

STEEL EXCHANGE INDIA LIMITED



**TWELFTH ANNUAL REPORT
2010-2011**

BOARD OF DIRECTORS

B. SATISH KUMAR	Chairman & Managing Director
B. SURESH KUMAR	Joint Managing Director
V. V. KRISHNA RAO	Director
B. SURESH	Director (Finance)
NILAM SAWHNEY, 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

STATUTORY AUDITORS

M/s PAVULURI & Co.,
Chartered Accountants,
105, I Floor, I Block, Divya Shakthi Complex,
Ameerpet, Hyderabad - 500 016

BANKERS

Working Capital Lenders

State Bank of India, Overseas Branch, Visakhapatnam.
State Bank of Hyderabad, VSP Steel Township Branch, Visakhapatnam.
The Lakshmi Vilas Bank, Gajuwaka Branch, Visakhapatnam.
Bank of India, Suryabagh Branch, Visakhapatnam.
IDBI Bank, MCG Branch, Visakhapatnam.
The Karur Vysya Bank, Daba Gardens Branch, Visakhapatnam.

Term Loan Lenders

State Bank of India, Overseas Branch, Visakhapatnam.
State Bank of Mysore, Industrial Finance Branch, Hyderabad.
State Bank of Hyderabad, VSP Steel Township Branch, Visakhapatnam.
State Bank of Travancore, Visakhapatnam Branch, Visakhapatnam.
State Bank of Bikaner and Jaipur, Visakhapatnam Branch, Visakhapatnam.

REGISTRARS & SHARE 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, Andhra Pradesh.
Telephone No: +91-40-23403725 Fax No: +91- 40- 23413267

CORPORATE OFFICE

103, Vizag Profile Towers, Kurmannapalem, Visakhapatnam - 530 046, Andhra Pradesh.
Telephone: +91-891-2587175, 2587573 Fax: +91-891-2749215

WORKS

Power Plant & Steel Ingot Division:

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

Rolling Division:

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

Wire Drawing Division - Unit-1:

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

Wire Drawing Division (HC Wire Products) - Unit-2:

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

INTEGRATED STEEL PLANT

Sponge Iron Division:

Malliveedu, L.Kota Mandal, Vizianagaram District, Andhra Pradesh.

Rolling Division :

Malliveedu, L.Kota Mandal, Vizianagaram District, Andhra Pradesh.

SMS Billet Unit :

Malliveedu, L.Kota Mandal, Vizianagaram District, Andhra Pradesh.

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TWELFTH ANNUAL GENERAL MEETING

Date : 30th September 2011
Day : Friday
Time : 12.00 Noon
Place : Hotel Aditya Park,
Senate - 1, 1st Floor,
Aditya Trade Centre,
Nr Maitrivanam, Ameerpet,
Hyderabad - 500 038.
Ph : 040 - 6678 8888



NOTICE

Notice is hereby given that the Twelfth Annual General Meeting of the Members of Steel Exchange India Limited will be held on **Friday, the 30th day of September, 2011 at 12.00 noon at Hotel Aditya Park, Aditya Trade Centre, Nr Maitrivanam, Ameerpet, Hyderabad - 500 038** to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 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, 2011.
3. To appoint a Director in place of Mr. C. Siva Prasad, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. K. Krishna Rao, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Statutory Auditors of the Company and fix their remuneration. M/s. Pavuluri & Co, Chartered Accountants, the retiring auditors are eligible for appointment as Statutory Auditors.

In this connection, to consider and if though fit, to pass, with or without modification (s) the following resolution as an Ordinary Resolution:

"Resolved that M/s. Pavuluri & Co, Chartered Accountants (Firm Registration No.012194S) be and are hereby appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company on such remuneration as may be determined by the Board of Directors of the Company."

Special Business:

6. To consider and if though fit, to pass, with or without modification (s) the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and subject to such other approvals as may be necessary, the consent of the Company be and is hereby accorded to the re-appointment of Mr. B. Suresh Kumar, as Joint Managing Director of the Company for a further period of three years with effect from 27th October 2010, who shall be liable to retire by rotation, on the terms and conditions including remuneration and perquisites etc., as specified and set out in the annexed Explanatory Statement in respect of this resolution."

"RESOLVED FURTHER THAT the Board of Directors of the Company on the recommendation of the Remuneration Committee, be and are hereby authorised to revise the remuneration payable (including the perquisites) by way of annual increments or otherwise to Mr. B. Suresh Kumar, Joint Managing Director as they deem fit from time to time, as per rules of the Company."

"RESOLVED FURTHER THAT where during the currency of the tenure of the Joint Managing Director, the Company has no profits or its profits are inadequate in any financial year, the Joint Managing Director shall be entitled to remuneration by way of salary and perquisites not exceeding the limits as specified and set out in the Schedule XIII of the Companies Act, 1956 as Minimum Remuneration."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, usual or expedient to give effect to the above resolutions."

By Order of the Board of Directors

Place: Malliveedu, L.Kota (Mandal)
Date: August 27, 2011

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 Register of Members and the Share Transfer Books of the Company will remain closed from Monday, the 26th day of September, 2011 to Friday, the 30th day of September, 2011 (both days inclusive).
3. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business is annexed hereto. The additional information on Directors, seeking re-appointment under Item Nos. 3, 4 and 6 above, as required by Clause 49 of the Listing Agreement is given below.
4. 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.
5. 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.
6. 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).
7. 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.
8. 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.
9. 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.
10. 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, 2007-08 and 2008-09 before the respective amounts become due for transfer to the Fund (IEPF).
11. The Ministry of Corporate Affairs (MCA) has taken a 'Green Initiative in the Corporate Governance' by allowing paperless compliances by the companies. Your Company has decided to join the MCA in its environment friendly initiative.

Henceforth, the Company proposes to send documents such as notice of General Meetings, Annual Report and other Communication to the members via electronic mode to their registered e-mail addresses. To support this green initiative of the Government in full measure, Members are requested to register/update their e-mail addresses with their Depository Participants (D.P) in respect of the dematerialised holdings and the Members who hold shares in physical form are requested to send the details via e-mail at cs@seil.co.in or info@vccilindia.com by quoting their registered folio numbers.



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

Item No. 6:

Mr. B. Suresh Kumar was appointed as Joint Managing Director of the Company with effect from 27th October 2007 for a period of three years by the members in the Eighth Annual General Meeting held on 14th December 2007.

The Board of Directors vide circular resolution effective dated 20th October, 2010 re-appointed Mr. B. Suresh Kumar as Joint Managing Director for a further period of three years with effect from 27th October 2010 on the terms and conditions set out below and at a remuneration as recommended by the Remuneration committee, keeping in view of his vast expertise in the field of Steel business.

The terms of appointment and remuneration payable are as under:

1. Salary : Rs. 1,50,000/- Per Month

2. Commission : Nil

3. Perquisites/ Allowances :

i) Medical Reimbursement:

Reimbursement of expenses incurred in India and/or abroad for Medical treatment of self and his family, subject to a ceiling one month's salary in a year or three month's salary over a period of three years.

ii) Leave Travel Concession:

Reimbursement of actual travelling expenses for self and his family, once in a year for proceeding on leave in accordance with the rules of the Company.

Explanation:

For (i) and (ii) Family means the spouse, dependent children and the dependent parents.

iii) Motor Car and Telephone:

Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Private use of car and personal long distance calls on telephone shall be billed by the Company.

iv) Other Perquisites:

Subject to the over all ceiling on remuneration the Joint Managing Director may be given any other allowances, benefits and perquisites as the Board of Directors from time to time, decide, which together with the perquisites mentioned above, should not be exceed 50 % of the salary as stated above viz. Rs. 75,000/- per month.

Additional Information as required under Schedule XIII of the Companies Act, 1956:

I. General information:

(1) Nature of Industry: Steel Manufacturing and Trading

(2) Date of commencement of production: All the manufacturing units of the Company are in commercial operation.

(3) Financial performance on given indicators:

For the year 2010-11-- Sales: Rs. 1156.09 Crores, Profit before Tax: Rs. 27.34 Crores,

Profit after Tax: Rs. 16.99 Crores and Dividend: Nil

(4) Export performance: Rs. 12.21 crores (Deemed export sales)

(5) Foreign investments or collaborations, if any: Nil



II. Information about the Appointee:

- (1) Background Details: Mr. B. Suresh Kumar aged about 47 years holds a BE degree in Mechanical Engineering, is the visionary founder of Vizag Profiles Group.
- (2) Past Remuneration: Mr. B. Suresh Kumar was entitled to a remuneration of Rs. 150,000/- p.m. and other perquisites / allowances if any, not exceeding Rs. 75,000/- per month as the Joint Managing Director of M/s Steel Exchange India Limited as per the last appointment.
- (3) Job profile and his suitability: The Joint Managing Director is responsible for day to day management activities of the Company. Under his management the Vizag Profiles Limited emerged as one of leading Steel trading companies in Andhra Pradesh. He is the promoter director of Steel Exchange India Limited and has been guiding force in the overall growth of the company to become one of the leading steel companies of Andhra Pradesh. Mr. B. Suresh Kumar has got the orientation to develop and sustain development of dealership-network and relationship management. His success in trading and logistics is largely due to his innovative marketing strategies and sustained client relationship management through user-defined choice availability and flexible pricing.
- (4) Remuneration proposed: The proposed remuneration is as set out above in the explanatory statement.
- (5) Comparative remuneration: The proposed remuneration is comparable with its peers in the steel industry.
- (6) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any: Mr. B. Suresh Kumar is a relative of Mr. B. Satish Kumar, Chairman & Managing Director of the Company.

III. Other information: Not Applicable

IV. Disclosures:

The required Disclosures under this clause are mentioned in the Report on Corporate Governance in the Annual report of the Company.

The resolution set out in item No. 6 together with this explanatory statement constitutes the memorandum of interest of the Joint Managing Director under Section 302 of the Companies Act, 1956.

As per the applicable provisions of the Companies Act, the terms and conditions of appointment of Directors have to be approved by the members by way of Special Resolution and hence the above resolution is proposed.

The Board recommends the resolution for adoption by the members.

None of the Directors, other than Mr. B. Suresh Kumar himself and Mr. B. Satish Kumar, being his relative is concerned or interested in the proposed resolution.

By Order of the Board of Directors

Place: Malliveedu, L.Kota (Mandal)
Date: August 27, 2011

B. Narahari
Company Secretary

**Additional Information on Directors seeking re-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 re-appointed are given below:

Name	C. Siva Prasad	K. Krishna Rao	Mr. B. Suresh Kumar
Date of Birth	25-12-1943	15-07-1946	19-04-1964
Qualification	B.Com., FCA	B.E. (Electrical)	B.E. (Mechanical)
Expertise in Specific Functional Area	More than 35 years of experience in the fields of Fundraising, Financial closures, Treasury Management, Budget and Budgetary controls.	Rich Experience of more than 30 years in Steel Industry	Rich Experience of more than 20 years in Steel Industry
Date of appointment on the Board of the Company	10-01-2008	31-01-2009	24-02-1999
Other Directorships	Velagapudi Steels Limited	Nil	1. Vizag Profiles Pvt Ltd 2. V P L Projects Pvt Ltd 3. Simhadri Power Ltd 4. Simhadri Pellets India Ltd 5. Simhadri Wires Pvt Ltd 6. Simhadri Infrastructure Developers Pvt Ltd 7. Vizag Profile Constructions India Pvt Ltd
Member of the Committees in other Companies	Nil	Nil	Nil
No of Equity Shares held in the Company	1,000	Nil	1,495,450

**DIRECTORS' REPORT****To the Members,**

Your Directors take pleasure in presenting the Twelfth Annual Report of the Company together with the Audited Statements of Accounts for the year ended March 31, 2011.

FINANCIAL RESULTS:

The performance of the Company during 2010-2011 is summarised below:

(Rs. in Lakhs)

PARTICULARS	2010-2011	2009-2010
Total Income	115609.10	69697.92
Total Expenditure (excluding Depreciation and Interest)	106922.88	65042.03
Profit before Interest & Depreciation	8686.22	4655.89
Less: Interest and other financial charges	4792.16	3159.40
Depreciation	1114.09	318.11
Profit before Prior period items	2779.97	1178.38
Less/(Add): Expenditure pertaining to previous year	44.83	1.26
Profit before Tax	2735.14	1177.12
Less: Provision for Tax		
- Current Tax and Earlier Year Taxes	897.38	176.57
- Deferred Tax	616.71	504.51
- MAT Credit Entitlement	(478.61)	-
Profit after Tax	1699.66	496.04
Profit brought forward from previous year	2876.00	2410.60
Profit available for Appropriation	4575.66	2906.64
Appropriations:		
Proposed Dividend on Preference Shares	5.64	5.64
Tax on Dividend as above	0.85	-
Transfer to General Reserve	100.00	25.00
Balance carried forward	4469.17	2876.00

Review of Operations:

The Company achieved a turnover of Rs. 1156.09 crores for the year ended 31st March, 2011 as against Rs. 696.98 crores in the previous year. The Company earned a Gross Profit of Rs. 86.86 crores before interest and depreciation as against Rs. 46.56 crores in the previous year. After deducting interest of Rs. 47.92 crores, providing a sum of Rs. 11.14 crores towards depreciation, tax provision of Rs. 8.97 crores and after adjusting deferred tax and MAT Credit, the operations resulted in a Net Profit of Rs. 16.99 crores as against Rs. 4.96 crores for the previous year.

The company's manufacturing activity was higher during the year under review and coupled with the increase in prices of steel products resulted in higher turnover and higher net profit when compared to previous year.

During the year under review, the company continued with low level of operations at the Steel Melting Division at Kothapeta unit as the input costs continued to be high throughout the year. The Company sold the unutilised power produced from the Captive Power Plant.

The setting up of the 2,40,000 SMS plant in the premises of GASL (India) Limited was completed during the year under review and the commercial production commenced in August' 2010.



As informed in the last Annual report, the Company has promoted Simhadri Power Limited (SPL) as a Special Purpose Vehicle (SPV) which will set up the 60 MW waste heat recovery based power generation unit in which the Company shall hold not less than 26% equity in SPL and 51% of the power generated will be captively consumed by the units of the Company. The proposed power plant is being set up at Malliveedu, L.Kota Mandal, Vizianagaram District, Andhra Pradesh and the setting up of the Power plant is in progress as per the schedule and the commercial production is expected as per schedule in October 2012. During the year under review, the Company has invested Rs. 16.69 crores in M/s. Simhadri Power Limited by subscribing to 1,66,87,066 Equity shares of Rs. 10/- each fully paid.

The acquisition of GSAL (India) Limited is in progress with the DRS being filed with the Hon'ble BIFR for its consideration. Subject to the approval of the Hon'ble BIFR, the proposal inter-alia is for merger with the Company in line with the revised Scheme of Amalgamation already approved by the members through Postal Ballot held on 23rd March 2011.

DIVIDEND:

The Board has, subject to the approval of the Members at the ensuing Annual General Meeting, 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, 2011.

To conserve the resources for funding the expansion plans, the Board has deemed it prudent not to recommend any dividend on the Equity Shares of the Company for the year ended 31st March, 2011.

TRANSFER TO RESERVES:

The Company transferred Rs. 100 Lakhs to the General Reserve out of the amount available for appropriation and Rs. 44.69 crores is retained in the Profit and Loss Account.

ISSUE OF SHARES AND SHARE WARRANTS:

During the year under review, the Company, on 23rd July, 2010 has allotted 35,50,000 equity shares of Rs. 10/- each at a price of Rs. 37/- (Rupees Thirty Seven) per share and also 40,00,000 share warrants at a price of Rs. 38/- (Rupees Thirty Eight) per warrant on preferential basis to M/s Umashiv Garments Private Limited belonging to Promoter Group pursuant to the members' approval obtained in the Extraordinary General Meeting held on 9th July, 2010. Each of these warrants is convertible into 1 (one) Equity Share of par value of Rs. 10/- each at the option of the Warrant holder within 18 months from the date of their allotment.

During the current year 2011-12, the Company, on 8th April, 2011 has allotted 40,00,000 equity shares of the Company at a price of Rs. 28/- (Rupees Twenty Nine) per share consequent upon conversion of share warrants which were allotted on 23rd July 2010 on preferential basis to M/s Umashiv Garments Private Limited (Promoter Group Company).

During the current year 2011-12, the Company, on 8th April, 2011 has allotted 51,00,000 share warrants of the Company at a price of Rs. 45/- (Rupees Forty Five) per share warrant on preferential basis to M/s Umashiv Garments Private Limited (Promoter Group Company) pursuant to the members' approval obtained through Postal Ballot. Each of these warrants is convertible into 1 (one) Equity Share of par value of Rs. 10/- each at the option of the Warrant holder within a period of 18 months from the date of allotment (i.e latest by 7th October, 2012).

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. 393,000,000 to Rs. 428,500,000 comprising of 42,850,000 Equity Shares of Rs. 10/- each with the issue and allotment of 3,550,000 (Thirty five lakh fifty thousands) Equity Shares of Rs. 10/- each of the Company on 23rd July, 2010.

During the Current year 2011-12, the paid up equity share capital of the Company has increased from Rs. 428,500,000 to Rs. 468,500,000 comprising of 46,850,000 Equity Shares of Rs. 10/- each with the allotment of 4,000,000 (Forty Lakhs) Equity Shares of Rs. 10/- each of the Company consequent upon conversion of the share warrants on 8th April, 2011.

**DIRECTORS:**

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company, Mr. C. Siva Prasad and Mr. K. Krishna Rao retire by rotation and being eligible, offer themselves for re-appointment.

During the year under review, M/s Andhra Pradesh Development Corporation (APIDC) has nominated Mr. V. Nagi Reddy, IAS as its nominee in the place of Mr. Vinod Kumar Agrawal, IAS with effect from 20th August, 2010. The Board placed on record its appreciation for the services rendered by Mr. Vinod Kumar Agrawal.

During the current year 2011-12, M/s Andhra Pradesh Development Corporation (APIDC) has nominated Mrs. Nilam Sawhney, IAS as its nominee in the place of Mr. V. Nagi Reddy, IAS with effect from 7th July, 2011.

FUTURE OUTLOOK:

The long term outlook of the Steel Industry continues to be promising and challenging. With increased manufacturing base, your Company expects to better the revenues with improved margins.

REPORT ON SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL STATEMENTS:

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

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, 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.

REPORT ON THE CORPORATE GOVERNANCE:

Your Company continues to follow the principles of good 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 herewith 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 herewith and forms part of this Report.

AUDITORS and AUDITORS' REPORT:

M/s Pavuluri & Co, Chartered Accountants, the Company's Auditors will retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment and have expressed their willingness to act as Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224 (1B) of the Companies Act, 1956.

The Notes to Accounts forming part of the financial statements are self-explanatory and need no further explanation. There are no qualifications or adverse remarks in the auditors' report which require any clarification or explanation.

**COST AUDITORS:**

During the Current year 2011-12, in terms of Section 233B of the Companies Act, 1956 and as per the directives of the Central Government vide circular F. NO. 52/26/CAB-2010; dated the 3rd May, 2011, M/s DZR & Co., Cost and Management Accountants, Hyderabad are appointed as the Cost Auditors of the Company to conduct cost audit for the financial year 2011-12 subject to the approval of Central Government.

FIXED DEPOSITS:

The Company has not accepted any Fixed Deposits from the Public within the meaning of Section 58-A, of the Companies Act, 1956 and the rules made there under 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, 2011.

PARTICULARS OF EMPLOYEES:

None of the employees of the Company is 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.

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 wish to 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 to achieve higher growth levels during the year.

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: Malliveedu, L.Kota (Mandal)
Date: August 27, 2011

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 2011, Six Meetings of the Board of Directors were held on 23rd April, 2010, 29th May 2010, 11th June 2010, 7th August 2010, 12th November 2010 and 14th February 2011.

c) The details of the composition and 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. B. Satish Kumar (Chairman & Managing Director)	PD, ED	5	Yes	5	-
Mr. B. Suresh Kumar (Joint Managing Director)	PD, ED	6	Yes	7	-
Mr. V.V. Krishna Rao	PD, NED	5	Yes	3	-
Mr. B. Suresh (Director - Finance)	PD, ED	6	Yes	6	-
Mr.R. Ramachandra Rao	ID, NED	5	Yes	8	-
Mr. Vinod Kumar Agrawal* (Nominee of APIDC)	ID, NED	2	No	6	-
Mr. V. Nagi Reddy * (Nominee of APIDC)	ID, NED	-	NA	6	-
Mr. C. Siva Prasad	ID, NED	6	Yes	1	-
Mr. K. Krishna Rao	ID, NED	5	Yes	-	-

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

* Mr. V. Nagi Reddy has been nominated by APIDC as its Nominee Director in place of Mr. Vinod Kumar Agrawal w.e.f 20th August 2010.

**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	5	5
Mr. R. Ramachandra Rao	Member	ID, NED	5	5
Mr. B. Suresh	Member	PD, ED	5	5

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 under review, 5 meetings of the Audit Committee were held on 23rd April, 2010, 29th May 2010, 7th August 2010, 12th November 2010 and 14th February 2011.

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 12th November, 2010 in line with the provisions of Clause 49 of the Listing Agreement and the composition of the Remuneration Committee as on 31st March, 2011 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. Nagi Reddy*	Member	ID, NED

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

* Mr. V. Nagi Reddy has been appointed as a member in place of Mr. Vinod Kumar Agrawal w.e.f. 20th August 2010.



During the year under review, there was no Remuneration Committee meetings excepting one circular resolution effective dated 20th October, 2010.

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, 2011:

Name	Designation	Remuneration (in Rs.)		
		Salary	Allowances/ Perquisites	Total
Mr. B. Satish Kumar	Chairman & Managing Director	3,600,000	31,629	3,631,629
Mr. B. Suresh Kumar	Jt Managing Director	1,800,000	30,369	1,830,369
Mr. B. Suresh	Director (Finance)	1,800,000	-	1,800,000
	Grand Total	7,200,000	61,998	7,261,998

Mr. B. Satish Kumar has been re-appointed as Managing Director, for a period of three years w.e.f. 01-03-2010, Mr. B. Suresh Kumar has been re-appointed as Joint Managing Director of the Company for a period of three years w.e.f. 27-10-2010 and Mr. B. Suresh has been re-appointed as Director (Finance) of the Company for a period of three years w.e.f. 01-09-2009. The notice period for all the Executive Directors is 3 calendar months on either side and the severance fees is as per Section 318 of the Companies Act, 1956.

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 14. There were no outstanding complaints as on 31st March, 2011 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
2007-08	9th AGM	Hotel Katriya De Royal, Balayogi Paryatak Bhavan Begumpet, Hyderabad – 500 082	29-09-2008 12.00 P.M.	Nil
2008-09	10th AGM	Hotel Katriya De Royal, Balayogi Paryatak Bhavan Begumpet, Hyderabad – 500 082	30-09-2009 11.45 P.M.	Nil
2009-10	11th AGM	Hotel Green Park, Greenlands, Begumpet, Hyderabad - 500 016	30-09-2010 12.00 Noon	Nil

(ii) The shareholders passed all the resolutions set out in the respective notices in the above meetings.

(iii) Five special resolution was put through a Postal ballot in the previous year 2010-11 and the details of voting pattern is as given below:

Sl. No	Description of the Resolution	Votes	
		In favour	Against
1	Special Resolution as per Section 372A for Extending a Corporate Guarantee of Rs. 235 Crores	18,323,784	500
2	Special Resolution as per Section 372A to invest up to Rs. 30 Crores in Simhadri Power Limited	18,324,284	Nil
3	Special Resolution as per Section 18 of SICA to approve the Scheme of Merger of GSAL (India) Limited with Steel Exchange India Limited	18,324,084	200
4	Special Resolution as per Section 81 (1A) to issue and allot equity shares of the Company to the Members of GSAL (India) Limited	18,324,084	200
5	Special Resolution as per Section 81 (1A) to issue and allot up to 51,00,000 equity share warrants of the Company on Preferential Basis to Promoter Group	18,324,284	Nil

(iv) Person who conducted the postal ballot exercise: Mr. S. Sarweswara Reddy, S.S. Reddy & Associates, Practicing Company Secretaries, Hyderabad.

(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 20, note No. 7.

(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 is provided in the notes to the notice of the Annual General Meeting under the heading "Additional information on Directors seeking Re-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 2011 are as under:

1.	Mr. V. V. Krishna Rao	6,43,736
2.	Mr. R. Ramachandra Rao	10,300
3.	Mr. Vinod Kumar Agrawal	NIL
4.	Mr. C. Siva Prasad	1,000
5.	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 Prabha (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) 12th Annual General Meeting:**
 - Date : **30th September, 2011**
 - Time : **12.00 Noon**
 - Venue : **Hotel Aditya Park, Aditya Trade Centre.
Near Maitrivanam, Ameerpet,
Hyderabad - 500 038
Phone: 040 - 6678 8888**

- ii) Financial Year** : **1st April to 31st March**
Financial Calendar for 2011-12 : The following are tentative dates:
 - First Quarter results : 12th August, 2011
 - Second Quarter/ Half yearly results : 4th week of October, 2011
 - Third Quarter results : 4th week of January, 2012
 - Annual results for 2011-12 : 4th week of April, 2012
 - AGM for the year 2011-12 : 4th week of September, 2012

- iii) Dates of Book Closure** : 26th September, 2011 to 30th September, 2011
(both days inclusive)

- iv) Dividend Payment Date** : No dividend is recommended for the financial year ended on 31st March, 2011

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

- vi) Stock Code/Symbol** : BSE : 590037/STEELXIND
CSE : 26498/PYXIS
HSE : 6375/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 - 10	42.00	34.70	18,047.86	17,276.80	693,281
May - 10	38.75	30.40	17,536.86	15,960.15	314,273
June - 10	41.00	33.00	17,919.62	16,318.39	524,968
July - 10	47.25	38.00	18,237.56	17,395.58	792,573
August - 10	59.30	41.10	18,475.27	17,819.99	2,910,657
September - 10	48.80	42.40	20,267.98	18,027.12	2,158,815
October - 10	46.85	42.40	20,854.55	19,768.96	607,711
November - 10	56.00	38.00	21,108.64	18,954.82	1,745,193
December - 10	45.95	36.00	20,552.03	19,074.57	448,433
January - 11	45.00	38.10	20,664.80	18,038.48	873,018
February - 11	41.60	30.10	18,690.97	17,295.62	855,838
March - 11	40.00	35.00	19,575.16	17,792.17	273,871

Source: www.bseindia.com

**viii) Registrar and Share-Transfer Agents:**

The Company has engaged the services of M/s Venture Capital and Corporate Investments Private Limited, Hyderabad, a SEBI registered Registrar, as their Share Transfer Agents (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, 2011:

No of Shares	Shareholders		Shares	
	Number	% of Total	Number	% of Total
1 - 500	8,550	82.72	1,484,594	3.46
501 - 1,000	901	8.72	760,297	1.77
1,001 - 2,000	375	3.63	589,321	1.38
2,001 - 3,000	158	1.53	407,150	0.95
3,001 - 4,000	66	0.64	236,948	0.55
4,001 - 5,000	79	0.76	380,025	0.90
5,001 - 10,000	79	0.76	617,902	1.44
10,001 & above	128	1.24	38,373,763	89.55
Total	10,336	100.00	42,850,000	100.00

xi) Category-wise Distribution of Shareholding as on 31st March 2011:

Category	No. of shares held	Percentage of shareholding
A) PROMOTER'S HOLDING		
Promoters		
- Indian Promoters	9,304,152	21.71
- Foreign Promoters	207,000	0.49
- Bodies Corporate	9,664,090	22.55
Sub-Total	19,175,242	44.75
B) NON-PROMOTER'S HOLDING		
a. Banks, Financial Institutions (APIDC)	300,000	0.70
b. Private Corporate Bodies	8,040,282	18.76
c. Indian Public	15,228,920	35.54
d. NRIs	105,556	0.25
Sub-Total	23,674,758	55.25
GRAND TOTAL (A+B)	42,850,000	100.00

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

As on 31st March, 2011, 38,661,791 shares representing 90.23% were held in dematerialised form. The balance 4,188,209 shares representing 9.77% 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 2011, 4,000,000 Share Warrants of the Company allotted on 23rd July 2010 at a price of Rs. 38/- (including a premium of Rs. 28/- per warrant) of Rs. 10/- each of the Company to Bodies Corporate are yet to be converted into equity shares of Rs. 10/- each. The paid up equity capital of the Company will be increased to Rs. 468,500,000 consisting of 46,850,000 shares of Rs. 10/- each after the conversion of these share warrants into equity shares. In the current year these warrants were converted into 4,000,000 equity shares of Rs. 10/- each on 8th April 2011.

In the current year, the Company allotted 5,100,000 Share Warrants on 8th April 2011 at a price of Rs. 45/- (including a premium of Rs. 35/- per warrant) of Rs. 10/- each of the Company to Bodies Corporate are yet to be converted into equity shares of Rs. 10/- each. The paid up equity capital of the Company will be increased to Rs. 519,500,000 consisting of 51,950,000 shares of Rs. 10/- each after the conversion of share warrants into equity shares and these warrants can be converted into equity shares within a period of 18 months from the date of allotment (i.e latest by 7th October, 2012).

xiv) Unclaimed Dividend

The dividend for the years 2004-05, 2005-06, 2006-07, 2007-08, & 2008-09 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 Ingot Division**

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

Telefax: +91 - 8855 - 244406

2. Rolling Division

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. Wire Drawing Division - Unit - 1

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

Telephone: +91 - 891 - 2587574

4. Wire Drawing Division (HC Wire Products) - Unit - 2

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

Telephone: +91 - 891 - 2587574

Fax: +91 - 891 - 2766437

5. Integrated Steel Plant : (Sponge Iron Division, Rolling Division and SMS Billet Unit)

Malliveedu, L.Kota Mandal, Vizianagaram District, 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, the 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 2011.

Place: Malliveedu, L.Kota (Mandal)

Date: August 27, 2011

B. Satish Kumar

Chairman & Managing Director

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

World crude steel production reached 1,414 million metric tons (mmt) for the year of 2010. This is an increase of 14.8% compared to 2009 and the increase is much higher at 19.7% if China's production is excluded. China remained the world's largest Crude Steel producer in 2010 also (626.70 million tons) followed by Japan (109.60 million tons) and India occupied the 5th position (66.80 million tons).

(Source: International Iron and Steel Institute (IISI))

Steel production increased in nearly all the major steel producing countries and regions including the EU, North America, South America and the CIS in 2010. Having recorded double digit growth in 2009, China's growth was average at 9% increase in output in 2010 while the average recovery on 2009 levels for the rest of the world was 20%. This included sharp upturns in some of the countries that had suffered the biggest reductions in 2009. Production in the EU was 24% higher, in Japan it was up by 25% while the US saw a 38% rise.

Top 10 Steel-producing Countries:

Rank	Country	Production (mmt)		% Change 2010/2009
		2010	2009	
1	China	626.7	573.6	9.3
2	Japan	109.6	87.5	25.2
3	US	80.6	58.2	38.5
4	Russia	67.0	60.0	11.7
5	India	66.8	62.8	6.4
6	South Korea	58.5	48.6	20.3
7	Germany	43.8	32.7	34.1
8	Ukraine	33.6	29.9	12.4
9	Brazil	32.8	26.5	23.8
10	Turkey	29.0	25.3	14.6
	World	1413.5	1230.9	14.8
	World - China	786.8	657.3	19.7

(Source: IISI)

China became the first country ever to produce more than 500 mmt in one year in 2008 and continued the trend in 2010 also. China's crude steel production in 2010 reached a record high to 626.70 mmt, an increase of 9.3% on 2009. China's share of world steel production in 2010 is 44% of world total crude steel. China remained as the net exporter in 2010 also with 38.8 mmt.

Other BRIC (Brazil, Russia, India and China) countries also recorded positive growth rates. The BRIC share of world production has been growing rapidly since 2000. It has grown from 31% of total in 2001 to 56.2% in 2010.

India produced 66.8 mmt of crude steel in 2010, a growth of 6.4% over previous year's production of 62.8 mmt. The apparent domestic consumption of finished mild steel during the year was 60.6 mmt as compared to 55.3 mmt during the previous year an increase of 9.5% over the previous year.

2010 was the year of recovery for the steel industry, coming back from the global economic crisis. The upturn came earlier and stronger than expected and the global steel consumption increased 13.1% from 1,134.2 mmt in 2009 to 1,283.6 mmt in 2010. The centre of gravity for the steel industry has shifted from the developed economies towards the developing and emerging economies.

India continues to register a strong growth in 2010-11 displaying its ability to withstand extreme external adversities, which destabilized major economies. India recorded a GDP growth of 8.5% in 2010-11 against 7.2% in 2009-10. Indian steel industry stood out in the global steel industry due to its resilience during the downturn. In India, the production of



crude steel in 2010-11 was 66.8 mmt as against 62.8 mmt in 2009-10 a growth rate of around 7%. As per the data published by the steel Ministry, India continued to be net importer of steel in 2010

Opportunities & Threats:

India's per capita steel consumption continued to be low at 52 kg compared to global average of 203 kg in 2010. This presents an attractive opportunity for the industry to expand the existing capacities and create further green field capacities. 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.

India is expected to show strong growth in steel use in the coming years due to its strong domestic economy, massive infrastructure needs and expansion of industrial production. In 2011, India's steel use is forecast to grow by 13.3% to reach 68.7 mmt. In 2012, the growth rate is forecast to accelerate further to 14.3%.

The government is continuing its focus on steel sector growth and has taken a number of steps with aim to conserve the use of iron ore by domestic industry. Export duty has been imposed on iron ore. Initially in 2007, an export duty of Rs. 300/- per ton was imposed on all varieties of iron ore. Subsequently, export duty was revised from time to time. The present rates of duty on iron ore exports w.e.f. 29.04.2010 are as under:

- i) Iron ore fines (all sorts) - 5% ad-valorem
- ii) Iron ore other than fines (including lumps & pellets) - 15% ad-valorem.

Recently the government had also imposed restriction on export of iron ore fines which are largely lying unutilised. This offers an excellent opportunity for the iron pellets industry and many new projects are in anvil to effectively utilise the iron ore fines for pelletisation. The iron ore pellets improve production in terms of quality as well as offer huge export potential as a value added product. The Steel PSUs are in the midst of large capacity expansion plans. The major thrust of the modernization and expansion plans is to adopt the best modern technology, which in addition to being cost effective are also energy efficient and environment friendly.

The target of 110 million tons of steel by 2020 is now expected to be reached by 2012-13 itself. 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 near future due to low interest rates and fall in property prices. This will create new demand for steel products.

The large number of secondary steel units with swing capacity can create oversupply particularly in long products segment especially the TMT bar section as secondary steel segment cater to about 80% of the domestic demand for TMT bars. The steel producers are heavily dependent on coking coal import, and the price increase by Iron Ore and coking coal majors has impacted the margins of the Indian steel producers.

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 contractual workforce.

The current inflationary trend with rising costs of inputs and high interest rates are a major threat to the growth of steel sector. Frequent rate hikes by the RBI have not helped the situation.

With the excess capacity in the global steel industry, there is a threat of dumping cheap steel into India which is likely to be one of the major steel consuming nations with a positive growth. Delay in opening new mines, and / or expanding existing mines may constrain raw material 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.

Risks, Concerns and Outlook:

The steel industry is susceptible to cyclical swings arising from demand & supply imbalances. These result in volatility in input costs as well as that of end products. The high prices result in inflationary trend which again affects the growth patterns. The recent hikes in interest rates are a major concern for the company as the cost of capital is eroding the margins. Further hikes are expected if the inflation shows an upward trend.

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

The capacity expansion by the public sector giants and other large and established steel companies in the private sector



could affect the growth plans of the company unless it is able to have in place regular raw material sourcing. The practice of long term agreements for coal and Iron ore procurement has been altered to quarterly contracts and e-auctions bringing more uncertainty and volatility. 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.

Infrastructure and logistics continue to impact the industry in terms of transportation of inputs as well as finished goods. The pace of infrastructure growth has come down due to the recent recessionary trend. It is imperative that the same is again accorded the high priority for sustained growth. To have internationally competitive steel industry it is essential that infrastructure cost comes down in future. This requires a huge investment in key infrastructure including railways, ports and highways. In the current scenario, slowdown in demand from 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 imported steel into the country are other concerns.

The world economy is expected to grow at 5% in the year 2011. The advanced economies are projected to grow at 2.5% while the emerging and developing economies will be growing at a higher level of 7%.

The World Steel Association in its short range outlook states that the world consumption of steel is expected to be 1,360 mmt in 2011 with a growth of 6% over 2010 and forecasts that the steel demand in China in will rise by 5% while that in India a growth of 13.3% in 2011-12. Overall, the developing and emerging world will account for 72% of the global steel demand in 2011.

India once again emerged as the 5th largest producer in 2010 and recorded a growth of 6.4 % as compared to 2009. India also emerged as the largest sponge iron producing country in the world in 2010, a rank it has held on since 2002. If proposed expansions plans are implemented as per schedule, India may become the second largest crude steel producer in the world by 2015-16.

With the setting up of the rolling mill and the billet unit, the company is expected to have a higher manufacturing activity compared to previous years. The substantial additions to capacity are expected to yield higher margins for the company.

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 and related items like coal etc. 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 the Company, RINL (Vizag Steel), and other manufacturers for special products.

The division recorded a growth of 44.64% with turnover of Rs. 720.72 crores for the year ended 31st March 2011 compared to Rs. 498.27 crores in the previous year. The growth was achieved with a better of mix of steel and related products as well as higher rates of steel. About 63% of the total turnover of the Company came from this division during the year.

2) Steel Ingot Division - 90,000 TPA

This division manufactures ingots using sponge iron and scrap / pig iron. The unit also has a power generation unit using natural gas for captive consumption. The total production was negligible at about 885 tons in 2010-11 compared to 7,200 tons in the previous year due to high input costs and concentration of the management to stabilise the production at the new 240,000 TPA Billet unit at Malliveedu. The Company has sold the unutilised power produced from the Power Plant.

The division reported a turnover of Rs. 27.71 crores against the turnover of Rs.40.95 crores in the previous year. The sales include Rs. 25.93 crores from sale of power as against previous year sales from power of Rs. 26.78 crores.

3) Rolling Division - 270,000 TPA

This division of the Company has two Rolling units producing TMT bars and Steel Rebars. The unit located at Parawada, Visakhapatnam has capacity of 45,000 TPA and the TMT bars produced are sold under the well established brand name Simhadri TMT Bars. The other unit was set up during the year 2010 and is located at Malliveedu, L. Kota Mandal, Vizianagaram District and has a capacity of 225,000 TPA. The total production from these units was about 102,970 tons compared to about 32,200 tons in the previous year. The production was higher with the addition of the new unit.

The division reported a turnover of Rs. 277.49 crores (net of excise duty of Rs. 28.59 crores) as against Rs. 84.33 crores (net of excise duty Rs. 6.32 crores) in the previous year.

**4) Wire Drawing and HC Wire Products Division:**

The two units of this division produce MS wire products and High Carbon steel wire products. This division reported a turnover of Rs. 51.16 crores (net of excise duty of Rs. 4.48 crores) as against Rs. 42.37 crores (net of excise duty Rs. 3.22 crores) in the previous year. The turnover of this Division increased marginally and the Management will continue its efforts to maximise the revenues from this division in the current year as the demand for these products is good.

5) Sponge Iron Division - 220,000 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 Malliveedu, L. Kota Mandal, Vizianagaram District has a capacity of 220,000 TPA The division reported a turnover of Rs. 22.61 crores (net of excise duty of Rs. 0.69 crores) for the year under review as against Rs. 31.06 crores (net of excise duty Rs. 1.51 crores) in the previous year. Supply constraints and high input costs continued to affect the production levels.

6) SMS Billet Unit - 240,000 TPA

The setting up of the new Billet unit located at Malliveedu, L. Kota Mandal, Vizianagaram District was completed during the year and started commercial production in August 2010. The unit has a capacity of 240,000 TPA. The total production from this units was about 72,720 tons. The division reported a turnover of Rs. 56.40 crores (net of excise duty of Rs. 5.03 crores).

Financial Performance**1) Share Capital**

During the year under review, the paid up equity share capital of the Company increased from Rs. 393,000,000 to Rs. 428,500,000 comprising of 42,850,000 Equity Shares of Rs. 10/- each with the issue and allotment of 3,550,000 (Thirty Five Lakh Fifty Thousands) Equity Shares of Rs. 10/- each of the Company at a price of Rs. 37/- on 23rd July, 2010.

2) Reserves and Surplus

For the year ended 31st March 2011, the Reserves and Surplus have gone up from Rs. 91.54 crores to Rs. 118.06 crores. Out of the profits after tax of the current year, Rs. 100.00 lakhs has been transferred to General Reserve and after providing for preference Dividend, Rs. 44.69 crores has been retained in the Profit and Loss Account.

3) Secured Loans

There has been an increase in Secured Loans from Rs. 202.45 crores to Rs. 333.38 crores. The increase was mainly due to availing of term loans for the new projects, corporate loans for net working capital facilities and increase in working capital loans from the Banks.

4) Unsecured Loans

The unsecured loans of temporary nature were repaid during the year and consequently there has been a decrease in Unsecured Loans from Rs. 32.55 crores to Rs. 5.63 crores.

5) Fixed Assets

During the year, there was a net increase of Rs. 61.05 crores in Fixed Assets (Gross Block) primarily on account of addition to Plant & Machinery and Building works consequent to the setting up of new billet plant at Malliveedu, L. Kota (Mandal) apart from additions in the other units..

Operational Performance**1) Income**

The income of the Company was Rs. 1156.09 crores for the year ended 31st March 2011 as against Rs. 696.98 crores in the previous year, registering a growth of 65.89%. The Company's manufacturing activity and trading activity was higher during the year under review coupled with the increase in prices of steel products resulted in higher turnover.

2) Direct Cost & Overheads

The Direct Cost for the year under review works out to Rs. 1090.60 crores as against Rs. 643.80 crores in the previous year. Overheads comprising of staff costs, administration and selling & distribution expenses were higher at Rs. 32.70 crores for the year under review as against Rs. 18.79 crores in the previous year with the addition of new units and manpower. 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. 47.92 crores representing 4.14% of the turnover as against Rs. 31.59 crores representing 4.53 % of the turnover in the previous year. The increase in the interest cost is due to availing of new term loans, higher credit facilities from banks as well as increase in interest rates during the year under review.

4) Depreciation

The Company has provided a sum of Rs. 11.14 crores towards depreciation representing 0.96 % of the turnover for the current year as against Rs. 3.18 crores representing 0.46 % of the turnover in the previous year.

5) Provision for Tax

The Company has provided a sum of Rs. 8.97 crores towards income tax which includes tax for earlier years. The deferred tax provision for the year is Rs. 6.17 crores as against and Rs. 5.04 crores in the previous year. The MAT credit entitlement recognised in the Profit and Loss account was Rs. 4.79 crores for the year under review.

6) Net Profit

The operations for the year under review have resulted in a Net Profit of Rs. 16.99 crores as against Rs. 4.96 crores in the previous year. Increase in manufacturing and trading activity coupled with increase in steel prices resulted in higher net profit when compared to previous year.

7) Dividend

For the year under review, the Board of Directors recommended a dividend of 10.25 % on Preference shares, which works out to Rs. 0.06 crores. No Dividend is recommended on the Equity Shares for the year ended 31st March, 2011.

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 Internal Auditors as well as Statutory Auditors to ascertain, inter alia, 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 1287 as on 31st March 2011.

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 and supply 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, 2011, 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 **Pavuluri & Co**
Chartered Accountants
Firm Registration No: 012194S

CA. P.A.RAMAI AH
Partner
M.No.:203300

Camp: Malliveedu, L.Kota (Mandal)
Date: August 27, 2011



AUDITORS' REPORT

To
The Members of
STEEL EXCHANGE INDIA LIMITED

We have audited the attached Balance Sheet of STEEL EXCHANGE INDIA LIMITED as at 31.03.2011 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 paragraphs 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 (3C) of Section 211 of the Companies Act'1956.
- e) On the basis of the written representations received from the directors, as on 31st March '2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March '2011 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 20 - statement on significant account policies and notes to accounts annexed therewith and 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' 2011;
 - 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 of the Company for the year ended on that date.

For **Pavuluri & Co**
Chartered Accountants
Firm Registration No: 012194S

Camp: Malliveedu, L.Kota (M), Vizianagaram (Dt)
Date: 27.08.2011

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



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.
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. (a) The Company has granted loans to two parties covered in the Register maintained under Section 301 of the Companies Act, 1956. The balance outstanding as on 01.04.2010 is Rs. 15.91 Crores and the yearend balance of loan granted to such parties was Rs.12.21 Crores.
(b) According to the information and explanation given to us, the company has charged interest at the rate of 12% p.a on the above loans.
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, 2011 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 14 of Schedule 20.

Name of the Statute	Nature of Dues	Amount in Rs.	Deposits/ Paid	Pending with
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 not 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 **Pavuluri & Co**
Chartered Accountants
Firm Registration No: 012194S

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

Camp: Malliveedu, L.Kota (M), Vizianagaram (Dt)
Date: 27.08.2011

**BALANCE SHEET AS AT 31.03.2011**

PARTICULARS	Sch. No.		As at 31.03.11 Rs.	As at 31.03.10 Rs.
SOURCES OF FUNDS:				
1 Shareholders Funds:				
a) Share Capital	1		815,504,000	398,504,000
b) Reserves & Surplus	2		1,180,616,594	915,449,025
2 Loan Funds:				
a) Secured Loans	3		3,333,812,615	2,024,465,077
b) Unsecured Loans	4		56,235,055	325,527,566
c) Deferred Tax Liability			154,144,636	92,473,915
TOTAL			5,540,312,900	3,756,419,583
APPLICATION OF FUNDS:				
1 Fixed Assets:	5			
a) Gross Block		2,114,109,677		1,503,628,924
b) Less: Depreciation		287,417,781		176,607,213
c) Net Block			1,826,691,896	1,327,021,711
d) Capital Work in Progress			96,985,945	183,606,329
2 Investments	6		166,870,660	-
3 Current Assets, Loans & Advances:				
a) Inventories	7	2,085,148,176		1,198,762,313
b) Sundry Debtors	8	1,698,830,590		933,769,394
c) Cash & Bank Balances	9	267,486,575		271,757,533
d) Loans & Advances	10	2,379,988,489		1,863,467,506
		6,431,453,830		4,267,756,746
Less: Current Liabilities & Provisions:	11	3,008,253,419		2,035,127,002
Net Current Assets			3,423,200,411	2,232,629,744
4 Miscellaneous Expenditure	12			
(to the extent not written off or adjusted)				
Deferred revenue expenditure			26,563,988	13,161,799
TOTAL			5,540,312,900	3,756,419,583
Statement on Significant account policies and notes to accounts	20			

The Schedules referred to above and Statement on Significant account policies and notes to accounts form an integral part of the Balance Sheet.

As per our report of even date
for **PAVULURI & Co.**
Chartered Accountants
Firm Reg. No. 012194S

for and on behalf of the Board of Directors

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

B. SATISH KUMAR
Managing Director

B. SURESH KUMAR
Jt. Managing Director

Camp: Malliveedu, L.Kota (M)
Date : 27-08-2011

Place : Malliveedu, L.Kota (M)
Date : 27-08-2011

B.NARAHARI
Company Secretary



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011

PARTICULARS	Sch. No.	Year Ended 31.03.11 Rs.	Year Ended 31.03.10 Rs.
INCOME:			
Sales	13	11,948,824,789	7,092,285,889
Less: Excise duty		387,914,656	122,494,304
		11,560,910,133	6,969,791,585
Other income	14	57,492,369	192,902,116
Increase/(Decrease) in Stock	15	483,267,163	(71,160,359)
		12,101,669,665	7,091,533,342
EXPENDITURE:			
Manufacturing Expenses	16	10,906,044,939	6,437,978,403
Payments & Benefits to Employees	17	97,815,242	63,411,575
Administrative, Selling & Distribution Expenses	18	229,187,040	124,554,688
Financial Charges	19	479,216,532	315,939,686
Depreciation	5	111,408,675	31,811,044
		11,823,672,428	6,973,695,396
Profit Before Prior Period Items		277,997,237	117,837,946
Less / (add) : Prior period adjustments		4,482,666	126,360
Profit before tax		273,514,571	117,711,586
Less: Provision For Tax			
a) Current and earlier year Taxes		89,738,198	17,656,738
b) Deferred Tax		61,670,721	50,450,845
c) MAT Credit Entitlement		(47,860,702)	-
Profit after Tax		169,966,353	49,604,003
APPROPRIATIONS			
Provision for			
a) Preference Dividend		564,160	564,160
b) Provision for Dividend Tax		84,624	-
c) Transfer to General Reserve		10,000,000	2,500,000
Profit after appropriation items		159,317,569	46,539,843
Add: Brought forward profits		287,599,517	241,059,674
Balance profit carried to balance Sheet		446,917,086	287,599,517
Basic EPS		4.06	1.42
Diluted Earning per share (face value Rs.10/-)		3.81	1.42
Statement on Significant account policies and notes to accounts	20		

The Schedules referred to above and Statement on Significant account policies and notes to accounts form an integral part of the Profit & Loss Account.

As per our report of even date
for **PAVULURI & Co.**
Chartered Accountants
Firm Reg. No. 012194S

for and on behalf of the Board of Directors

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

B. SATISH KUMAR
Managing Director

B. SURESH KUMAR
Jt. Managing Director

Camp: Malliveedu, L.Kota (M)
Date : 27-08-2011

Place : Malliveedu, L.Kota (M)
Date : 27-08-2011

B.NARAHARI
Company Secretary

**SCHEDULES TO THE FINANCIAL STATEMENTS**

	As At 31.03.2011 (Rs.)	As At 31.03.2010 (Rs.)
SCHEDULE-1		
SHARE CAPITAL:		
Authorised Capital		
a) 9,90,00,000 equity shares of Rs.10/- each	990,000,000	990,000,000
b) 10,00,000 redeemable preference shares of Rs.10/- each	10,000,000	10,000,000
	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued Subscribed & Paid Up Capital:		
a) 4,28,50,000 equity shares of Rs.10/- each (Previous Year 3,93,00,000) (35,50,000 equity shares of Rs. 10/- were allotted on 23.07.2010)	428,500,000	393,000,000
b) 5,50,400, 10.25% redeemable Preference Shares of Rs.10 each fully paid (Redeemable on or before 30.01.2012)	5,504,000	5,504,000
c) Share Warrants Application Money	381,500,000	-
	<u>815,504,000</u>	<u>398,504,000</u>
SCHEDULE-2		
RESERVES & SURPLUS:		
Capital reserve	75,655,242	75,655,242
General Reserve	49,000,000	39,000,000
Share Premium	607,323,960	511,473,960
Investment Allowance Reserve	1,720,306	1,720,306
Balance brought forward from P & L account	446,917,086	287,599,517
	<u>1,180,616,594</u>	<u>915,449,025</u>
SCHEDULE-3		
SECURED LOANS:		
A) Term Loans from:		
a) State Bank of India (FCNR term loan)	-	25,454,298
b) State Bank of Hyderabad	17,848,864	36,067,443
c) State Bank of India	285,136,099	235,831,569
d) State Bank of Travencore	194,329,234	157,096,541
e) State Bank of Mysore	145,728,996	117,822,794
f) State Bank of Bikaner & Jaipur	142,738,575	117,819,622
g) State Bank of India (CTL)	859,601,208	-
h) State Bank of Hyderabad (CTL)	252,798,655	-
B) Working Capital Loans from:		
a) State Bank of India (Rupee Loan)	676,773,425	594,891,654
b) State Bank of India (Standby line of Credit)	-	32,435,706
c) Lakshmi Vilas Bank	149,214,723	103,427,505
d) Bank of India	202,249,632	174,811,321
e) IDBI Bank Ltd	64,204,534	71,892,014
f) Karur Vysya Bank Ltd	202,228,889	237,877,063
g) State Bank of Hyderabad	140,959,781	119,037,547
	<u>3,333,812,615</u>	<u>2,024,465,077</u>
SCHEDULE-4		
UNSECURED LOANS:		
a) Hire Purchase Loans	42,976,449	55,940,034
b) From Others	13,258,606	269,587,532
	<u>56,235,055</u>	<u>325,527,566</u>

**SCHEDULE - 5
FIXED ASSETS AS AT 31.03.2011**

(in Rupees)

Name of the Asset	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2010	Additions During the Year	Deletions / Adjustments	As on 31.03.2011	Upto 01.04.2010	For the Year	Deletions	Upto 31.03.2011	As on 31.03.2011	As on 31.03.2010
TANGIBLE ASSETS:										
Land	82,739,700	494,331	-	83,234,031	-	-	-	-	83,234,031	82,739,700
Buildings	289,223,751	219,699,954	-	508,923,704	15,004,642	13,313,289	-	28,317,932	480,605,773	274,219,109
Plant & Machinery	962,051,735	352,035,589	-	1,314,087,324	84,212,839	55,779,898	-	139,992,737	1,174,094,586	877,838,896
Electrical Installations	20,811,136	113,756	-	20,924,892	6,926,196	991,718	-	7,917,915	13,006,976	13,884,940
Air Conditioner	2,693,856	1,484,423	-	4,178,279	991,510	189,915	-	1,181,425	2,996,853	1,702,345
Furniture	8,692,475	645,543	-	9,338,018	3,835,345	507,952	-	4,343,297	4,994,720	4,857,129
EDP Equipment	20,816,975	1,832,563	-	22,649,538	18,602,129	1,303,930	-	19,906,059	2,743,477	2,214,846
Office Equipment	3,348,476	137,875	-	3,486,351	819,536	161,215	-	980,751	2,505,601	2,528,940
Lab Equipment	1,920,518	28,800	-	1,949,318	495,951	91,618	-	587,569	1,361,749	1,424,567
Cranes & trucks	16,865,494	23,672,971	-	40,538,465	2,208,661	3,213,097	-	5,421,758	35,116,708	14,656,833
Vehicles	27,743,058	3,739,765	1,765,922	29,716,901	6,512,328	2,714,930	598,110	8,629,148	21,087,755	21,230,731
Rollers	36,710,951	8,361,105	-	45,072,056	6,987,276	33,141,113	-	40,128,390	4,943,667	29,723,675
INTANGIBLE ASSETS										
Goodwill	30,010,800	-	-	30,010,800	30,010,800	-	-	30,010,800	-	-
Total	1,503,628,924	612,246,675	1,765,922	2,114,109,677	176,607,213	111,408,675	598,110	287,417,781	1,826,691,896	1,327,021,711
Previous Year Totals	666,613,557	868,903,683	31,888,316	1,503,628,924	152,577,206	31,811,044	7,781,037	176,607,213	1,327,021,711	514,036,351



SCHEDULES TO THE FINANCIAL STATEMENTS (Contd.)

	As At 31.03.2011 (Rs.)	As At 31.03.2010 (Rs.)
SCHEDULE-6		
INVESTMENTS :		
Unquoted - (Valued at cost)		
1,66,87,066 equity shares of Rs. 10/- Each fully paid up in Simhadri Power Limited (Previous year Nil)	166,870,660	-
	<u>166,870,660</u>	<u>-</u>
SCHEDULE-7		
INVENTORIES:		
(As certified and valued by the Management)		
Raw Material	781,937,444	419,109,676
Finished Goods	1,206,440,954	723,173,791
Consumables	64,426,988	24,635,707
Stores & Spares	32,342,790	31,843,139
	<u>2,085,148,176</u>	<u>1,198,762,313</u>
SCHEDULE-8		
SUNDRY DEBTORS:		
(Unsecured and considered good)		
Outstanding for more than six months	59,024,715	58,801,224
Others	1,639,805,875	874,968,170
	<u>1,698,830,590</u>	<u>933,769,394</u>
SCHEDULE-9		
CASH & BANK BALANCES :		
Cash on hand	7,199,820	17,248,662
Cash at Banks- in current accounts	57,367,431	62,673,253
Margin money deposits	202,919,324	191,835,618
	<u>267,486,575</u>	<u>271,757,533</u>
SCHEDULE-10		
LOANS & ADVANCES:		
(Unsecured, considered good and Advances recoverable in cash or in kind or for value to be received)		
Advance for Purchases	694,181,524	268,380,587
Advance for capital works	1,066,592,409	1,151,178,340
Other Advances	466,359,491	288,713,327
Deposits	62,106,170	49,003,825
TDS & Advance tax	42,888,193	106,191,427
MAT Credit Entitlement	47,860,702	-
	<u>2,379,988,489</u>	<u>1,863,467,506</u>
SCHEDULE-11		
CURRENT LIABILITIES & PROVISIONS :		
Creditors for Capital Goods	25,704,259	40,675,297
Creditors for Purchases	2,139,223,063	1,244,150,283
Other Current liabilities	181,063,333	110,942,387
Advance from Customers	583,557,242	547,438,137
Provision for Tax	78,056,738	91,356,738
Dividend & Dividend Tax payable	648,784	564,160
	<u>3,008,253,419</u>	<u>2,035,127,002</u>



SCHEDULES TO THE FINANCIAL STATEMENTS (Contd.)

	Year Ended 31.03.2011 (Rs.)	Year Ended 31.03.2010 (Rs.)
SCHEDULE-12		
MISCELLANEOUS EXPENDITURE:		
(To the extent not written off or adjusted)		
Deferred revenue expenditure		
Opening Balance	13,161,799	3,715,099
Additions	22,441,862	14,000,000
	<u>35,603,661</u>	<u>17,715,099</u>
Less: 1/5th written off	9,039,673	4,553,300
	<u>26,563,988</u>	<u>13,161,799</u>
SCHEDULE-13		
SALES:		
Steel Products	11,410,985,761	6,651,388,902
Steel Exports (Deemed Export Sales)	122,072,870	50,029,205
Conversion charges	415,296	16,281,138
Sales Incentives Received	156,045,780	106,770,955
Power	259,305,082	267,815,689
	<u>11,948,824,789</u>	<u>7,092,285,889</u>
SCHEDULE-14		
OTHER INCOME:		
Miscellaneous income	19,322,438	9,509,268
Lease Rental Received	-	1,355,000
Profit on sale of Asset	-	18,427,622
Exchange fluctuation Gain	-	83,321,924
Interest	38,169,931	80,288,302
	<u>57,492,369</u>	<u>192,902,116</u>
SCHEDULE-15		
INCREASE / (DECREASE) IN STOCK:		
<i>Opening Stock:</i>		
Finished Goods	723,173,791	794,334,150
<i>Closing Stock:</i>		
Finished Goods	1,206,440,954	723,173,791
Increase / (Decrease) in Inventory	483,267,163	(71,160,359)
SCHEDULE-16		
MANUFACTURING EXPENSES:		
Opening Balance	419,109,677	191,843,388
Add : Purchases	10,248,734,116	6,320,317,634
	<u>10,667,843,793</u>	<u>6,512,161,022</u>
Less : Closing Stock	781,937,444	419,109,677
Raw Material Consumed	9,885,906,349	6,093,051,345
Consumables, Stores & Spares	204,743,316	101,661,961
Power & Fuel	296,081,142	49,183,082
Gas Charges	124,859,318	70,428,194
Repairs & Maintenance	37,110,677	9,481,146
Freight Charges	281,663,151	76,958,130
Loading & Unloading Charges	22,967,068	1,299,000
Contract Charges / labour	46,859,305	33,275,114
Royalty Expenses	20,000	240,000
Transmission charges	4,794,458	1,406,956
Purchase commision	1,040,155	993,475
	<u>10,906,044,939</u>	<u>6,437,978,403</u>



SCHEDULES TO THE FINANCIAL STATEMENTS (Cond.)

	Year Ended 31.03.2011 (Rs.)	Year Ended 31.03.2010 (Rs.)
SCHEDULE-17		
PAYMENTS & BENEFITS TO EMPLOYEES:		
Salaries, Wages and other benefits	89,488,403	55,787,192
Staff & Workers Welfare Expenses	<u>8,326,839</u>	<u>7,624,383</u>
	<u>97,815,242</u>	<u>63,411,575</u>
SCHEDULE-18		
ADMINISTRATION, SELLING & DISTRIBUTION EXPENSES:		
Advertisement charges	3,383,142	1,910,643
Discounts / Sales Commission	81,546,773	52,522,386
Business Promotion	3,196,254	2,966,316
Directors Remuneration	7,261,998	6,100,000
Electricity Charges	1,850,096	2,082,965
Freight & Handling Charges	21,443,074	6,236,907
Office Maintenance & Computer Maintenance	2,962,790	835,235
Postage, Telegram & Telephone Charges	2,062,356	2,546,016
Printing & Stationery Expenses	1,322,983	1,619,030
Professional Charges	5,615,205	4,633,304
Travelling & Conveyance	6,499,312	3,249,902
Vehicle Maintenance Expenses	5,643,197	4,965,667
Insurance	4,745,682	3,215,514
Rent	1,835,575	1,331,572
Rates & Taxes	48,660,867	11,940,228
Auditor's Remuneration		
a) Statutory Audit fee	1,500,000	1,000,000
b) Tax Audit Fee	500,000	350,000
c) Other Services	500,000	500,000
Yard expenses	3,032,918	2,206,769
Security charges	2,958,675	2,700,478
Miscellaneous Expenses	3,250,217	3,838,330
Loss on sale of Assets	320,312	-
Packing Material	1,258,099	908,853
Exchange fluctuation loss	819,222	-
Bad debts written off	7,978,620	2,341,273
Deferred revenue expenditure written off	<u>9,039,673</u>	<u>4,553,300</u>
	<u>229,187,040</u>	<u>124,554,688</u>
SCHEDULE-19		
FINANCIAL CHARGES:		
Interest on Bank Term Loans	90,906,117	9,324,064
Interest on Bank Working Capital Loans	198,121,966	142,085,094
Bank Charges & Commission	124,840,681	109,336,701
Other interest	<u>65,347,768</u>	<u>55,193,827</u>
	<u>479,216,532</u>	<u>315,939,686</u>

**SCHEDULE – 20****STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS****A. SIGNIFICANT ACCOUNTING POLICIES:****1. General :**

The Accompanying financial statements have been prepared under the historical cost convention, in accordance with Indian Generally Accepted Accounting Principles (GAAP) and the provisions of the Companies Act, 1956.

2. Revenue Recognition :

Revenue is recognized when it is earned and no significant uncertainty exists as to its realization or collection.

Revenue from sale of goods is recognized on delivery of the products, when all significant contractual obligations have been satisfied, the property in the goods is transferred for price, significant risks and rewards of ownership is retained. Sales are net of sales tax/Value added tax. Excise duty recovered is presented as a reduction from gross turnover.

3. Fixed Assets and Depreciation :

Fixed assets are stated at their cost of acquisition or construction less accumulated depreciation. Costs of acquisition comprise all costs incurred to bring the assets to their location and working condition up to the date the assets are put to use. Cost of construction are composed of those costs that relate directly to specific assets and those that are attributable to the construction activity in general and can be allocated to the specific assets up to the date the assets are put to use.

Depreciation on assets is provided pro-rata for the period of use, by the straight line method (SLM) at the prescribed in Schedule XIV to the Companies Act, 1956.

4. Inventories :

Inventories are valued at the lower of cost or net realizable value. Cost of inventories comprises all cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is determined by weighted average cost method.

The liability towards excise duty on finished goods lying in excise godown amounting to Rs. 2,70,42,857/- 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.

5. Foreign Currency Transactions :

Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction. Monetary foreign currency assets and liabilities are reported at the exchange rate prevailing on the balance sheet date. Exchange differences are dealt with in the Profit & Loss account.

6. Borrowing costs:

Borrowing costs attributable to the acquisition or construction of qualifying assets, as defined in Accounting Standard 16 on "Borrowing Costs" are capitalized as part of the cost of such asset up to the date when the asset is ready for its intended use. Other borrowing costs are expensed as incurred.

7. Employee Benefits:

Employee benefits such as salaries, allowances, non-monetary benefits and employee benefits under defined contribution plans such as provident fund, which fall due for payment within a period of twelve months after rendering services are charged as expenses to the Profit & Loss account in the period in which the service is rendered.

8. Income Tax:

Income taxes are accounted for in accordance with Accounting Standard 22 on "Accounting for Taxes on Income". Taxes Comprise both current and deferred tax.

Minimum alternative tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax after setting off of brought forward losses. Accordingly, MAT is recognised as an



asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

Current tax is measured at the amount expected to be paid/recovered from the revenue authorities, using the applicable tax rates and tax laws.

The tax effect of timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. Deferred tax assets and liabilities are recognized for future tax consequences attributable to timing differences. During the year, deferred tax liability of Rs.6,16,70,721/- has been provided in the current year's Profit & Loss Account.

Tax on distributed profits payable in accordance with the provisions of section 115 O of the Income Tax Act, 1961 is in accordance with the guidance note on Accounting for Corporate Dividend Tax regarded as a tax on distribution of profits and is not considered in determination of profits for the year.

9. Earnings Per Share (EPS) :

The company reports basic Earnings per share (EPS) in accordance with Accounting Standard 20 on "Earnings per share". Basic EPS is computed by dividing the net Profit or Loss for the year attributable to equity share holders by the weighted average number of equity shares outstanding during the year.

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

10. Cash Flow Statement:

The Cash flow statement is prepared by the "Indirect Method" set out in Accounting Standard 3 on "Cash flow Statement" and presents the cash flows by operating, investing and financing activities of the Company.

Cash and Cash equivalents presented in the cash flow statement consist of cash on hand and demand deposits with banks.

11. Contingent Liabilities:

Contingent liabilities as defined in Accounting Standard 28 on "Provisions, Contingent Liabilities and Contingent Assets" are disclosed by way of notes to the accounts. Disclosure is not made if the possibility of an outflow of future economic benefits will be required to settle the obligation.

12. Segmenting Reporting:

The Company is primarily engaged in the business of manufacture and sale of iron and steel products. The primary segment of the company is steel which in the context of which in the context of Accounting Standard 17 on "Segment Reporting" constitute reportable segments. However the company has captive power generation for manufacture of ingots. The unutilized power is sold to power traders and the revenue so generated is included in the sales.

13. Investments:

Long-term investments are stated at cost, less provision for other than temporary diminution in value, if any.

14. Operating Lease:

Operating lease payments are recognized as expense in the profit and loss account on a straight line basis over the lease term.

B. NOTES TO ACCOUNTS :

1. During the year the company has allotted 35,50,000 Equity shares of Rs.10/- each at a premium of Rs.27/- per share resulting in increase in paid up equity share capital of the company.
2. During the year the company allotted 40,00,000 convertible share warrants of Rs. 10/- each at a premium of Rs. 28/- per share warrant and issued 51,00,000 share warrants of Rs. 10 each at a premium of Rs. 35/- per share warrant.

3. SECURED LOANS:

The term loans, Corporate Loans and working capital loans availed 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 personal guarantees of the Directors, B. Suresh Kumar, V.V. Krishna Rao, B. Suresh and B. Satish Kumar in their personal capacities.

4. During the year, the company has subscribed to 1,66,87,066 Equity shares of Rs.10 each fully paid of M/s. Simhadri Power Limited, a company promoted by the company as a special purpose vehicle (SPV) to setup the 60MW power plant at GSAL premises. The same has been reflected under Investments.

5. DEFERRED REVENUE EXPENDITURE

a. During the financial year 2009-2010, the company incurred an expenditure of Rs.1,40,00,000 towards brand promotion of Simhadri TMT by way of sponsorship of the sports event (Afro Asia T20 cup) conducted by World Future League Private limited. The same has been shown under deferred revenue expenditure to be written off over a period of five years.

b. During the year the company incurred an expenditure of Rs.1,92,50,000 towards processing fee and professional charges for availing Corporate term loans from State Bank of India and State bank of Hyderabad. The same has been shown under deferred revenue expenditure to be written off over a period of five years.

6. During the year the company incurred expenditure of Rs. 30,30,000 towards increase in authorised capital. The same has been shown under deferred revenue expenditure to be written off over a period of five years.

7. The details of related party transactions in terms of Accounting Standard (AS 18) are as follows:

a. Names Of Related Parties And Description of Relationship:

- i. Associate Concerns :
 - 1. VPL Projects Pvt. Ltd
 - 2. Vizag Profile Constructions India Pvt. Ltd.
 - 3. Vizag Profiles Pvt. Ltd
 - 4. Umashiv Garments Pvt Ltd
 - 5. World Future League Pvt Ltd.
 - 6. Simhadri Power 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 Personnel :
 - 1. B. Ramesh Kumar
 - 2. B. Rajesh

b. Particulars of transactions during the year:

Amount (Rs.)

	Associates	Key Management Personnel	Relative of Key Management Personnel	Total
Rent Paid	27,000	-	-	27,000
Director's Remuneration	-	72,61,998	-	72,61,998
Sale of Goods	4,773,478	-	-	4,773,478
Services	47,042,482	-	-	47,042,482
Salaries	-	-	1,850,000	1,850,000
Interest Received	9,950,164	-	-	9,950,164
Amounts payable on 31.03.11	-	2,83,416	-	2,83,416
Amounts receivable on 31.03.11	339,913,813	-	-	339,913,813


8. 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 2010-11		FY 2009-10	
	Licensed	Installed (MT's)	Licensed	Installed (MT's)
A) Capacity				
Rebars		270,000		270,000
Ingots		90,000		90,000
Billets		240,000		-
GI Wires		6,000		6,000
High Carbon & Galvanizing Steel		24,000		24,000
Captive Power (MW)		11.63MW		9.71MW
B) Production Sales & Stock	Rs. (000)	Mts	Rs. (000)	Mts
Opening stock				
i) Rebars/scrap	34,474	942.45	10,233	332.47
ii) Ingots	59	1.83	6,179	248.45
iii) GI & Binding wires	7,229	172.13	8,189	164.33
Production				
i) RE bars / Scrap	3,071,748	102,967.52		32,295.51
ii) Ingots & Scrap	24,910	885.83		7,198.46
iii) Scrap generated (ingot unit)	-	-		16.08
iv) GI & Binding wires	2,951,884	13,453.70		14,275.94
v) Billets	1,927,815	72,716.05		-
Sales				
i) Re bars/scrap	2,939,630	98,829.48	922,483	31,685.53
ii) Ingots & scrap	18,284	675.43	145,991	7,445.08
iii) GI & Binding wires	555,552	13,206.85	546,220	14,268.14
iv) Billets	-	2,037,851	15,553.18	-
v) Power Sale	259,305	59,166,430.00	267,816	57,101,000.00
Capitve Consumption:				
(i) Billets	1,473,844	55,616.77	-	-
Closing Stock				
i) Re bars/scrap	166,592	5,080.48	34,474	942.45
ii) Ingots	6,685	212.23	59	1.83
iii) GI & Binding wires	19,483	418.98	7,229	172.13
iv) Billets	53,341	1,546.10	-	-
C) Traded goods (Iron & Steel, Scrap, Coal, Pig iron etc)				
Opening Stock	660,503	24,934.20	717,627	23,375.35
Purchases	8,074,226	295,302.27	5,015,263	256,288.38
Sales	8,407,663	295,341.05	5,175,119	254,729.53
Closing Stock	916,846	24,895.41	660,503	24,934.20
Lubricants (Qty in Ltrs)				
Opeining Stock	402.00	2,227.00	532.00	4,263.00
Purchases	-	-	2,926.32	18,194.00
Sales/consumption	402.00	2,227.00	3,540.19	20,230.00
Closing Stock	-	-	402.00	2,227.00
D) Raw material Consumption				
i) Billets/ Ingots/Blooms	1,020,771	39,644.86	757,831.74	33,853.60
ii) Scrap/Import scrap	31,194	1,359.56	67,027.34	3,534.89
iii) Sponge Iron	8,629	504.60	56,263.53	4,999.16
iv) Pig Iron	242,127	11,619.12	19,886.21	1,173.22
v) Imported Scrap	-	-	606.00	21.63
vi) Silico Manganese & Ferro silicon	-	-	-	99.53
i) Iron Ore	679,530	133,200.32	97,308.90	64,564.04
ii) Coal	272,450	129,316.29	21,274.47	78,621.19
iii) Lime Stone	-	-	431.43	943.96
iv) Imported coal	-	-	7,596.85	1,833.66



vii) Sale of Raw Material(included in sales):				
Sale of Raw Material - Billets/ Ingots	2,256	98.73	1,048.52	47.66
Sale of Raw Material - Pig Iron	152,554	6,970.77	69.67	3.91
Sale of Raw Material - Sponge Iron	-	-	3,225.67	221.04
Sale of Raw Material - Scrap	-	-	802.62	42.21
Sale of Raw Material - Wire rod coils	70,282	2,147.47	54.00	1,660.44
viii) Wire rod coils	430,605	13,528.54	467,825.64	14,454.70
**Sales and Purchases are inclusive of inter division transfers		FY 2010-11		FY 2009-10
Purchases:				
Melting Division	4,373.71	191.91	78,409	5,252.64
Rolling Division	358,012.90	12,956.43	138,178	5,595.19
Trading Division	78,399.65	2,659.90	12,999	391.80
Unit-1	126,495.96	3,815.35	128,312	4,296.14
Unit-2	133,866.48	3,840.29	51,101	1,724.61
Sponge Iron	15,102.18	3,638.30	18,281	4,406.14
New Rolling Mill	1,494,423.58	56,348.81	6,909	271.49
SMS Division	1,508,928.83	77,775.39	-	-
Total	3,719,603.29	161,226.38	434,190	21,938.00
Sales:				
Melting Division	602.21	28.06	4,317.00	223.95
Rolling Division	38,599.14	1,611.21	15,979.91	925.57
Trading Division	1,356,490.39	57,568.31	302,016.92	15,939.24
Unit-1	13,172.20	369.33	13,300.11	413.905
Unit-2	30,715.82	946.51	81,220.96	2,716.78
Sponge Iron	679,637.69	40,373.69	17,355.04	1,718.56
New Rolling Mill	126,541.51	4,712.51	-	-
SMS Division	1,473,844.33	55,616.77	-	-
Total	3,719,603.29	161,226.38	434,190	21,938.00
Sponge Iron Division		FY 2010-11		FY 2009-10
A) Capacity		220,000		220,000
B) Production Sales & Stock	Rs. (000)	Mts	Rs. (000)	Mts
OPENING STOCK				
i) Sponge Iron Fines	10,024.80	1,002.48	8,854.92	655.92
ii) Sponge Iron Lumps	4,643.28	331.68	39,798.72	2,487.42
iii) Sponge Iron Bricquets	5,837.57	386.94	2,920.77	253.98
PRODUCTION				
i) Sponge Iron Fines	-	1,125.79	-	2,537.00
ii) Sponge Iron Lumps	-	44,748.42	-	16,417.32
iii) Sponge Iron Bricquets	-	-	-	1,266.32
iv) Iron Fines	-	22,070.98	-	-
SALES : **				
i) Iron Fines	89,554	22,070.98	9,177.47	2,190.44
ii) Sponge Iron Lumps	65,481	4,626.28	244,807.17	18,573.06
iii) Sponge Iron Bricquets	-	-	8,177.53	1,133.36
iv) Coal fine sales	59,251	33,196.58	-	-
v) Sale of waste products	11,843	-	-	-
iv) Issued to Billet unit- Sponge Iron Fines	19,154	2,128.27	-	-
Issued to Billet unit - Sponge Iron Lump	659,999	38,164.65	-	-
Issued to Billet unit- Sponge Iron Bricquets	485	386.94	-	-
Closing Stock	-	-	-	-
i) Sponge Iron Fines	-	-	10,024.80	1,002.48
ii) Sponge Iron Lumps	43,494	2,289.17	4,643.28	331.68
iii) Sponge Iron Bricquets	-	-	5,837.57	386.94
D) Foreign currency Transactions: Rs. (000)		2010-11		2009-10
a) Earnings in foreign Exchange	-	nil	-	nil
b) Foreign Currency Expenditure:				
i) Purchase of Finished Goods	-	-	-	1,020,207
ii) Capital Goods	-	21,861	-	13,406
iii) Purchase of spares	-	4,884	-	-
iv) Foreign Traveling	-	398	-	197



9. Payment To Auditors:

	<u>2010-2011</u>	<u>2009-2010</u>
a) Statutory Audit	15,00,000	10,00,000
b) Tax Audit	5,00,000	3,50,000
c) Other Services	5,00,000	5,00,000

10. Managerial Remuneration:

	<u>2010-2011</u>	<u>2009-2010</u>
Salary	72,00,000	61,00,000
Perquisites	61,998	-

11. Employee benefits as per AS-15 (Revised): Gratuity

As per the accounting policy on retirement benefits(AS-15) the Gratuity liability is provided for the employees covering upto Rs.10,00,000 (Previous year Rs. 3,50,000) as per actuarial valuation.

12. Sundry Creditors - suppliers

	<u>2010-2011</u>	<u>2009-2010</u>
o Due to Micro, small enterprises- other Disclosures;		
o Principal amount remaining unpaid as on 31.03.2011 includes	-	-
o Sundry Creditors includes to micro, small and medium enterprises*	-	-
o Interest due thereon as on 31.03.2011	-	-
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 31.03.2011	-	-
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. Details of Earnings Per Share:

	<u>2010-2011</u>	<u>2009-2010</u>
Net profit for the year	169,966,353	49,604,003
Less: Preference Dividend(Including Dividend Tax)	648,784	564,160
Amount Available for Equity Share Holders	169,317,569	49,039,843
Weighted Average Number of Shares for Basic EPS	41,741,233	34,508,183
Add: Adjustment for Share Warrants	2,750,685	-
Weighted Average Number of Shares for Diluted EPS	44,491,918	34,508,183
Nominal Value per Share	10.00	10.00
Basic Earnings per Share	4.06	1.42
Diluted Earnings per Share	3.81	1.42

**14. Contingent Liability not provided for:**

- a. 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 and is included in Loans and Advances.
- b. 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 Hon'ble High Court against the demand.
- c. A case has been filed against the Company by Rashtriya Ispat Nigam Limited (RINL) for infringement of Trade Mark and the final orders were passed by the trail Court at Vishakapatnam not granting any damages to RINL. However the Company appealed before the Hon'ble High Court of Andhra Pradesh and a cross appeal was also filed by RINL. The Hon'ble High Court of Andhra Pradesh had suspended the orders of the trail Court and aggrieved by the same, RINL preferred a special leave petition before the Hon'ble Supreme Court of India and the SLP was dismissed by the Hon'ble Supreme Court of India.
- d. 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.
- e. Letters of credit for purchases -- Nil (previous year Rs. nil lakhs)
- f. The company has given guarantee of Rs.25.00 crores to Pridhvi Asset Reconstruction and Securitisation Company Limited

15. Previous year figures have been regrouped/or rearranged wherever necessary. Amounts have been rounded off to nearest rupee.

16. The balance shown in Sundry Debtors, Sundry Creditors, advances are subject to confirmation from the respective parties.

17. In the opinion of the management, the Current Assets, Loans and Advances are expected to realise at least the amount at which they are stated in the ordinary course of business and provision for all known liabilities have been adequately made in the accounts.

As per our report of even date
for **PAVULURI & Co.**
Chartered Accountants
Firm Reg. No. 012194S

for and on behalf of the Board of Directors

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

Camp: Malliveedu, L.Kota (M)
Date : 27-08-2011

B. SATISH KUMAR
Managing Director

Place : Malliveedu, L.Kota (M)
Date : 27-08-2011

B. SURESH KUMAR
Jt. Managing Director

B.NARAHARI
Company Secretary



CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2011

	31.03.2011 Amount (Rs)	31.03.2010 Amount (Rs)
A) CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before Taxation	273,514,569	117,711,586
Adjustment for:		
a) Depreciation	111,408,675	31,811,044
b) Preliminary Expenses written off	9,039,673	4,553,300
c) Bad Debts Written off	7,978,620	2,341,273
c) Financial Charges	479,216,532	315,939,686
d) Loss/ (profit) on Sale of Asset	<u>320,312</u>	<u>(18,427,622)</u>
	607,963,812	336,217,681
Operating profit before working capital changes	881,478,381	453,929,267
Adjustment for change in Working Capital		
a) Decrease/(Increase) in Loans & Advances	(516,520,982)	(220,456,270)
b) Increase/ (Decrease) in Current Liabilities	973,126,421	36,705,564
c) Decrease/(Increase) in Inventories	(886,385,864)	(138,617,590)
d) Decrease/(Increase) in Sundry Debtors	<u>(773,039,816)</u>	<u>171,095,569</u>
	(1,202,820,241)	(151,272,727)
Cash Generated from Operations	(321,341,860)	302,656,540
Less: Direct Taxes Provision	89,738,198	(17,656,738)
MAT credit entitlement	<u>(47,860,702)</u>	<u>-</u>
Net Cash from Operating Activities	(363,219,356)	284,999,802
B) CASH FLOW FROM INVESTING ACTIVITIES:		
a) Purchase of Fixed Assets	(612,246,675)	(868,903,488)
b) (Increase) in Preliminary Expenses	(22,441,862)	(14,000,000)
c) (Increase)/Decrease in Investments	(166,870,660)	-
d) Sale of Fixed Assets	847,500	42,534,901
f) (Increase)/Decrease in Capital Work in Progress	<u>86,620,384</u>	<u>130,310,485</u>
Net Cash used in Investing Activities	(714,091,313)	(710,058,102)
C) CASH FLOW FROM FINANCING ACTIVITIES:		
a) Increase in Equity Share Capital	35,500,000	63,890,900
b) Increase/(Decrease) in Equity Share Suspense	-	-
c) Increase/(Decrease) in Share Application money	381,500,000	(101,183,610)
d) Increase in Share premium account	95,850,000	138,792,710
e) Increase in Capital Reserve	-	-
f) Net Increase in Secured Loans	1,309,347,537	879,010,035
g) Net (Decrease)/Increase in Unsecured Loans	(269,292,510)	(147,409,192)
h) Payment of Financial Charges	(479,216,532)	(315,939,686)
i) Proposed Dividend and Tax thereon	<u>(648,784)</u>	<u>(564,160)</u>
Net Cash generated through Finance	1,073,039,711	516,596,997
Net Increase/(Decrease) in Cash and equivalents (A+B+C)	(4,270,959)	91,538,696
Cash & Cash Equivalents -Opening balance	271,757,533	180,218,838
Cash & Cash Equivalents -Closing balance	267,486,575	271,757,533

As per our report of even date
for **PAVULURI & Co.**
Chartered Accountants
Firm Reg. No. 012194S

for and on behalf of the Board of Directors

CA. P. A. RAMAIAH
Partner
M.No.203300
Camp: Malliveedu, L.Kota (M)
Date : 27-08-2011

B. SATISH KUMAR
Managing Director

B. SURESH KUMAR
Jt. Managing Director

Place : Malliveedu, L.Kota (M)
Date : 27-08-2011

B.NARAHARI
Company Secretary

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

Registration No	31191
State Code	01
CIN	L74100AP1999PLC031191
Balance Sheet Date	31-03-2011

Capital raised during the year

(in Rupees)

Public Issue	Nil
Rights Issue	Nil
Bonus issue	Nil
Private Placement/Preferential Allotment	35,500,000

Position of Mobilization and Deployment of Funds (Amount in Rupees)

Total Liabilities	5,540,312,900
Total Assets	5,540,312,900

Sources of Funds

Paid - up- Capital	434,004,000
Reserves and Surplus	1,180,616,594
Secured Loans	3,333,812,615
Unsecured Loans	56,235,055
Deferred Tax	154,144,636
Conversion of Share Warrants	381,500,000

Application of Funds

Net Fixed Assets	1,826,691,896
Capital work in progress	96,985,945
Investments	166,870,660
Net Current Assets	3,423,200,411
Miscellaneous Expenditure	26,563,988
Accumulated Losses	Nil

Performance of the Company

Turnover	12,101,669,665
Total Expenditure	11,823,672,428
Profit/(Loss) before tax	273,514,569
Profit/(Loss) after tax	169,966,353
Earning per Share (Rs) (Basic)	4.06
Earning per Share (Rs) (Diluted)	3.81
Dividend Rate (%)	NIL

Generic Names of Principal Products/Services of the Company

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**B.SURESH KUMAR**
Jt. Managing DirectorPlace : Malliveedu, L.Kota (M)
Date : 27-08-2011**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 Twelfth Annual General Meeting of the Company held on Friday, the 30th day of September, 2011 at 12.00 Noon at Hotel Aditya Park, Aditya Trade Centre, Nr Maitrivanam, Ameerpet, Hyderabad - 38.

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

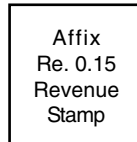
Regd Office: 303, My Home Laxmi Nivas
Green Lands, Ameerpet, Hyderabad – 500 016

PROXY FORM

DPID : Regd. Folio No. :
Client ID :

I/We.....ofbeing a Member/Members of Steel Exchange India Limited, hereby appoint.....ofor failing himofas my/our proxy to attend and vote for me/us on my/our behalf at the Twelfth Annual General Meeting of the Company to be held on Friday, the 30th day of September, 2011 at 12.00 Noon at Hotel Aditya Park, Aditya Trade Centre, Nr Maitrivanam, Ameerpet, Hyderabad - 38. and at any adjournment thereof.

Signed on this _____ day of _____ 2011.



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 OR LUNCH WILL BE PROVIDED 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.