

STEEL EXCHANGE INDIA LIMITED



TENTH ANNUAL REPORT
2008-2009

BOARD OF DIRECTORS

| | |
|--------------------------|---------------------------------|
| B. SATISH KUMAR | Chairman & Managing Director |
| B. SURESH KUMAR | Joint Managing Director |
| V. V. KRISHNA RAO | Director |
| B. SURESH | Director (Finance) |
| VINOD KUMAR AGRAWAL, IAS | Director (Nominee of A P I D C) |
| R. RAMACHANDRA RAO | Director |
| C. SIVA PRASAD | Director |
| K. KRISHNA RAO | Director |

COMPANY SECRETARY

B. NARAHARI

AUDITORS

G.P. ASSOCIATES,
Chartered Accountants,
F.No 603, 6th Floor, Cyber Heights,
Plot No.13, Road No. 2, Banjara Hills,
Hyderabad – 500 033

BANKERS

State Bank of India, Overseas Branch, Visakhapatnam.
The Lakshmi Vilas Bank, Gajuwaka Branch, Visakhapatnam.
ICICI Bank, Dwaraka Nagar Branch, Visakhapatnam.
Andhra Pradesh State Financial Corporation Limited, Visakhapatnam.
Bank of India, Suryabagh, Visakhapatnam.
The Dhanalakshmi Bank, Visakhapatnam.
IDBI Bank, Visakhapatnam
The Karur Vysya Bank, Visakhapatnam.

REGISTRAR & TRANSFER AGENTS

Venture Capital and Corporate Investments Private Limited,
12-10-167, Bharatnagar, Hyderabad – 500 018.
Telephone: +91 – 40 – 23818475 / 76 Fax: +91 – 40 – 23868024

REGISTERED OFFICE

#303, My Home Laxmi Nivas, Greenlands, Ameerpet, Hyderabad – 500 016, A.P.
Telephone No: +91-40-23403725 Fax No: +91-40-23413267

CORPORATE OFFICE

#103, Vizag Profile Towers, Duvvada Station Road, Kurmannapalem, Visakhapatnam – 530 046, A.P.
Telephone: +91-891-2587175, 2587573 Fax: +91-891-2749215

WORKS

Power Plant & Steel Melting Division

Opp: Mandapalli New Bridge, Kothapeta (V & M) – 533 223 East Godavari (Dt). Andhra Pradesh.

Rolling Division - 1

Simhadri TMT Steels, Plot No 1, I.D.A., Edulapaka Bonangi, Paravada (Mandal),
Visakhapatnam (Dt) – 531 201 Andhra Pradesh.

Rolling Division – 2

Survey No 594/1, 1B, Reddypalem, Pernamitta Village, Ongole Rural Mandal, Prakasham (Dt), Andhra Pradesh.

Wire Drawing Division – Unit-1

Plot No. 27, IDA, Block-E, Auto Nagar, Visakhapatnam – 530 012, Andhra Pradesh.

HC Wire Products & Galvanised Wire Division – Unit-2

Plot No.17 & 18, IDA, Block-E, Auto Nagar, Visakhapatnam – 530,012, Andhra Pradesh.

Software Division

Pyxis Technology Solutions, Unit No – 2, SDF Block No. 1, VSEZ, Visakhapatnam – 530 046, Andhra Pradesh.

Sponge Iron Division

Maliveedu, Lkota Mandal, Vizianagaram Dist, Andhra Pradesh.

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TENTH ANNUAL GENERAL MEETING

Date : 30th September 2009
Day : Wednesday
Time : 11.45 AM
Place : Hotel Katriya De Royal, Dynasty Hall-1,
6-3-870, Balayogi Paryatak Bhavan,
Begumpet, Hyderabad – 500 082.
Ph : 040 – 2341 1718, 4013 1111



NOTICE

Notice is hereby given that the Tenth Annual General Meeting of the Members of Steel Exchange India Limited will be held on **Wednesday, the 30th day of September, 2009** at **11.45 A.M** at **Hotel Katriya De Royal, Dynasty Hall – I, # 6-3-870, Balayogi Paryatak Bhavan, Begumpet, Hyderabad – 500 082** to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2009 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors' and the Auditors' thereon.
2. To declare dividend on 10.25% Preference Shares for the year ended 31st March, 2009.
3. To declare dividend on Equity Shares for the year ended 31st March 2009.
4. To appoint a Director in place of Mr. B. Suresh Kumar, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. B. Suresh, who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint M/s. Pavuluri & Co, Chartered Accountants, Hyderabad as Statutory Auditors in the place of retiring auditors M/s. G. P Associates, Chartered Accountants, Hyderabad who resigned and expressed their unwillingness for re-appointment, to hold office from conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration by passing the following resolution with or without modification as an Ordinary Resolution :

"Resolved that M/s. Pavuluri & Co, Chartered Accountants, Hyderabad be and are hereby appointed as Statutory Auditors of the Company in place of retiring auditors, M/s. G. P Associates, Chartered Accountants, Hyderabad, to hold office from the conclusion of this meeting until the conclusion of next annual general meeting of the company with a remuneration as decided by the Board of Directors."

Special Business:

7. Appointment of Mr. K. Krishna Rao as a Director of the Company.

To consider and if thought fit, to pass with or without modification (s), the following resolution as an Ordinary Resolution:

"RESOLVED that Mr. K. Krishna Rao, who was appointed by the Board of Directors as an Additional Director of the Company and who holds office up to the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 and in respect of whom a notice in writing under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. K. Krishna Rao as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

By order of the Board

Place: Hyderabad
Dated: July 31, 2009

B. Narahari
Company Secretary

Notes:

1. **A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member of the Company.** Proxies, in order to be valid and effective, must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business and item no 6 are annexed hereto. The additional information on Directors, seeking appointment/re-appointment under Item Nos. 4, 5 and 7 above, as required by Clause 49 of the Listing Agreement is given below.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, the 29th



day of September, 2009 to Wednesday, the 30th day of September, 2009 (both days inclusive).

4. The dividend as recommended by the Board of Directors, if approved at the Meeting by the members, payment of such dividend will be made on or after 10th October, 2009 to those members whose names are on the Company's Register of Members as on 25th September, 2009 and in respect of shares held in dematerialised form will be paid to the beneficial owners of shares as per list furnished by the Depositories i.e. National Securities Depository Limited and Central Depository Services (India) Limited at the close of business hours on 25th September, 2009.
5. In order to provide protection against fraudulent encashment of Dividend Warrants, members holding shares in physical form are advised to submit the Company under the signature of Sole/First joint holder, the following information which will be used by the Company for Dividend payments:
 - i) Name of Sole/First joint holder
 - ii) Folio Number
 - iii) Particulars of Bank Account viz:
 - Name of the Bank
 - Name of the Branch
 - Complete address of the Bank with Pin code
 - Type of Account, whether Savings Bank (SB) or Current Account (CA)
 - Account Number allotted by the Bank

Shareholders holding shares in electronic form are advised to inform the particulars of their bank accounts to their respective Depository Participants (DPs) and **not to the Company**.

6. Members/Proxies are requested to bring their copies of Annual Report to the meeting. As an austerity measure, copies of Annual Report will not be distributed at the meeting.
7. Members desirous of seeking any information on the accounts or operations of the Company are requested to write to the Company at least 10 days prior to the Meeting so that the required information can be made available at the Meeting.
8. Members holding shares in physical form can avail of the nomination facility by filing the Form 2B (in duplicate) as prescribed under the Companies Act, 1956 with the Company or its Registrar & Share Transfer Agents and in case of shares held in demat form, the nomination has to be lodged with their respective Depository Participants (DPs).
9. Members holding shares in physical form are requested to advise any change of address immediately to the Company's R T A, M/s Venture Capital and Corporate Investments Pvt Limited. Members holding shares in electronic form must send the advice about the change of address to their respective Depository Participants (DPs) and **not to the Company**. Non-resident Indian shareholders are requested to inform us immediately the change in the residential status on return to India for permanent settlement.
10. In order to service the Members effectively, members are requested to consolidate their holdings if the shares are held in the same name or in the same order of names but in several folios.
11. The equity shares of the Company have been notified for compulsory trading in demat form and are available for trading in demat form both on National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited and the Members are requested to avail this facility and get their shareholding converted into dematerialised form.
12. The amount of dividend which remains unclaimed or unpaid for a period of seven years from the date of transfer to Unpaid Dividend Account shall be transferred to Investor Education & Protection Fund (IEPF) under Section 205C of the Companies Act, 1956 and no claims shall lie against the Fund or the Company in respect of individual amounts thereafter. The members therefore requested to check up and send their claims to the Company, if any for the years 2004-05, 2005-06, 2006-07 and 2007-08 before the respective amounts become due for transfer to the Fund (IEPF).



Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956:

Item No. 6:

M/s. G. P. Associates, Chartered Accountants, Hyderabad, the retiring Auditors resigned and expressed their unwillingness to be considered for re appointment. The Board after considering the same recommended the appointment of M/s. Pavuluri & Co, Chartered Accountants, Hyderabad as Auditors of the company in place of retiring auditors, who have given their consent that the number of companies are within limits as specified under section 224(1B) of the Companies Act, 1956, if appointed. The Board recommends the appointment of M/s. Pavuluri & Co, Chartered Accountants, as Statutory Auditors at the 10th Annual General Meeting.

None of the Directors of the company is concerned or interested in the above resolution. The Board recommends the resolution for your approval.

Item No. 7:

Mr. K. Krishna Rao has been appointed by the Board of Directors as an Additional Director of the Company with effective from 31st January 2009. As per the provisions of Section 260 of the Companies Act, 1956, he holds office only up to the date of this Annual General Meeting of the Company. The Company has received notice in writing from a member signifying his intention to propose the candidature of Mr. K. Krishna Rao as a Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Your Directors feel that the appointment of Mr. K. Krishna Rao would be in the best interest of the Company and accordingly recommend the resolution for the approval of the members.

None of the Directors, other than Mr. K. Krishna Rao, is in any way concerned or interested in the said resolution.

By order of the Board

Place: Hyderabad
Dated: July 31, 2009

B. Narahari
Company Secretary

**Additional Information on Directors seeking re-appointment/appointment at the ensuing Annual General Meeting (in pursuance of Clause 49 of the Listing Agreement):**

As required under the Listing Agreement, the particulars of Directors proposed to be appointed/re-appointed are given below:

| | | |
|---|--|--|
| Name | Mr. B. Suresh Kumar | Mr. B. Suresh |
| Date of Birth | 19-04-1964 | 30-08-1968 |
| Qualification | B.E. (Mechanical) | B.Tech, M.B.A. |
| Expertise in Specific Functional Area | Rich Experience of more than 15 years in Steel Industry | Rich Experience of more than 10 years in Finance and Steel Industries |
| Date of appointment on the Board of the Company | 24-02-1999 | 28-02-2000 |
| Other Directorships | Vizag Profiles Limited V P L Projects Pvt Limited Vizag Steel Profiles (Hyderabad) Pvt Limited Brahma Chemicals Limited | Vizag Profiles Limited V P L Projects Pvt Limited Umashiv Garments Pvt Limited Gulmohar Advisors Private Limited Brahma Chemicals Ltd Maa Gayatri Lohh Products Limited |
| Member of the Committees in other Companies | Nil | Nil |
| No of Equity Shares held in the Company | 1,495,450 | 1,135,850 |

| | |
|---|---|
| Name | K. Krishna Rao |
| Date of Birth | 15-07-1946 |
| Qualification | B.E. (Electrical) |
| Expertise in Specific Functional Area | Rich Experience of more than 30 years in Steel Industry |
| Date of appointment on the Board of the Company | 31-01-2009 |
| Other Directorships | Nil |
| Member of the Committees in other Companies | Nil |
| No of Equity shares held in the Company | Nil |



DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the Tenth Annual Report of the Company together with the Audited Statements of Accounts for the year ended March 31, 2009.

FINANCIAL RESULTS:

The performance of the Company during 2008-2009 is summarised below:

(Rs. in Lakhs)

| PARTICULARS | 2008-2009 | 2007-2008 |
|--|------------------|------------------|
| Total Income | 68385.05 | 61033.16 |
| Profit before Interest & Depreciation | 3599.54 | 4030.24 |
| Less: Interest | 2525.22 | 1507.48 |
| Depreciation | 282.79 | 285.67 |
| Profit before Prior period items | 791.53 | 2237.09 |
| Less/(Add):Expenditure pertaining to previous year | (3.73) | (8.44) |
| Profit before Tax | 795.26 | 2245.53 |
| Less: Provision for Tax | | |
| -Current Tax | 175.00 | 675.00 |
| -Fringe Benefit Tax | 9.00 | 8.00 |
| -Deferred Tax | 131.89 | 38.89 |
| Profit after Tax | 479.37 | 1523.64 |
| Profit brought forward from previous year | 2347.87 | 1165.24 |
| Profit available for Appropriation | 2827.24 | 2688.88 |
| Appropriations: | | |
| Proposed Dividend on Preference Shares | 5.64 | 5.64 |
| Proposed Dividend on Equity Shares | 329.11 | 200.36 |
| Tax on Proposed Dividend as above | 56.89 | 35.01 |
| Transfer to General Reserve | 25.00 | 100.00 |
| Balance carried forward | 2410.60 | 2347.87 |

Review of Operations:

The Company achieved a turnover of Rs.683.85 crores for the year ended 31st March, 2009 as against Rs. 610.33 crores in the previous year. The Company earned a Gross Profit of Rs.35.99 crores before interest and depreciation as against Rs. 40.30 crores in the previous year. After deducting interest of Rs. 25.25 crores, providing a sum of Rs. 2.83 crores towards depreciation, tax provision of Rs. 1.84 crores and after adjusting a sum of Rs. 1.32 crores towards deferred tax, the operations resulted in a Net Profit of Rs. 4.79 crores as against Rs. 15.23 crores for the previous year. The reasons for decrease in the net profit are mainly attributable to sharp fall in steel and steel scrap prices in the international as well as the domestic markets, global economic crisis, sharp devaluation of rupee and pressure on the margins.

The Company allotted 42,30,000 share warrants to M/s Umashiv Garments Private Limited (Promoter Group Company) on 12th February, 2008 at a price of Rs. 126/- which are convertible into equivalent number of equity shares within a period of 18 months from the date of allotment. M/s Umashiv Garments Private Limited exercised the option, on 31st March, 2008, to covert 10,00,000 share warrants into equity shares. During the year under review, M/s Umashiv Garments Private Limited has surrendered the right to exercise the option to convert 32,30,000 share warrants into equity shares of the Company. Accordingly the Company forfeited an amount of Rs. 4,06,98,000 received from M/s Umashiv Garments Private Limited.



As informed in the last annual report, keeping in view of the proposed setting up of a modern 2,25,000 TPA Rolling Mill, the Board of Directors of the Company in their meeting held on 31st July, 2008 approved the proposal to sell/dispose off the old Rolling Mill situated at Survey No 594/1, 1B, Reddypalem, Pernamitta Village, Ongole Rural Mandal, Prakasham (Dt), Andhra Pradesh which has a capacity of only 20,000 TPA and the members of the Company approved the same by passing a special resolution under Section 293 (1) (a) of the Companies Act, 1956 through Postal Ballot on 9th January 2009 to M/s Ananda Profiles Private Limited, Visakhapatnam for a consideration of Rs. 2.30 crores.

During the second half of the year under review, due to sharp fall in prices as well as demand and due to high input costs, the production at Steel Melting Division at Kothapeta was carried out at extremely low levels. Consequently the Company has sold the unutilised power produced from the 8 MW Power Plant.

The Company took on lease 2,25,000 TPA Sponge Iron unit of GSAL (India) Limited w.e.f 1st October, 2008. The unit is situated at Maliveedu, L.Kota Mandal, Vizianagaram District. The ongoing expansion plans of the Company i.e. setting up of 2,25,000 TPA Rolling Mill and 2,40,000 SMS plant in the premises of GASL (India) Limited are in progress. The Company acquired sufficient land on lease from GSAL (India) Limited and also tied up with the Banks in 2009-10 for the financial assistance for the said expansion plans.

Dividend:

The Board has recommended a dividend at the stipulated rate of 10.25 % on 5,50,400 Preference Shares of Rs. 10/- each of the Company for the year ended 31st March, 2009.

The Board has also, considering the performance of the Company for the year under review, recommended a dividend of Re. 1/- per Equity Share (i.e. at the rate of 10% per share) on 3,29,10,910 Equity Shares of Rs. 10/- each of the Company for the year ended 31st March, 2009, subject to the approval of the Members at the ensuing Annual General Meeting.

The total cash outflow on account of these dividends will be Rs. 391.64 Lakhs including the Corporate Tax on Dividend of Rs. 56.89 Lakhs.

Issue of Shares and Shares Warrants:

During the year under review, the Company, on 27th March, 2009 has allotted 1,28,75,000 equity shares of the Company at a price of Rs. 29/- (Rupees Twenty Nine) per share on preferential basis to M/s Umashiv Garments Private Limited (Promoter Group Company) and Others pursuant to the members' approval obtained in the Extra-ordinary General Meeting held on 12th March, 2009.

The Company, on 27th March, 2009 has also allotted 34,89,090 share warrants of the Company at a price of Rs. 29/- (Rupees Twenty Nine) per share warrant on preferential basis to M/s Umashiv Garments Private Limited (Promoter Group Company) pursuant to the members' approval obtained in the Extra-ordinary General Meeting held on 12th March, 2009.

The said share warrants are convertible into equivalent number of equity shares and the share warrants will entitle M/s Umashiv Garments Private Limited without further payment to apply for and be allotted 34,89,090 equity shares of Rs.10/- each of the Company at a price of Rs. 29/- (including a premium of Rs.19/-) within a period of 18 months from the date of allotment (i.e latest by 26th September, 2010). M/s Umashiv Garments Private Limited did not exercise the option of converting the share warrants into equity shares of the Company as on 31st March 2009. The amount raised through the issue was fully utilised for the proposed expansion plans of the Company.

Capital Structure:

During the year under review, the paid up equity share capital of the Company was increased from Rs.20,03,59,100 to Rs.32,91,09,100 comprising of 3,29,10,910 Equity Shares of Rs. 10/- each with the issue and allotment of 1,28,75,000 (One crore twenty eight Lakhs seventy five thousands) Equity Shares of Rs.10/- each of the Company on 27th March, 2009.

Directors:

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company, Mr. B. Suresh Kumar and Mr. B. Suresh retire by rotation and being eligible, offer themselves for re-appointment.



Mr. K. Krishna Rao has been appointed as Additional Director of the Company by the Board of Directors with effect from 31st January, 2009 in their meeting held on even date and now Mr. K. Krishna Rao is proposed to be appointed as Director of the Company, liable to retire by rotation, in the ensuing Annual General Meeting of the Company. The Company has received a notice from the shareholder proposing his candidature.

Mr. S.K.S. Narayan has resigned as the Non-Executive Chairman as well as the Director of the Company with effect from 27th June, 2009 and the Board placed on record its appreciation for the services rendered by him as the Non-Executive Chairman. Mr. B Satish Kumar has been re-designated as the Chairman & Managing Director of the Company with effect from 27th June, 2009.

The Andhra Pradesh Development Corporation (APIDC) has nominated Mr. Vinod Kumar Agrawal, IAS as its nominee in the place of Mr. M. Venkateswara Rao with effect from 27th June, 2009. The Board placed on record its appreciation for the services rendered by Mr. M. Venkateswara Rao.

Future Outlook:

The long term outlook of the Steel Industry continues to be bright and challenging. Your Company proposes to continue its efforts on increase in the revenues, better margins and increased manufacturing base.

Report on Subsidiary Companies and Consolidated Financial Statements:

As the Company has no subsidiaries for the year under review, the report on subsidiaries and consolidated financial statements and the statement pursuant to Section 212 of the Companies Act, 1956 are not furnished.

Auditors and Auditor's Report:

M/s G. P. Associates, Chartered Accountants, Hyderabad, the retiring Auditors resigned and expressed their unwillingness to be considered for re appointment. The Board after considering the same recommended the appointment of M/s. Pavuluri & Co, Chartered Accountants, Hyderabad as Auditors of the Company in the place of M/s G. P. Associates, Chartered Accountants.

In respect of Item no (f) of the Auditors' Report to the members of the Company, the Directors wish to state that no provision has been made in the accounts for doubtful debts amounting to Rs. 84.65 Lakhs as the Management expects it to be recovered in the due course.

Fixed Deposits:

The Company has not accepted any Fixed Deposits from the public during the financial year under review and, as such, no amount on account of principal or interest on Fixed Deposits was outstanding as on 31st March, 2009.

Directors' Responsibility Statement:

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- (i) in the preparation of the Annual Accounts for the year ended 31st March, 2009, the applicable Accounting Standards have been followed along with proper explanation relating to material departures, if any;
- (ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the Annual Accounts on a going concern basis.

Corporate Governance:

In pursuance of Clause 49 of the Listing Agreement entered into with the Stock Exchanges, a separate report on Corporate Governance along with a certificate from the Auditors of the Company regarding its compliance is annexed and forms part of this Report.

**Management Discussion and Analysis:**

The Management Discussion and Analysis report as required under the Listing agreement entered into with the Stock Exchanges is annexed and forms part of this Report.

Conservation of Energy, Technology Absorption and Foreign Exchange:

Information required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988, as amended from time to time, forms part of this report. However, as per the provisions of Section 219 (1) (b) (iv), the report and the accounts are being sent to all members of the Company excluding the information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo. Any member interested in obtaining such particulars may inspect the same in the Registered Office of the Company or write to the Company Secretary for a copy.

Industrial Relations:

The Industrial relations have been cordial through out the year under review and your Directors place on record their sincere appreciation for the dedication, commitment and teamwork of employees at all levels, who have been instrumental in enabling your Company achieve higher growth levels during the year.

Particulars of Employees:

The List of the employees of the Company who are in receipt of remuneration for whole/ part of the year exceeding the limits as prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is given below :

| Name | Designation | Remuneration* | Qualification | Date of Joining | Experience | Age | Previous Employment |
|-----------------|-------------------|---------------|---------------|-----------------|------------|-------|---------------------|
| B. Satish Kumar | Managing Director | 25.53 lacs | B.Tech | 24-02-1999 | 23 Yrs | 49Yrs | NIL |

*Remuneration includes Salary, Allowances and Perquisites and the net remuneration is Rs. 19.53 Lacs.

Acknowledgements:

Your Directors take this opportunity to express their appreciation for the continued support and assistance received from the Company's Bankers. The Directors also thank the Business Associates, Financial Institutions and various Central and State Government Departments and Government Authorities for their continued co-operation and support.

The Directors also wish to place on record their gratitude for the continued support and cooperation received from the valued Customers, Vendors, Members, and Investors of the Company and look forward to the same in greater measure in the coming years.

For and on behalf of the Board of Directors

Place: Hyderabad
Dated: July 31, 2009

B. SATISH KUMAR
Chairman & Managing Director



REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on Corporate Governance

The Company firmly believes in and has consistently been practising good Corporate Governance. The Company's philosophy of Corporate Governance is aimed at maximising the shareholder's interest and protection of the interest of the other stakeholders. The Company aims to achieve this through proper and full disclosure of material facts and achievement of the highest levels of transparency, accountability and equity in all facets of its operations.

2. Board of Directors

a) Composition of the Board

The Board of Directors of the Company currently consists of eight Directors headed by an Executive Director as Chairman. The Board consists of three whole-time Directors i.e. a Chairman & Managing Director, a Joint Managing Director and a Director (Finance) and five Non-Executive Directors. Four of the Non-Executive Directors are Independent Directors including a nominee Director from Andhra Pradesh Industrial Development Corporation (APIDC). The composition of the Board is in conformity with clause 49 of the Listing Agreement entered with the Stock Exchanges.

b) Number of Board Meetings

During the year ended 31st March 2009, Six Meetings of the Board of Directors were held on 29th April, 2008, 30th June, 2008, 31st July, 2008, 31st October, 2008, 31st January, 2009 and 11th February 2009.

c) The details of the composition, attendance of the Directors at the Board Meetings & the last Annual General Meeting and also the number of other Directorships held by the Directors for the financial year under review are as follows:

| Name of the Director | Category | No. of meetings attended | Whether attended last AGM | No. of outside Directorships | No. of other Board Committees |
|--|----------|--------------------------|---------------------------|------------------------------|-------------------------------|
| Mr. S.K.S. Narayan (1) (Chairman) | ID, NED | 1 | No | - | - |
| Mr. B. Satish Kumar (2) (Managing Director) | PD, ED | 6 | Yes | 3 | - |
| Mr. B. Suresh Kumar (Joint Managing Director) | PD, ED | 5 | Yes | 3 | - |
| Mr. V.V. Krishna Rao | PD, NED | 3 | Yes | 2 | - |
| Mr. B. Suresh (Director - Finance) | PD, ED | 3 | Yes | 3 | - |
| Mr.R. Ramachandra Rao | ID, NED | 3 | Yes | 5 | - |
| Mr. M Venkateswara Rao(3) (Nominee of APIDC) | ID, NED | 3 | No | 9 | - |
| Mr. C. Siva Prasad | ID, NED | 5 | Yes | 1 | - |
| Mr. K. Krishna Rao (4) | ID, NED | 2 | NA | - | - |

PD: Promoter Director, ED: Executive Director, ID: Independent Director, NED: Non-Executive Director

Notes:

- (1) Mr. S.K.S. Narayan resigned as Director and the Chairman of the Company w.e.f. 27th June, 2009.
- (2) Mr. B. Satish Kumar has been re-designated as Chairman & the Managing Director of the Company w.e.f. 27th June, 2009.
- (3) Mr. Vinod Kumar Agrawal has been nominated by APIDC as its Nominee Director in place of Mr. M. Venkateswara Rao w.e.f 27th June 2009.
- (4) Mr. K. Krishna Rao has been appointed as an Additional Director of the Company w.e.f. 31st January, 2009.



3. Audit Committee

The terms of reference of the Audit Committee covers the areas mentioned in Clause 49 of the Listing Agreement entered with the Stock Exchange, besides other terms as may be referred by the Board of Directors from time to time, which broadly include:

1. Oversight of the company's financial reporting process and the disclosure of its financial information.
2. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
3. Reviewing with 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.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Compliance with Stock Exchange and legal requirements concerning financial statements.
 - Any related party transactions as per Accounting Standard – 18.
4. Reviewing with Management the quarterly financial statements before submission to the Board.
5. Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.

The Audit Committee Company currently consists of three Directors headed by a Non-Executive Independent Director as Chairman. The details of the composition, attendance at the Meetings of the Audit Committee are as follows:

| Name of the Director | Designation | Category | No. of meetings during the tenure of Director | |
|------------------------|-------------|----------|---|----------|
| | | | Held | Attended |
| Mr. C. Siva Prasad | Chairman | ID, NED | 4 | 4 |
| Mr. R. Ramachandra Rao | Member | ID, NED | 4 | 4 |
| Mr. B. Suresh | Member | PD, ED | 4 | 4 |

PD: Promoter Director, ED: Executive Director, ID: Independent Director, NED: Non-Executive Director

The Company Secretary acts as the Secretary of the Committee.

During the year, 4 meetings of the Audit Committee were held on 30th June, 2008, 30th July, 2008, 30th October, 2008 and 31st January, 2009.

4. Remuneration Committee:

The Board has constituted the Remuneration Committee to recommend/review the remuneration package of the Executive Directors apart from deciding other matters referred to it from time to time.

The Remuneration Committee of the Company was reconstituted on 31st July, 2009 in line with the provisions of Clause 49 of the Listing Agreement and the composition of the Remuneration Committee is as follows:

| Name of the Director | Designation | Category |
|-----------------------------|-------------|----------|
| Mr. C. Siva Prasad | Chairman | ID, NED |
| Mr. R. Ramachandra Rao | Member | ID, NED |
| Mr. V.V. Krishna Rao (1) | Member | PD, NED |
| Mr. Vinod Kumar Agrawal (1) | Member | ID, NED |

PD: Promoter Director, ID: Independent Director, NED: Non-Executive Director

- (1) Mr. V. V. Krishna Rao ceased to be a Member of the Committee w.e.f. 31st July 2009, and Mr. Vinod Kumar Agrawal has been appointed as a Member in his place.



During the year under review, no meeting of the Remuneration Committee was held.

As a policy, the Remuneration Committee considers the financial position and profitability of the Company apart from other usual aspects like job responsibilities, key performance areas of the directors, industry trend etc.

Details of Director's Remuneration for the year ended 31st March, 2009:

| Name | Designation | Remuneration (in Rs.) | | |
|---------------------|----------------------|-----------------------|--------------------|------------------|
| | | Salary | Allow/ Perquisites | Total |
| Mr. B. Satish Kumar | Managing Director | 2,400,000 | 153,783 | 2,553,783 |
| Mr. B. Suresh Kumar | Jt Managing Director | 1,800,000 | 7,085 | 1,807,085 |
| Mr. B. Suresh | Director (Finance) | 1,800,000 | - | 1,800,000 |
| | Grand Total | 60,00,000 | 1,60,868 | 61,60,868 |

Mr. B. Satish Kumar has been re-appointed as Managing Director, for a period of five years w.e.f. 01-03-2005 and Mr. B. Suresh Kumar has been appointed as Joint Managing Director of the Company for a period of three years w.e.f. 27-10-2007. The notice period for all the Executive Directors is 3 calendar months on either side.

The Company has not paid any fixed component and performance linked incentives to any Director. The Company does not have any stock option scheme.

No remuneration is paid to Non-executive Directors and also no sitting fee is paid to the Directors for attending the Board or Committee meetings.

5. Shareholders/ Investors Grievance Committee

The committee consists of

| Name of the Director | Designation | Category |
|------------------------|-------------|----------|
| Mr. R. Ramachandra Rao | Chairman | ID, NED |
| Mr. B. Satish Kumar | Member | PD, ED |
| Mr. C. Siva Prasad | Member | ID, NED |

PD: Promoter Director, ID: Independent Director, NED: Non-Executive Director

The Committee would look into redressal of the shareholder and investors' complaints such as transfer of shares, non-receipt of dividend, non-receipt of Annual Report, dematerialisation of shares etc.

The Board has designated Mr. B. Narahari, Company Secretary as the Compliance Officer.

The total number of complaints received and replied to the satisfaction of shareholders during the year under review, was 48. There were no outstanding complaints as on 31st March, 2009 and no share transfers pending at the end of the financial year.

The Board had also constituted a Share Transfer Committee to attend to the share transfer formalities etc, as and when required.

6. General Body Meetings:

(i) The details of last three Annual General Meetings are as under.

| Year | Description of the Meeting | Location | Date & Time | Special Resolutions Passed |
|---------|----------------------------|---|--------------------------|----------------------------|
| 2005-06 | 7th AGM | Community Hall, Srinivasa Nagar (West) Opp. S. R. Nagar Bus Stop, Hyderabad – 500 038 | 30-09-2006 10.30 A.M. | 1 |
| 2006-07 | 8th AGM | Hotel Green Park, Greenlands, Begumpet, Hyderabad – 500 016 | 14-12-2007 11.00 A.M. | 4 |
| 2007-08 | 9th AGM | Hotel Katriya De Royal, Balayogi Paryatak Bhavan Begumpet, Hyderabad – 500 082 | 29-09-2008 12.00 P.M. | 0 |

The following special resolutions passed by the members during the above AGMs:

7th AGM:

- a) Keeping of Register of members, Index of members in the office of Venture Capital & Corporate Investments Ltd, the Company's Registrars & Share Transfer Agents.

8th AGM:

- a) Revision of remuneration payable to Mr. B. Satish Kumar, Managing Director of the Company
- b) Revision of remuneration payable to Mr. B. Suresh, Director (Finance) of the Company
- c) Appointment of Mr. B. Suresh Kumar as Joint Managing Director of the Company for a period of three years w.e.f. 27th October, 2007.
- d) Appointment of Mr. B. Ramesh Kumar as Executive Director (Operations) for a period of five years w.e.f. 1st November, 2007 under Section 314 (1B) of the Companies Act, 1956.

9th AGM:

No special resolution was passed.

- (ii) The shareholders passed all the resolutions set out in the respective notices in the above meetings.
- (iii) One special resolution for sale/disposal of rolling mill of the Company situated at Ongole under section 293 (1) (a) of the Companies Act, 1956 was put through a Postal ballot in the year 2008-09 and the details of voting pattern is as given below:

In favour of the resolution 1,00,20,210 shares and against the resolution 2,310 shares.

- (iv) Person who conducted the postal ballot exercise: **Mr. K. Gopi Chand, Practicing Company Secretary**
- (v) No resolution is proposed to be passed through a Postal ballot at the ensuing Annual General Meeting.

7. Disclosures:

- (i) There are no significant related party transactions with the Company's Promoters, Directors, the Management or relatives that may have potential conflict with the interest of the Company at large.

Related party transactions have been disclosed in Notes to the Annual Accounts – Schedule 19, note No.4.

- (ii) There has neither been any non-compliance by the Company nor penalties, strictures imposed on the Company by the Stock Exchanges, SEBI or any other statutory authority, on any matter relating to the capital markets, during the last three years.



(iii) The information on Directors seeking re-appointment / appointment is provided in the notes to the notice of the Annual General Meeting under the heading "Additional information on Directors seeking Re-appointment /appointment at the ensuing Annual General Meeting".

(iv) The Board has also constituted a committee named as "Management Committee" for strategic management of the Company's business within the Board approved direction/framework. The following are the members of the Committee:

| | | |
|----|-----------------------|----------|
| 1. | Mr. B. Suresh Kumar | Chairman |
| 2. | Mr. B. Satish Kumar | Member |
| 3. | Mr. B. Suresh | Member |
| 4. | Mr. V. V. Krishna Rao | Member |
| 5. | Mr. C. Siva Prasad | Member |

The minutes of the Committee meetings are placed before the Board for its approval/ confirmation.

(v) The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement.

(vi) The Company has not adopted any of the non-mandatory requirements except the remuneration committee as mentioned in **Annexure I D** of Clause 49 of the Listing Agreement.

(vii) The shareholding of the Non –Executive Directors in the Company as on 31st March 2009 are as under:

| | | |
|----|-------------------------|----------|
| 1. | Mr. S.K.S. Narayan | NIL |
| 2. | Mr. V. V. Krishna Rao | 6,43,736 |
| 3. | Mr. R. Ramachandra Rao | 10,300 |
| 4. | Mr. M. Venkateswara Rao | NIL |
| 5. | Mr. C. Siva Prasad | 1,000 |
| 6. | Mr. K. Krishna Rao | NIL |

(viii) As required under Clause 49 of the Listing Agreement, the Auditors' certificate is given as an annexure to the Directors' Report.

(ix) As required under Clause 49 of the Listing Agreement, the certificate issued by the Managing Director is provided elsewhere in the Annual Report.

8. Means of Communication:

(i) The Company does not send the quarterly results to each household of shareholders as the quarterly results are intimated to the Stock Exchanges.

(ii) The Company's quarterly, half yearly and annual results are published in prominent daily newspapers such as 'The Business Standard' & 'The Economic Times (English) and 'Eenadu' & 'Andhra Bhoomi' (Telugu).

(iii) The Company posts all the vital information relating to the Company and its performance on the web site www.seil.co.in for the benefit of the shareholders and public at large.

(iv) During the year no presentations were made to any institutional investors or to the analysts.

(v) The Management Discussion and Analysis Report is attached and forms part of the Annual Report.



9. GENERAL SHAREHOLDER' INFORMATION:

i) 10th Annual General Meeting:

Date : **30th September, 2009**
 Time : **11.45 A.M**
 Venue : **Hotel Katriya De Royal, Dynasty Hall – I,
 # 6-3-870, Balayogi Paryatak Bhavan,
 Begumpet, Hyderabad – 500 082
 040 – 2341 1718, 4013 1111**

ii) Financial Calendar for 2009-10 : The following are tentative dates:

First Quarter results : **31st July, 2009**
 Second Quarter/ Half yearly results : **4th week of October, 2009**
 Third Quarter results : **4th week of January, 2010**
 Annual results for 2009-10 : **4th week of April, 2010**
 AGM for the year 2009-10 : **4th week of September, 2010**

iii) Dates of Book Closure : **29th September, 2009 to 30th September, 2009 (both days inclusive)**
 for payment of dividend

iv) Dividend Payment Date : **On or after 10th October, 2009**

v) Listing on Stock Exchanges : **Bombay Stock Exchange Ltd, (BSE)**
P.J Towers, Dalal Street, Mumbai – 1
The Hyderabad Stock Exchange (HSE)
6-3-654, Somajiguda, Hyderabad – 82
The Calcutta Stock Exchange (CSE)
7, Lyons Range, Kolkata - 1

vi) Stock Code/Symbol : **BSE : 590037/STEELXIND**
HSE : 6375/PYXIS;
CSE : 26498/PYXIS

vii) Market Price Data :

The Securities of the Company are actively traded in the Bombay Stock Exchange Ltd, Mumbai in the IndoNext Segment. The monthly high/low prices of share of the Company and number of shares traded during each month on the Stock Exchange, Mumbai are given below:

| Month & Year | Price BSE – IndoNext | | Index BSE SENSEX | | Total No of Shares Traded |
|----------------|-------------------------|-----------|---------------------|-----------|---------------------------------|
| | High (Rs.) | Low (Rs.) | High | Low | |
| April – 08 | 79.70 | 50.55 | 17,480.74 | 15,297.96 | 2718103 |
| May – 08 | 74.80 | 63.55 | 17,735.70 | 16,196.02 | 1511954 |
| June – 08 | 71.00 | 40.10 | 16,632.72 | 13,405.54 | 770708 |
| July – 08 | 65.20 | 36.00 | 15,130.09 | 12,514.02 | 1970556 |
| August – 08 | 72.15 | 52.60 | 15,579.78 | 14,002.43 | 930103 |
| September – 08 | 61.70 | 33.30 | 15,107.01 | 12,153.55 | 606519 |
| October – 08 | 37.50 | 13.05 | 13,203.86 | 7,697.39 | 719429 |
| November – 08 | 27.85 | 15.15 | 10,945.41 | 8,316.39 | 544147 |
| December – 08 | 20.00 | 13.30 | 10,188.54 | 8,467.43 | 580283 |
| January – 09 | 20.30 | 14.40 | 10,469.72 | 8,631.60 | 333807 |
| February – 09 | 16.50 | 13.15 | 9,724.87 | 8,619.22 | 262561 |
| March – 09 | 16.04 | 10.55 | 10,127.09 | 8,047.17 | 921483 |

Source: www.bseindia.com



viii) Registrar and Share-Transfer Agents:

The Company has engaged the services of Venture Capital and Corporate Investments Limited, Hyderabad, a SEBI registered Registrar, as their Share Transfer Agent (RTA) for both physical and electronic segment and can be contacted by the Investors at the following address:

M/s Venture Capital and Corporate Investments Private Limited,

12-10-167, Bharatnagar, Hyderabad – 500 018.

Telephone: +91 – 40 – 23818475 / 76

Fax: +91 – 40 – 23868024

Email: info@vccilindia.com

ix) Share Transfer System:

The Company's shares are traded in the Stock Exchanges compulsorily in demat form. The Share Transfer Committee approves the transfer of shares in the physical form and the share transfers are registered and returned within the stipulated time, if the documents are clear in all respects.

x) Distribution of Shareholding as on 31st March, 2009:

| No of Shares | Shareholders | | Shares | |
|----------------|---------------|---------------|--------------------|---------------|
| | Number | % of Total | Number | % of Total |
| 1 – 500 | 10,886 | 84.16 | 18,90,007 | 5.74 |
| 501 – 1,000 | 1,083 | 8.37 | 9,12,115 | 2.77 |
| 1,001 – 2,000 | 461 | 3.57 | 7,35,694 | 2.24 |
| 2,001 – 3,000 | 173 | 1.34 | 4,42,411 | 1.34 |
| 3,001 – 4,000 | 70 | 0.54 | 2,52,048 | 0.77 |
| 4,001 – 5,000 | 78 | 0.60 | 3,76,151 | 1.14 |
| 5,001 – 10,000 | 71 | 0.55 | 5,39,392 | 1.64 |
| 10,001 & above | 113 | 0.87 | 2,37,63,092 | 84.36 |
| Total | 12,935 | 100.00 | 3,29,10,910 | 100.00 |

xi) Category-wise Distribution of Shareholding as on 31st March 2009:

| Category | No. of shares held | Percentage of shareholding |
|--|--------------------|----------------------------|
| A) PROMOTER'S HOLDING | | |
| Promoters | | |
| - Indian Promoters | 93,04,152 | 28.27 |
| - Foreign Promoters | 2,12,200 | 0.64 |
| - Bodies Corporate | 26,25,000 | 7.98 |
| Sub-Total | 1,21,41,352 | 36.89 |
| B) NON-PROMOTER'S HOLDING | | |
| a. Banks, Financial Institutions (APIDC) | 3,00,000 | 0.91 |
| b. Private Corporate Bodies | 19,99,130 | 6.08 |
| c. Indian Public | 1,83,68,004 | 55.81 |
| d. NRIs/OCBs | 1,02,424 | 0.31 |
| Sub-Total | 2,07,69,558 | 63.11 |
| GRAND TOTAL (A+B) | 3,29,10,910 | 100.00 |

**xii) Dematerialisation of Shares and liquidity:**

As on 31st March, 2009, 1,38,19,104 shares representing 41.99% were held in dematerialised form. The balance 1,90,91,806 shares representing 58.01% were in physical form.

The Company's shares are compulsorily traded in dematerialised form and the shares are regularly traded on Bombay Stock Exchange Limited, Mumbai (BSE) in the IndoNext segment. The ISIN Number allotted for the Equity shares is **INE503B01013**.

xiii) Outstanding GDRs/ ADRs/ Warrants or any Convertible Instruments, conversion date and likely impact on equity:

As on 31st March 2009, 34,89,090 Share Warrants of the Company allotted at a price of Rs. 29/- (including a premium of Rs.19/- per warrant) to M/s Umashiv Garments Pvt Limited of Rs. 10/- each of the Company are yet to be converted into equity shares of Rs.10/- each. The paid up equity capital of the Company will increased to Rs. 36,40,00,000 consisting of 3,64,00,000 equity shares of Rs. 10/- each after the conversion of share warrants into equity shares.

xiv) Unclaimed Dividend

The dividend for the years 2004-05, 2005-06, 2006-07 & 2007-08, which remains unclaimed by the shareholders, is requested to claim immediately or contact the Company. The dividend, which remains unclaimed for a period of seven years from the date of declaration, will be transferred to Investor Education & Protection Fund under Section 205C of the Companies Act, 1956.

xv) Plant Locations:**1. Power Plant & Steel Melting Division**

Opp: Mandapalli New Bridge, Kothapeta (V & M) – 533 223 East Godavari (Dt). Andhra Pradesh.

Telefax: +91 – 8855 – 244406

2. Rolling Division – 1

Simhadri TMT Steels, Plot No 1, I.D.A., Edulapaka Bonangi, Paravada (Mandal), Visakhapatnam (Dt) – 531 201 Andhra Pradesh.

Telephone: +91 – 8924 – 247055 Fax: +91 – 8924 – 247685

3. Rolling Division – 2

Survey No 594/1, 1B, Reddypalem, Pernamitta Village, Ongole Rural Mandal, Prakasham (Dt), Andhra Pradesh.

4. Wire Drawing Division – Unit – 1

Plot No. 27, IDA, Block-E, Auto Nagar, Visakhapatnam – 530 012, Andhra Pradesh.

Telephone: +91 – 891 – 2587574

5. HC Wire Products & Galvanised Wire Division – Unit – 2

Plot No.17 & 18, IDA, Block-E, Auto Nagar, Visakhapatnam – 530 012, Andhra Pradesh.

Telephone: +91 – 891 – 2587574 Fax: +91 – 891 – 2766437

6. Software Division

Pyxis Technology Solutions, Unit No – 2, SDF Block No. 1, VSEZ, Visakhapatnam – 530 046, Andhra Pradesh.

Telephone: +91 – 891 – 2749142

7. Sponge Iron Division

Maliveedu, Lkota Mandal, Vizianagaram Dist, Andhra Pradesh.

xvi) Address for Correspondence: Investor correspondence may be addressed to:**Registrars and Share Transfer Agents:****M/s Venture Capital and Corporate Investments Pvt Limited,**

12-10-167, Bharatnagar, Hyderabad – 500 018.

Telephone: +91 – 40 – 23818475 / 76 Fax: +91 – 40 – 23868024

Email: info@vccilindia.com

Company: The Company Secretary, Steel Exchange India Limited,

303, My Home Laxmi Nivas, Green lands, Ameerpet, Hyderabad – 500 016

Telephone: +91 – 40 – 23403725 Fax: +91 – 40 – 23413267

Email: cs@seil.co.in

DECLARATION

As stipulated under Clause 49 (I D) (ii) of the Listing Agreement, all Board members and senior management personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the financial year ended 31st March 2009.

Place: Hyderabad

Date: July 31, 2009

B. Satish Kumar

Chairman & Managing Director

**MANAGEMENT DISCUSSION AND ANALYSIS****Industry Structure and Developments:**

World crude steel production reached 1,329.7 million metric tons for the year of 2008. This is a decrease of 1.2% compared to 2007. 2008 is the second consecutive year that world steel production has been over 1,300 million tons.

China remained the world's largest Crude Steel producer in 2008 also (500.5 million tons) followed by Japan (118.7 million tons) and USA (91.4 million tons). India occupied the 5th position (55.2 million tons). (Source: International Iron and Steel Institute (IISI))

Steel production declined in nearly all the major steel producing countries and regions including the EU, North America, South America and the CIS in 2008. However, Asia, in particular China and the Middle East showed positive growth in 2008. Worldwide steel production has shown an acceleration of negative growth from September 2008 to year end.

Top 10 Steel-producing Countries:

| Country | 2008 | | 2007 | |
|----------------------|---------------|-------|--------------|-------|
| China | 1 | 500.5 | 1 | 494.9 |
| Japan | 2 | 118.7 | 2 | 120.2 |
| United States | 3 | 91.4 | 3 | 98.1 |
| Russia | 4 | 68.5 | 4 | 72.4 |
| India | 5 | 55.2 | 5 | 53.1 |
| South Korea | 6 | 53.6 | 6 | 51.5 |
| Germany | 7 | 45.8 | 7 | 48.6 |
| Ukraine | 8 | 37.1 | 8 | 42.8 |
| Brazil | 9 | 33.7 | 9 | 33.8 |
| Italy | 10 | 30.6 | 10 | 31.6 |
| World | 1330 | | 1346 | |
| World – China | 829.50 | | 851.1 | |

Source: IISI)

China became the first country ever to produce more than 500 mmt in one year. China's crude steel production in 2008 reached 500.5 mmt, an increase of 2.3% on 2007. Production volume in China has more than doubled within five years, from 222 mmt in 2003. China's share of world steel production continued to grow in 2008 producing 38% of world total crude steel. China remained as the net exporter in 2008 also.

Other BRIC (Brazil, Russia, India and China) countries showed mixed trends as India recording 3.95% growth, Brazil's growth was flat and 5.4% decrease in case of Russia. The BRIC share of world production has been growing rapidly since 2000. It has grown from 31% of total in 2001 to 49.5% in 2008.

India produced 55.2 million tons of crude steel in 2008, a growth of 5.4% over previous year's production of 53.1 million tons. The apparent domestic consumption of finished mild steel during the year was 52.6 million tons as compared to 50.8 million tons during the previous year.

The global economic conditions deteriorated sharply during the year 2008 with European and American economies experiencing their sharpest declines. The global financial environment entered a crisis phase in mid-September 2008, following the growing distress among large international financial institutions. The adverse effects of these unprecedented global developments became evident in the economic performance of the Indian economy, particularly in the second half of 2008-09. The Indian economy, which was on a robust growth path up to 2007-08, averaging at 8.9 per cent during the period 2003-04 to 2007-08, witnessed moderate fall in the first half of 2008-09 but sharper in the second half.

The global steel industry has not escaped the current economic downturn and has rapidly responded with production cuts but the industry is in a much better position to manage these events than ever before. The industry has become more efficient and is better prepared to deal with market turbulences thanks to the global restructuring and consolidation that took place over the last 15 years.

The long term prospect for the global steel market remains strong. The speed of growth might have slowed down but the industry will continue to grow in different ways. Consolidation in China will accelerate reinforcing its position in the global market. Capacity expansion will continue in emerging markets with a steady growth in steel demand in all sectors. As the market fundamentals return, market prices will re-establish a clear link between steel prices and costs. 2009 certainly brings interesting times but at worst only a temporary lull in a strong dynamic future for the next decades for the steel industry.

In India, the production of crude steel in 2008-09 was 55.2 million metric tons as against 53.1 million metric tons in 2007-08. This is indeed an achievement in light of overall contraction in steel output at global level. This has been made possible due to a very robust growth during April–September, 2008. Demand of steel products slumped in line with global trend leading to production cut during the second half of 2008-09 by almost all main producers. Steel prices have come down by more than 40%. Demand is slackening due to slump in the construction industry, automobile, and many other sectors which consume steel. The pressure on prices/margins is likely to escalate in view of slackening demand and the hike in cost of raw materials.

The first half of fiscal 2008-09 witnessed an unprecedented demand spurt on account of expanding oil and gas sector, large infrastructure spend and higher disposable incomes triggering demand in housing/ Consumer durables/Auto sectors. Finished steel consumption growth slackened significantly in the third quarter of 2008-09 due to the domino effect of the global financial crisis on the Indian financial markets. Although the steel demand fell during the third quarter of fiscal 08-09 mainly due to tight liquidity conditions following the various monetary and fiscal initiatives announced by Reserve Bank of India and the Central government the demand started picking up during fourth quarter of fiscal 2008-09.

The following are the main reasons for such smart recovery

- Timely announcement of monetary and fiscal stimulus measures with a focus on infrastructure and consumer spending.
- High density of semi-urban and rural demography, that was relatively unaffected by global turmoil, coupled with rising affordability due to the falling inflation.
- Inventory levels nearly bottomed out at the producer, user and dealer level – creating fresh demand.
- Opportunity to substitute imports with domestic supplies.

With a series of mega projects – either being implemented or at the proposal stage, which once operational will re-write the structure of steel industry and its dynamics, the future of Indian Steel industry is definitely optimistic. This, in fact, is reflected in the projections for the 11th Plan Period, which indicate that for finished non-alloy steel, domestic steel demand would reach 70 million tons and steel supply would touch 77 million tons by the end of the terminal year of 11th Plan, i.e. 2011-12. These would represent 40% and 66% growth rates respectively as compared to 2007-08, the first year of the 11th Plan period.

A Steel Price Monitoring Committee has been constituted by the Ministry of Steel. The Committee will monitor price movements of various categories of steel product, discuss and analyze the variations, formulate strategy regarding future price based on an adaptive model and recommend strategies vis-à-vis steel production, consumption and trading.

Opportunities & Threats:

Steel consumption in India is growing at a rate of more than 10%, a trend that is likely to persist as the nation enters into a steel intensive phase of development. The 11th Five Year Plan has given a major thrust on the infrastructure sector with the total spending planned at around US \$ 500 billion by 2012. Mega projects in the power, energy, ports, railways and surface transportation sectors, plans for rural infrastructure like Bharat Nirman, allocation for which was raised to Rs. 31,280 crore and building over 2 lakh kilometers of National Highways by 2010, present an unprecedented opportunity



for the steel industry which is expanding and modernizing day by day to cater to the emerging demand. India is emerging as a major hub, both for the automobile and for the auto components sector. The water supply and oil & gas sectors are the other segments where there is a large growth potential.

The recessionary business environment while imposing a great challenge has also led to new pockets of opportunity. All the companies that are in the midst of expansion plan can take up capital projects at much more competitive rates than feasible earlier. With a number of companies deferring their projects in the wake of uncertain demand, the competition in the equipment supplying industry has intensified, leading to reduction in project cost. Lowering of commodity and metals prices is also going to bring down the cost of capital projects.

Government's emphasis on infrastructure spending in order to stimulate economic growth would keep demand healthy. Further, real estate activity is also expected to pick up in the second half of 2009-10 due to low interest rates and fall in property prices. This will create new demand for steel products.

India's per capita steel consumption continued to be low at 46 kg compared to global average of 198 kg in 2008. The National Steel Policy aspires to double the rural per capita steel consumption to 4 kg per person in the next few years. This will present an attractive opportunity for the industry to expand the existing capacities and create further green field capacities, considering that around 70% of the Indian population is rural.

With significant excess capacity in the global steel industry during 2009 there is a threat of dumping cheap steel to India which is likely to be the only major steel consuming nation with a positive growth. Clearance and renewal of mining lease, which involve multiple agencies at the State and Central levels, are an area of concern. Delay in opening new mines, and / or expanding existing mines may constrain raw materials availability, thereby impacting growth in saleable steel production, and overall economics of operation. Law and order situation in mining areas in some of the states is also a cause of concern for smooth operations in remote areas.

The threats for your Company would come from adverse fluctuations in input and capital costs, foreign exchange variations and taxes and duties. The buoyancy in the Iron & Steel Sector has attracted many players, resulting in reduced availability of skilled manpower and contractor workforce.

Risks and Concerns:

The year 2008-09 has witnessed historical high prices for inputs for steel making. Prices of iron ore and coking coal have been purchased at levels unimaginable only some time back. High cost of industrial raw materials will increase the marginal cost of production of steel and, therefore, the price of the metal in the market. At these prices steel may come under threat of substitution as end users look for cheaper options. Inordinate delay in clearance of mines by the Government may lead to shortage of input materials for steel making and thereby impact the growth of the sector.

The availability of quality Scarp, raw materials linkage, volatility in prices of key inputs and in the steel prices in the international market will be the major concerns, as these would impact the domestic steel prices.

The availability of TMT Bars, Wire Rods and other steel products in which the Company deals has increased as numerous small players have entered the sector. This could affect the realisation from these products. Delay in implementation of proposed expansion plans could lead to opportunity loss in revenue generation and rise in costs.

General economic slowdown is anticipated to be long drawn with earliest recovery anticipated around October, 2009. The recovery in steel sector may also take a longer time. Excess capacity during this period will put pressure on the margins in the steel business. The process of clearance of mining leases, in the country needs to be streamlined. As development of mines takes place over a number of years, delayed clearances may impact the overall economics of operations for the company.

Steel making is a raw materials intensive process. Each tonne of finished steel involves transportation of 4 tonnes of materials. Infrastructure cost in India is higher than international benchmarks. To have internationally competitive steel industry it is essential that infrastructure cost comes down in future. In the current scenario, slowdown in demand from Automotive and construction sector is posing a big concern for the Indian steel industry. Steel capacity developments in



India and China, production dynamics in China and the possible slowdown in China's steel consumption leading to a surge of steel into the country are other concerns. Proposals of various countries specially China with respect to steel export tariffs and safeguard measures initiated in key importing countries might have serious implications for the Indian steel producers.

Outlook:

The steel industry continues to be under demand and margin pressure through out the world. Indian economy was largely affected by slump in demand in United States of America and Europe. Early indications show that world economy is moving towards recovery. Government of India and Reserve Bank of India have given some fiscal and financial stimulus packages for improving demand and fund availability of banks but its effects will take some time to percolate down and create ripple effect.

However, during April and May, 2009, the world economy and particularly the economy in India have shown signs of recovery and it is hoped that with the stabilization of financial sector in United States and Europe, the recovery will accelerate. India is the only major economy expected to show positive growth in steel use in 2009. Indian consumption is forecast to grow about 2%. The first signs of recovery in the steel industry were evident in the production and sales trend during Jan-March'09. Encouraged by the buoyant demand from the infrastructure sector and slight revival in the auto industry, the steel sector raised production in January'09 by 1.6% as compared to declines recorded in the previous two months. The improved demand scenario is expected to continue in 2009-10. Production of finished steel for April-June 2009 was 3.06 million tonnes a growth of 4% over same period last year, while consumption of steel recorded a growth of 5.2 % over April-June 2008. All the sectors of economy including steel sector in India are expected to come out of recessionary trends during the current financial year.

Despite the concerns, the outlook of the Indian Steel Industry continues to be bright and challenging. Your Company proposes to continue its efforts to increase revenues, margins and manufacturing base in the current year. The ongoing Expansion plans of setting up of Rolling Mill and SMS plant will be completed in a phased manner by 2009-10 by which time the world economy is expected to be back on rails and the then demand of steel will fully consume the increased production.

Segment wise Performance:**1) Trading Division**

The Trading division deals with a wide range of products from Sponge Iron to semi and finished steel products. The division has been primarily responsible for developing the marketing base for the company throughout the coastal region of Andhra Pradesh, and establishing stock yards in Bangalore, Chennai & Cochin. The division deals with the products manufactured by RINL (Vizag Steel), its own manufacturing divisions and other manufacturers for special products.

The division recorded a growth of 14.28% with turnover of Rs.458.69 crores for the year ended 31st March 2009 compared to Rs.401.37 crores in the previous year. The growth rate was lower due to decrease in demand for the steel products and also sharp fall in the prices of various steel products. About 68% of the total turnover of the Company came from this division.

2) Steel Melting Division (Capacity – 90,000 TPA)

This manufacturing division manufactures ingots using sponge iron and scrap / pig iron. The unit also has an 8 MW power generation capacity using natural gas for captive consumption. The total production was about 24,600 tons in 2008-09 compared to 52,300 tons in the previous year representing about 27% capacity utilisation. About 13,000 tons was used for captive consumption by the rolling divisions of the company. Due to strong fall in steel prices, lack of demand due to uncertainties in the market and high input costs, the operations were carried out at very low levels. The company now produces ingots mostly using sponge iron.

The division reported a turnover of Rs. 57.71 crores including Rs. 17.48 crores from the sale of power (net of excise duty of Rs.5.81 crores) for the year as against Rs.67.45 crores (net of excise duty of Rs.18.84 crores) in the previous year.

**3) Rolling Division - 65,000 TPA**

This division of the Company has two Rolling units producing TMT bars and Steel Rebars. The unit located at Parwada, Visakhapatnam has the capacity of 45,000 TPA and the TMT bars produced are sold under the well established brand name **Simhadri TMT Bars**. The other unit is located near Ongole and has a capacity of 20,000 TPA. The total production from these units was about 31,600 tons compared to about 37,700 tons in the previous year. The production was lower as the unit at Ongole has been given on lease with eventual plans to hive it off for logistical reasons and also keeping in view of the proposed setting up of a modern 2,25,000 TPA Rolling Mil. The Company continued the agreement with SAIL for conversion of billets into rebars.

The division reported a turnover of Rs. 102.86 crores (net of excise duty of Rs.11.43 crores) as against Rs. 97.42 crores (net of excise duty Rs.13.77 crores) in the previous year.

4) Wire Drawing and HC Wire Products & Galvanised Wire Division:

The two units of this division produce MS wire products, High Carbon steel wire products and Galvanised wire products. This division reported a turnover of Rs.58.85 crores (net of excise duty of Rs. 6.85 crores) as against Rs.44.01 crores (net of excise duty Rs.8.27 crores) in the previous year. The turnover of this Division increased mainly due to the full year of operations of the 24,000 TPA HC wire drawing unit. The Management will continue its efforts to maximise the revenues from this division in the current year as there is a good demand for these products and also the products of the Company are well received in the market.

5) Pyxis Software Division:

This division of the Company deals with the development of software, software products etc and has reported a turnover of Rs. 0.23 crores as against Rs. 0.07 crores in the previous year.

6) Sponge Iron Division – 2,25,000 TPA

This division was taken on lease from GSAL (India) Limited w.e.f 1st October 2008 and manufactures sponge iron. This division is located at Maliveedu, L.Kota Mandal, Viziznagaram District has a capacity of 2,25,000 TPA The division reported a turnover of Rs. 5.51 crores (net of excise duty of Rs. 0.40 crores) for the year under review.

Financial Performance**1) Share Capital**

During the year under review, the paid up equity share capital of the Company was increased from Rs. 20,03,59,100 to Rs. 32,91,09,100 comprising of 3,29,10,910 Equity Shares of Rs. 10/- each with the issue and allotment of 1,28,75,000 Equity Shares of Rs.10/- each of the Company at a price of Rs.29/- per share on 27th March, 2009 to M/s Umashiv Garments Private Limited (Promoter Group Company) and Others on preferential basis.

2) Reserves and Surplus

For the year ended 31st March 2009, the Reserves and Surplus has gone up from Rs. 43.35 crores to Rs. 72.76 crores. Out of the profits after tax of the current year, Rs.25.00 lakhs has been transferred to General Reserve and after providing for Dividend and dividend tax, Rs. 24.11 crores has been retained in the Profit and Loss Account.

3) Secured Loans

There has been an increase in Secured Loans from Rs.69.27 crores to Rs.114.55 crores. The increase is mainly due to availing of higher working capital facilities from the Banks.

4) Unsecured Loans

There has been an increase in Unsecured loans from Rs. 11.08 crores to Rs. 47.29 crores because of credit facilities availed from the Banks and others to fund the ongoing acquisition/expansion plans.

**5) Fixed Assets**

During the year, there was a net increase of Rs. 6.38 crores in Fixed Assets (Gross Block) primarily on account of addition of Plant & Machinery and Building works.

Operational Performance**1) Income**

The income of the Company stood at Rs.683.85 crores for the year ended 31st March 2009 as against Rs. 610.33 crores in the previous year, registering a growth of 12.05%. The Company has achieved higher turnover mainly due to increase in the trading activity.

2) Direct Cost & Overheads

The Direct Cost for the year under review works out to Rs. 643.01 crores as against Rs. 590.03 crores in the previous year. Overheads comprising of staff costs, administration and selling expenses were higher at Rs. 22.78 crores for the year under review as against Rs. 9.83 crores in the previous year. The Company will continue its efforts to minimise the costs and overheads in the current year.

3) Interest Cost

For the year under review, the interest and financial charges were Rs.25.25 crores representing 3.69% of the turnover as against Rs.15.07 crores representing 2.47 % of the turnover in the previous year. The increase in the interest cost is due to availing of various credit facilities by the Company during the year under review and higher interest rates charged by the banks.

4) Depreciation

The Company has provided depreciation of Rs. 2.83 crores representing 0.41 % of the turnover for the current year as against Rs. 2.86 crores representing 0.47 % of the turnover in the previous year.

5) Provision for Tax

The Company has provided a sum of Rs.1.84 crores as current tax and fringe benefit tax for the year and a sum of Rs.1.32 crores towards deferred tax. The Company has also provided a sum of Rs.0.57 crores towards Corporate tax on Dividend for the year under review.

6) Net Profit

The operations for the year under review have resulted in a Net Profit of Rs.4.79 crores as against Rs.15.23 crores for the previous year, representing a decrease of 68.57 % over the previous year. The reasons for decrease in the net profit are mainly attributable to sharp fall in the steel and steel scrap prices in the international as well as the domestic markets, global economic crisis, sharp devaluation of Rupee and pressure on the margins.

7) Dividend

For the year under review, the Board of Directors recommended a dividend of 10% on Equity shares, which works out to Rs.3.29 crores, and also a dividend of 10.25 % on Preference shares, which works out to Rs.0.06 crores.

Internal Controls & Their Adequacy

The Company has in place adequate systems of internal control commensurate with its size and nature of its business. These have been designed to provide reasonable assurance that all assets are safeguarded and protected against loss from unauthorised use or disposition and that all transactions are authorised, recorded and reported correctly.

The internal control systems are reviewed at regular intervals by the Audit Committee and corrective actions are initiated whenever deemed necessary. The Committee also meets the Company's Statutory Auditors to ascertain, interalia, their views on the adequacy of internal control systems of the Company and keeps the management informed of its major observations.



Human Resources Development and Industrial Relations

In this era of globalisation, the industrial scenario is changing frequently, forcing the organisation to develop its human resources and enable them to adapt to contemporary technological advancements to achieve the goals of the Organisation.

To sustain in this competitive and challenging environment, the Company believes that the quality of its employees is the key to its success and is committed to provide necessary human resource development and training opportunities to develop themselves. The Management firmly believes that business cannot grow without utilising the potential of its human resources. The Company is committed to provide conducive working environment to its employees, fully utilising their potential and enhancing their skills through cross functional exposure, training and development, sharing information and experiences.

Employee relations during the year continued to be cordial and your Company is committed to maintain good relations. The Board of Directors and the Management wish to place on record their appreciation of the efforts put in by all employees at all levels. The total number of employees is about 450 (including Sponge Iron Divison) as on 31st March 2009.

Cautionary Statement

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

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
STEEL EXCHANGE INDIA LIMITED

We have examined the compliance of conditions of Corporate Governance by Steel Exchange India Limited ("the Company") for the year ended on 31st March, 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 was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

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

For **G.P.ASSOCIATES**
Chartered Accountants

CA. P.A. RAMAIAH
Partner
M. No.: 203300

Place: Hyderabad
Date: July 31, 2009



AUDITORS' REPORT

To
The Members of
STEEL EXCHANGE INDIA LIMITED

We have audited the attached Balance Sheet of STEEL EXCHANGE INDIA LIMITED as at 31.03.2009 and also the Profit and Loss Account 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.

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 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.

As required by the Companies' (Auditor's Report) Order, 2003, issued by the Central Government of India, in terms of Section 227(4A) of the Companies Act' 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.

Further to our comments in the annexure referred to 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 purpose of our audit.
- b) In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of those books.
- c) The Balance Sheet and Profit & Loss account dealt with by this report are in agreement with the books of account.
- d) In our opinion, the Balance Sheet and Profit and Loss account dealt with by this report comply with the mandatory Accounting Standards referred to in Sub-Section 3(C) of Section 211 of the Companies Act' 1956.
- e) On the basis of the 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 read in conjunction with the schedule annexed therewith and **subject to Note No.8 of Schedule - 19 regarding non provision of doubtful debts**, 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 of the Company 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 **G.P.ASSOCIATES**
Chartered Accountants

CA. P.A. RAMAIAH
Partner
M. No.: 203300

Place: Hyderabad
Date: 27.06.2009



ANNEXURE TO AUDITORS' REPORT

STEEL EXCHANGE INDIA LIMITED

Referred to in paragraph 3 of our report of even date,

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
(b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its business. No material discrepancies were noticed on such physical verification.
(c) According to information and explanations furnished to us the company has not disposed off a substantial parts of fixed assets during the year.
2. (a) The inventories have been physically verified by the management during the year at reasonable intervals.
(b) The procedures of physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The company has maintained proper records of inventories and discrepancies noticed on physical verification of inventories as compared to book records were not material.
3. The Company has neither granted nor taken any loans to/from companies, firms or other parties covered in the Register, maintained under Section 301 of the Companies Act, 1956; The other clauses of 4(iii)(b)(c)(d) are not applicable to the Company;
4. In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventories, fixed assets and for the sale of goods.
5. (a) According to the information and explanation given to us we are of the opinion, that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
(b) In our opinion and according to the information and explanation given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 aggregating during the year to Rs.5,00,000/- or more in respect of any party have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanation given to us, the Company has not accepted any deposits as defined under section 58A of the Companies Act 1956.
7. In our opinion, the Company has an adequate internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the Books of Account maintained by the Company as prescribed by the Central Government for maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. However, we have not carried out a detailed examination of the accounts and records.
9. (a) According to the books and records of the company, the company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Customs Duty, Excise Duty, Cess and other statutory dues with appropriate authorities. According to the information and explanations given to us, there are no undisputed amounts payable in respect of such statutory dues which have remained outstanding as at 31st March, 2009 for a period exceeding six months from the date they became payable.



(b) Disputed Statutory dues such as sales Tax income tax has been disclosed in Point no 12 of Schedule 20.

| Name of the Statute | Nature of Dues | Amount in Rs. | Deposits/ Paid | Pending with |
|---------------------|------------------------------------|---------------|----------------|---|
| CST Act | Sales Tax of 1999-2000 | 16,61,238 | NIL | Sales Tax appellate Tribunal, Hyderabad |
| APGST Act | Sales Tax of 1999-2000 | 22,81,823 | NIL | Sales Tax appellate Tribunal, Hyderabad |
| APGST Act | Sales Tax of 2000-2001 | 75,89,631 | NIL | Sales Tax appellate Tribunal, Hyderabad |
| APGST Act | Sales Tax of 2001-2002 | 28,48,015 | 14,24,007 | Sales Tax appellate Tribunal, Hyderabad |
| CST Act | Sales Tax of 2002-2003 | 22,43,895 | 2,80,487 | Appl. Dy. Commissioner Visakhapatnam |
| Customs Act | Customs duty pertaining to 2003-04 | 54,35,648 | NIL | Hon'ble High Court of Andhra Pradesh |
| CST Act | Sales Tax of 2004-05 | 28,27,172 | 3,53,397 | Appl. Dy. Commissioner Visakhapatnam |

10. The Company has no accumulated losses and has not incurred cash losses in the current financial year and immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of its dues to banks and financial institutions.
12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
13. In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) order, 2003 are not applicable to the company.
14. In our opinion, the Company is not dealing or trading in shares, securities, debentures or other investments and hence, the requirements of clause 4(xiv) of the Companies (Auditor's Report) order, 2003 are not applicable to the Company.
15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks, and financial institutions.
16. In our opinion, the term loans have been applied for the purpose for which they were raised.
17. In our opinion and according to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that funds raised on short-term basis have been used for long-term investments. No long-term funds have been used to finance short-term assets.
18. The company has made a preferential allotment of share to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
19. No debentures have been issued by the company and hence, the question of creating securities in respect there of does not arise.
20. The company has not raised any money by way of public issues during the year.
21. On the basis of our examination 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 **G.P.ASSOCIATES**
Chartered Accountants

CA. P.A. RAMAIAH
Partner
M. No.: 203300

Place: Hyderabad
Date: 27.06.2009

**BALANCE SHEET AS AT 31.03.2009**

| PARTICULARS | Sch. No. | | As at 31.03.09 Rs. | | As at 31.03.08 Rs. |
|--|----------|---------------|----------------------|---------------|----------------------|
| SOURCES OF FUNDS: | | | | | |
| 1 Shareholders Funds: | | | | | |
| a) Share Capital | 1 | | 435,796,710 | | 246,561,100 |
| b) Reserves & Surplus | 2 | | 727,616,473 | | 433,520,673 |
| 2 Loan Funds: | | | | | |
| a) Secured Loans | 3 | | 1,145,455,042 | | 692,695,187 |
| b) Unsecured Loans | 4 | | 472,936,758 | | 110,807,260 |
| c) Deferred Tax Liability | | | 42,023,070 | | 28,833,580 |
| TOTAL | | | 2,823,828,053 | | 1,512,417,800 |
| APPLICATION OF FUNDS: | | | | | |
| 1 Fixed Assets: | 5 | | | | |
| a) Gross Block | | 666,613,559 | | 602,808,877 | |
| b) Less: Depreciation | | 152,577,009 | | 124,787,293 | |
| c) Net Block | | | 514,036,550 | | 478,021,584 |
| d) Capital Work in Progress | | | 313,916,814 | | 96,777,469 |
| 2 Current Assets, Loans & Advances: | | | | | |
| a) Inventories | 6 | 1,060,144,722 | | 957,086,841 | |
| b) Sundry Debtors | 7 | 1,107,206,236 | | 618,024,352 | |
| c) Cash & Bank Balances | 8 | 180,218,834 | | 149,074,733 | |
| d) Loans & Advances | 9 | 1,643,011,236 | | 612,818,063 | |
| | | 3,990,581,028 | | 2,337,003,989 | |
| Less: Current Liabilities & Provisions | 10 | 1,998,421,438 | | 1,404,326,393 | |
| Net Current Assets | | | 1,992,159,590 | | 932,677,596 |
| 3 Misc., Expenditure | 11 | | | | |
| (to the extent not written off or adjusted Deferred revenue expenditure | | | 3,715,099 | | 4,941,151 |
| TOTAL | | | 2,823,828,053 | | 1,512,417,800 |
| Notes to Accounts | 19 | | | | |

As per our report of even date
for **G. P. ASSOCIATES**
Chartered Accountants

for and on behalf of the Board

CA. P. A. RAMAIAH
Partner
M.No.203300

B. SATISH KUMAR
Managing Director

V.V. KRISHNA RAO
Director

Place : Hyderabad
Date : 27.06.2009

B.NARAHARI
Company Secretary



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2009

| PARTICULARS | Sch. No. | Year Ended 31.03.09 Rs. | Year Ended 31.03.08 Rs. |
|---|-------------|-------------------------------|-------------------------------|
| INCOME: | | | |
| Sales | 12 | 7,083,552,016 | 6,512,093,156 |
| Less: Excise duty | | 245,047,634 | 408,776,694 |
| | | 6,838,504,382 | 6,103,316,462 |
| Other income | 13 | 150,859,641 | 38,674,210 |
| Increase in Stock | 14 | 28,500,424 | 259,677,948 |
| | | 7,017,864,447 | 6,401,668,620 |
| EXPENDITURE: | | | |
| Manufacturing Expenses | 15 | 6,430,123,830 | 5,900,287,968 |
| Payments & Benefits to Employees | 16 | 46,706,487 | 29,520,310 |
| Administrative Expenses | 17 | 181,080,440 | 68,836,502 |
| Financial Charges | 18 | 252,521,697 | 150,747,854 |
| Depreciation | 5 | 28,279,165 | 28,566,864 |
| | | 6,938,711,619 | 6,177,959,498 |
| Profit Before Prior Period Items | | 79,152,828 | 223,709,122 |
| Less / (add) : Prior period adjustments | | (373,620) | (843,700) |
| Profit before tax | | 79,526,448 | 224,552,822 |
| Less: Provision For Tax | | | |
| a) Current Tax | | 17,500,000 | 67,500,000 |
| b) Fringe Benefit Tax | | 900,000 | 800,000 |
| c) Deffered Tax | | 13,189,490 | 3,888,944 |
| Profit after Tax | | 47,936,958 | 152,363,878 |
| APPROPRIATIONS | | | |
| Provision for | | | |
| a) Equity Dividend | | 32,910,910 | 20,035,910 |
| b) Preference Dividend | | 564,160 | 564,160 |
| c) Provision for Dividend Tax | | 5,689,088 | 3,500,982 |
| d) Transfer to General Reserve | | 2,500,000 | 10,000,000 |
| Profit after appropriation items | | 6,272,800 | 118,262,826 |
| Add: Brought forward profits | | 234,786,875 | 116,524,049 |
| Balance profit carried to balance Sheet | | 241,059,675 | 234,786,875 |
| Earning per share (face value Rs.10/-) | | 1.46 | 7.60 |
| Notes to Accounts | 19 | | |

As per our report of even date
for **G. P. ASSOCIATES**
Chartered Accountants

for and on behalf of the Board

CA. P. A. RAMAIAH
Partner
M.No.203300

B. SATISH KUMAR
Managing Director

V.V. KRISHNA RAO
Director

Place : Hyderabad
Date : 27.06.2009

B.NARAHARI
Company Secretary



SCHEDULES TO THE FINANCIAL STATEMENTS

| | As At 31.03.2009 (Rs.) | As At 31.03.2008 (Rs.) |
|--|------------------------------|------------------------------|
| SCHEDULE-1 | | |
| Share capital : | | |
| Authorised Capital | | |
| a) 4,90,00,000 equity shares of Rs.10/- each | 490,000,000 | 490,000,000 |
| b) 10.25% redeemable preference shares 10,00,000 of Rs.10/- each | 10,000,000 | 10,000,000 |
| | <u>500,000,000</u> | <u>500,000,000</u> |
| Issued, Subscribed & Paid Up Capital: | | |
| a) 3,29,10,910 (previous year 2,00,35,910) equity shares of Rs.10/- each (1,28,75,000 equity shares of Rs. 10/- each were allotted on 27.03.2009) | 329,109,100 | 200,359,100 |
| b) 10.25% redeemable Preference Shares 5,50,400 of Rs.10 each fully paid | 5,504,000 | 5,504,000 |
| c) Share warrants application money | 101,183,610 | 40,698,000 |
| | <u>435,796,710</u> | <u>246,561,100</u> |
| SCHEDULE-2 | | |
| Reserves and Surplus : | | |
| Capital reserve | 75,655,242 | 34,957,242 |
| General Reserve | 36,500,000 | 34,000,000 |
| Share Premium | 372,681,250 | 128,056,250 |
| Investment Allowance Reserve | 1,720,306 | 1,720,306 |
| Balance brought forward from P & L account | 241,059,675 | 234,786,875 |
| | <u>727,616,473</u> | <u>433,520,673</u> |
| SCHEDULE-3 | | |
| Secured Loans : | | |
| A) Term Loan from SBI, OB Vishakapatnam | | |
| a) FCNR term Loan | 51,201,474 | 58,377,000 |
| b) Rupee Term loan | - | 10,813,187 |
| B) Corporate Loan from APSFC | 35,000,000 | 47,000,000 |
| C) Working Capital Term Loan from APSFC | 16,845,000 | 26,505,000 |
| D) Working Capital Loan from SBI, OB, Vishakapatnam | | |
| a) FCNR Loan | - | 135,363,600 |
| b) Rupee Loan | 638,024,462 | 258,943,335 |
| c) Standby line of Credit | 32,000,000 | 20,000,000 |
| E) Working Capital Loan from Lakshmi Vilas Bank, Visakhapatnam | 110,876,442 | 70,462,150 |
| F) Working Capital Loan from ICICI Bank Limited | 29,250,197 | 35,230,915 |
| G) Working Capital Loan from Bank of India | 156,809,511 | - |
| H) Working Capital Loan from IDBI Bank Ltd | 44,968,742 | - |
| I) Working capital loan from Dhanalakshmi Bank Ltd | 30,479,214 | - |
| J) Working capital loans from Indus Ind Bank Ltd | - | 30,000,000 |
| | <u>1,145,455,042</u> | <u>692,695,187</u> |
| SCHEDULE-4 | | |
| Unsecured Loans : | | |
| a) Hire Purchase Loans | 37,489,028 | 10,603,292 |
| b) From Others | 385,114,180 | - |
| c) HSBC Channel Finance | 50,333,550 | 100,203,968 |
| | <u>472,936,758</u> | <u>110,807,260</u> |

SCHEDULE - 5
FIXED ASSETS AS AT 31.03.2009

| Name of the Asset | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|--------------------------|---------------------|---------------------------------|----------------------------|---------------------|--------------------|-------------------|----------------|--------------------|---------------------|---------------------|
| | As on 01.04.2008 | Additions During the Year | Deletions / Adjustments | As on 31.03.2009 | Upto 01.04.2008 | For the Year | Deletions | Upto 31.03.2009 | As on 31.03.2009 | As on 31.03.2008 |
| TANGIBLE ASSETS: | | | | | | | | | | |
| Land | 83,088,435 | - | - | 83,088,435 | - | - | - | - | 83,088,435 | 83,088,435 |
| Buildings | 88,472,054 | 7,125,146 | - | 95,597,200 | 9,566,842 | 2,999,458 | - | 12,566,299 | 83,030,900 | 78,905,213 |
| Plant & Machinery | 313,008,365 | 50,666,687 | - | 363,675,052 | 51,447,751 | 16,197,951 | - | 67,645,701 | 296,029,351 | 261,560,614 |
| Electrical Installations | 22,534,049 | 47,184 | - | 22,581,233 | 5,168,270 | 1,072,063 | - | 6,240,334 | 16,340,899 | 17,365,778 |
| Air Conditioner | 2,420,322 | - | - | 2,420,322 | 749,185 | 129,768 | - | 878,953 | 1,541,369 | 1,671,137 |
| Furniture | 7,955,727 | 194,714 | - | 8,150,441 | 2,855,573 | 511,363 | - | 3,366,936 | 4,783,506 | 5,100,154 |
| EDP Equipment | 19,463,470 | 259,130 | - | 19,722,600 | 16,580,154 | 1,013,978 | - | 17,594,132 | 2,128,468 | 2,883,316 |
| Office Equipment | 2,753,564 | 349,721 | - | 3,103,285 | 546,015 | 139,327 | - | 685,342 | 2,417,943 | 2,207,549 |
| Lab Equipment | 1,920,518 | - | - | 1,920,518 | 313,502 | 91,225 | - | 404,727 | 1,515,791 | 1,607,016 |
| Cranes & trucks | 9,366,582 | - | - | 9,366,582 | 1,866,109 | 787,472 | - | 2,653,581 | 6,713,001 | 7,500,473 |
| Vehicles | 20,440,179 | 1,893,997 | 1,178,337 | 21,155,839 | 4,442,914 | 2,070,308 | 489,450 | 6,023,772 | 15,132,067 | 15,997,265 |
| Rollers | 1,374,812 | 4,446,439 | - | 5,821,251 | 1,240,179 | 3,266,252 | - | 4,506,431 | 1,314,820 | 134,633 |
| INTANGIBLE ASSETS | | | | | | | | | | |
| Goodwill | 30,010,800 | - | - | 30,010,800 | 30,010,800 | - | - | 30,010,800 | - | - |
| Total | 602,808,877 | 64,983,018 | 1,178,337 | 666,613,559 | 124,787,293 | 28,279,165 | 489,450 | 152,577,008 | 514,036,550 | 478,021,584 |
| Previous Year Totals | 475,919,671 | 128,692,367 | 1,803,161 | 602,808,877 | 96,716,626 | 28,566,864 | 496,197 | 124,787,293 | 478,021,584 | 379,203,045 |



SCHEDULES TO THE FINANCIAL STATEMENTS (Contd.)

| | As At 31.03.2009 (Rs.) | As At 31.03.2008 (Rs.) |
|--|------------------------------|------------------------------|
| SCHEDULE-6 | | |
| Inventories: | | |
| (As certified by the Management) | | |
| Raw Material | 191,843,388 | 105,496,451 |
| Finished Goods | 794,334,150 | 765,833,726 |
| Consumables | 39,458,176 | 38,851,858 |
| Stores & Spares | 34,509,008 | 29,876,461 |
| Stock in transit | - | 17,028,345 |
| | <u>1,060,144,722</u> | <u>957,086,841</u> |
| SCHEDULE-7 | | |
| Sundry Debtors : | | |
| (Unsecured and considered good) | | |
| Outstanding for more than six months | 45,696,019 | 23,800,750 |
| Others | <u>1,061,510,217</u> | <u>594,223,602</u> |
| | <u>1,107,206,236</u> | <u>618,024,352</u> |
| SCHEDULE-8 | | |
| Cash & Bank Balances : | | |
| Cash on hand | 4,462,154 | 4,310,651 |
| Cash at Banks- in current accounts | 11,525,750 | 34,956,286 |
| Cash in Margin deposits | 163,245,613 | 98,764,937 |
| DD's in hand | <u>985,317</u> | <u>11,042,859</u> |
| | <u>180,218,834</u> | <u>149,074,733</u> |
| SCHEDULE-9 | | |
| Loans & Advances : | | |
| (Unsecured, considered good and Advances recoverable in cash or in kind or for value to be received) | | |
| Advance for Purchases | 122,662,803 | 140,172,594 |
| Advance for capital works | 934,192,347 | 303,110,422 |
| Other Advances | 450,743,687 | 100,665,921 |
| Deposits | 36,565,218 | 42,273,270 |
| TDS & Advance tax | <u>98,847,181</u> | <u>26,595,856</u> |
| | <u>1,643,011,236</u> | <u>612,818,063</u> |
| SCHEDULE-10 | | |
| Current Liabilities & Provisions : | | |
| Creditors for Capital Goods | 116,666,138 | 28,505,450 |
| Creditors for Purchases | 1,179,196,876 | 739,500,479 |
| Other Current liabilities | 29,787,483 | 360,536,729 |
| Advance from Customers | 546,906,783 | 183,382,683 |
| Provision for Tax including FBT | 86,700,000 | 68,300,000 |
| Dividend & Dividend Tax payable | <u>39,164,158</u> | <u>24,101,052</u> |
| | <u>1,998,421,438</u> | <u>1,404,326,393</u> |
| SCHEDULE-11 | | |
| Miscellaneous Expenditure : | | |
| (To the extent not written off or adjusted) | | |
| Deferred revenue expenditure | 4,941,151 | 6,588,201 |
| Additions | <u>526,248</u> | <u>6,588,201</u> |
| | <u>5,467,399</u> | <u>6,588,201</u> |
| less: 1/5th written off | <u>1,752,300</u> | <u>1,647,050</u> |
| | <u>3,715,099</u> | <u>4,941,151</u> |



SCHEDULES TO THE FINANCIAL STATEMENTS (Contd.)

| | Year Ended 31.03.2009 (Rs.) | Year Ended 31.03.2008 (Rs.) |
|--|-----------------------------------|-----------------------------------|
| SCHEDULE-12 | | |
| Sales: | | |
| Steel Products | 6,633,292,008 | 6,370,529,870 |
| Steel Exports | 148,492,929 | 96,124,594 |
| Software -Deemed exports | 2,267,151 | 754,869 |
| Conversion charges | 11,092,342 | 29,267,902 |
| Sales Incentives Received | 113,599,681 | 15,415,921 |
| Power | 174,807,905 | - |
| | <u>7,083,552,016</u> | <u>6,512,093,156</u> |
| SCHEDULE-13 | | |
| Other Income: | | |
| Miscellaneous income | 19,971,123 | 9,874,162 |
| Discounts, commissions and incentives received | - | 148,974 |
| Lease Rental Received | 6,000,000 | - |
| Profit on sale of Asset | - | 416,913 |
| Exchange fluctuation Gain | - | 4,108,322 |
| Interest | 124,888,518 | 24,125,839 |
| | <u>150,859,641</u> | <u>38,674,210</u> |
| SCHEDULE-14 | | |
| Increase / (Decrease) in Stocks: | | |
| <i>Opening Stock:</i> | | |
| a). Finished Goods | 765,833,726 | 506,155,778 |
| | <u>765,833,726</u> | <u>506,155,778</u> |
| <i>Closing Stock:</i> | | |
| a) Finished Goods | 794,334,150 | 765,833,726 |
| | <u>794,334,150</u> | <u>765,833,726</u> |
| Increase / (Decrease) in Inventory | <u>28,500,424</u> | <u>259,677,948</u> |
| SCHEDULE-15 | | |
| Manufacturing Expenses : | | |
| Opening Balance | 105,496,451 | 209,542,974 |
| Add : Purchases | 6,205,557,065 | 5,500,879,976 |
| | 6,311,053,516 | 5,710,422,950 |
| Less : Closing Stock | 191,843,388 | 105,496,451 |
| Raw Material Consumed | 6,119,210,128 | 5,604,926,499 |
| Consumables, Stores & Spares | 103,710,585 | 99,268,174 |
| Power & Fuel | 56,990,264 | 65,509,027 |
| Gas Charges | 54,756,999 | 52,220,982 |
| Repairs & Maintenance | 5,461,718 | 6,354,591 |
| Freight Charges | 68,934,130 | 45,860,401 |
| Loading & Unloading Charges | 1,659,532 | 883,925 |
| Contract Charges / labour | 18,309,284 | 24,994,693 |
| Royalty Expenses | 240,000 | 225,000 |
| Purchase commision | 851,190 | 44,676 |
| | <u>6,430,123,830</u> | <u>5,900,287,968</u> |
| SCHEDULE-16 | | |
| Payments & Benefits to Employees : | | |
| Salaries & Wages | 42,848,403 | 26,589,866 |
| Staff & Workers Welfare Expenses | 3,858,084 | 2,930,444 |
| | <u>46,706,487</u> | <u>29,520,310</u> |



SCHEDULES TO THE FINANCIAL STATEMENTS (Cond.)

| | Year Ended 31.03.2009 (Rs.) | Year Ended 31.03.2008 (Rs.) |
|--|-----------------------------------|-----------------------------------|
| SCHEDULE-17 | | |
| Administration, Selling & Distribution Expenses : | | |
| Advertisement charges | 1,939,924 | 2,653,104 |
| Discounts / Sales Commission | 42,905,800 | 12,542,278 |
| Business Promotion | 926,006 | 115,973 |
| Directors Remuneration | 6,160,868 | 4,586,004 |
| Electricity Charges | 670,087 | 774,925 |
| Freight & Handling Charges | 6,304,742 | 17,530,152 |
| Office Maintenance & Computer Maintenance | 1,320,603 | 248,487 |
| Postage, Telegram & Telephone Charges | 2,451,055 | 2,861,782 |
| Printing & Stationery | 914,428 | 1,192,901 |
| Gratuity | 938,564 | 2,260,155 |
| Professional Charges | 3,447,961 | 1,762,149 |
| Travelling & Conveyance | 2,702,673 | 2,496,330 |
| Vehicle Maintenance | 3,135,897 | 5,112,267 |
| Insurance | 3,004,200 | 1,819,314 |
| Rent | 1,105,066 | 1,110,804 |
| Rates & Taxes | 9,763,012 | 3,585,308 |
| Auditor Remuneration | | |
| a) Statutory Audit fee | 700,000 | 700,000 |
| b) Tax Audit Fee | 200,000 | 200,000 |
| c) Other Matters | 530,490 | 25,000 |
| Yard expenses | 1,447,167 | 1,780,892 |
| Security charges | 1,575,148 | - |
| Miscellaneous Expenses | 1,728,963 | 3,452,044 |
| Loss on sale of Vehicle | 210,887 | 379,583 |
| Packing Material | 900,393 | - |
| Exchange fluctuation loss | 84,344,206 | - |
| Deferred revenue expenditure written off | 1,752,300 | 1,647,050 |
| | <u>181,080,440</u> | <u>68,836,502</u> |
| SCHEDULE-18 | | |
| Financial Charges : | | |
| Interest on Bank Term Loan | 15,500,890 | 20,452,678 |
| Interest on Bank Working Capital Loans | 106,247,395 | 55,522,023 |
| Bank Charges & Commission | 89,136,934 | 52,428,562 |
| Other interest | 41,636,478 | 22,344,591 |
| | <u>252,521,697</u> | <u>150,747,854</u> |

**SCHEDULE – 19****NOTES TO THE ACCOUNTS****A. SIGNIFICANT ACCOUNTING POLICIES:****1. GENERAL**

The Financial Statements have been prepared under the historical cost convention in accordance with the provisions of the Companies Act' 1956 and accounting standards issued by the Institute of Chartered Accountants of India as adopted consistently by the Company. All the Income and Expenditure having a material bearing on the financial statements are recognized on accrual basis.

2. REVENUE RECOGNITION

Revenue from software development is recognized based on software developed and billed to the clients as per the terms of specific contracts. Revenue from the sale of software products is recognized when the sale has been completed with the passing of title. In case of fixed price contracts, revenue is recognized based on the specific terms of the contract. In case of other sales, the revenue is recognized as per commercial prudence.

3. EXPENDITURE

Expenses are accounted on accrual basis and provision is made for all known losses and liabilities. Expenses incurred on development of software are charged to revenue in the same year.

4. FIXED ASSETS

Fixed assets are stated at cost of acquisition minus the accumulated depreciation. Direct costs include financing cost relating to specific borrowing, attributable to fixed assets.

5. DEPRECIATION

Depreciation on fixed assets is provided using the straight line method, at the rates specified in the Schedule XIV to the Companies Act, 1956.

6. INVENTORIES

Inventories are valued at the lower of cost or the net realizable value. Cost is determined using the first-In First Out (FIFO) method.

7. SALES

Sales are recognized on dispatch of goods to the customers and are recorded including excise duty.

8. EXCISE DUTY

The liability towards excise duty on finished goods lying in excise godown amounting to Rs. 57,99,025/- is provided in the books and therefore the stock is valued inclusive of excise duty payable thereon in accordance with the provisions of AS-2 "Valuation of Inventories". However this has no impact on the profit of the year.

9. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of transactions and in case of purchase of materials and sale of goods, the exchange gains/losses on settlements during the year, are charged to Profit and Loss Account.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing on the date of Balance Sheet. Exchange gains/losses including those relating to fixed assets are dealt with in the Profit and Loss Account.

10. BORROWING COSTS:

The Company's Policy for Borrowing Cost incurred during the construction period up to the commercial production are allocated to the respective assets as per AS-16 issued by ICAI. Other borrowing costs are charged to the Profit & Loss Account.



11. In the opinion of the Board of Directors the Current Assets, Loans & Advances are approximately of the value stated in the accounts, if realized in the ordinary course of business

B. NOTES TO ACCOUNTS

1. During the Year the company has allotted 1,28,75,000 shares of Rs. 10/- each at a premium of Rs.19/- per share resulting in increase in paid up equity share capital of the company. Further the company has allotted 34,89,090 convertible share warrants of Rs. 10/- with a premium of Rs. 19/- per warrant. Further the company has forfeited Rs. 4,06,98,000 being 10% share warrant application money.

2. DEFERRED TAX:

The company has adopted Accounting Standard –22 “Accounting for Taxes on Income “issued by the Institute of Chartered Accountants of India; mandatory with effect from accounting period commencing from 1st April 2002. During the year Rs.1,31,89,490/- arising deferred tax liability has been shown in the current year’s Profit & Loss Account.

3. SECURED LOANS:

The term loans and working capital loans availed from State Bank of India, Overseas branch, The Lakshmi Vilas Bank Gajuwaka Branch, Visakhapatnam, ICICI Bank Limited, Vishakaptnam, Bank of India Suryabagh Branch Visakhapatnam, The Dhanalaxmi Bank Ltd Visakhapatnam Branch, Visakhapatnam, IDBI Bank Ltd Viskahaptnam and Working Capital term Loan and corporate Loan from APSFC, Hyderabad are secured by mortgage/hypothecation of all fixed assets both present and future including land, building, plant and machinery, other equipments, stocks and book debts and guaranteed by the Directors, B. Suresh Kumar, V.V.Krishna Rao, B. Suresh and B. Satish Kumar in their personal capacities.

4. NAMES OF RELATED PARTIES AND DESCRIPTION OF RELATIONSHIP:

- i. Associate Concerns : 1) VPL Projects Pvt. Ltd
2) Vizag Profile Constructions
3) Vizag Profiles Ltd
4) Umashiv Garments Pvt Ltd
5) World Feature League Pvt Ltd.
- ii. Key Management Personnel : 1) B.Satish Kumar- Managing Director
2) B.Suresh Kumar – Jt. Managing Director
3) B.Suresh – Director (Finance)
- iii. Relatives of key Management : 1) B. Ramesh Kumar
2) B.Aruna Kanthi

| | Associates | Key Management Personnel | Relative of Key Management Personnel | Total |
|---------------------------------------|-------------|--------------------------|--------------------------------------|-------------|
| Rent Paid | 2,84,340 | | 36,000 | 3,20,340 |
| Director’s Remuneration & perquisites | | 61,60,868 | | 61,60,868 |
| Sale of Goods | 1,09,17,930 | | | 1,09,17,930 |
| Services | 3,42,37,989 | | | 3,42,37,989 |
| Salaries | | | 21,00,000 | 21,00,000 |
| Amounts payable on 31.03.09 | 31,72,249 | | | 31,72,249 |
| Amounts receivable on 31.03.09 | 6,36,22,517 | | | 6,36,22,517 |


5. Additional Information Pursuant To The Provisions Of Paragraph 3, 4C And 4 D Of Part II Of Schedule VI Of The Companies Act, 1956

| | FY 2008-09 | | FY 2007-08 | |
|--|------------------|------------------|------------------|------------------|
| | Licenced | Installed (MT's) | Licenced | Installed (MT's) |
| A)Capacity | | | | |
| RE bars | | 65,000.00 | | 65,000.00 |
| Ingots | | 90,000.00 | | 90,000.00 |
| GI Wires – Unit 1 | | 6,000.00 | | 6,000.00 |
| High Carbon & Galvanizing Steels | | 24,000.00 | | 24,000.00 |
| Power (MW) | | 7.76MW | | 7.76MW |
| B) Raw Material Consumed ** | Rs.(000s) | MT's | Rs.(000s) | MT's |
| i) Billets/ Ingots - Raw materials | 875,068 | 33,159.22 | 880,415 | 46,116.01 |
| ii) Scrap | 30,462 | 1,820.15 | 91,303 | 6,986.52 |
| iii) Sponge Iron | 367,591 | 23,396.16 | 527,362 | 44,009.60 |
| iv) Pig Iron | 190,161 | 7,614.81 | 269,710 | 15,872.35 |
| v) Imported Scrap | 8,695 | 521.71 | 7,420 | 590.12 |
| vi) Silico Manganese & Ferro silicon | 23,767 | 310.00 | 15,806 | 380.94 |
| vii) PCM Jam | - | - | 4,268 | 298.47 |
| viii) Sales of Raw Material - Billets/ Ingots | 4,589 | 170.29 | 12,922 | 552.56 |
| Sale of Raw Material - Pig Iron | 444 | 24.70 | 5,672 | 349.65 |
| Sale of Raw Material - Sponge Iron | - | - | 1,151 | 70.20 |
| Sale of Raw Material - Imported Scrap | 87 | 5.14 | - | - |
| Sale of Raw Material - Scrap | 61 | 3.39 | - | - |
| Sale of Raw Material - Sillico Manganese | 507 | 13.42 | - | - |
| xi) Consumption of Wire rod coils | 692,371 | 18,594.53 | 533,067 | 19,270.25 |
| PURCHASES ** | | | | |
| i) Billets/ Ingots- Raw materials | 896,574 | 34,063.18 | 828,935 | 44,010.87 |
| ii) Iron & steel, Pig Iron, WRC & Imported Scrap (Trading) | 4,722,570 | 225,807.291 | 4,184,358 | 160,867.23 |
| iii) Scrap | 34,550 | 1,969.51 | 94,368 | 7,013.89 |
| iv) Sponge Iron | 373,993 | 23,808.42 | 531,767 | 42,215.49 |
| v) Pig Iron & skulls | 179,788 | 7,232.72 | 253,865 | 14,481.31 |
| vi) Imported Scrap | 9,301 | 548.48 | 6,286 | 519.23 |
| vii) Silico Manganese & Ferro silicon | 18,745 | 254.05 | 21,523 | 423.50 |
| viii) PCM Jam | - | - | 4,268 | 298.47 |
| xi) Wire Rod coils | 651,029 | 18,073.73 | 530,827 | 18,263.61 |
| Opening Stock of raw material | | | | |
| i) Billets/ Ingots - Raw materials | 14,508 | 603.11 | 78,910 | 3,260.81 |
| ii) Imported Scrap | - | - | 1134 | 70.89 |
| iii) Sponge Iron | 883 | 36.80 | 24717 | 1830.91 |
| iv) Pig Iron & Pig Iron Skulls | 17,535 | 687.66 | 39052 | 2428.35 |
| v) Silico Manganese & Ferro silicon | 8,265 | 121.55 | 2548 | 78.99 |
| vi) PCM Jam | - | - | - | - |
| vii) Wire rod Coils | 58,091 | 939.53 | 60,331 | 1,946.17 |
| viii) Scrap | 5,716 | 204.18 | 2652 | 176.805 |
| Closing Stocks of Raw Material | | | | |
| i) Billets/ Ingots - Raw materials | 36014 | 1,336.78 | 14508 | 603.107 |
| ii) Scrap | 9,804 | 350.15 | 5716 | 204.175 |
| iii) Sponge Iron | 7,185 | 449.06 | 883 | 36.800 |
| iv) Pig Iron & Pig Iron Skulls | 7,162 | 280.87 | 17535 | 687.660 |
| v) Imported Scrap | 606 | 21.63 | - | - |
| vi) Silico Manganese & Ferro silicon | 3,542 | 52.18 | 8265 | 121.550 |
| vii) Wire Rod Coils | 16951 | 418.73 | 58091 | 939.529 |
| viii) PCM Jam | - | - | - | - |



| | Rs.(000s) | MT's | Rs.(000s) | MT's |
|---|----------------|------------------|-------------------|------------------|
| C) Finished Goods: | | | | |
| OPENING STOCK | | | | |
| i) Rebars | 16,444 | 353.85 | 35,289 | 1,162.43 |
| ii) Iron & steel (Trading) | 547,061 | 22,158.72 | 432,114 | 16,214.41 |
| iii) Ingots & MS. Rounds, Flats, Squares Finished goods | 75,568 | 2,242.92 | 13,946 | 524.85 |
| iv) GI & Binding wires | 16,253 | 637.83 | 24,370 | 764.48 |
| PRODUCTION | | | | |
| i) Ingots, MS Rounds, Flats, Squares- Finished Goods | | 24,618.79 | | 52278.265 |
| ii) Re bars / Scrap | | 31,583.31 | | 37691.547 |
| iii) Power (Units) Captive consumption | | 24,229,017.00 | | 39997943 |
| iv) Power (Units) | | 27,598,200.00 | | - |
| v) GI & Binding wires | | 15,472.57 | | 15470.866 |
| SALES : ** | | | | |
| i) Trading Sales | 4,781,891 | 224,590.662 | 4300069 | 154922.927 |
| ii) Re bars/scrap | 1,030,547 | 31,604.69 | 1147426 | 38500.13 |
| iii) Ingots- Finished Goods | 763,628 | 26,613.26 | 1289330 | 50560.200 |
| iv) Power Sale | 174,808 | 27,598,200.00 | | |
| v) GI & Binding wires | 753,073 | 15,946.07 | 674841 | 15597.523 |
| Closing Stock | | | | |
| i) Re bars | 10,233 | 332.47 | 16444 | 353.845 |
| ii) Iron & steel , Pig Iron & Imported Scrap(Trading) | 717,627 | 23,375.35 | 547061 | 22,158.72 |
| iii) Ingots Finished goods | 6,179 | 248.45 | 75568 | 2242.915 |
| vi) GI & Binding wires | 8,189 | 164.33 | 16253 | 637.83 |
| Lubricants (In Ltrs) | | | | |
| Opening stock: | | | | |
| Purchases | 3,078 | 21,011 | | |
| Sales | 2,792 | 16,748 | | |
| Closing stock | 532 | 4,263 | | |
| D) Foreign currency Transactions: | | | | |
| a) Earnings in foreign Exchange | 2,267 | | 11,186 | |
| b) Foreign Currency Expenditure: | | | | |
| i) Purchase of Raw Material | 4,386 | | 10808 | |
| ii) Purchase of Finished Goods | 819,200 | | - | |
| iii) Capital Goods | 48,459 | | 62858 | |
| iv) Purchase of spares | 468 | | 4809 | |
| v) Foreign Traveling | 348 | | 1164 | |
| ** Sales and Purchases are inclusive of inter division transfers | | | | |
| Purchases: | | | | |
| Melting Division | 143,041 | 6,866.29 | 196081.577 | 11324.15 |
| Rolling Division | 399,931 | 14,056.27 | 318114.54 | 14379.14 |
| Trading Division | 59,521 | 1,518.34 | 109718.245 | 4200.06 |
| Unit-1 | 169,596 | 5,009.79 | 135244.731 | 4845.44 |
| Unit-2 | 84,765 | 2,225.80 | 76991.864 | 2626.40 |
| Ongole- unit | | - | 119292.679 | 5989.88 |
| Total | 856,855 | 29,676.48 | 955443.64 | 43365.06 |
| Sales: | | | | |
| Melting Division | 362,443 | 12,962.37 | 426353.524 | 20140.34 |
| Rolling Division | 17,644 | 1,052.54 | 41697.033 | 2433.12 |
| Trading Division | 309,121 | 10,536.18 | 312247.973 | 13967.695 |
| Unit-1 | 23,466 | 586.94 | 49675.427 | 1772.475 |
| Unit-2 | 141,061 | 4,065.76 | 102362.267 | 3563.02 |
| Sponge Iron | 3,119 | 472.70 | - | - |
| Ongole- unit | | - | 23107.412 | 1488.406 |
| Total | 856,855 | 29,676.48 | 955443.636 | 43365.056 |



| Sponge Iron Division | FY 2008-09 | | FY 2007-08 | |
|---------------------------------------|------------------|------------------|------------------|------------------|
| | Licenced | Installed (MT's) | Licenced | Installed (MT's) |
| A)Capacity | | 225,000 | | 225,000 |
| B)Raw Material Consumed ** | Rs.(000s) | MT's | Rs.(000s) | MT's |
| i) Iron Ore | 32,590 | 14,596.48 | - | - |
| ii) Coal | 25,780 | 27,751.22 | - | - |
| iii) Lime Stone | 1 | 381.60 | - | - |
| PURCHASES ** | | | | |
| i) Iron Ore | 86,495 | 26,681.75 | - | - |
| ii) Coal | 37,693 | 33,002.13 | - | - |
| iii) Lime Stone | 1 | 381.60 | - | - |
| Opening Stock of raw material | | | | |
| i) Iron Ore | - | - | - | - |
| ii) Coal | - | - | - | - |
| iii) Lime Stone | - | - | - | - |
| Closing Stocks of Raw Material | | | | |
| i) Iron Ore | 51,365 | 12,085.28 | - | - |
| ii) Coal | 7,351 | 5,250.91 | - | - |
| iii) Lime Stone | - | - | - | - |
| C)By Products | | | | |
| OPENING STOCK | | | | |
| i) Iron Ore Fines | - | - | - | - |
| ii) Waste Iron Ore Accretion | - | - | - | - |
| iii) Waste Iron Ore Fines | - | - | - | - |
| iv) Coal Fines | - | - | - | - |
| v) Waste Coal Fines | - | - | - | - |
| vi) Waste Coal Dust | - | - | - | - |
| vii) Waste mixed Coal | - | - | - | - |
| PRODUCTION | | | | |
| i) Iron Ore Fines | - | 3,331.78 | - | - |
| ii) Waste Iron Ore Accretion | - | - | - | - |
| iii) Waste Iron Ore Fines | - | - | - | - |
| iv) Coal Fines | - | 9,634.88 | - | - |
| v) Waste Coal Fines | - | 4,622.00 | - | - |
| vi) Waste Coal Dust | - | 2,294.64 | - | - |
| vii) Waste mixed Coal | - | 1,499.72 | - | - |
| PURCHASE | | | | |
| i) Iron Ore Fines | 7,797 | 5,612.24 | - | - |
| ii) Waste Iron Ore Accretion | 28060 | 10,000.00 | - | - |
| iii) Waste Iron Ore Fines | 2,250 | 1,500.00 | - | - |
| iv) Coal Fines | 4,910 | 1,278.43 | - | - |
| v) Waste Coal Fines | 5,556 | 35,000.00 | - | - |
| vi) Waste mixed Coal | - | - | - | - |
| SALES : ** | | | | |
| i) Iron Ore Fines | 7,000 | 4,999.96 | - | - |
| ii) Waste Iron Ore Accretion | - | - | - | - |
| iii) Waste Iron Ore Fines | - | - | - | - |
| iv) Coal Fines | 6,003 | 4,478.52 | - | - |
| v) Waste Coal Fines | 642 | 2,480.02 | - | - |
| vi) Waste Coal Dust | - | 2,294.64 | - | - |
| vii) Waste mixed Coal | 600 | 1,499.72 | - | - |
| Issued to Production | | | | |
| i) Waste Iron Ore Accretion | 0 | 1,011.04 | - | - |
| ii) Coal Fines | 0 | 1,294.27 | - | - |



| | | | | |
|---|-----------|-----------|---|---|
| Closing Stock | | | | |
| i) Iron Ore Fines | 5521.683 | 3,944.06 | - | - |
| ii) Waste Iron Ore Accretion | 17977.92 | 8,988.96 | - | - |
| iii) Waste Iron Ore Fines | 4800.00 | 1,500.00 | - | - |
| iv) Coal Fines | 17991.841 | 5,140.53 | - | - |
| v) Waste Coal Fines | 5571.297 | 37,141.98 | - | - |
| vi) Waste Coal Dust | | - | - | - |
| vii) Waste mixed Coal | | - | - | - |
| D) Finished Goods: | | | | |
| OPENING STOCK | | | | |
| i) Sponge Iron Fines | | - | - | - |
| ii) Sponge Iron Lumps | | - | - | - |
| iii) Sponge Iron Bricquets | | - | - | - |
| PRODUCTION | | | | |
| i) Sponge Iron Fines | | 1,377.00 | - | - |
| ii) Sponge Iron Lumps | | 5,675.08 | - | - |
| iii) Sponge Iron Bricquets | | 542.92 | - | - |
| SALES : ** | | | | |
| i) Sponge Iron Fines | 2193.596 | 261.08 | - | - |
| ii) Sponge Iron Lumps | 39857.523 | 3,187.66 | - | - |
| iii) Sponge Iron Bricquets | 1922.95 | 288.94 | - | - |
| iv) Issued to Production Sponge Iron Fines | | 460.00 | - | - |
| Closing Stock | | | | |
| i) Sponge Iron Fines | 8854.92 | 655.92 | - | - |
| ii) Sponge Iron Lumps | 39798.72 | 2,487.42 | - | - |
| iii) Sponge Iron Bricquets | 2920.77 | 253.98 | - | - |
| ** Sales and Purchases are inclusive of inter division transfers | | | | |

6. Payment To Auditors:

| | <u>2008-2009</u> | <u>2007-2008</u> |
|--------------------|------------------|------------------|
| a) Statutory Audit | 7,00,000 | 7,00,000 |
| b) Tax Audit | 2,00,000 | 2,00,000 |
| c) Other Services | 5,30,490 | 25,000 |

7. Managerial Remuneration:

| | <u>2008-2009</u> | <u>2007-2008</u> |
|----------------|------------------|------------------|
| a) Salary | 60,00,000 | 42,19,935 |
| b) Perquisites | 1,60,868 | 3,66,069 |

8. Sundry Debtors includes Rs.84.65 lakhs, the recovery of which is doubtful. However the management is of the opinion that no provision is required during the year as the Company is pursuing the matter and the amount may be recovered

9. The company has been introduced as a strategic investor in the rehabilitation of GSAL (India) Limited a sick company which manufactures sponge iron and has been referred to AAIFR / BIFR. The company has advanced money to the financial institutions / banks and company in this regard which has been shown under Advance for Capital works under Loans and Advances. The company has also provided for interest on the amounts advanced which is reflected under Other Income in the financial statements. The company would become due and liable to pay further amounts upon the final approval and directions of AAIFR /BIFR. The company has raised equity capital and taken loan from an Asset Reconstruction Bank in this regard.

Further the company is effectively producing sponge iron under an arrangement with the management of GSAL (India) Limited since 1st October'2008 which is subject to the approval of AAIFR / BIFR.

Further the company has taken up its expansion plan of setting up a new rolling mill and Billet manufacturing unit in the premises of GSAL (India) Limited. These expansion plans are also referred in the rehabilitation package of GSAL (India) Limited.

**10. Details of Earnings Per Share:**

| | <u>2008-2009</u> | <u>2007-2008</u> |
|---|------------------|------------------|
| a) No. of Equity Shares of Rs.10/- each | 3,29,10,910 | 20,035,910 |
| b) No. of Preference Shares Rs.10/-each | 5,50,400 | 5,50,400 |
| c) Net Profit after tax | 4,79,36,958 | 15,23,63,878 |
| d) Basic and diluted earnings per share | 1.46 | 7.60 |

11. GRATUITY

As per the accounting policy on retirement benefits(AS-15) the Gratuity liability is provided for the employees covering upto Rs.3,50,000(Previous year NIL) based on the actuarial valuation by Life Insurance Corporation of India to the extent of total accrued Gratuity amounts to Rs. 31,98,719 (previous Year Rs. 22,60,155)

12. Sundry Creditors – suppliers

| | <u>2008-2009</u> | <u>2007-2008</u> |
|---|------------------|------------------|
| o Due to Micro, small enterprises- other Disclosures; | - | - |
| o Principal amount remaining unpaid as on 31.03.2009 includes | - | - |
| o Sundry Creditors includes to micro, small and medium enterprises * | - | - |
| o Interest due thereon as on 31.03.2009 | - | - |
| o Interest paid by the company in terms of Sec 16 of Micro, small and medium enterprises development Act 2006 along with the amount of payment made to the supplier beyond the appointed day during the year. | - | - |
| o Interest due on payable for the period of delay in making payment (which have been paid beyond the appointed day during the year) but without adding the interest specified under micro, small and medium enterprises development act 2006 | - | - |
| o Interest Accrued and remaining unpaid as on 31.03.2009 | - | - |
| o Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises. | - | - |

* the company has not received information from vendor regarding the statutes under micro act and hence disclosure relating to amounts unpaid at the end of the year together with interest paid/payable under the act has not been given.

13. Contingent Liability not provided for:

- Claims from Sales Tax Authorities contested by the company for the F.Ys 1999-2000 and 2000-01 amounting to Rs. 115,32,692/-(previous year Rs. 11,532,692/-).
- Demand by Sales Tax Authority for the F.Y 2001-02 amounting to Rs.28,48,015/-(previous year Rs. 28,48,015/-) pending in appeal. A sum of Rs. 14,24,007/- has been paid under protest during the year 2005-06 and is included in Loans and Advances.
- Demand by Sales Tax Authority for the F.Y 2002-03 amounting to Rs. 22,43,895/-(previous year 22,43,895) towards CST is pending in appeal. A sum of Rs. 2,80,487/- was deposited towards admit charges and is included in Loans and Advances.
- Demand by Central Excise and Customs Authorities towards customs duty amount refunded in respect of exports amounting to Rs. 54,35,648. The Company has filed an appeal with the Honorable High Court against the demand.
- A case has been filed against the company by RINL objecting the Company's Logo. The Honorable High Court has directed the company to deposit a sum of Rs. 20,00,000/- against which the Company has filed an appeal in Supreme Court.
- Demand by Sales Tax Authority for the F.Y 2004-05 amounting to Rs.28,27,172/- (previous year Rs. 28,27,172/-) pending in appeal. A sum of Rs. 3,53,397/- has been paid under protest during the year 2008-09 and is included in Loans and Advances.
- Letters of credit for purchases — Nil (previous year Rs. nil lakhs)
- Export obligation under EPCG Scheme amounting to USD 36,00,964.40. to be fulfilled before 2012-13. However the company has fulfilled the Export obligation by making deemed exports to SEZ units.

14 Previous Years figures have been regrouped or re arranged wherever necessary.

15 Debtors balances and Creditors Balances are subject to confirmation

As per our report of even date
for **G. P. ASSOCIATES**
Chartered Accountants

for and on behalf of the Board

CA. P. A. RAMAIAH
Partner
M.No.203300

B. SATISH KUMAR
Managing Director

V.V. KRISHNA RAO
Director

Place : Hyderabad
Date : 27.06.2009

B.NARAHARI
Company Secretary



CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2009

| | 31.03.2009 Amount (Rs) | 31.03.2008 Amount (Rs) |
|--|---------------------------|---------------------------|
| A) CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Net Profit before Taxation | 79,526,444 | 224,552,825 |
| Adjustment for: | | |
| a) Depreciation | 28,279,165 | 28,566,862 |
| b) Preliminary Expenses written off | 1,752,300 | 1,647,050 |
| c) Financial Charges | 252,521,697 | 150,747,854 |
| d) Loss on Sale of Asset | 210,887 | (37,329) |
| | <u>282,764,049</u> | <u>180,924,437</u> |
| Operating profit before working capital changes | 362,290,493 | 405,477,262 |
| Adjustment for change in Working Capital | | |
| a) Decrease/(Increase) in Loans & Advances | (1,030,193,172) | (351,157,951) |
| b) Increase in Current Liabilities | 594,095,046 | 502,379,792 |
| c) Increase in Inventories | (103,057,880) | (147,795,235) |
| d) Increase in Sundry Debtors | (489,181,883) | (207,050,683) |
| | <u>(1,028,337,889)</u> | <u>(203,624,076)</u> |
| Cash Generated from Operations | (666,047,396) | 201,853,185 |
| Less: Direct Taxes Provision | (18,400,000) | (68,300,000) |
| Net Cash from Operating Activities | <u>(684,447,396)</u> | <u>133,553,185</u> |
| B) CASH FLOW FROM INVESTING ACTIVITIES: | | |
| a) Purchase of Fixed Assets | (64,983,018) | (128,692,366) |
| b) (Increase) in Preliminary Expenses | (526,248) | - |
| c) (Increase)/Decrease in Investments | - | 2,500,000 |
| d) Sale of Fixed Assets | 478,000 | 1,344,294 |
| f) (Increase)/Decrease in Capital Work in Progress | (217,139,345) | (80,836,161) |
| Net Cash used in Investing Activities | <u>(282,170,611)</u> | <u>(205,684,234)</u> |
| C) CASH FLOW FROM FINANCING ACTIVITIES: | | |
| a) Increase in Equity Share Capital | 128,750,000 | 50,000,000 |
| b) Increase/(Decrease) in Equity Share Suspense | - | (40,000,000) |
| c) Increase/(Decrease) in Share Application money | 60,485,610 | 40,698,000 |
| d) Increase in Share premium account | 244,625,000 | 116,000,000 |
| e) Increase in Capital Reserve | 40,698,000 | - |
| f) Net Increase in Secured Loans | 452,759,855 | 121,847,017 |
| g) Net Decrease/Increase in Unsecured Loans | 362,129,498 | (40,647,987) |
| h) Payment of Financial Charges | (252,521,697) | (150,747,854) |
| i) Proposed Dividend and Tax thereon | (39,164,158) | (24,101,052) |
| Net Cash generated through Finance | <u>997,762,108</u> | <u>73,048,125</u> |
| Net Increase/(Decrease) in Cash and equivalents (A+B+C) | 31,144,101 | 917,076 |
| Cash & Cash Equivalents -Opening balance | 149,074,733 | 148,157,657 |
| Cash & Cash Equivalents -Closing balance | 180,218,834 | 149,074,733 |

As per our report of even date
for **G. P. ASSOCIATES**
Chartered Accountants

for and on behalf of the Board

CA. P. A. RAMAIAH
Partner
M.No.203300

B. SATISH KUMAR
Managing Director

V.V. KRISHNA RAO
Director

Place : Hyderabad
Date : 27.06.2009

B.NARAHARI
Company Secretary

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****Registration Details**

| | |
|--------------------|-----------------------|
| Registration No | 31191 |
| CIN | L74100AP1999PLC031191 |
| State Code | 01 |
| Balance Sheet Date | 31-03-2009 |

Capital raised during the year**(in Rupees)**

| | |
|------------------------------|--------------|
| Public Issue | Nil |
| Rights Issue | Nil |
| Bonus issue | Nil |
| Private Placement | Nil |
| Conversion of Share Warrants | 12,87,50,000 |

Position of Mobilization and Deployment of Funds (Amount Rupees)

| | |
|-------------------|----------------|
| Total Liabilities | 2,82,38,28,053 |
| Total Assets | 2,82,38,28,053 |

Sources of Funds

| | |
|----------------------------------|----------------|
| Paid - up- Capital | 33,46,13,100 |
| Reserves and Surplus | 72,76,16,473 |
| Secured Loans | 1,14,54,55,042 |
| Unsecured Loans | 47,29,36,758 |
| Share Warrants application money | 10,11,83,610 |
| Deferred Tax | 4,20,23,070 |

Application of Funds

| | |
|---------------------------|----------------|
| Net Fixed Assets | 51,40,36,550 |
| Capital work in progress | 31,39,16,814 |
| Investments | Nil |
| Net Current Assets | 1,99,21,59,590 |
| Miscellaneous Expenditure | 37,15,099 |
| Accumulated Losses | Nil |

Performance of the Company

| | |
|--------------------------|----------------|
| Turnover | 7,01,78,64,447 |
| Total Expenditure | 6,93,87,11,619 |
| Profit/(Loss) before tax | 7,95,26,448 |
| Profit/(Loss) after tax | 4,79,36,958 |
| Earning per Share (Rs) | 1.46 |
| Dividend Rate (%) | 10% |

Generic Names of Principal Products/Services of the Company

| | |
|-------------------------|--------------------------------------|
| Item Code No.(ITC Code) | 85249009 |
| Product Description | Computer software |
| Item Code No.(ITC Code) | 72045000 |
| Product Description | Scrap melting & Ingots manufacturing |
| Item Code No.(ITC Code) | 72069091 |
| Product Description | TMT re bars |

for and on behalf of the Board

B. SATISH KUMAR
Managing Director**V.V. KRISHNA RAO**
DirectorPlace : Hyderabad
Date : June 27, 2009**B.NARAHARI**
Company Secretary

STEEL EXCHANGE INDIA LIMITED

Regd Office: 303, My Home Laxmi Nivas
Green Lands, Ameerpet, Hyderabad – 500 016

ATTENDANCE SLIP

Name and address : No. of Shares :
of the shareholder : Regd. Folio No. :
DP ID :
Client ID :

Name of the Proxy (if applicable):

I/We hereby record my/our presence at the Tenth Annual General Meeting of the Company held on Wednesday, the 30th day of September, 2009 at 11.45 A.M. at Hotel Katriya De Royal, Dynasty Hall-1, # 6-3-870, Balayogi Paryatak Bhavan, Begumpet, Hyderabad – 500 082.

Member's/Proxy's Signature.

NOTE: Shareholders attending the Meeting in person or by proxy should complete the attendance slip and hand it over at the registration counter.

STEEL EXCHANGE INDIA LIMITED

Regd Office: 303, My Home Laxmi Nivas
Green Lands, Ameerpet, Hyderabad – 500 016

PROXY FORM

DPID : Regd. Folio No. :
Client ID :

I/We of being a Member/Members
of Steel Exchange India Limited, hereby appoint of
..... or failing him of
..... as my/our proxy to attend and vote for me/us on my/our behalf at the Tenth
Annual General Meeting of the Company to be held on Wednesday, the 30th day of September, 2009 at 11.45 A.M. at Hotel
Katriya De Royal, Dynasty Hall-1, # 6-3-870, Balayogi Paryatak Bhavan, Begumpet, Hyderabad – 500 082 and at any
adjournment thereof.

Signed on this _____ day of _____ 2009.

Affix
Re. 0.15
Revenue
Stamp

This form is to be used _____ *in favour of _____ the resolutions. Unless otherwise instructed, the Proxy
* against

will act as he thinks fit. * Strike out whichever is not desired.

The proxy form duly stamped & signed should be deposited at the Registered Office of the Company at least 48 hours before the time of the meeting. A proxy need not be a member of the company.

NO GIFTS WILL BE DISTRIBUTED BY THE COMPANY AT THE AGM

BOOK POST

To

If undelivered please return to:
STEEL EXCHANGE INDIA LIMITED
303, My Home Laxmi Nivas,
Greenlands, Ameerpet,
Hyderabad – 500 016.