**v) Foreign Currency Transactions:**

Foreign exchange transactions are recorded at the exchange rates prevailing on the date of transaction. Foreign exchange rate fluctuations relating to monetary assets and liabilities are restated at the year-end rates.

The net loss or gain arising on restatement/ settlement, if any, is adjusted to the profit and loss account.

In respect of forward exchange contracts, the premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract.

Exchange differences on such contracts are recognised in the statement of Profit and Loss of the reporting period in which the exchange rates change.

**vi) Investments:**

All long term investments are valued at cost. However provision for diminution in value is made to recognise a decline, other than temporary, in the value of investments.

Current investments are carried at lower of cost and fair value.

**vii) Inventories:**

Inventories are valued at lower of cost and net realizable value.

The method of determination of cost of various categories of inventories is as follows:

(a) Stores and spare parts: Monthly weighted average rates.

(b) Raw materials: On monthly weighted average rates.

(c) Finished Goods: Full absorption costing method based on annual cost of production.

**viii) Revenue Recognition:**

Revenue from sale of goods is recognized on despatch of goods to customers from plant or stock points,



as applicable. In case of service income, revenue is recognized when the service is rendered to the customer.

**ix) Employee Benefits:**

- (a) Short-term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.
- (b) Post employment benefits are recognised as an expense in the profit and loss account of the year in which the employee has rendered services. The expense is recognised at the present value of the amount payable towards contributions. The present value is determined using the market yields of government bonds, at the balance sheet date, at the discounting rate.
- (c) Other long-term employee benefits are recognised as an expense in the profit and loss account of the period in which the employee has rendered services. Estimated liability on account of long-term benefits is discounted to the present value, using the market yields on government bonds, as on the date of balance sheet, at the discounting rate.
- (d) Actuarial gains and losses in respect of past employment and other long term benefits are charged to the profit and loss account.

**x) Segment accounting:**

Segments are identified based on the types of products and the internal organisation and management structure. The Company has identified business segment as its primary reporting segment with secondary information reported geographically.

The Company's primary segments consist of Mining, Services, Ferroalloys and Steel.

Unallocable represents other income and expenses which relate to the Company as a whole and are not allocated to segments.

**xi) Taxation:**

Tax Expense/ (Credit) comprise Current Tax, Deferred Tax and Fringe Benefit Tax.

**a) Current Tax**

Current tax expense is determined in accordance with the provision of the Income-tax Act, 1961.

Minimum alternate tax (MAT) paid in accordance with the tax laws, which give rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the balance sheet when it is probable that the future economic benefit associated with it will follow to the Company and the asset can be measured reliably.

**b) Deferred Tax**

Deferred tax assets and liabilities are measured using the tax rates which have been enacted or substantively enacted at the balance sheet date. Deferred tax expense or benefit is recognised, subject to consideration of prudence, on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversing in one or more subsequent periods.

**c) Fringe Benefit Tax**

Fringe benefit tax is accounted for based on the estimated value of fringe benefits for the year as per the related provisions of the Income-tax Act, 1961.

**xii) Provisions and Contingencies:**

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent Liabilities are not recognised but are disclosed in the notes to accounts.

Contingent Assets are neither recognised nor disclosed in the financial statements.



## 2) Contingent Liabilities

		31.03.2009 Rs. lakh	31.03.2008 Rs. lakh
a)	Claims against the Company not acknowledged as debts.		
	Income tax	-	25.53
	Sales tax	-	6.63
	Service tax (relating to applicability of tax)	293.35	-
	Others	17.68	9.18

The above amounts have been arrived at based on the notice of demand or the Assessment orders, as the case may be, and the Company is contesting these claims with the respective authorities. Outflows, if any, arising out of these claims would depend on the outcome of the decisions of the appellate authorities and the Company's rights for future appeals before the judiciary. No reimbursements are expected.

b)	Guarantees given by the Company:		
i)	Employees (including some former employees) in respect of housing loans	9.87	16.46

The Company has got an undertaking from the employees to repay on their behalf directly to the bank/ financial institution.

ii)	Corporate guarantee issued to Customs authorities on behalf of subsidiary company	1,050.00	-
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The Company has given the said guarantee in respect of fulfillment of the export obligations by the subsidiary company. There are no defaults as at the year end and no liability is expected.

iii)	Others (principal guarantees)	10.00	10.00
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The Company has given the said guarantee for the working capital facilities availed by the welfare organisation sponsored by the Company. There are no defaults as at the year end and no liability is expected.

c)	Bills discounted	533.18	217.79
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Represents bills discounted against the irrecoverable letter of credit.

3) SALES AND SERVICES	2008-09		2007-08	
	Quantity (tonnes)	Value Rs. lakh	Quantity (tonnes)	Value Rs. lakh
Manganese Ore *	295,434	21,367.63	243,617	8,195.54
Iron ore	1,448,817	20,878.01	1,158,315	18,647.41
Silico-Manganese	487	350.74	-	-
TMT Steel Bars	104	30.31	-	-
Services		155.09		124.07
		42,781.78		26,967.02

\*Includes sale of low grade concentrates

4) MANAGERIAL REMUNERATION	2008-09 Rs. lakh	2007-08 Rs. lakh
Salaries*	27.07	18.60
Contribution to provident and other funds*	7.31	5.02
Perquisites	42.09	22.30
Sitting fees	5.10	2.15
	81.57	48.07

\* Excludes contributions towards Gratuity and provision for leave salary, as the same have been provided on an actuarial basis for the Company as a whole.



5) Licensed and installed capacity, production/generation/purchase, opening and closing stock of finished goods.

	Licensed Capacity	Installed capacity	Opening stock		Production/purchase	Closing stock	
	Tonnes	Tonnes	Quantity Tonnes	Amount Rs. lakh	Quantity Tonnes	Quantity Tonnes	Amount Rs. lakh
Manganese Ore	- (-)	- (-)	157,278 (142,082)	1,021.69 (800.24)	240,826 (259,228)	106,678 (157,278)	3,056.82 (1,021.69)
Iron Ore	- (-)	- (-)	- (-)	- (-)	1,505,674 (1,158,315)	52,741 (-)	1,043.43 (-)
MT Steel Bars*	- (-)	- (-)	- (-)	- (-)	505* (-)	401 (-)	108.20 (-)
Micro-Manganese*	- (-)	- (-)	- (-)	- (-)	487* (-)	- (-)	- (-)
				1,021.69 (800.24)			4,208.45 (1,021.69)

NOTES:

\*Processed by third parties.

- a) Manganese ore production includes 4,212 tonnes (previous year : 41,409 tonnes) and iron ore production includes 332,829 tonnes (previous year: 419,591 tonnes) salvaged from waste dumps.  
b) Previous year figures are in brackets.

6) (a) Analysis of raw material and components consumed:

Description of products	2008-09		2007-08	
	Qty(tonnes )	Amount Rs. lakh	Qty (tonnes)	Amount Rs. lakh
Billets	521	126.37	-	-
Others		40.27	-	-
Total		166.64	-	-

(b) Value of imported and indigenous raw material consumed:

	2008-09		2007-08	
	Rs. lakh	%	Rs. lakh	%
Imported	-	-	-	-
Indigenous	166.64	100%	-	-
Total	166.64	100%	-	-

7) EXPENDITURE IN FOREIGN CURRENCY

	2008-09 Rs. lakh	2007-08 Rs. lakh
Commission on export sales	71.14	31.90
Interest	-	1.62
Others	13.16	38.31
	<u>84.30</u>	<u>71.83</u>



	2008-09 Rs. lakh	2007-08 Rs. lakh
<b>8) EARNINGS IN FOREIGN CURRENCY</b>		
Exports on F.O.B. basis -through Export trading house	4,718.63	2,114.18
-direct	2,324.57	1,838.37
Services	98.09	15.35
	<u>7,141.29</u>	<u>3,967.90</u>
<b>9) AUDITORS' REMUNERATION</b>		
Statutory audit	10.00	9.00
Tax audit	3.00	2.00
Audit of consolidated accounts	2.25	-
Fees for other services	8.80	5.50
Reimbursement of		
- out of pocket expenses	0.23	0.64
- levies	2.94	2.04
	<u>27.22</u>	<u>19.18</u>

10) There are no micro and small enterprises to whom the Company owes dues which are outstanding as at the balance sheet date. The above information and that given under current liabilities and provisions (Schedule 6) regarding Micro Enterprises and Small Enterprises have been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

**11) SEGMENT REPORTING :**

**a) PRIMARY SEGMENTS (BUSINESS SEGMENTS)**

Rs. lakh

Particulars	Mining		Service		Ferroalloy		Steel		Unallocable		Total	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
<b>REVENUE</b>												
External sales	42,245.64	26,842.95	155.09	124.07	350.74	-	30.31	-	-	-	42,781.78	26,967.02
Total revenue	42,245.64	26,842.95	155.09	124.07	350.74	-	30.31	-	-	-	42,781.78	26,967.02
<b>RESULT</b>												
Segment	22,575.12	8,832.09	110.75	25.44	118.20	(1,226.58)	(10.41)	-	-	-	22,793.66	7,630.95
Unallocated corporate expense / (income) (net)	-	-	-	-	-	-	-	-	(287.84)	(136.48)	(287.84)	(136.48)
Operating profit/(loss)	22,575.12	8,832.09	110.75	25.44	118.20	(1,226.58)	(10.41)	-	(287.84)	(136.48)	22,505.82	7,494.47
Interest expense	-	-	-	-	-	-	-	-	(1.97)	(6.19)	(1.97)	(6.19)
Profit/(loss) before taxes	22,575.12	8,832.09	110.75	25.44	118.20	(1,226.58)	(10.41)	-	(289.81)	(142.67)	22,503.85	7,488.28
Taxes	-	-	-	-	-	-	-	-	(7,756.80)	(1,707.41)	(7,756.80)	(1,707.41)
Net profit/(loss)	22,575.12	8,832.09	110.75	25.44	118.20	(1,226.58)	(10.41)	-	(8,046.61)	(1,850.08)	14,747.05	5,780.87
<b>OTHER INFORMATION</b>												
Segment assets	14,133.85	11,300.78	166.28	76.48	7,482.65	1,537.75	747.27	600.00	9,834.71	503.04	32,364.76	14,018.05
Segment liabilities	10,360.17	5,752.31	1.44	25.62	1,701.19	1,644.00	1.21	-	1,521.35	2,189.21	13,585.36	9,611.14
Capital expenditure including capital work-in-progress	171.87	140.95	-	-	359.78	-	-	-	3,037.71	-	3,569.36	140.95
Depreciation/ amortisation	970.95	953.49	-	0.82	0.85	0.85	-	-	16.71	14.79	988.51	969.95
Non-cash expense other than depreciation / amortisation	47.00	9.39	-	-	-	-	-	-	-	-	47.00	9.39

**Note:** Primary business segments have been identified on the basis of distinguishable businesses in which the Company is engaged.





**b) SECONDARY SEGMENTS (GEOGRAPHICAL SEGMENTS)**

i) Disclosure of Segments Revenue, based on geographical location of Customers

Geographical Segments	Rs. lakh	
	2008-09	2007-08
India	35,640.49	22,999.12
Rest of World	7,141.29	3,967.90
Total	42,781.78	26,967.02

ii) Total Carrying amount of Assets, by geographical location

Location of Assets	Rs. lakh	
	2008-09	2007-08
India	32,364.76	14,018.05
Rest of World	-	-
Total	32,364.76	14,018.05

**NOTE :** Most of the assets are not identifiable separately to any reportable segment as these are used interchangeably between segments.

iii) Capital expenditure during the year (including capital work in progress)

Location of Assets	Rs. lakh	
	2008-09	2007-08
India	3,569.36	140.95
Rest of World	-	-
Total	3,569.36	140.95

**NOTE :** The above costs of assets are not identifiable separately to any reportable segment as these are used interchangeably between segments.

The Company essentially operates within India and there are exports mainly through Export Trading House in respect of the Mines.

**12) Related party disclosures:**

**Related parties and description of relationship:**

1.	Holding company	None
2.	Subsidiary	Star Metallics and Power Private Limited with effect from 25 <sup>th</sup> October 2008
3.	Key Management Personnel (KMP)	i) S.Y. Ghorpade, Chairman & Managing Director ii) Nazim Sheikh, Executive Director iii) S.H. Mohan, Technical Director iv) S.R. Sridhar, Director (Mines) with effect from 1 <sup>st</sup> October 2008
4.	Relative of KMP	Aditya Shivrao Ghorpade



**a) Subsidiary**

Rs. lakh

Particulars	2008-09	2007-08
<b>Transactions during the year</b>		
-Interest income	10.30	-
-Service income	44.93	-
-Loans and advances given	800.00	-
Amounts receivable at the year end	3,291.54	-

**b) Key Management Personnel**

Rs. lakh

Sl. No	Name of KMP	Remuneration		Guarantee Commission		Amounts payable at the year end		Amounts receivable at the year end	
		2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
1	S.Y. Ghorpade	21.88	15.99	50.00	-	52.15	0.52	-	-
2	Nazim Sheikh	19.94	15.04	50.00	-	52.29	1.97	-	-
3	S.H. Mohan	19.94	14.89	-	-	-	-	0.04	0.38
4	S.R. Sridhar	14.71	-	-	-	4.65	-	0.09	-
	<b>Total</b>	<b>76.47</b>	<b>45.92</b>	<b>100.00</b>	<b>-</b>	<b>109.09</b>	<b>2.49</b>	<b>0.13</b>	<b>0.38</b>

**c) Relative of KMP**

Rs. lakh

Particulars	2008-09	2007-08
Remuneration	4.63	3.27
Amounts receivable at the year end	0.34	0.16

**13) Employee Benefits**

a) Defined contribution plan

The contributions recognised in the profit and loss account during the year are as under:

Rs. lakh

Contribution to :	2008-09	2007-08
Provident Fund	76.33	65.79
Superannuation Fund	11.00	14.26
<b>Total</b>	<b>87.33</b>	<b>80.05</b>

The Company makes contributions at predetermined rates to SMIORE Provident Fund Trust and to the Regional Provident Fund Commissioner in respect of Employee Provident Fund and to the Life Insurance Corporation of India in respect of Superannuation Fund.

In case of SMIORE Provident Fund Trust interest rate payable by the Trust to the beneficiaries is as notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of trust and the notified interest rate and recognise such shortfall as an expense. There is no shortfall in the interest payable by the trust to the beneficiaries as on the balance sheet date.



## b) Defined Benefit Plan - Funded

The Company makes annual contributions to an Insurance managed fund. The scheme provides for lump sum payment to vested employees on retirement, death while in employment or on termination of employment as per the Company's Gratuity Scheme, vesting occurs upon completion of three years of service.

The following table sets out the funded status and amount recognised in the Company's financial statements for Gratuity.

		Rs. lakh	
		2008-09	2007-08
I	Net Asset/ (Liability) recognized in the balance sheet		
1	Present value of funded obligations –A	774.92	544.23
2	Fair value of plan Assets-B	(715.84)	(394.17)
3	(Deficit)/Surplus-(A-B)	(59.08)	(150.06)
4	Net Asset/ Liability		
	-Assets	-	-
	-Liabilities	(59.08)	(150.06)
II	Expense recognized in the Profit and loss account		
1	Current service cost	22.32	24.75
2	Interest on Defined Benefit Obligation	39.76	43.55
3	Expected Return on Plan Assets	(28.67)	(29.79)
4	Net Actuarial Losses / (Gains) recognized during the year	172.87	(7.40)
5	Past Service cost	-	-
6	Losses/(Gains) on "Curtailements & Settlements"	2.74	-
	Total	209.02	31.11
	Actual return on plan Assets	90.20	8.31
III	Change in present value of obligation		
1	Opening Defined Benefit Obligation	544.23	557.22
2	Service Cost	22.32	24.75
3	Interest Cost	39.76	43.55
4	Actuarial Losses/(Gains)	234.40	(28.88)
5	Actuarial Losses/ (Gain) due to Curtailment	2.74	-
6	Benefits Paid	(68.53)	(52.41)
7	Closing Defined Benefit Obligation	774.92	544.23
IV	Change in fair value of plan assets		
1	Opening fair value of plan assets	394.17	408.27
2	Expected return	28.67	29.79
3	Actuarial (Losses) / Gains	61.53	(21.48)
4	Assets distributed on settlements	-	-
5	Contributions by employer	300.00	30.00
6	Benefits Paid	(68.53)	(52.41)
7	Closing fair value of plan assets	715.84	394.17
V	The major categories of Plan Assets as a percentage of total Plan		
1	Government of India securities	28.20%	9%
2	Corporate bonds	42.50%	51%
3	Special Deposits Schemes	-	20%
4	Others	29.30%	20%
VI	Principal actuarial assumptions:		
	Discount Rate	7.05% p.a.	7.80% p.a.
	Expected Rate of Return on Plan Assets	7.50% p.a.	7.50% p.a.
VII	The employees are assumed to retire at the age of 60 years		
VIII	The mortality rates considered are as per the published rates by the LIC (1994-96) mortality tables		

Expected rate of return on plan assets is based on average yield on investment.



(c) Other Long term benefits - Unfunded

The defined benefit obligations which are provided for but not funded are as under.

Rs. lakh

	Liability as on 31.03.2009	Liability as on 31.03.2008
Leave Salary	199.28	129.53
Pension	1,213.15	854.02

The discount rate for defined benefit plan and other long term benefits is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of obligations.

The estimate of future salary increases considered for defined benefits plan and other long term benefits takes into account the inflation, seniority, promotion, increments and other relevant factors.

- 14) As per the draft rehabilitation scheme of Sandur Laminates Limited and Sandur Micro Circuits Limited, the Company has given an undertaking not to dispose of its share holdings in Sandur Laminates Limited and Sandur Micro Circuits Limited without their prior approval of Board for Industrial and Financial Reconstruction (BIFR).
- 15) Current liabilities do not include any amount to be credited to the Investor Education and Protection Fund.
- 16) There are no receivables / payables in foreign currency at the year end.
- 17) The details of deferred tax asset / (liability) are as under :

Rs. lakh

	Opening Balance	Tax effect for the year	As at 31.03.2009
<b>Deferred Tax (Liability)</b>			
Fixed Assets	(1,920.71)	339.40	(1,581.31)
<b>Sub Total</b>	(1,920.71)	339.40	(1,581.31)
<b>Deferred Tax Asset</b>			
Provision for gratuity, pension and leave salary	385.56	114.60	500.16
Others	416.15	636.00	1,052.15
<b>Sub Total</b>	801.71	750.60	1,552.31
<b>Net Deferred Tax Asset / (Liability)</b>	(1,119.00)	1,090.00	(29.00)

18) Earnings per share:

	2008-09	2007-08
Net profit after tax - Rs.lakh	14,747.05	5,780.87
Less : Dividend on preference shares - Rs. lakh	13.72	205.07
Less : Dividend tax on preference shares - Rs. lakh	2.33	34.85
	<u>14,731.00</u>	<u>5,540.95</u>
Weighted average number of equity shares	87,50,000	87,50,000
Nominal value of shares - Rs.	10.00	10.00
Basic and diluted earnings per share - Rs.	<u>168.35</u>	<u>63.33</u>

- 19) a) Previous year's figures have been regrouped/recast, wherever necessary, to conform to the classification adopted for the current year.
- b) Schedules 1 to 9 form an integral part of the accounts.

SIGNATURES TO SCHEDULES 1 TO 9  
for and on behalf of the Board of Directors

S. Y. GHORPADE  
Chairman & Managing Director

NAZIM SHEIKH  
Executive Director

Place : Bangalore  
Date : 28 May 2009

MD. ABDUL SALEEM  
Company Secretary

K. RAMAN  
Financial Controller & CFO



**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**  
(Pursuant to Part IV of Schedule VI to the Companies Act, 1956)

**I. Registration details**

Registration number CIN-L85110KA1954PLC000759      State Code      08  
Balance Sheet Date      31.03.2009

**II. Capital raised during the period ( Amount in Rs. Thousands)**

Public Issue      Nil      Right Issue      Nil  
Bonus Issue      Nil      Private Placement      Nil

**III. Position of mobilisation and deployment of funds (Amount in Rs. Thousands)**

Total liabilities (net)      3,236,476      Total assets (net)      3,236,476

**Sources of funds:**

Paid up Capital      87,499      Reserves & Surplus      1,790,441  
Secured loans      -      Unsecured loans      -  
Deferred Tax Liability      2,900

**Application of funds:**

Net fixed assets      843,042      Investments      891,239  
Net current assets      146,559      Miscellaneous expenditure      -  
Accumulated losses      -

**IV Performance of Company (Amount in Rs. Thousands)**

Turnover (including other income)      4,306,868      Total expenditure      2,056,483  
Profit / (loss) before tax      2,250,385      Profit / (loss) after tax      1,474,705  
Earnings per share      168.35      Dividend rate (%)      30%

**V. Generic names of three principal products of Company**

Sl.	No.Product Description	Item Code No. (ITC Code)
1.	Manganese ore	260200
2.	Iron Ore	260111

**S. Y. GHORPADE**  
Chairman & Managing Director

**MD. ABDUL SALEEM**  
Company Secretary

**NAZIM SHEIKH**  
Executive Director

**K. RAMAN**  
Financial Controller & CFO

Place : Bangalore  
Date : 28 May 2009



**STATEMENT REGARDING SUBSIDIARY COMPANY PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956**

1	Name of Subsidiary	Star Metalics and Power Private Limited
2	Financial Year of the subsidiary ended on:	31 March 2009
3	Share of the subsidiary held on the above date:  a) Number of shares and face value  b) Extent of Holding	1,950,000 equity shares of Rs.10/- each (fully paid up)  69.15%
4	Net aggregate amount of profit of the Subsidiary so far as they concern the members of The Sandur Manganese & Iron Ores Limited  a) Dealt with in the accounts of The Sandur Manganese & Iron Ores Limited for the year ended 31 March, 2009  b) Not dealt with in the accounts of The Sandur Manganese & Iron Ores Limited for the year ended 31 March, 2009	Nil  Loss of Rs. 129.59 lakh
5	Net aggregate amount of profit for previous financial years of the Subsidiary since it became a subsidiary so far as they concern the members of The Sandur Manganese & Iron Ores Limited  a) Dealt with in the accounts of The Sandur Manganese & Iron Ores Limited for the year ended 31 March, 2009  b) Not dealt with in the accounts of The Sandur Manganese & Iron Ores Limited for the year ended 31 March, 2009	Not Applicable  Not Applicable

Place : Bangalore  
Date : 30 July 2009

**S. Y. GHORPADE**  
Chairman & Managing Director

**MD. ABDUL SALEEM**  
Company Secretary

**NAZIM SHEIKH**  
Executive Director

**K. RAMAN**  
Financial Controller & CFO



## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

### TO THE BOARD OF DIRECTORS OF THE SANDUR MANGANESE & IRON ORES LIMITED

1. We have audited the attached Consolidated Balance Sheet of The Sandur Manganese & Iron Ores Limited and its subsidiary as at March 31, 2009 and also the Consolidated Profit and Loss account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of The Sandur Manganese & Iron Ores Limited and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary, whose financial statements reflect total assets of Rs. 13,776.76 lakhs as at March 31, 2009, total revenues of Rs. 737.87 lakhs and cash flows amounting to Rs. 200.01 lakhs for the year ended on that date as considered in the Consolidated Accounts. These financial statements and other financial information have been audited by other auditor whose report has been furnished to us, and our opinion is based solely on the report of the other auditor.
4. We report that the consolidated financial statements have been prepared by the management of The Sandur Manganese & Iron Ores Limited in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements", notified by the Central Government of India under The Companies (Accounting Standards) Rules, 2006.
5. Based on our audit, consideration of reports of other auditor on separate financial statements and other financial information of the components, and to the best of our information and explanation given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of The Sandur Manganese & Iron Ores Limited and its subsidiary as at March 31, 2009;
  - (ii) in the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date; and
  - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

for **Deloitte Haskins & Sells**  
Chartered Accountants

**S. Sundaresan**  
Partner  
(Membership No. 25776)

Place : Bangalore  
Date : 28<sup>th</sup> May, 2009



## CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2009

	Schedules		31.03.2009 Rs. lakh
<b>I. SOURCES OF FUNDS</b>			
<b>1. SHARE HOLDERS' FUNDS</b>			
(a) Share Capital	1	874.99	
(b) Reserves and surplus	2	<u>17,719.58</u>	18,594.57
<b>2. MINORITY INTEREST</b>			2,306.06
<b>3. LOAN FUNDS</b>			
Secured loans	3		1,850.72
<b>4. DEFERRED TAX LIABILITY</b>			<u>29.00</u>
			<u>22,780.35</u>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. FIXED ASSETS</b>	4		
(a) Gross block		17,400.43	
(b) Less depreciation		<u>7,585.10</u>	
(c) Net block		9,815.33	
(d) Capital work-in-progress		<u>4,706.23</u>	
			14,521.56
<b>2. GOODWILL ARISING ON CONSOLIDATION</b>			35.98
<b>3. INVESTMENTS</b>	5		5,012.39
<b>4. CURRENT ASSETS, LOANS AND ADVANCES</b>	6		
(a) Inventories		5,480.28	
(b) Sundry debtors		2,993.38	
(c) Cash and bank balances		7,514.63	
(d) Loans and advances		<u>3,240.16</u>	
		<u>19,228.45</u>	
Less :			
<b>5. CURRENT LIABILITIES AND PROVISIONS</b>	7		
(a) Liabilities		13,318.45	
(b) Provisions		<u>2,699.58</u>	
		<u>16,018.03</u>	
<b>Net current assets</b>			<u>3,210.42</u>
			<u>22,780.35</u>
Notes to accounts	10		

The schedules referred to above form an integral part of the Consolidated Balance Sheet

Per our report attached

for and on behalf of the Board of Directors

for **Deloitte Haskins & Sells**  
Chartered Accountants

**S. Y. GHORPADE**  
Chairman & Managing Director

**NAZIM SHEIKH**  
Executive Director

**S. SUNDARESAN**  
Partner

**MD. ABDUL SALEEM**  
Company Secretary

**K. RAMAN**  
Financial Controller & CFO

Place : Bangalore  
Date : 28 May 2009

Place : Bangalore  
Date : 28 May 2009





## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

	Schedules	2008-09 Rs. lakh
<b>INCOME</b>		
Gross sales and services		43,512.64
Less : Excise duty		<u>37.92</u>
Net sales and services		43,474.72
Other income	8	<u>502.00</u>
		<u>43,976.72</u>
<b>EXPENDITURE</b>		
Mining, manufacturing and other expenses	9	20,667.07
Depreciation / Amortisation	4	1,045.44
Interest : -Others		<u>1.97</u>
		<u>21,714.48</u>
<b>Profit / (Loss) before tax</b>		<u>22,262.24</u>
<b>Taxes :</b>		
Current tax		8,825.00
Deferred tax		(1,090.00)
Fringe benefit tax		<u>22.83</u>
		<u>7,757.83</u>
<b>NET PROFIT / (LOSS)</b>		<u>14,504.41</u>
Less : Minority interest		<u>(57.81)</u>
		<u>14,562.22</u>
Profit/(loss) brought forward		<u>1,743.66</u>
		<u>16,305.88</u>
Less : Appropriation		
Dividend on Equity shares		
Interim		131.25
Final		131.25
Dividend on Preference Shares		13.72
Tax on Dividend		46.94
Transfer to Capital Redemption Reserve		51.40
Transfer to General Reserve		<u>1,475.00</u>
		<u>1,849.56</u>
Carried to Balance Sheet		<u>14,456.32</u>
Notes to accounts	10	
Earnings per share of Rs. 10 each Basic and Diluted (Rs.)		166.25

The schedules referred to above form an integral part of the Consolidated Profit and Loss Account

Per our report attached to the balance sheet

for and on behalf of the Board of Directors

for **Deloitte Haskins & Sells**  
Chartered Accountants  
**S. SUNDARESAN**  
Partner

**S. Y. GHORPADE**  
Chairman & Managing Director  
**MD. ABDUL SALEEM**  
Company Secretary

**NAZIM SHEIKH**  
Executive Director  
**K. RAMAN**  
Financial Controller & CFO

Place : Bangalore  
Date : 28 May 2009

Place : Bangalore  
Date : 28 May 2009



**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009**

2008-09

Rs. lakh

**A. Cashflows from operating activities**

Net Profit / (Loss) before tax and appropriation to minority interest	22,262.24
Adjustment for :	
- Depreciation / Amortisation	1,045.44
- Assets discarded	19.92
- (Profit)/loss on sale of fixed assets - net	(0.68)
- Bad debts / advances written off	27.08
- Unrealised exchange difference (net)	34.42
- Interest expenses	1.97
- Interest income	(401.11)
- Income from mutual funds	(21.95)
- Dividend income	(0.04)
- Liabilities no longer required written back	(21.03)
<b>Operating profit/(loss) before working capital changes</b>	<b>22,946.26</b>

Adjustment for :

- (Increase)/decrease in sundry debtors	(9.12)
- (Increase)/decrease in inventories	(4,367.85)
- (Increase)/decrease in loans and advances	(360.16)
- Increase/(decrease) in current liabilities / provisions	6,957.16
Cash generated from operations	<u>25,166.29</u>

- Direct taxes paid

8,069.01

**NET CASH FROM / (USED IN) OPERATING ACTIVITIES**

17,097.28

**B. Cashflows from investing activities**

Additions to fixed assets (including capital work-in-progress and advances on capital account)	(8,175.96)
Proceeds from sale of fixed/other assets	226.68
(Purchase)/sale of mutual funds	(5,012.34)
Acquisition of subsidiary	(3,900.00)
Share application money pending allotment	(1,100.00)
Interest received	325.74
Income from mutual funds	21.95
Dividend received	0.04
<b>NET CASH FROM / (USED IN) INVESTING ACTIVITIES</b>	<b><u>(17,613.89)</u></b>

**C. Cashflows from financing activities**

Proceeds from borrowings	1,801.32
Share application money from minority shareholders	440.00
Redemption of preference shares	(51.40)
Dividend on shares and tax thereon	(387.21)
Interest paid	(1.97)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b><u>1,800.74</u></b>

**NET CASH FLOW DURING THE YEAR (A+B+C)**

**1,284.13**

Cash and cash equivalents (opening balance) 2,085.06

Add: Cash and cash equivalents on acquisition of subsidiary 4,145.44

6,230.50

Cash and cash equivalents (closing balance) 7,514.63

Increase / (decrease) in cash and cash equivalents 1,284.13

Cash & Cash equivalents includes :

- term deposits of Rs.36 lakh towards margin money
- current account Rs.355.61 lakh in the Escrow Account to be utilised as per the Escrow agreement with the customer

Per our report attached to the balance sheet

for and on behalf of the Board of Directors

for **Deloitte Haskins & Sells**  
Chartered Accountants

**S. Y. GHORPADE**  
Chairman & Managing Director

**NAZIM SHEIKH**  
Executive Director

**S. SUNDARESAN**  
Partner

**MD. ABDUL SALEEM**  
Company Secretary

**K. RAMAN**  
Financial Controller & CFO

Place : Bangalore

Place : Bangalore

Date : 28 May 2009

Date : 28 May 2009



## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

		31.03.2009
		Rs. lakh
<b>1. SHARE CAPITAL</b>		
<b>i) AUTHORISED</b>		
1,40,00,000 equity shares of Rs.10 each		1,400.00
1,00,000 'B' 16% redeemable cumulative preference shares of Rs.100 each		<u>100.00</u>
		<u>1,500.00</u>
<b>ii) ISSUED AND SUBSCRIBED</b>		
87,50,000 equity shares of Rs.10 each fully called up	875.00	
Less : Calls in arrears Rs. 122	<u>0.01</u>	
		874.99
Of the above shares -		
(a) 207,500 equity shares of Rs. 10 each were allotted as fully paid up pursuant to contracts without payments having been received in cash.		
(b) 65,250 equity shares of Rs. 10 each were allotted as fully paid up bonus shares by way of capitalisation of reserves.		
Nil 'B' 16% redeemable cumulative preference shares of Rs.100 each.*		-
* 51,389 fully paid and 24 partly paid up preference share redeemed during the year		<u>874.99</u>
<b>2. RESERVES AND SURPLUS</b>		
(i) Share premium account		967.23
(ii) Capital redemption reserve -		
as per last balance sheet	49.25	
Add: Transfer from profit & loss account	<u>51.40</u>	
		100.65
(iii) General reserve -		
as per last balance sheet	720.38	
Add: Transfer from profit & loss account	<u>1,475.00</u>	
		2,195.38
(iv) Balance in Profit and Loss Account		14,456.32
		<u>17,719.58</u>
<b>3. SECURED LOANS</b>		
From Bank		1,850.72
(Secured by way of a lien on term deposits)		<u>1,850.72</u>



## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

### 4. FIXED ASSETS

Rs lakh

DESCRIPTION	COST/VALUATION				DEPRECIATION				NET BOOK VALUE	
	As at 01.04.2008	On acquisition of subsidiary	Additions	Deletions	As at 31.03.2009	As at 01.04.2008	For the year	On deletions	Upto 31.03.2009	As at 31.03.2009
<b>Tangible Assets</b>										
1. Freehold land	86.88	293.97	3,573.91	-	<b>3,954.76</b>	-	-	-	-	3,954.76
2. Leasehold land	6.04	-	-	6.04	-	-	-	-	-	-
3. Buildings and roads	380.89	-	26.95	21.90	<b>385.94</b>	184.94	9.89	11.93	182.85	203.09
4. Railway siding	14.28	-	-	-	<b>14.28</b>	11.93	0.33	-	12.26	2.02
5. Plant and machinery	965.89	-	1,024.94	9.35	<b>1,981.48</b>	901.25	72.13	9.03	964.35	1,017.13
6. Vehicles	92.57	-	122.17	32.74	<b>182.00</b>	73.38	12.55	30.96	54.97	127.03
7. Furniture, fittings and equipment	169.07	1.49	24.06	30.96	<b>163.66</b>	117.78	13.52	28.10	103.20	60.46
<b>Intangible Assets</b>										
Mining lease rights	10,718.31	-	-	-	<b>10,718.31</b>	5,330.45	937.02	-	6,267.47	4,450.84
	12,433.93	295.46	<b>4,772.03</b>	<b>100.99</b>	<b>17,400.43</b>	6,619.73	<b>1,045.44</b>	<b>80.07</b>	<b>7,585.10</b>	<b>9,815.33</b>
Capital work in progress, at cost										4,706.23
										<b>14,521.56</b>

Note: Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance paid) Rs. 7,428.67 lakh.

31.03.2009  
Rs. lakh

### 5. INVESTMENTS

Long term - at cost (non-trade)

Quoted -

47,25,191 equity shares of Rs 10 each in Sandur Laminates Limited  
(Market value not ascertained as there was no trading)

879.67

500 equity shares of Rs 10 each fully paid up in HDFC Bank Limited  
(Market value Rs. 3.87 lakh)

0.05

879.72

Unquoted -

9,00,000 equity shares of Rs 10 each in Sandur Microcircuits Limited

90.00

90.00

Current - (at lower of cost and fair value)

Investment in Mutual Funds

Unquoted -

Birla Sun Life FTP - Institutional Series BA - Growth  
50,00,000 units of Rs. 10 each

500.00

Birla Sun Life FTP - Series BH - Institutional growth  
50,00,000 of Rs.10 each

500.00

Birla Sun Life Short Term Fund - Institutional Daily Dividend  
51,06,580 units of Rs.10 each

510.94

**Carried Forward**

**1,510.94**



## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	31.03.2009 Rs. lakh
<b>5. INVESTMENTS (Contd.)</b>	
<b>Brought Forward</b>	1,510.94
DSP BR FMP 12M Series 2 - Institutional Growth 50,00,000 units of Rs.10 each	500.00
DSP BR Money Manager Fund - Institutional Plan - Daily Dividend 54 units of Rs.1,000 each	0.53
Franklin India Treasury Man IP(DD) 50 units of Rs.1,000 each	0.50
Franklin Sr.I X - Plan E (G) 30,00,000 units of Rs.10 each	300.00
HDFC 370D - Aug 08(9)(1) - WP(G) 20,00,000 units of Rs.10 each	200.00
ICICI Prudential Institutional Liquid Plan - Super Institutional Daily Dividend 3,747 unit of Rs.10 each	0.37
ICICI Prudential FMP Series 46 50,00,000 units of Rs.10 each	500.00
Kotak 12Mth Series 9 - Inst (G) 50,00,000 units of Rs.10 each	500.00
Sundaram FTP Sr.IV - 367 Days - Ins(G) 50,00,000 units of Rs.10 each	500.00
TATA Fixed Horizon Fund Series 18 1,00,00,000 units of Rs.10 each	1,000.00
	<u>5,012.34</u>
	5,982.06
Less : Provision for diminution in value of investments	969.67
	<u>5,012.39</u>
The total net asset value (NAV) of unquoted investments (Mutual Fund units) as at March 31, 2009: Rs. 5,481.87 lakh	
<b>6. CURRENT ASSETS, LOANS AND ADVANCES</b>	
<b>A. INVENTORIES</b>	
Stores and spare parts	117.45
Raw materials	538.28
Finished goods	4,824.55
	<u>5,480.28</u>
<b>B. SUNDRY DEBTORS (Unsecured)</b>	
<b>Trade Debtors</b>	
Debts outstanding for a period exceeding six months - considered good	16.54
Other debts - considered good	1,763.01
	<u>1,779.55</u>
<b>Carried Forward</b>	<u>1,779.55</u>



## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

		31.03.2009
		Rs. lakh
<b>6. CURRENT ASSETS, LOANS AND ADVANCES (Contd.)</b>		
	<b>Brought Forward</b>	1,779.55
<b>Other Debtors:</b>		
Debts outstanding for a period exceeding six months- considered good		<u>1,213.83</u>
		<u>2,993.38</u>
<b>C. CASH AND BANK BALANCES</b>		
Cash on hand		1.53
With scheduled banks in-		
Current accounts*		1,472.78
Term deposits		
-under lien against bank guarantee		2,276.86
-others **		<u>3,763.46</u>
		<u>7,514.63</u>
* Includes Rs. 355.61 lakh in the Escrow Account to be utilised as per the Escrow Agreement with the customer.		
** Includes Rs. 36 lakh towards margin money.		
<b>D. LOANS AND ADVANCES</b>		
<b>Secured and considered good:</b>		
Advances recoverable in cash or kind or for value to be received		600.00
<b>Unsecured and considered good:</b>		
Advances recoverable in cash or kind or for value to be received* (Includes Rs. 0.13 lakh due from directors of the Company; maximum amount due at any time during the year Rs.5.11 lakh)		2,408.86
Balances with Excise and Customs authorities		32.15
Other deposits		<u>199.15</u>
		<u>3,240.16</u>
*Includes capital advance of Rs. 1,389.71 lakh		<u>19,228.45</u>
<b>7. CURRENT LIABILITIES AND PROVISIONS</b>		
<b>LIABILITIES</b>		
Sundry creditors		9,938.23
Purchase consideration		1,600.00
Advance received from customers		1,769.88
Interest accrued but not due on loans		10.34
		<u>13,318.45</u>
<b>PROVISIONS</b>		
Provision for taxation, net of payments		1,044.87
Provision for fringe benefit tax, net of payments		4.31
Proposed dividend on equity shares		131.25
Tax on dividends		44.62
Gratuity		60.40
Pension		1,213.15
Leave salary		<u>200.98</u>
		<u>2,699.58</u>
		<u>16,018.03</u>



## SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

		2008-09 Rs. lakh
<b>8. OTHER INCOME</b>		
Dividend on shares		0.04
Income from Mutual Funds		21.95
Interest on Fixed Deposits and others		401.11
Liabilities/provisions no longer required written back		21.03
Miscellaneous receipts		41.13
Profit on sale of fixed assets (net)		0.68
Sale of petroleum products (Net of consumption of Rs. 1,449.71 lakh)		16.06
		502.00
<b>9. MINING, MANUFACTURING AND OTHER EXPENSES</b>		
Raw materials and components consumed		472.82
Purchase of finished goods		828.05
Raw material conversion cost		121.56
Payments to and provision for employees:		
Salaries, wages and bonus	1,768.03	
Contribution to provident and other funds	300.93	
Subsidy on food grains	294.24	
Employees' welfare expenses	652.99	
		3,016.19
Stores and spares consumed		265.66
Power and fuel		375.95
Repairs and maintenance to :		
Plant and machinery	64.94	
Buildings	154.95	
Others	177.38	
		397.27
Mine running expenses		9,698.62
Rent		65.34
Insurance		12.51
Rates and taxes		3,132.87
Freight, loading and siding charges		4,886.36
Commission, sales and service charges on export sales		71.14
Exchange loss (net)		50.90
Selling expenses		27.73
Administrative expenses		661.33
Assets discarded		19.92
Bad debts/advances written off		27.08
Bank charges		47.19
Miscellaneous expenses		291.44
		24,469.93
Decrease / (Increase) in finished goods		
Opening finished goods	1,021.69	
Closing finished goods	4,824.55	
		(3,802.86)
		20,667.07



## 10. NOTES TO ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2009

- 1) a) The Consolidated Financial Statements comprise the financial statements of The Sandur Manganese & Iron Ores Limited (the Company) and its subsidiary named Star Metallics and Power Private Limited (SMPPL). The Consolidated Financial Statements are prepared in accordance with Accounting Standard (AS) 21 on Consolidated Financial Statements notified by the Central Government of India under The Companies (Accounting Standards) Rules, 2006.

SMPPL has become subsidiary of the Company w.e.f. 25<sup>th</sup> October, 2008 and accordingly the same is consolidated on the basis of unaudited management accounts as of and from that date. The difference between the costs of investment in SMPPL over the Company's portion of equity of SMPPL is recognised as Goodwill.

The financial statements of SMPPL are drawn up to the same reporting date as that of the Company i.e. 31 March, 2009 and are audited.

SMPPL is incorporated in India and the Company's ownership interest and voting power is 69.15% as at the balance sheet date.

Minority interest in the net assets of consolidated subsidiary is identified and presented in the consolidated balance sheet separately from liabilities and the equity of the Company's shareholders.

Minority interest in the net assets of consolidated subsidiary consists of:

- The amount of equity attributable to minorities at the date on which investment in subsidiary is made; and
- The minorities' share of movements in equity since the date parent subsidiary relationship came into existence.

Minority interest in the net loss for the year of consolidated subsidiary is identified and adjusted against the profit after tax of the group.

- b) This being the first year of consolidation, previous year figures are not disclosed.

### 2) Accounting policies

The financial statements are prepared on an accrual basis under historical cost convention (except revaluation of fixed assets) in accordance with Generally Accepted Accounting Principles and materially comply with the mandatory Accounting Standards notified by the Central Government of India under The Companies (Accounting Standards) Rules, 2006.

#### i) Use of estimates:

The Company uses prudent and reasonable assumptions and estimates in the preparation of its financial statements, and these are reflected in the reported amounts of income and expenses during the year, and the reported balances of assets and liabilities, and disclosures relating to contingent liabilities, as at the date of the financial statements.

#### ii) Fixed Assets:

Fixed assets are capitalized at acquisition cost including directly attributable cost of bringing the asset to its working condition for the intended use. Certain assets have been revalued as on 31<sup>st</sup> March, 1985 and the resultant surplus has been added to the cost of the assets.

#### iii) Depreciation/Amortisation:

The Company's assets at head office and mines (including assets transferred to plant from these locations) are depreciated on the written down value method and at plant (including assets transferred to other





locations from plant) are depreciated on the straight line method at the rates and in manner prescribed in Schedule XIV to the Companies Act, 1956.

Mining lease rights are amortised over the useful life of the mine or lease period, whichever is shorter.

Individual assets costing less than Rs.5,000/- are depreciated in full in the year of its purchase.

**iv) Impairment of Fixed Assets:**

Consideration is given at each Balance Sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an impairment loss is recognised when the carrying amount exceeds greater of net selling price and value in use.

**v) Foreign Currency Transactions:**

Foreign exchange transactions are recorded at the exchange rates prevailing on the date of transaction.

Foreign exchange rate fluctuations relating to monetary assets and liabilities are restated at the year-end rates.

The net loss or gain arising on restatement / settlement, if any, is adjusted to the profit and loss account.

In respect of forward exchange contracts, the premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of Profit and Loss of the reporting period in which the exchange rates change.

**vi) Investments:**

All long term investments are valued at cost. However provision for diminution in value is made to recognise a decline, other than temporary, in the value of investments.

Current investments are carried at lower of cost and fair value.

**vii) Inventories:**

Inventories are valued at lower of cost and net realizable value. The method of determination of cost of various categories of inventories is as follows:

(a) Stores and spare parts: Monthly weighted average rates.

(b) Raw materials: On Monthly weighted average rates.

(c) Finished Goods: Full absorption costing method based on annual cost of production.

**viii) Revenue Recognition:**

Revenue from sale of goods is recognized on despatch of goods to customers from plant or stock points, as applicable. In case of service income, revenue is recognized when the service is rendered to the customer.

**ix) Employee Benefits:**

(a) Short-term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

(b) Post employment benefits are recognised as an expense in the profit and loss account of the year in which the employee has rendered services. The expense is recognised at the present value of the



amount payable towards contributions. The present value is determined using the market yields of government bonds, at the balance sheet date, at the discounting rate.

- (c) Other long-term employee benefits are recognised as an expense in the profit and loss account of the period in which the employee has rendered services. Estimated liability on account of long-term benefits is discounted to the present value, using the market yields on government bonds, as on the date of balance sheet, at the discounting rate.
- (d) Actuarial gains and losses in respect of past employment and other long term benefits are charged to the profit and loss account.

**x) Segment Accounting:**

Segments are identified based on the types of products and the internal organisation and management structure. The Company has identified business segment as its primary reporting segment with secondary information reported geographically.

The Company's primary segments consist of Mining, Services, Ferroalloys and Steel.

Unallocable represents other income and expenses which relate to the Company as a whole and are not allocated to segments.

**xi) Taxation:**

Tax Expense / (Credit) comprise Current Tax, Deferred Tax and Fringe Benefit Tax.

**a) Current Tax**

Current tax expense is determined in accordance with the provision of the Income-tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which give rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the balance sheet when it is probable that the future economic benefit associated with it will follow to the Company and the asset can be measured reliably.

**b) Deferred Tax**

Deferred tax assets and liabilities are measured using the tax rates which have been enacted or substantively enacted at the balance sheet date. Deferred tax expense or benefit is recognised, subject to consideration of prudence, on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversing in one or more subsequent periods.

**c) Fringe Benefit Tax**

Fringe benefit tax is accounted for based on the estimated value of fringe benefits for the year as per the related provisions of the Income-tax Act, 1961.

**xii) Provisions and Contingencies:**

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent Liabilities are not recognised but are disclosed in the notes to accounts.

Contingent Assets are neither recognised nor disclosed in the financial statements.



### 3) Contingent Liabilities

		31.03.2009 Rs. lakh
a)	<b>Claims against the Company not acknowledged as debts.</b>	
	Service tax (relating to applicability of tax)	293.35
	Others	17.68

The above amounts have been arrived at based on the notice of demand or the Assessment orders, as the case may be, and the Company is contesting these claims with the respective authorities. Outflows, if any, arising out of these claims would depend on the outcome of the decisions of the appellate authorities and the Company's rights for future appeals before the judiciary. No reimbursements are expected.

b)	Guarantees given by the Company:	
i)	Employees (including some former employees) in respect of housing loans	9.87

The Company has got an undertaking from the employees to repay on their behalf directly to the bank/ financial institution.

ii)	Bank Guarantees issued to Customs authorities	1,086.00
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The said guarantees are in respect of fulfillment of the export obligations. There are no defaults as at the year end and no liability is expected.

iii)	Others (principal guarantees)	10.00
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The Company has given the said guarantee for the working capital facilities availed by the welfare organisation sponsored by the Company. There are no defaults as at the year end and no liability is expected.

c)	Bills discounted	533.18
----	------------------	--------

Represents bills discounted against the irrecoverable letter of credit.

4)	MANAGERIAL REMUNERATION	2008-09 Rs. lakh
	Salaries*	27.07
	Contribution to provident and other funds*	7.31
	Perquisites	42.09
	Sitting fees	5.10
		81.57

\* Excludes contributions towards Gratuity and provision for leave salary, as the same have been provided on an actuarial basis for the Company as a whole.



<b>5) AUDITORS' REMUNERATION</b> (including remuneration to auditors of subsidiary company)	<b>2008-09</b> <b>Rs. lakh</b>
Statutory audit	15.00
Tax Audit	3.75
Audit of Consolidated accounts	2.25
Fees for other services	8.80
Reimbursement of	
- out of pocket expenses	0.25
- levies	2.94
	<b>32.99</b>

**6) SEGMENT REPORTING :**

**a) PRIMARY SEGMENTS (BUSINESS SEGMENTS)**

Rs. lakh

Particulars	Mining	Service	Ferroalloy	Steel	Unallocable	Total
	2008-09	2008-09	2008-09	2008-09	2008-09	2008-09
<b>REVENUE</b>						
External Sales	42,245.64	110.16	1,088.61	30.31	-	43,474.72
Total revenue	42,245.64	110.16	1,088.61	30.31	-	43,474.72
<b>RESULT</b>						
Segment	22,575.12	97.91	(110.57)	(10.41)	-	22,552.05
Unallocated corporate expense / (income)(net)	-	-	-	-	(287.84)	(287.84)
Operating profit/(loss)	22,575.12	97.91	(110.57)	(10.41)	(287.84)	22,264.21
Interest expense	-	-	-	-	(1.97)	(1.97)
Profit/(loss) before taxes	22,575.12	97.91	(110.57)	(10.41)	(289.81)	22,262.24
Taxes	-	-	-	-	(7,757.83)	(7,757.83)
Net profit/(loss)	22,575.12	97.91	(110.57)	(10.41)	(8,047.64)	14,504.41
<b>OTHER INFORMATION</b>						
Segment assets	12,750.28	121.35	15,344.77	747.27	9,834.71	38,798.38
Segment liabilities	10,360.17	1.44	6,013.58	1.21	1,521.35	17,897.75
Capital expenditure including capital work-in-progress	171.87	-	5,363.43	-	3,037.71	8,573.01
Depreciation / amortisation	970.95	-	57.78	-	16.71	1,045.44
Non-cash expense other than depreciation / amortisation	47.00	-	34.42	-	-	81.42

**Note:** Primary business segments have been identified on the basis of distinguishable businesses in which the Company is engaged.



**b) SECONDARY SEGMENTS (GEOGRAPHICAL SEGMENTS)**

**i) Disclosure of Segments Revenue, based on geographical location of Customers**

Rs. lakh

Geographical Segments	2008-09
India	36,333.43
Rest of World	7,141.29
Total	43,474.72

**ii) Total Carrying amount of Assets, by geographical location**

Rs. lakh

Location of Assets	31.3.2009
India	38,798.38
Rest of World	-
Total	38,798.38

**Note :** Most of the assets are not identifiable separately to any reportable segment as these are used interchangeably between segments.

**iii) Capital expenditure during the year (including capital work in progress)**

Rs. lakh

Location of Assets	2008-09
India	8,573.01
Rest of World	-
Total	8,573.01

**Note :** The above costs of assets are not identifiable separately to any reportable segment as these are used interchangeably between segments.

The Company essentially operates within India and there are exports mainly through Export Trading House in respect of the Mines.

**7) Related party disclosures:**

**Related parties and description of relationship:**

1.	Holding company	None
2.	Key Management Personnel (KMP)	i) S.Y. Ghorpade, Chairman & Managing Director ii) Nazim Sheikh, Executive Director iii) S.H. Mohan, Technical Director iv) S.R. Sridhar, Director ( Mines) with effect from 1 <sup>st</sup> October 2008
3.	Relative of KMP	i) Aditya Shivrao Ghorpade ii) Mubeen Ahmed Sheriff



a) Key Management Personnel

Rs. lakh

Sl.No	Name of KMP	Remuneration	Guarantee Commission	Amounts payable at the year end	Amounts receivable at the year end
		2008-09	2008-09	2008-09	2008-09
1	S.Y. Ghorpade	21.88	50.00	52.15	-
2	Nazim Sheikh	19.94	50.00	52.29	-
3	S.H. Mohan	19.94	-	-	0.04
4	S.R. Sridhar	14.71	-	4.65	0.09
	<b>Total</b>	<b>76.47</b>	<b>100.00</b>	<b>109.09</b>	<b>0.13</b>

b) Relative of KMP

Rs. lakh

Sl. No	Name of KMP	Remuneration	Amounts receivable at the year end
		2008-09	2008-09
1	Aditya Shivrao Ghorpade	4.63	0.34
2	Mubeen Ahmed Sheriff	2.20	-
	<b>Total</b>	<b>6.83</b>	<b>0.34</b>

8) Employee Benefits

a) Defined contribution plan

The contributions recognised in the profit and loss account during the year are as under:

Rs. lakh

Contribution to :	2008-09
Provident Fund	79.59
Superannuation Fund	11.00
<b>Total</b>	<b>90.59</b>

The Company makes contributions at predetermined rates to SMIORE Provident Fund Trust and to the Regional Provident Fund Commissioner in respect of Employee Provident Fund and to the Life Insurance Corporation of India in respect of Superannuation Fund.

In case of SMIORE Provident Fund Trust interest rate payable by the Trust to the beneficiaries is as notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of trust and the notified interest rate and recognise such shortfall as an expense. There is no shortfall in the interest payable by the trust to the beneficiaries as on the balance sheet date.

b) Defined Benefit Plan - Funded

The Company makes annual contributions to an Insurance managed fund. The scheme provides for lump sum payment to vested employees on retirement, death while in employment or on termination of employment as per the Company's Gratuity Scheme, vesting occurs upon completion of three years of service.



The following table sets out the funded status and amount recognised in the Company's financial statements for Gratuity.

		Rs. lakh
		2008-09
I	Net Asset/ (Liability) recognized in the balance sheet	
1	Present value of funded obligations –A	776.24
2	Fair value of plan Assets-B	(715.84)
3	(Deficit)/Surplus-(A-B)	(60.40)
4	Net Asset/ Liability	
	-Assets	-
	-Liabilities	(60.40)
II	Expense recognized in the Profit and loss account	
1	Current service cost	22.32
2	Interest on Defined Benefit Obligation	39.76
3	Expected Return on Plan Assets	(28.67)
4	Net Actuarial Losses recognized during the year	174.19
5	Past Service cost	-
6	Losses on “Curtailments & Settlements”	2.74
	Total	210.34
	Actual return on plan Assets	90.20
III	Change in present value of obligation	
1	Opening Defined Benefit Obligation	544.23
2	Service Cost	22.32
3	Interest Cost	39.76
4	Actuarial Losses	235.72
5	Actuarial Losses due to Curtailment	2.74
6	Benefits Paid	(68.53)
7	Closing Defined Benefit Obligation	776.24
IV	Change in fair value of plan assets	
1	Opening fair value of plan assets	394.17
2	Expected return	28.67
3	Actuarial gains	61.53
4	Assets distributed on settlements	-
5	Contributions by employer	300.00
6	Benefits paid	(68.53)
7	Closing fair value of plan assets	715.84
V	The major categories of Plan Assets as a percentage of total Plan	
1	Government of India securities	28.20%
2	Corporate bonds	42.50%
3	Others	29.30%
VI	Principal actuarial assumptions:	
	Discount Rate	7.05% p.a.
	Expected Rate of Return on Plan Assets	7.50% p.a.
VII	The employees are assumed to retire at the age of 60 years	
VIII	The mortality rates considered are as per the published rates by LIC (1994-96) mortality tables	

Expected rate of return on plan assets is based on average yield on investment.



**(c) Other Long term benefits - Unfunded**

The defined benefit obligations which are provided for but not funded are as under.

	Rs. lakh
	<b>Liability as on 31.03.2009</b>
Leave Salary	<b>200.98</b>
Pension	<b>1,213.15</b>

The discount rate for defined benefit plan and other long term benefits is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of obligations.

The estimate of future salary increases considered for defined benefits plan and other long term benefits takes into account the inflation, seniority, promotion, increments and other relevant factors.

- 9) As per the draft rehabilitation scheme of Sandur Laminates Limited and Sandur Micro Circuits Limited, the Company has given an undertaking not to dispose of its share holdings in Sandur Laminates Limited and Sandur Micro Circuits Limited without their prior approval of Board for Industrial and Financial Reconstruction (BIFR).

**10) The details of deferred tax asset / (liability) are as under :**

	Rs. lakh		
	As at 31.03.2008	Tax effect for the year	As at 31.03.2009
<b>Deferred Tax (Liability)</b>			
Fixed Assets	(1,920.71)	334.93	<b>(1,585.78)</b>
<b>Sub Total</b>	<b>(1,920.71)</b>	<b>334.93</b>	<b>(1,585.78)</b>
<b>Deferred Tax Asset</b>			
Provision for gratuity, pension and leave salary	385.56	115.63	<b>501.19</b>
Unabsorbed depreciation allowance	-	2.06	<b>2.06</b>
Others	416.15	637.38	<b>1,053.53</b>
<b>Sub Total</b>	<b>801.71</b>	<b>755.07</b>	<b>1,556.78</b>
<b>Net Deferred Tax Asset / (Liability)</b>	<b>(1,119.00)</b>	<b>1,090.00</b>	<b>(29.00)</b>

**11) Earnings per share:**

	2008-09
Net profit after tax - Rs.lakh	14,562.22
Less : Dividend on preference shares - Rs. lakh	13.72
Less : Dividend tax on preference shares - Rs. lakh	2.33
	<u>14,547.17</u>
Weighted average number of equity shares	87,50,000
Nominal value of shares - Rs.	10.00
Basic and diluted earnings per share - Rs.	<u>166.25</u>

- 12) a) Pursuant to an agreement with Euro Industrial Enterprises Private Limited, India (EIEPL), dated November 6, 2008, SMPPL has taken over the Ferroalloys business of EIEPL along with the following assets and liabilities of





EIEPL, as a going concern, on a slump sale basis, with effect from November 6, 2008 for a net consideration of Rs.1,600.00 lakhs:

		31.03.2009 Rs. lakh
<b>Assets taken over</b>		
Fixed Assets	1,469.83	
Inventories:		
Raw Materials	710.61	
Finished Goods	828.05	
Consumable Stores and Spares	30.00	
Sundry Debtors.	5.74	
Other Current Assets	360.67	
Loans and Advances	<u>3.98</u>	3,408.88
<b>(Less) Liabilities taken over</b>		
Liabilities		(1,808.88)
Net Assets		1,600.00

- b) Pursuant to the arrangement with ETA Star Holdings Limited, Dubai, SMPPL has incurred capital expenditure of Rs.330.95 lakh on refurbishing a 20 MVA furnace at the plant premises, based on an undertaking by ETA to transfer the furnace to it. The same is included in Capital Work in Progress in Schedule 4. The ownership of the furnace has not been transferred to SMPPL.

- 13) The financial position and results of SMPPL that became subsidiary from 25<sup>th</sup> October, 2008 is as under:

Particulars	Rs. lakh
Total assets as on 31.03.2009	<b>13,776.76</b>
Total liabilities as on 31.03.2009	<b>4,312.57</b>
Loss after tax from 25.10.2008 to 31.03.2009	<b>129.59</b>

- 14) a) The Company has entered into a forward exchange contract to hedge its foreign currency exposure relating to foreign currency loan outstanding for US Dollar 36.54 lakhs equivalent to Rs.1,885.13 lakhs (previous year: Rs.Nil).
- b) Apart from the above, there are no receivables / payables in the foreign currency at the year end.
- 15) Figures pertaining to SMPPL have been reclassified, where necessary, to bring them in line with the Company's financial statements.

SIGNATURES TO SCHEDULES 1 TO 10

for and on behalf of the Board of Directors

**S. Y. GHORPADE**  
Chairman & Managing Director

**NAZIM SHEIKH**  
Executive Director

**MD. ABDUL SALEEM**  
Company Secretary

**K. RAMAN**  
Financial Controller & CFO

Place : Bangalore  
Date : 28<sup>th</sup> May, 2009

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2009

Your Directors have pleasure in presenting the 2nd Annual Report of the Company for the year ended 31 March 2009.

### FINANCIAL RESULTS

(Rs. in lacs)

Particulars	Current Year ended 31.03.2009	Previous Year ended 31.03.2008
<b>Income</b>		
Gross Turnover	775.79	
Less: Excise Duty	(37.92)	
Other Income		
	737.87	-
	226.37	-
<b>TOTAL</b>	964.24	-
<b>Expenditure</b>		
Cost of Materials		
Operating and Other Expenses		
Depreciation / Write Offs		
Preliminary Expenses		
	518.13	-
	586.16	24.72
	56.93	-
	-	6.78
<b>TOTAL</b>	1161.22	31.50
<b>Profit / (Loss) before Taxation</b>	<b>(196.98)</b>	<b>(31.50)</b>
Provision for Fringe Benefit Tax	(1.03)	-
Deferred Tax (charge) / credit	-	-
<b>Net Profit / (Loss) after Tax</b>	<b>(198.01)</b>	<b>(31.50)</b>
Loss carried forward from 2007-08	(31.50)	-
<b>Profit / (Loss) carried to Balance sheet</b>	<b>(229.51)</b>	<b>(31.50)</b>
Paid-up equity shares (FV Rs. 10 per equity share)	28200000	100000
<b>Earning Per Share (Rs.)</b>		
- Basic	<b>(1.52)</b>	<b>(37.28)</b>
- Diluted	-	-

The Company has incurred loss before tax of Rs. 196.98 lakh after charging Rs. 56.93 lakh towards depreciation on fixed assets. After taking into account Fringe Benefit Tax of Rs. 1.03 lakh the net loss for the year is Rs 198.01 lakh and together with the loss of Rs. 31.50 lakh brought forward from the previous year in the Profit and Loss Account, the loss carried to the Balance Sheet is Rs. 229.51 lakh.

### BUSINESS ACQUISITION

As per plans, the Company has acquired the entire Ferroalloys Business of Euro Industrial Enterprises Private Limited (EIEPL) along with all assets and liabilities on a 'going concern' basis w.e.f. 6 November 2008 for a slump sale consideration of Rs.16 crore. The Company continued production of ferroalloys till end of November 2008 and produced about 937 tonnes of Silico Manganese. It achieved Sales turnover of Rs. 737.87 lakh (net of excise duty) for the period from 6 November 2008 to 31 March 2009 on sale of 2073 tonnes of Silico Manganese including stock acquired from EIEPL.

In the back drop of global recession, there was drastic fall in the price of Silico Manganese and other Ferroalloys. By end of November 2008, the prices had dropped to such levels that the production of ferroalloys by using power from the state grid became financially unviable. Besides, there was also sudden slump in the off take of materials. Therefore, it was decided to suspend production till improvement in the market.

## *Star Metallics and Power Private Limited*

(A subsidiary of The Sandur Manganese & Iron Ores Limited)

OPERATIONS		Current Year	Previous Year
		(Tonnes)	(Tonnes)
		(w.e.f 6 Nov. 08 - 31 March 09)	
<b>Silico Manganese Lumps</b>	Acquired from EIEPL	2979	-
	Production	904	-
	Sales	2703	-
<b>Silico Manganese chips</b>	Acquired from EIEPL	68	-
	Production	33	-
	Sales	-	-

### **32 MW THERMAL POWER PROJECT**

Implementation of the 32 MW captive thermal power project at Ferroalloys Plant at Vyasankere near Hospet is progressing satisfactorily. All statutory approvals have been received except clearance from the Pollution Control Board, which is expected to be received shortly. Four consignments of imported plant and machinery have already been received. Indigenous machineries have also started reaching the project site. Civil works and erection of equipments are in progress.

The project is expected to be completed and commissioned for trials by December 2009 and regular generation of power to be commenced by the end of January 2010.

### **SUBSIDIARY**

The Company has no subsidiary.

### **DIVIDEND**

In the absence of profits, no dividend has been proposed for the year.

### **DIRECTORS**

Mr. S Y Ghorpade, Mr. Nazim Sheikh, Mr. S H Mohan and Mr. M S Rama Rao, who have been appointed as Additional Directors w.e.f. 6 November 2008 pursuant to Section 260 of the Companies Act, 1956, retire at the ensuing Annual General Meeting (AGM) and, being eligible, offer themselves for reappointment. Resolutions for their reappointment are being proposed in the accompanying notice of the meeting.

Consequent to the Company becoming a subsidiary of SMIORE, a public limited company, with effect from 25 October 2008, the provisions of Section 255 and 256 of the Companies Act, 1956 pertaining to retirement of Directors by rotation have become applicable to the Company. Accordingly Mr. N S Lakshmanan and Mr. Mohammed Shafiulla, Directors retire by rotation and, being eligible offer themselves for re-election.

### **AUDITORS**

M/s Price Waterhouse, Chartered Accountants who are Auditors of the Company retire at this AGM. The Company has received a notice from The Sandur Manganese & Iron Ores Limited (SMIORE) proposing the appointment of M/s. Deloitte Haskins & Sells, Chartered Accountants, who are Auditors of SMIORE, as the Auditors of the Company for FY 2009-10. M/s Price Waterhouse have no objection to the said appointment.

A resolution pursuant to Sections 224 and 225 of the Companies Act, 1956 proposing the appointment of M/s Deloitte Haskins & Sells, Chartered Accountants as the statutory auditors for FY 2009-10 has been included in the accompanying Notice for the ensuing AGM.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

In accordance with the provisions of section 217(2AA) of the Companies Act, 1956, your Directors state that:

- i. In the preparation of accounts, the applicable accounting standards have been followed.
- ii. Accounting policies selected were applied consistently.

- iii. Reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of affairs of the Company as at the end of 31 March 2009.
- iv. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
- v. The accounts of the Company have been prepared on a 'going concern' basis.

#### **AUDIT REPORT**

With reference to Para 3 of the Auditors' Report for the year, it is clarified that the Memorandum of Understanding dated 18 June 2007 between the Joint Venture Partners provides for the joint venture company to take up refurbishment of the 20 MVA furnace at its own cost pending transfer of ownership to the Company by ETA.

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

Particulars relating to conservation of energy and technology absorption stipulated in the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 are set out in an annexure to this report.

#### **PARTICULARS OF EMPLOYEES**

During the period, there were no employees whose particulars are required to be disclosed under Section 217(2A) of the Companies Act, 1956.

#### **ACKNOWLEDGEMENTS**

The Directors wish to thank Government Authorities and Banks for their support. The Directors also wish to place on record their appreciation of the good work put in by the employees of the Company.

By Order of the Board  
for Star Metallics and Power Private Limited

Place: Bangalore  
Date : 26 May 2009

**S. Y. Ghorpade**  
Chairman

**Information pursuant to Section 217(1)(e) of the Companies Act, 1956, to the extent applicable, in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 for the year ended March 31, 2009**

**A. CONSERVATION OF ENERGY:**

- (a) Energy conservation measures taken :
- a) Capacitor banks installed to attain power factor much above statutory norm fixed by GESCOM
  - b) Computerized data acquisition system for reduction in specific energy consumption.
  - c) Furnaces are now equipped with Data Supervisory Control (DSC) for the efficient operation and also for optimum working of auxiliaries. The DSC also provides the energy measurement at each point of consumption which enables us to audit and control.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy. : --
- (c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods. : Not possible to identify specifically.
- (d) Total energy consumption and energy consumption per unit of production : **As per Form 'A' hereunder.**

**FORM - A**

**Form for disclosure of particulars with respect to conservation of energy**

**A. POWER AND FUEL CONSUMPTION**

PARTICULARS	31.03.2009	31.03.2008
<b>1. Electricity</b>		
<b>(a) Purchased</b>		
Units	5,205,000	-
Total amount (Rs.)	34,215,772	-
Rate / Unit (Rs.)	6.57	-
<b>(b) Own Generation through Diesel Generator</b>		
Units Generated	-	-
Units Per Litre of diesel oil	-	-
Cost / Unit	-	-
<b>2. Coal</b>	-	-
<b>3. Furnace Oil</b>	-	-
<b>4. Others</b>	-	-

**B. CONSUMPTION PER UNIT OF PRODUCTION (to the extent applicable)**

Particulars	Standard	Unit	31.03.2009	31.03.2008
Production (Silico Manganese)	N. A.	Tonnes	937	-
Electricity	None	Units	5,205,000	-
Diesel Oil	None	Litres	-	-

**C. TECHNOLOGY ABSORPTION:**

(e) Efforts made in technology absorption as per Form - B is detailed hereunder:

**FORM - B**

**Form for disclosure of particulars with respect to absorption**

**A. RESEARCH AND DEVELOPMENT (R & D)**

- |  |   |  |
|--|---|--|
| 1. Specific areas in which R & D carried out by the company. | : | The company is making in-house R&D efforts for introduction/development of value added products. |
| 2. Benefits derived as a result of the above R & D           | : | --   |
| 3. Further Plan of action                                    | : | The company intends to continue its R&D efforts.   |
| 4. Expenditure on R & D                                      | : |  |
| (a) Capital  | : | The R & D efforts are an   |
| (b) Recurring  | : | integral part of the   |
| (c) Total  | : | operation  |
| (d) Total R & D expenditure as % of total turnover           | : |  |

**B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

- |  |   |      |
|--|---|------|
| 1. Efforts in brief made towards technology absorption, adaptation and innovation.   | : | --   |
| 2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.                 | : | --   |
| 3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished: | : |      |
| (a) Technology imported  | : | None |
| (b) Year of Import   | : | N.A. |
| (c) Has technology been fully absorbed?  | : | N.A. |
| (d) If not fully absorbed, area where this has not taken place, reason thereof and future plan of action.  | : | N.A. |

**C. FOREIGN EXCHANGE EARNINGS & OUTGO**

- |   |   |  |
|---|---|--|
| (f) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services; export plans. | : | The company has been exploring suitable direct export opportunities for its products. It has effected exports through third parties during the year. |
|---|---|--|

(g) Total foreign exchange used and earned (Rs.)

**A. FOREIGN EXCHANGE EARNINGS:**

- |   |   |    |
|---|---|----|
| - Export Sales<br>(including exchange difference) | : | -- |
|---|---|----|

**B. FOREIGN EXCHANGE OUTGO:**

- |                      |   |   |
|----------------------|---|---|
| - Capital Equipment  | : | The particulars regarding expenditure in foreign currency appears as item 8 in the Notes of Account to the Accounts |
| - Traveling Expenses | : |   |

**Total (B)** : --

## AUDITORS' REPORT

TO THE MEMBERS OF STAR METALLICS AND POWER PRIVATE LIMITED

1. We have audited the attached Balance Sheet of Star Metallics and Power Private Limited as at March 31, 2009 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Without qualifying our opinion, attention is invited to Note 22 on Schedule 15. The Company has incurred capital expenditure of Rs.33,095,780/-, which is included under Capital Work-in-Progress, on refurbishing a 20 MVA furnace at the Plant premises, based on an undertaking by ETA Star Holdings Limited, Dubai to transfer the furnace to the Company. The formal transfer of the furnace to the Company is awaited.
4. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, (together the 'Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') 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 a statement on the matters specified in paragraphs 4 and 5 of the Order.
5. Further to our comments in paragraph 4 above, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the directors, as on March 31, 2009, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements, together with the notes thereon and attached thereto, give, in the prescribed manner, the information required by the Act and read with the remarks in paragraph 3 above also, give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2009;
    - (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date

**Usha A. Narayanan**  
Partner  
Membership No. 23997  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants

Place : Bangalore  
Date : May 26, 2009

**ANNEXURE REFERRED TO IN PARAGRAPH (4) OF THE AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF STAR METALLICS AND POWER PRIVATE LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009**

- 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 during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
- ii) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii) (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act and accordingly, paragraphs (iii)(b), (iii)(c) and (iii)(d) of the Order, are not applicable.
- (b) The Company has taken a secured loan from a Company listed in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year and the year end balance of such loan amounts to Rs. 80,000,000/- and Rs. 80,000,000/- respectively.
- (c) In our opinion, the rate of interest and other terms and conditions of such loan are not prima facie prejudicial to the interest of the Company.
- (d) In respect of the aforesaid loan, the Company is regular in repaying the principal amount as stipulated and is also regular in payment of interest.
- iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Section 301 of the Act and exceeding the value of Rupees Five Lakhs in respect of any party during the year, which have been made at prices which are not reasonable having regard to the prevailing market prices at the relevant time.
- vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- vii) As the Company is not listed on any stock exchange or the paid-up capital and reserves as at the commencement of the financial year did not exceed Rupees Fifty Lakhs or the average annual turnover for a period of three consecutive financial years immediately preceding the financial year did not exceed Rupees Five Crores, clause (vii) of the Order is not applicable.
- viii) The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
- ix) (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 generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax,



**Star Metallics and Power Private Limited**

(A subsidiary of The Sandur Manganese & Iron Ores Limited)

service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.

- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess, which have not been deposited on account of any dispute.
- (x) As the Company is registered for a period less than five years, clause (x) of the Order is not applicable to the Company for the current year.
- (xi) The Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- (xii) The Company has not given any guarantees for loans taken by others from banks or financial institutions, which has also been confirmed by the management.
- (xiii) In our opinion and according to the information and explanations given to us, on an overall basis, the term loan has been applied for the purpose for which it was obtained.
- (xiv) The Company has made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act during the year. In our opinion and according to the information and explanations given to us, the price at which such shares have been issued is not prejudicial to the interest of the Company.
- (xv) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, no fraud on or by the Company has been noticed or reported during the year, nor have we been informed of such case by the management.
- (xvi) The other clauses, xii, xiii, xiv, xvii, xix and xx of paragraph 4 of the Order are not applicable in the case of the Company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

Place : Bangalore  
Date : May 26, 2009

**Usha A. Narayanan**  
Partner  
Membership No. 23997  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants

**BALANCE SHEET AS AT MARCH 31, 2009**

	Schedules	2009 Rs.	2008 Rs.
<b>SOURCES OF FUNDS</b>			
<b>Share holders' Funds:</b>			
Capital	1(a)	282,000,000	1,000,000
Advance against Share Capital	1(b)	174,000,000	90,000,000
Reserves and surplus	2	281,000,000	-
		<u>737,000,000</u>	<u>91,000,000</u>
<b>Loan Funds:</b>			
Secured Loans	3	265,071,699	-
		<u>265,071,699</u>	<u>-</u>
		<u>1,002,071,699</u>	<u>91,000,000</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets:</b>			
	4		
Gross block		183,880,799	-
Less: Depreciation		5,692,958	-
Net Block		<u>178,187,841</u>	<u>-</u>
Capital Work-in-Progress		558,889,443	95,534,561
		<u>737,077,284</u>	<u>95,534,561</u>
<b>Current Assets, Loans and Advances:</b>			
Inventories	5	114,714,060	-
Sundry Debtors	6	1,215,038	-
Cash and Bank Balances	7	437,819,195	3,273,551
Other Current Assets	8	45,410,330	-
Loans and Advances	9	214,398,151	320,619
		<u>813,556,774</u>	<u>3,594,170</u>
<b>Less: Current Liabilities and Provisions:</b>			
	10		
Liabilities		571,108,471	11,279,038
Provision		405,275	-
		<u>571,513,746</u>	<u>11,279,038</u>
<b>Net Current Assets</b>			
		<u>242,043,028</u>	<u>(7,684,868)</u>
Profit and Loss Account		22,951,387	3,150,307
		<u>1,002,071,699</u>	<u>91,000,000</u>
Notes on Accounts	15		

The Schedules referred to above and the notes thereon form an integral part of the Accounts.

This is the Balance Sheet referred to in our report of even date

	<b>Usha A. Narayanan</b> Partner For and on behalf of <b>Price Waterhouse</b> Chartered Accountants	<b>Nazim Sheikh</b> Director  <b>Subrahmanya Hegde</b> Company Secretary	<b>N S Lakshmanan</b> Director
Place : Bangalore Date : May 26, 2009			

**Star Metallics and Power Private Limited**

(A subsidiary of The Sandur Manganese & Iron Ores Limited)

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009**

	Schedules	2009 Rs.	2008 Rs.
<b>INCOME</b>			
Sales [Schedule 15 Note 1(v)]		77,579,387	-
(Less) : Excise duty		<u>(3,791,896)</u>	-
		73,787,491	-
Other Income	11	<u>22,636,712</u>	-
		<u>96,424,203</u>	-
<b>EXPENDITURE</b>			
Cost of Materials	12	51,812,847	-
Operating and Other Expenses	13	58,616,679	2,472,324
Depreciation		5,692,958	-
Preliminary Expenses	14	-	<u>677,983</u>
		<u>116,122,484</u>	<u>3,150,307</u>
<b>(Loss) before Taxation</b>		(19,698,281)	(3,150,307)
(Add): Provision for Taxation [Schedule 15 Note 1(ix)] :			
Current tax		-	-
Deferred Tax (charge) / credit		-	-
Fringe benefit tax		<u>(102,799)</u>	-
<b>(Loss) after Taxation</b>		(19,801,080)	(3,150,307)
<b>(Loss) brought forward from previous period</b>		<u>(3,150,307)</u>	-
<b>(Loss) carried to the Balance Sheet</b>		<u>(22,915,387)</u>	<u>(3,150,307)</u>
Earnings Per Share (Schedule 15 Note 19):			
Basic and Diluted		(1.52)	(37.28)
Notes on accounts	15		

The Schedules referred to above and the notes thereon form an integral part of the Accounts.

This is the Profit and Loss Account referred to in our report of even date

**Usha A. Narayanan**  
Partner  
For and on behalf of

**Nazim Sheikh**  
Director

**N S Lakshmanan**  
Director

Place : Bangalore  
Date : May 26, 2009

**Price Waterhouse**  
Chartered Accountants

**Subrahmanya Hegde**  
Company Secretary

**Star Metallics and Power Private Limited**

(A subsidiary of The Sandur Manganese & Iron Ores Limited)

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009**

		2009	2008
		Rs.	Rs.
<b>A. Cashflow from Operating Activities</b>			
(Loss) before Taxation		(19,698,281)	(3,150,307)
<b>Adjustments for :</b>			
Depreciation		5,692,958	-
Interest Income		(22,636,712)	-
Unrealised Foreign Exchange Loss / (Gain)		3,442,409	-
<b>Operating (loss) before working capital changes</b>		<b>(33,199,626)</b>	<b>(3,150,307)</b>
<b>Adjustments for :</b>			
Trade and Other Receivables (*)	(238,439,799)	(320,619)	
Inventories (*)	(114,714,060)	-	
Current Liabilities and Provisions (*)	<u>560,131,909</u>	<u>11,279,038</u>	
	206,978,050	10,958,419	
Adjustment for Unrealised Foreign Exchange (Loss) / Gain	<u>1,498,163</u>	<u>208,476,213</u>	<u>-</u> 10,958,419
<b>Cash generated from operations</b>		<b>175,276,587</b>	<b>7,808,112</b>
Income tax payments net of refunds		17,809	-
Fringe benefit tax payments		-	-
<b>NET CASH FROM / (USED IN) OPERATING ACTIVITIES</b>		<b>175,294,396</b>	<b>7,808,112</b>
<b>B. Cashflow from Investing Activities</b>			
Purchases of Fixed Assets (*)(**)		(647,235,681)	(95,534,561)
Interest Received		355,802	-
<b>NET CASH FROM / (USED IN) INVESTING ACTIVITIES</b>		<b>(646,879,879)</b>	<b>(95,534,561)</b>
(*) Refer Note 3 on Schedule 15.			
(**) Includes interest expense during construction period without adjustment for interest accrued.			
<b>C. Cashflow from Financing Activities</b>			
Proceedings from borrowings	265,071,699	-	
Adjustment for Unrealised Foreign Exchange (Loss)/Gain	<u>(4,940,572)</u>	<u>260,131,127</u>	<u>-</u>
Proceeds from issuance for Share Capital		562,000,000	1,000,000
Share Application Money Pending Allotment		84,000,000	90,000,000
<b>NET CASH FROM / (USED IN) FINANCING ACTIVITIES</b>		<b>906,131,127</b>	<b>91,000,000</b>
<b>Net Increase/ (Decrease) in Cash and Cash Equivalents</b>		<b>434,545,644</b>	<b>3,273,551</b>
Cash and cash equivalents as at April 1, 2008:			
Cash and Bank Balances		3,273,551	
Cash and cash equivalents as at March 31, 2009			
Cash and Bank Balances		437,819,195	3,273,551

- Notes: 1. The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at March 31, 2009 and the related Profit and Loss Account for the year ended on that date.
2. The above Cash Flow Statement has been prepared under indirect method in accordance with the Accounting standard - 3 on Cash Flow statements as notified under Section 211 (3C) of the Companies Act, 1956.
3. Cash and cash equivalent comprise of Cash and Bank Balance including a deposit under lien of Rs. 203,578,869 (2008:Nil).
4. Previous period's figures have been regrouped / reclassified wherever necessary to conform with current year's classification.

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

**Usha A. Narayanan**  
Partner  
For and on behalf of

**Price Waterhouse**  
Chartered Accountants

**Nazim Sheikh**  
Director

**Subrahmanya Hegde**  
Company Secretary

**N S Lakshmanan**  
Director

Place : Bangalore  
Date : May 26, 2009

**SCHEDULES FORMING PART OF THE ACCOUNTS**

	2009 Rs.	2008 Rs.
<b>1(a). CAPITAL</b>		
<b>Authorised:</b>		
50,000,000 (2008:50,000,000) Equity Shares of Rs.10/- each	<u>500,000,000</u>	<u>500,000,000</u>
<b>Issued, Subscribed and Paid Up</b>		
28,200,000 (2008: 100,000) Equity Shares of Rs.10/- of Rs.10 each fully called up in cash (Note)	<u>282,000,000</u> <u>282,000,000</u>	<u>1,000,000</u> <u>1,000,000</u>
Note: Of the above, 19,500,000 Equity shares are held by The Sandur Manganese & Iron Ores Limited, India, the holding company [Schedule 15 Note 2(b)]		
<b>1(b). ADVANCE AGAINST SHARE CAPITAL</b>		
Share Application Money Pending Allotment (towards Equity Shares) [Schedule 15 Note 2(b)]	<u>174,000,000</u> <u>174,000,000</u>	<u>90,000,000</u> <u>90,000,000</u>
<b>2. RESERVES AND SURPLUS</b>		
Share Premium:		
Received during the year [Schedule 15 Note 2(b)]	<u>281,000,000</u> <u>281,000,000</u>	<u>-</u> <u>-</u>
<b>3. SECURED LOANS</b>		
From Holding company [Note (i)] [Repayable within 1 year: Nil (2008 : Nil)]	80,000,000	-
From Bank:		
Buyers Credit [Note (ii)] [Repayable within 1 year: Rs. 185,071,699 (2008: Nil)]	<u>185,071,699</u> <u>265,071,699</u>	<u>-</u> <u>-</u>

**Notes:** (i) Secured by way of a charge on the fixed assets of the Company.  
(ii) Secured by way of a lien on Term Deposits.

**3. FIXED ASSETS [Schedule 15 Note 1(ii)]** Rs.

	Gross Block (at cost)			DEPRECIATION				Net Block	
	2008	Additions (Schedule 15 Note 3)	Deletions	2009	2008	Additions	Deletions	2009	2008
Land	-	91,532,195	-	91,532,195	-	-	-	-	91,532,195
Factory Building	-	145,000	-	145,000	-	5,800	-	5,800	139,200
Plant and Machinery	-	90,285,867	-	90,285,867	-	5,510,653	-	5,510,653	84,775,214
Computer Systems	-	500,922	-	500,922	-	86,393	-	86,393	414,529
Office Equipments	-	805,984	-	805,984	-	45,888	-	45,888	760,096
Furniture and Fixtures	-	610,831	-	610,831	-	44,224	-	44,224	566,607
<b>2008</b>	-	<u>183,880,799</u>	-	<u>183,880,799</u>	-	<u>5,692,958</u>	-	<u>5,692,958</u>	<u>178,187,841</u>

Capital work in progress (Note)	558,889,443	95,534,561
	<u>737,077,284</u>	<u>95,534,561</u>
	<u>2009</u>	<u>2008</u>

Note: Capital Work-in-Progress includes the following:

1. Attributable to captive powerplant project [Schedule 15 Note 2(c)] [including Capital Advances: Rs. 122,223,162 (2008:Nil)]	523,728,971	95,534,561
2. Attributable to renovation of Furnance (Schedule 15 Note 22) [including Capital advances: Rs. 216,639 (2008:Nil)]	33,095,780	-
3. Borrowing Costs	2,064,692	-
	<u>558,889,443</u>	<u>95,534,561</u>

**SCHEDULES FORMING PART OF THE ACCOUNTS**

	2009 Rs.	2008 Rs.
<b>5. INVENTORIES [Schedule 15 Note 1(iv) and 3]</b>		
Raw Materials	49,920,867	-
Finished Goods	61,610,565	-
Stores and Spares	3,182,628	-
	<u>114,714,060</u>	<u>-</u>
<b>6. SUNDRY DEBTORS (Schedule 15 Note 3)</b> (Unsecured, considered good)		
Exceeding Six Months	-	-
Others	1,215,038	-
	<u>1,215,038</u>	<u>-</u>
<b>7. CASH AND BANK BALANCES</b>		
Cash on hand	-	-
Balances with Scheduled Banks:		
Current Accounts	14,219,195	3,273,551
Term Deposits [Notes (i) and (ii)]	423,600,000	-
	<u>437,819,195</u>	<u>3,273,551</u>
<b>Notes:</b>		
(i) Including Rs. 3,600,000 (2008: Nil) towards margin money.		
(ii) Includes deposit of Rs. 203,578,869 (2008: Nil) under lien.		
<b>8. OTHER CURRENT ASSETS (Schedule 15 Note 3)</b> (Unsecured, considered good)		
Balances with Excise and Customs Authorities	3,214,920	-
Other Deposits	19,914,500	-
Interest Accrued on Term Deposits / Other Deposits	22,280,910	-
	<u>45,410,330</u>	<u>-</u>
<b>9. LOANS AND ADVANCES (Schedule 15 Note 3)</b> (Unsecured, considered good)		
Prepaid Expenses	171,073	-
Income Tax	17,809	-
Loans to Employees	488,952	-
Advances recoverable in cash or kind or for value to be received (Note)	213,720,317	320,619
	<u>214,398,151</u>	<u>320,619</u>
Note: Includes amount receivable on forward contracts: Rs. 186,174,204 (2008: Nil) (Schedule 15 Note 18).		
<b>10. CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A. LIABILITIES (Schedule 15 Note 3)</b>		
Sundry Creditors:		
Dues to Micro, Small and Medium Enterprises (Schedule 15 Note 13)	-	-

**SCHEDULES FORMING PART OF THE ACCOUNTS**

	2009 Rs.	2008 Rs.
Others	187,452,321	10,537,567
Advances received from Customers	23,980,138	-
Purchase Consideration	160,000,000	-
Other Liabilities (Note)	197,844,749	741,471
Interest Accrued but not due on Loans	1,831,263	-
	<u>571,108,471</u>	<u>11,279,038</u>

Note: Includes foreign currency payable on forward contracts:

Rs.188,512,801 (2008: Nil) (Schedule 15 Note 18).

**B. PROVISIONS**

Fringe Benefit Tax	102,799	-
Compensated Absences (Leave Encashment, etc.)	170,105	-
Gratuity	132,371	-
	<u>405,275</u>	-

**11. OTHER INCOME**

Interest from Banks (Gross) [Tax Deducted at Source: Rs.17,809 (2008: Nil)]	21,444,718	-
Interest Others (Gross) [Tax Deducted at Source: Rs.270,106 (2008: Nil)]	1,191,994	-
	<u>22,636,712</u>	-

**12. COST OF MATERIALS**

Purchases (Note)	158,654,043	-
Movement in Inventory:		
Opening Stock:		
Raw Materials	-	-
Finished Goods	-	-
	<u>-</u>	-
(Less): Closing Stock:		
Raw Materials	(49,920,867)	-
Finished Goods	(61,610,565)	-
	<u>(111,531,432)</u>	-
(Increase) / Decrease in Inventory	(111,531,432)	-
Excise duty on closing Inventory of Finished Goods	4,690,236	-
	<u>51,812,847</u>	-

Note: Includes materials purchased from Euro Industrial Enterprises Private Limited, India: Rs.153,866,274 (2008: Nil). Refer Note 3 on Schedule 15.

**13. OPERATING AND OTHER EXPENSES**

Employee Cost:		
Salaries, Bonus, etc. [including provision for Leave Encashment: Rs.170,105 (2008: Nil)]	6,355,324	-
Contribution to Provident and Other Funds [including provision for Gratuity: Rs.132,371 (2008: Nil)]	458,008	-
	<u>6,813,332</u>	-

**Carried Forward**

**SCHEDULES FORMING PART OF THE ACCOUNTS**

	2009	2008
	Rs.	Rs.
<b>Brought Forward</b>	<b>6,813,332</b>	-
Staff Welfare	197,953	-
	<u>7,011,285</u>	<u>-</u>
Stores and spare parts consumed (Schedule 15 Note 12)	1,105,812	-
Power and Fuel	34,442,313	-
Rent	100,500	-
Repairs and Maintenance - Others	1,678,036	-
Insurance	104,793	-
Rates and Taxes	717,059	2,200,000
Travelling and Conveyance	2,425,503	-
Advertisement	234,686	-
Legal and Professional	648,866	250,000
Sub-Contracting Charges	3,357,850	-
Exchange Loss (Net)	5,186,391	-
Bank Charges and Commission	897,366	-
Miscellaneous	706,219	22,324
	<u><b>58,616,679</b></u>	<u><b>2,472,324</b></u>
<b>14. PRELIMINARY EXPENSES</b>		
Rates and taxes	-	663,983
Legal and Professional	-	14,000
	<u>-</u>	<u><b>677,983</b></u>



**15. NOTES TO ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009**

**1) Statement on Significant Accounting Policies**

**i) Method of Accounting**

The Company adopts the historical cost concept and accrual basis, in accordance with generally accepted accounting principles (GAAP) of India, for the preparation of its accounts. The financial statements are prepared to comply in all material aspects with the applicable accounting principles in India, the applicable accounting standards notified under Section 211(3C) of the Companies Act, 1956 (Act) and the relevant provisions of the Act.

**(ii) Fixed Assets and Depreciation**

Fixed Assets are stated at their original cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation of the Fixed Assets concerned.

Incidental expenditure during construction period (net of related income arising during that period), which are specifically attributable to the project, incurred prior to commencement of commercial operations, are capitalized as per the requirements of Accounting Standard 10 - Accounting for Fixed Assets.

Depreciation is provided on a Written Down Value Method (WDV) at rates prescribed in Schedule XIV to the Companies Act, 1956 / estimated remaining useful life of the asset.

**(iii) Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of that asset till such time as the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

**(iv) Inventories**

Inventories are valued at lower of cost and net realisable value except in case of stores and spares which are valued at cost.

The costs are, in general, ascertained as under:

a) Raw Materials: Weighted average method based on actual cost.

b) Finished goods and Work in Progress: Material cost on weighted average method plus labour and appropriate overheads and, where applicable, excise duty.

**(v) Revenue Recognition**

Sales are recognised when goods are despatched in accordance with the terms of sale and significant risks and rewards are transferred and are recorded net of sales returns, trade discount, rebates and sales tax collected but includes excise duty, where applicable.

**(vi) Foreign Currency Transactions**

Transactions in foreign currency are recognised at the exchange rates ruling on the date of the transaction.

Liabilities / assets in foreign currencies are reckoned in the accounts as per the following governing principles:

Foreign currency liabilities contracted for acquiring fixed assets are restated at the rates ruling at the year end and all exchange differences arising as a result of such restatement are adjusted to the Profit and Loss Account (refer Note 23 below).

All monetary assets and liabilities denominated in foreign currency are restated at the rates ruling at the year end and all exchange gains / losses arising therefrom are adjusted to the Profit and Loss Account, except those covered by forward contracted rates where the premium or discount arising at the inception of such forward contract is amortised as expense or income over the life of the contract.

Exchange differences on forward contracts are recognised in the Profit and Loss Account in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such

forward contracts is recognised as income or expense for the year.

**(vii) Employee Benefits**

**a) Gratuity:**

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The Company accounts for the liability of Gratuity Benefits payable in future based on an independent actuarial valuation.

**b) Leave Encashment / Compensated Absences:**

The Company provides for the encashment of leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits, for future encashment / availment. The liability is provided based on the number of days of unutilized leave at each balance sheet date on the basis of an independent actuarial valuation.

**c) Provident Fund:**

Contributions payable in respect of Provident Fund, which is a defined contribution scheme, is charged to the Profit and Loss account. Refer Note 14 below.

**d) Short term employee benefits:**

Liability towards short term employee benefits which is expected to occur within twelve months after the end of the period in which the employees render the related services, is recognised, during the period when the employee renders the services.

**(viii) Leases**

A lease is classified as an Operating Lease, if it does not transfer substantially all the risks and rewards incident to ownership. Lease rentals are charged to Profit and Loss Account on straight-line basis over the lease term, estimated by the management.

**(ix) Taxes on Income**

Current tax is determined on the basis of the Income Tax Act, 1961.

Fringe benefit tax is determined at current applicable rates on expenses falling within the ambit of 'Fringe Benefit' as defined under the Income Tax Act, 1961.

Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date. Deferred tax assets are recognized and carried forward to the extent that there is a reasonable or virtual certainty, as may be applicable, that sufficient future taxable income will be available against which such deferred tax asset can be realized.

**(x) Earnings Per Share**

Annualised earnings / (loss) per equity share (basic and diluted) is arrived at based on Net Profit / (Loss) after Taxation to the weighted average number of equity shares.

**(xi) Provisions**

Provisions are recognised when the Company has a present obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation. When the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, only when such reimbursement is virtually certain.

**(xii) Impairment of Assets**

At each Balance Sheet date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Profit and Loss Account to the extent the carrying amount exceeds the recoverable amount.

## Star Metallics and Power Private Limited

(A subsidiary of The Sandur Manganese & Iron Ores Limited)

2. (a) The Company was incorporated for manufacturing ferro alloys and setting up and operating a captive power plant at Vyasankere, near Hospet. The project is a joint venture between The Sandur Manganese & Iron Ores Limited (SMIORE), Euro Industrial Enterprises Private Limited, India (EIEPL) and ETA Star Holdings Limited, Dubai (ETA).

(b) Details of contribution to Equity as at the Balance Sheet date and subsequent thereof is detailed below:

Particulars	SMIORE	EIEPL	ETA	Others [Note (i)]	Total
Share Capital [Notes (ii) and (iii)]	195,000,000 (-)	61,700,000 (700,000)	25,000,000 (-)	300,000 (300,000)	282,000,000 (1,000,000)
Advance towards Share Capital	110,000,000 (-)	64,000,000 (90,000,000)	- (-)	- (-)	174,000,000 (90,000,000)
	<b>305,000,000</b> <b>(-)</b>	<b>125,700,000</b> <b>(90,700,000)</b>	<b>25,000,000</b> <b>(-)</b>	<b>300,000</b> <b>(300,000)</b>	<b>456,000,000</b> <b>(91,000,000)</b>

- Notes:**
- (i) Equity Shares subscribed by the Subscribers to the Memorandum of Association (MoA) and Articles of Association (AoA).
  - (ii) Pursuant to the approval of the Board of Directors in their meeting held on September 22, 2008, the Company has issued 28,100,000 equity shares of Rs.10 each at a premium of Rs.10 per share.
  - (iii) Consequent to allotment of equity shares as indicated above, the Company has become a subsidiary of SMIORE with effect from October 25, 2008.
  - (iv) Figures in brackets relate to previous period.

(c) The Company has entered into the following significant agreements:

Vendor	Purpose of the Contract	Contract Value	Advance outstanding as at March 31, 2009
(i) Tecpro Power Systems Private Limited	Engineering, Procurement and Construction (EPC) related to Power Plant	365,000,000	58,573,623
(ii) Tecpro Engineers Private Limited	Erection and Commissioning of Power Plant	80,000,000	7,109,360
(iii) Tecpro Infrastructure Private Limited	Civil and Structural works related to Power Plant	140,000,000	11,080,107
(iv) Jiangxi Jianglian International Engineering Company Limited	Supply and installation of CFBC Boiler, Turbine Generator and Auxiliaries	481,987,000 (*)	42,191,703
(v) Bharat Bijli Limited	Supply of Current Transformer	32,000,000	3,200,000

(\*) The value of contract is expressed in Indian rupees based on the exchange rate prevalent as on March 31, 2009.

3. Pursuant to an agreement with EIEPL, dated November 6, 2008, the Company has taken over the Ferroalloys business of EIEPL along with the following assets and liabilities of EIEPL, as a going concern, on a slump sale basis, with effect from November 6, 2008 for a net consideration of Rs.160,000,000:

**Star Metallics and Power Private Limited**

(A subsidiary of The Sandur Manganese & Iron Ores Limited)

2009

**Assets taken over**

Fixed Assets	146,982,868	-
Inventories :		
Raw Materials	71,061,449	
Finished Goods	82,804,825	
Consumable Stores and Spares	3,000,000	
Sundry Debtors	573,875	
Other Current Assets	36,067,055	
Loans and Advances	398,422	340,888,494

**(Less) Liabilities taken over**

Liabilities		(180,888,494)
Net Assets		160,000,000

2009 2008

- 4) Estimated amount of contracts to be executed on Capital Account (net of advances) and not provided for 640,929,832 872,500,000
- 5) **Contingent Liabilities (Note):**  
Bank Guarantee 3,600,000 -

Note: Contingent Liabilities disclosed above represents possible obligations where probability of cash outflow to settle the obligation is remote.

**6) Auditors' Remuneration**

(Included under Legal and Professional in Schedule 13)\*

Statutory Audit	500,000	250,000
Tax Audit	75,000	-
Out-of-Pocket Expenses	1,870	-

\* Excludes Service tax

**7) CIF Value of imports**

Capital Goods	222,142,745	-
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**8) Expenditure in Foreign currency**

Travelling and Conveyance	348,884	-
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**9) Managerial Remuneration**

Director's Sitting Fee	9,000	-
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**10) Particulars of Capacity and Production**

Class of Goods	Unit	Licensed Capacity [Note (i)]	Installed Capacity MT (Annual)	Actual Production Tonnes
Silicomanganese Lumps	Tonnes	NA	26,868	904
Silicomanganese Chips	Tonnes	NA	NA	33

- Notes: (i) The Company is exempt from the licensing provisions of the Industries (Development and Regulation) Act, 1951.  
(ii) The Installed capacity has been certified by the management and relied upon by the auditors without verification as this is a technical matter.  
(iii) The Company has acquired the manufacturing facility during the year and accordingly as this is the first year in which disclosure requirements are applicable, the corresponding figures for the previous period have not been furnished (refer Note 3 above).

**11) Particulars of Stocks and Turnover:**

Class of Goods	Business Purchase [Note (i)]		Sales (Gross)		Closing Stock	
	Quantity (Tonnes)	Value	Quantity (Tonnes)	Value	Quantity (Tonnes)	Value
Silicomanganese Lumps	2,979	82,223,000	2,073	77,579,387	1,810	59,413,639
Silicomanganese Chips	68	581,825	-	-	101	2,196,926

Notes: (i) Refer Note 3 above.

(ii) The Company has acquired the manufacturing facility during the year and accordingly as this is the first year in which disclosure requirements are applicable, the corresponding figures for the previous period have not been furnished (refer Note 3 above).

**12) Particulars of Raw Materials Consumed**

Rs.

Particulars	Unit	2009	
		Quantity	Value
Manganese Ore	Tonnes	1,761	16,380,917
Dolomite	Tonnes	155	127,191
Quartz	Tonnes	398	108,225
Coke	Tonnes	480	4,975,470
Charcoal	Tonnes	407	3,118,405
Carbon paste	Tonnes	17	1,218,143
		<b>3,218</b>	<b>25,928,351</b>
Stores and Spares Consumed			1,105,812
			<b>27,034,163</b>
		%	Value
Whereof:			
Imported		-	-
Indigenous		100	27,034,163
		<b>100</b>	<b>27,034,163</b>

**NOTES:**

(i) The value of raw materials and components consumed is arrived at on the basis of purchases less closing stock. Consumption, therefore, includes adjustment for shortage/ excess, used for captive consumption, write-off, etc.

(ii) The Company has acquired the manufacturing facility during the year and accordingly as this is the first year in which disclosure requirements are applicable, the corresponding figures for the previous period have not been furnished (refer Note 3 above).

13. As per information provided by the Company, which has been relied upon by the auditors, there are no amounts outstanding as at the year end to Micro and Small Enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006 and therefore no disclosure is required to be made as envisaged in Section 22 of the said Act.

**14. Employee Benefits:**

**A. Defined Benefit Plan:**

Details of post retirement gratuity plan are as follows:

2009

a. Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

Obligations at the beginning of the year	-
Add: Current Service cost	-
Add: Interest cost	-
Add / (Less): Actuarial Losses / (Gains) on obligations	-
(Less): Benefits paid during the year	-
Obligations at the end of the year	<u>132,371</u>
	<b>132,371</b>

	2009 Rs.
b. Reconciliation of opening and closing balances of the fair value of plan assets:	
Fair Value of Plan assets at the beginning of the year	-
Add: Expected Return on Plan Assets	-
Add/(Less): Actuarial Gains/(Losses)	-
Add: Contributions by Employer	-
(Less): Benefits Paid	-
Fair Value of Plan assets at the end of the year	<u>-</u>
c. Reconciliation of present value of defined benefit obligation and the fair value of plan assets to the assets and liabilities recognised in the balance sheet:	
Present Value of Obligation as at March 31, 2009	132,371
(Less): Fair Value of Plan Assets as at March 31, 2009	-
Amount recognised in the Balance Sheet of the Company	<u>132,371</u>
d. Expenses recognised in Profit and Loss Account under "Employee Cost" in Schedule 13:	
Current service cost	-
Add: Interest cost	-
(Less): Expected Return on Plan Assets	-
Add: Actuarial Losses/(Gains) recognised during the year	132,371
	<u>132,371</u>
e. Principal assumptions:	
Discount rate per annum	7.30%
Salary escalation rate	5.00%
Attrition rate	5.00%
Retirement age	60 years

Note: The estimates of future increase in compensation level, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

**B. Defined Contribution Plans:**

2009

Contributions to Provident and Other Funds under Employee Costs (Schedule 13) includes the following being expenses debited under the following defined contribution plans:

- Provident Fund and Employee's Pension Scheme

325,637

The Company has registered with SMIORE Employees' Provident Fund Trust w.e.f November 6, 2008 and made contributions at predetermined rates to the said Fund and also to the Regional Provident Fund Commissioner towards Employee Pension Scheme.

**15. Segment Reporting**

The Company's operations relate only to manufacture and sale of ferro alloys and accordingly, primary reporting disclosures for business segment, as envisaged in Accounting Standard 17 on Segment Reporting is not applicable.

The Company sells ferro alloys in the domestic market and accordingly, secondary reporting disclosures for geographical segment, as envisaged in Accounting Standard 17 on Segment Reporting are not applicable.

# Star Metallics and Power Private Limited

(A subsidiary of The Sandur Manganese & Iron Ores Limited)

## 16. Related Party Disclosures

### A. Names of related parties and description of relationship:

Ref	Description of relationship	Names of related parties
a.	Parties where control exists:	The Sandur Manganese & Iron Ores Limited (SMIORE), from October 25, 2008
(i)	Holding Company	Euro Industrial Enterprises Private Limited (EIEPL), up to October 24, 2008
b.	Enterprise having significant influence	Euro Industrial Enterprises Private Limited (EIEPL), from October 25, 2008
c.	Others:	
(i)	Entities where key management personnel are able to exercise significant influence:	Skand Private Limited (SPL) Harishankar Power Projects Private Limited (HPPPL) ETA Star Holdings Limited, Dubai (ETA), up to September 22, 2008
(ii)	Relative of a Director	Mubeen Ahmed Sheriff, relative of Nazim Sheikh (MAS)

### B. Summary of transactions with related parties, during the year, is as follows:

Nature of Transactions	Holding Company [A(a)(i)]	Enterprise having significant influence [A(b)]	Others [A(c)]	Total
Share Capital (including premium) issued during the year:				
- SMIORE	390,000,000	-	-	390,000,000
	(-)	(-)	(-)	(-)
- EIEPL	122,000,000	-	-	122,000,000
	(700,000)	(-)	(-)	(700,000)
- ETA	-	-	25,000,000	25,000,000
	(-)	(-)	(-)	(-)
Advance towards Share Capital received during the year (gross):				
- EIEPL	96,000,000	-	-	96,000,000
	(90,000,000)	(-)	(-)	(90,000,000)
Business Purchase				
- EIEPL (Refer Note 3 above)	160,000,000	-	-	160,000,000
	(-)	(-)	(-)	(-)
Secured Loans obtained:				
- SMIORE	80,000,000	-	-	80,000,000
	(-)	(-)	(-)	(-)
Salaries and Wages:				
- MAS	-	-	219,509	219,509
	(-)	(-)	(-)	(-)
Interest Expenses:				
- SMIORE	1,030,137	-	-	1,030,137
	(-)	(-)	(-)	(-)
Capital work-in-progress:				
- HPPPL	-	-	170,000	170,000
	(-)	(-)	(-)	(-)
- SPL	-	-	19,536,644	19,536,644
	(-)	(-)	(17,213,223)	(17,213,223)
Balances as at the year end:				
Advance towards Share Capital:				
- SMIORE	110,000,000	-	-	110,000,000
	(-)	(-)	(-)	(-)
- EIEPL	-	64,000,000	-	64,000,000
	(-)	(90,000,000)	(-)	(90,000,000)
Secured Loan:				
- SMIORE	80,000,000	-	-	80,000,000
	(-)	(-)	(-)	(-)
Business Purchase consideration payable:				
- EIEPL	-	160,000,000	-	160,000,000
	(-)	(-)	(-)	(-)
Sundry Creditors:				
- SMIORE	139,153,523	-	-	139,153,523
	(1,802,869)	(-)	(-)	(1,802,869)
Advances recoverable in cash or in kind or for value to be received:				
- HPPPL	-	-	170,000	170,000
	(-)	(-)	(-)	(-)

**Notes:** (i) The above information has been determined to the extent such parties have been identified on the basis of information provided by the Company, which has been relied upon by the auditors.  
(ii) Figures in brackets relate to the prior period.

**17) Deferred Tax**

The net Deferred Tax Liability as on March 31, 2009 amounting to Nil (2008: Rs.Nil) has been arrived at as follows:

A. Deferred Tax Assets arising from:	<b>2009</b>
Expenses charged in the financial statements but allowable as deductions in future years under the Income Tax Act, 1961:	
Provision for Compensated Absences	57,819
Provision for Gratuity	44,993
Unabsorbed Depreciation allowance carried forward [Note (ii)]	206,660
Others	<u>138,268</u>
	447,740
B. (Less): Deferred Tax Liabilities arising from:	
Difference between carrying amount of fixed assets in the financial statements and the Income Tax Return	<u>447,740</u>
	<u>447,740</u>
Net Deferred Tax Asset / (Liability)	<u>-</u>
Net Deferred Tax Charge for the year accounted for as:	
Charge in Profit and Loss Account under 'Provision for Taxation'	<u>-</u>

**Notes:** (i) The tax impact for the above purpose has been arrived by applying a tax rate of 33.99 % (2008: 33.99 %) being the prevailing tax rate for Indian companies under the Income Tax Act, 1961.  
(ii) Deferred tax asset is restricted to the aggregate deferred tax liability on timing differences.

18. The Company has entered into forward exchange contracts for hedging the foreign exchange fluctuation risk on its liabilities, which has been accounted for in accordance with AS 11 'The Effects of Changes in Foreign Exchange Rates' as notified under section 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act 1956. Accordingly, the amount payable of Rs.188,512,801 (2008: Nil) and the foreign currency receivable of Rs.186,174,204 (2008: Nil) in the subsequent year relating to forward exchange contracts for hedging have been disclosed under Other Liabilities (Schedule 10) and Advances recoverable in cash or in kind or for value to be received (Schedule 9) respectively, while the differential premium carried forward is Rs.2,092,778 (2008: Nil).

<b>19) Basic/Diluted Earnings Per Share</b>	<b>2009</b>	<b>2008</b>
Nominal value of equity share (Rs.)	10	10
Weighted average number of equity shares outstanding - Basic	13,041,370	84,506
Add: Weighted average number of equity shares pending allotment	8,700,000	4,500,000
Weighted average number of equity shares outstanding - Diluted	21,741,370	4,584,506
(Loss) after taxation considered for calculation of basic and diluted earnings per share	(19,801,080)	(3,150,307)
Earnings Per Share - Basic	(1.52)	(37.28)
Earnings per Share - Diluted (anti-dilutive)	(1.52)	(37.28)

**20) Operating Leases:**

	<b>2009</b>	<b>2008</b>
Rent [Including minimum lease payments: Nil (2008: Nil)]	100,500	-

The Company has entered into operating lease arrangements for employees' residences. The leases are generally for a period of 11 months and with renewal options after the lease term. The operating leases provide for percentage increase in rent, at the end of the original leases' term, for future renewed periods. The operating leases are cancellable by the lessor or the lessee, with a notice of two to three months.



21. The Employees' State Insurance Act, 1948 is currently not applicable to the Company as the employees fall outside the ambit of the said Act.

22. Pursuant to an arrangement with ETA Star Holdings Limited, Dubai, the Company has incurred capital expenditure of Rs.33,095,780 on refurbishing a 20 MVA furnace at the Plant premises, based on an undertaking by ETA to transfer the furnace to the Company. The same is included in Capital Work-in-Progress in Schedule 4. The ownership of the furnace has not been transferred to the Company. The above transaction has been noted and approved by the board of directors in their meeting held on May 26, 2009.

The formal transfer of furnace to the Company is awaited.

23. Pursuant to the Notification by the Ministry of Corporate Affairs dated March 31, 2009, companies have a one time option to capitalise all exchange differences arising on restatement of long-term foreign currency monetary items, in so far as they relate to acquisition of fixed assets and depreciate such difference over the balance life of the asset and to accumulate in a 'Foreign Currency Monetary Item Translation Difference Account' on restatement of long-term foreign currency monetary items and amortise such difference over the balance period of such long-term asset / liability, but not beyond March 31, 2011.

The Company has decided not to exercise this option and consequently there is no impact on the financial statements for the current year.

24. The Company has re-evaluated the recoverable amount of assets as at the year end and there were no indications that the assets are impaired.

25. Previous period's figures have been reclassified / regrouped wherever necessary.



Account No.	
No. of Shares	

**FORM 2B**

**NOMINATION FORM**

(To be filled by individual(s) applying singly or jointly)

I/We \_\_\_\_\_  
 and \_\_\_\_\_  
 and \_\_\_\_\_ the  
 Members of The Sandur Manganese & Iron Ores Limited holding \_\_\_\_\_ shares bearing Distinctive Numbers  
 from \_\_\_\_\_ to \_\_\_\_\_ under Folio No. \_\_\_\_\_ wish to make a nomination and do  
 hereby nominate the following person in whom all rights of transfer and/or amount payable in respect of shares shall  
 vest in the event of my or our death.

**Name and Address of Nominee**

Name : \_\_\_\_\_  
 Address : \_\_\_\_\_

Date of Birth : \_\_\_\_\_  
 (if nominee is a Minor) : \_\_\_\_\_

Guardian of the Minor is (to be furnished only if nominee is a minor)

Name : \_\_\_\_\_  
 Address : \_\_\_\_\_

**SHARE HOLDERS' INFORMATION**

1. Signature : \_\_\_\_\_  
 Name : \_\_\_\_\_  
 Address : \_\_\_\_\_  
 Date : \_\_\_\_\_
2. Signature : \_\_\_\_\_  
 Name : \_\_\_\_\_  
 Address : \_\_\_\_\_  
 Date : \_\_\_\_\_
3. Signature : \_\_\_\_\_  
 Name : \_\_\_\_\_  
 Address : \_\_\_\_\_  
 Date : \_\_\_\_\_

**Name, Address and Signature of two Witnesses**

- |    |                  |                     |
|----|------------------|---------------------|
|    | Name and Address | Signature with Date |
| 1. |                  |                     |
| 2. |                  |                     |



**Instructions:**

1. The Nomination can be made by Individuals holding shares on their own behalf singly or jointly. Non-individuals including Society, Body Corporate, Partnership Firm, Karta of Hindu Undivided Family, Holder of Power of Attorney cannot nominate. If the Shares are held jointly, all Joint holders shall sign the nomination form.
2. A Minor can be nominated by a Holder of shares and in that event, the name and address of the Guardian should be provided.
3. The Nominee shall not be a Trust, Society, Body Corporate, Partnership firm, Karta of Hindu Undivided Family or a Power of Attorney Holder. A Non-Resident Indian can be a nominee on repatriable basis.
4. Nomination stands rescinded upon transfer of shares.
5. Transfer of shares in favour of Nominee shall be valid discharge by the Company against the Legal heirs.
6. The Nomination form shall be filed in duplicate with the Company at its Registered Office at Lakshmipur, Sandur - 583 119, Bellary District, Karnataka or at its Corporate Office at #217, Bellary Road, Sadashivanagar, Bangalore - 560 080, Karnataka, which will return one copy thereof to the Shareholder.

**FOR OFFICE USE ONLY**

Nomination Registration Number	:	
Date of Registration	:	
Checked by (Name and Signature)	:	



# The Sandur Manganese & Iron Ores Limited

## PROXY FORM

I/We..... of  
 ..... being member(s) of the above named company, hereby appoint the following as my / our Proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 55th Annual General Meeting of the Company to be held on Friday the 25<sup>th</sup> day of September 2009 at 11.00 a.m. at Anuradha Hall, Shivapur, Sandur - 583 119 and at any adjournment thereof:

1. Mr. / Ms. \_\_\_\_\_, \_\_\_\_\_ or failing him/her  
 (name of the proxy) (signature of proxy)
2. Mr. / Ms. \_\_\_\_\_, \_\_\_\_\_ or failing him/her  
 (name of the proxy) (signature of proxy)
3. Mr. / Ms. \_\_\_\_\_, \_\_\_\_\_  
 (name of the proxy) (signature of proxy)

I / We direct my / our Proxy to vote on Resolutions in the manner as indicated below:

RESOLUTIONS	FOR	AGAINST
Item No.1		
Item No.2		
Item No.3		
Item No.4		
Item No.5		
Item No.6		

RESOLUTIONS	FOR	AGAINST
Item No.7		
Item No.8		
Item No.9		
Item No.10		
Item No.11		

Number of Shares held \_\_\_\_\_

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2008

Affix  
Revenue  
Stamp

Folio No. / Client ID .

Signature(s) of Members

1. \_\_\_\_\_ 2. \_\_\_\_\_ 3. \_\_\_\_\_

Note: Proxies must reach the Company's Registered Office not less than 48 hours before the time fixed for the meeting.



BOOK - POST



*If Undelivered please return to :*

*The Sandur Manganese & Iron Ores Limited*

No. 217, Bellary Road

Sadashivanagar

Bangalore - 560080