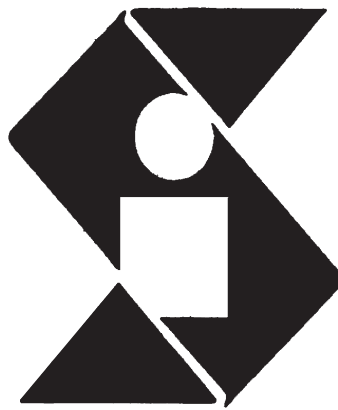


**21<sup>ST</sup> ANNUAL REPORT  
2009-10**



**SATHAVAHANA ISPAT LIMITED**

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AGM	:	21 <sup>st</sup> Annual General Meeting.
Day and Date	:	Thursday, the 30th September, 2010
Time	:	3.00 p.m.
Venue	:	Sri Sagi Ramakrishnam Raju Community Hall, Madhura Nagar, Hyderabad - 500 038
Date of book Closure		
i) Physical mode	:	16.09.2010 to 30.09.2010 (both days inclusive).
ii) Electronic mode	:	15.09.2010.
ISIN No.	:	INE 176C01016
Listing	:	The Bombay Stock Exchange Limited (BSE) (Stock Code : 526093) National Stock Exchange of India Limited (NSE) (Stock Code : sathaispat)

## General Corporate Information

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

**NOTICE OF 21<sup>st</sup> ANNUAL GENERAL MEETING**

**NOTICE** is hereby given that the 21<sup>st</sup> Annual General Meeting of the shareholders of **SATHAVAHANA ISPAT LIMITED** will be held at Sri Sagi Ramakrishnam Raju Community Hall, Madhura Nagar, Hyderabad - 500 038 on Thursday, the 30<sup>th</sup> September, 2010 at 3.00 p.m. to transact the following business:

**AS ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2010 along with the Reports of Directors and Auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Shri Syed Anis Hussain, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri S.N.Rao, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors for the current year under section 224 of the Companies Act, 1956 and fix their remuneration. The retiring Auditors M/s. P.V.R.K. Nageswara Rao & Co., Chartered Accountants, Hyderabad, are eligible for reappointment.

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

“RESOLVED that, pursuant to section 224 of the Companies Act, 1956, M/s. P.V.R.K. Nageswara Rao & Co., Chartered Accountants, (Firm’s Registration Number: 0022835) Hyderabad, retiring Auditors of the Company, be and are hereby reappointed as Auditors of the Company till the conclusion of next Annual General Meeting on a remuneration to be decided by the Board of Directors of the Company plus service tax and out of pocket expenses”.

**AS SPECIAL BUSINESS:**

6. To consider and, if thought fit, to pass, with or without any modifications, the following resolution for re-appointment of Shri A.S.Rao, as Executive Vice Chairman as an ORDINARY RESOLUTION:

“RESOLVED that, pursuant to the provisions of Section 198, 269, 309, 310, 311 and Schedule XIII and other applicable provisions if any, of the Companies Act, 1956, and subject to the approval of the financial institutions / Banks from whom the Company availed Term Loans and approval of the members in General Meeting, the approval be and is hereby accorded to the re-appointment of Shri A. S.Rao, Executive Vice Chairman for a period of

five years effect from 27.07.2010 to 26.07.2015 on the following remuneration.

1. SALARY :  
Salary of Rs.1,80,000/- per month in the scale of Rs.1,80,000 - 30,000 - 3,00,000 per month.
2. PERQUISITES :  
The following perquisites may be allowed in addition to salary.

**CATEGORY A:**

- i. Housing I. : The expenditure incurred by the Company on hiring furnished accommodation which will be subject to the following ceiling:  
Sixty percent of the salary over and above ten percent of the salary payable by Shri A. S.Rao, Executive Vice Chairman; or  
Housing II. : In case the accommodation is owned by the Company, ten percent of the salary of the appointee shall be deducted by the Company; or  
In case no accommodation is provided by the Company a House Rent Allowance subject to the ceiling laid down in Housing I.  
Explanation: The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-tax Rules, 1962 and shall be subject to a ceiling of ten percent of salary of the appointee.
- ii. Medical Reimbursement : Expenses incurred for self and family subject to a ceiling of one month’s salary in a year or three month’s salary over a period of three years.
- iii. Leave Travel Concession for self and family, once in a year incurred in accordance with any rules specified by the Company.
- iv. Club fee subject to a maximum of two Clubs. This will not include admission and life membership fee.
- v. Personal accident insurance the premium of which shall not exceed Rs. 24,000/- per annum.
- vi. Medical Insurance premium the premium of which shall not exceed Rs. 24,000/- per annum.

**CATEGORY B:**

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

**CATEGORY C:**

Provision of car for use on Company's business and telephone at residence. Personal long distance calls on telephone and the use of car for private purpose shall be billed by the Company to Shri A.S.Rao, Executive Vice Chairman.

**3. COMMISSION:**

1% commission on the net profits of the Company computed in the manner laid down in Section 309(5) of the Companies Act, 1956.

**4. MINIMUM REMUNERATION:**

In the event of losses or inadequacy of profits during the above period, the Executive Vice Chairman is entitled to the aforesaid salary and perquisites mentioned above as minimum remuneration".

"RESOLVED further that the office of Executive Vice Chairman held by Shri A.S.Rao pursuant to this resolution shall not be liable to determination by retirement of Directors by rotation".

"FURTHER RESOLVED that the Managing Director / the Executive Vice Chairman / the Company Secretary be and are hereby jointly and severally authorised to furnish a copy of this resolution to any person or statutory authority and do all such acts, deeds, things that may be required in this connection including filing of charges electronically, if any, with the Registrar of Companies, Andhra Pradesh at Hyderabad."

Shri A.Naresh Kumar, Managing Director being a relative of Mr. A.S.Rao -the proposed appointee, is deemed to be interested and concerned in the resolution.

By order of the Board

Hyderabad  
Date: 27.05.2010

**(A. NARESH KUMAR)**  
MANAGING DIRECTOR

**NOTES:**

1. THE EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956 WITH RESPECT TO RE-APPOINTMENT OF EXECUTIVE VICE CHAIRMAN UNDER ITEM 6 ABOVE IS ANNEXED. THE RELEVANT DETAILS OF DIRECTORS, AS REQUIRED BY CLAUSE 49 OF THE LISTING AGREEMENTS ENTERED INTO WITH THE STOCK EXCHANGES, SEEKING RE-APPOINTMENT UNDER ITEM NOS. 3 AND 4 ABOVE ARE ALSO ANNEXED.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE

COMPANY. MEMBER INTENDING TO APPOINT A PROXY SHOULD COMPLETE THE PROXY FORM FURNISHED ELSEWHERE AND DEPOSIT IT AT THE COMPANY'S CORPORATE OFFICE NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

3. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM **16.09.2010 TO 30.09.2010** (BOTH DAYS INCLUSIVE) FOR TRANSFERS IN PHYSICAL MODE AND ON CLOSING OF **15.09.2010** FOR ELECTRONIC MODE FOR DETERMINING THE NAMES OF MEMBERS ELIGIBLE FOR DIVIDEND, IF APPROVED, ON EQUITY SHARES.
4. THE DIVIDEND ON EQUITY SHARES FOR THE YEAR 2009-10 RECOMMENDED BY THE BOARD OF DIRECTORS, IF DECLARED AT THE GENERAL MEETING, WILL BE PAYABLE ON OR AFTER 1<sup>ST</sup> OCTOBER, 2010, TO THOSE MEMBERS WHOSE NAMES APPEAR ON THE COMPANY'S REGISTER OF MEMBERS HOLDING SHARES IN PHYSICAL MODE AS ON 30<sup>TH</sup> SEPTEMBER, 2010 AND TO THOSE BENEFICIAL OWNERS WHOSE NAME APPEARS ON CLOSING OF 15<sup>TH</sup> SEPTEMBER, 2010 IN THE LISTS PROVIDED BY THE DEPOSITORIES.
5. MEMBERS MAY PLEASE NOTE THAT THE DIVIDEND WARRANTS WILL BE MADE PAYABLE AT PAR AT THE DESIGNATED BRANCHES OF THE BANK PRINTED ON THE DIVIDEND WARRANT FOR AN INITIAL PERIOD OF SIX MONTHS ONLY. THEREAFTER THE DIVIDEND WARRANTS WILL BE REQUIRED TO BE REVALIDATED BY THE COMPANY AND WILL BE MADE PAYABLE ONLY AT DRAWEE BRANCH OF THE BANK. MEMBERS ARE THEREFORE ADVISED TO ENCASH DIVIDEND WARRANTS WITHIN THE INITIAL VALIDITY PERIOD OF SIX MONTHS.
6. MEMBERS HOLDING SHARES IN **PHYSICAL FORM** ARE REQUESTED TO INTIMATE TO THE COMPANY ON OR BEFORE 15<sup>TH</sup> SEPTEMBER, 2010 THE BANK PARTICULARS TO BE INCORPORATED ON THE DIVIDEND WARRANTS. (IN THE FORM FURNISHED ELSEWHERE IN THIS REPORT) DULY SIGNED BY THE SOLE / FIRST HOLDER.

IN CASE OF SHARE HOLDINGS IN ELECTRONIC FORM, THE BANK ACCOUNT DETAILS OF BENEFICIARIES AS FURNISHED BY THE DEPOSITORIES TO THE COMPANY WILL BE PRINTED ON THEIR DIVIDEND WARRANTS AS PER THE APPLICABLE REGULATIONS OF THE DEPOSITORIES. NO REQUEST SHOULD BE LODGED WITH THE COMPANY / SHARE TRANSFER AGENTS FOR DELETION / CHANGE IN SUCH BANK DETAILS. BANK DETAILS AVAILABLE IN PHYSICAL HOLDING WILL NOT BE AUTOMATICALLY TRANSFERRED TO ELECTRONIC MODE AT THE TIME OF DEMATERIALISATION OF SHARES. MEMBERS HOLDING SHARES IN ELECTRONIC MODE SHOULD ARRANGE TO CHANGE THE BANK DETAILS, IF REQUIRED, WELL BEFORE THE BOOK CLOSURE DATE BY CONTACTING THEIR DEPOSITORY PARTICIPANT.

7. THE COMPANY PROVIDES THE FACILITY OF ELECTRONIC CLEARING SERVICE (ECS) TO ALL SHAREHOLDERS HOLDING SHARES IN ELECTRONIC AND PHYSICAL MODE FOR THE PAYMENT OF DIVIDEND DECLARED AT THE MEETING, AT THOSE CENTERS PERMITTED BY AND SUBJECT TO GUIDELINES ISSUED IN THIS REGARD BY RESERVE BANK OF INDIA.  
MEMBERS HOLDING SHARES IN PHYSICAL FORM AND WISHING TO AVAIL THE ECS FACILITY SHOULD LODGE WITH SHARE TRANSFER AGENT, THE ECS MANDATE (COPY OF WHICH IS FURNISHED ELSEWHERE IN THIS REPORT) UNDER SOLE / FIRST HOLDER'S SIGNATURE ON OR BEFORE 15<sup>TH</sup> SEPTEMBER, 2010. ADDITIONAL COPIES OF ECS MANDATE, IF REQUIRED, CAN ALSO BE OBTAINED FROM THE SHARE TRANSFER AGENT.
8. THE MEMBERS WHO HAVE SO FAR NOT ENCASHED THEIR DIVIDEND WARRANTS RELATING TO THE DIVIDEND DECLARED FOR THE FINANCIAL YEARS ENDING 31<sup>ST</sup> MARCH, 2003, 31<sup>ST</sup> MARCH, 2004, 31<sup>ST</sup> MARCH, 2005, 31<sup>ST</sup> MARCH, 2006, 31<sup>ST</sup> MARCH, 2007, 31<sup>ST</sup> MARCH, 2008 AND 31<sup>ST</sup> MARCH, 2009 MAY APPROACH THE COMPANY WITHOUT ANY FURTHER DELAY FOR THE PAYMENT OF THE SAID WARRANTS. PURSUANT TO PROVISIONS OF SECTION 205C OF THE COMPANIES ACT, 1956 THE UNCLAIMED DIVIDEND AT THE END OF SEVEN YEARS WILL HAVE TO BE TRANSFERRED TO THE INVESTOR EDUCATION AND PROTECTION FUND OF THE CENTRAL GOVERNMENT, WHEREBY THE MEMBERS WILL NOT BE ABLE TO CLAIM THE SAID DIVIDEND FOREVER THEREAFTER. ACCORDINGLY THE UNCLAIMED DIVIDEND FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2003, 31<sup>ST</sup> MARCH, 2004, 31<sup>ST</sup> MARCH, 2005, 31<sup>ST</sup> MARCH, 2006, 31<sup>ST</sup> MARCH, 2007, 31<sup>ST</sup> MARCH, 2008 AND 31<sup>ST</sup> MARCH, 2009 WILL HAVE TO BE CLAIMED BY THE SHAREHOLDERS ON OR BEFORE 29<sup>TH</sup> SEPTEMBER 2010, 29<sup>TH</sup> SEPTEMBER 2011, 29<sup>TH</sup> SEPTEMBER 2012, 29<sup>TH</sup> SEPTEMBER 2013, 29<sup>TH</sup> SEPTEMBER 2014, 29<sup>TH</sup> SEPTEMBER 2015 AND 29<sup>TH</sup> SEPTEMBER 2016 RESPECTIVELY AND THEREAFTER IT WILL BE TRANSFERRED TO INVESTOR EDUCATION AND PROTECTION FUND ON OR BEFORE 28<sup>TH</sup> OCTOBER 2010, 28<sup>TH</sup> OCTOBER 2011, 28<sup>TH</sup> OCTOBER, 2012, 28<sup>TH</sup> OCTOBER, 2013, 28<sup>TH</sup> OCTOBER, 2014, 28<sup>TH</sup> OCTOBER, 2015 AND 28<sup>TH</sup> OCTOBER, 2016 AS THE CASE MAY BE.
9. MEMBERS DESIROUS OF SEEKING CLARIFICATIONS ON ACCOUNTS ARE REQUESTED TO SEND THEIR QUERIES TO THE CORPORATE OFFICE ADDRESS OF THE COMPANY AT LEAST SEVEN DAYS BEFORE THE DATE OF THE ANNUAL GENERAL MEETING TO ENABLE THE COMPANY TO COMPILE AND FURNISH REQUIRED INFORMATION.
10. THE SHAREHOLDERS HOLDING SHARES IN PHYSICAL MODE ARE REQUESTED TO INTIMATE IMMEDIATELY ANY CHANGE IN THEIR ADDRESS REGISTERED WITH THE COMPANY TO THE SHARE TRANSFER AGENTS M/S XL SOFTECH SYSTEMS LIMITED, #3, SAGAR SOCIETY, ROAD NO.2, BANJARA HILLS, HYDERABAD - 500 034.
11. THE SHAREHOLDERS ARE HEREBY REQUESTED THAT ALL THE CORRESPONDENCE IN CONNECTION WITH THE SHARES BE ADDRESSED TO THE SHARE TRANSFER AGENTS OF THE COMPANY M/S XL SOFTECH SYSTEMS LIMITED, #3, SAGAR SOCIETY, ROAD NO.2, BANJARA HILLS, HYDERABAD-500 034 OR TO THE COMPANY'S SECRETARIAL DEPARTMENT AT 505, 5<sup>TH</sup> FLOOR, BLOCK-1, DIVYASHAKTI COMPLEX, AMEERPET, HYDERABAD - 500 016.
12. PURSUANT TO THE DIRECTIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) THE SHARES OF THE COMPANY ARE TO BE COMPULSORILY TRADED IN DEMAT MODE W.E.F 26<sup>TH</sup> FEBRUARY, 2001. MEMBERS HOLDING SHARES IN PHYSICAL MODE MAY THEREFORE, CONVERT THEIR EQUITY HOLDINGS OF THE COMPANY INTO DEMAT MODE BY OPENING THE DEMAT ACCOUNTS WITH DEPOSITORY PARTICIPANTS WHO ARE ACTING AS AGENTS TO THE DEPOSITORIES VIZ., NSDL AND CDSL. THE COMPANY HAS BEEN ALLOTTED THE ISIN NO. INE176C01016. HOWEVER, MEMBERS MAY CONTINUE TO HOLD THE SHARES OF THE COMPANY IN PHYSICAL FORM AT THEIR OPTION BUT FOR TRADING THE SAME ON THE STOCK EXCHANGES, CONVERSION INTO DEMAT MODE IS COMPULSORY.
13. MEMBERS ARE REQUESTED TO BRING THEIR COPY OF ANNUAL REPORT TO THE MEETING. MEMBERS / PROXIES SHOULD FILL THE ATTENDANCE SLIP FOR ATTENDING THE MEETING. MEMBERS / PROXIES ARE REQUESTED TO FILL IN THE CLIENT ID AND DP ID NUMBERS IN CASE OF ELECTRONIC HOLDING AND FOLIO NUMBER IN CASE OF PHYSICAL HOLDING IN THE ATTENDANCE SLIPS. CORPORATE MEMBERS WISHING TO DEPUTE THEIR AUTHORISED REPRESENTATIVES ARE REQUESTED TO SEND A DULY CERTIFIED COPY OF BOARD RESOLUTION AUTHORISING THEIR REPRESENTATIVES TO ATTEND AND VOTE AT THE GENERAL MEETING.
14. MEMBERS HOLDING SHARES IN PHYSICAL FORM AND DESIROUS OF AVAILING THE BENEFIT OF NOMINATION FACILITY IN TERMS OF SECTION 109A OF THE COMPANIES ACT, 1956 READ WITH ARTICLE 64A OF ARTICLES OF ASSOCIATION OF THE COMPANY, MAY DO SO BY SENDING THEIR REQUESTS IN FORM 2B COPY OF WHICH WILL BE MADE AVAILABLE ON A REQUEST TO THE SHARE TRANSFER AGENTS M/S. XL SOFTECH SYSTEMS LIMITED OR COMPANY'S SECRETARIAL DEPARTMENT.
15. THE EQUITY SHARES OF THE COMPANY ARE LISTED ON THE BOMBAY STOCK EXCHANGE LIMITED, MUMBAI (STOCK CODE:526093) AND NATIONAL STOCK EXCHANGE OF INDIA LIMITED, MUMBAI (STOCK CODE: SATHAISPAT). THE ANNUAL LISTING FEE TO THE STOCK EXCHANGES WHERE THE COMPANY'S SHARES ARE LISTED HAS BEEN PAID UPTO DATE. THE LISTING ON THE HYDERABAD STOCK EXCHANGE LIMITED, HYDERABAD, (STOCK CODE:SVI) IS NOT IN FORCE AS THE SAID EXCHANGE HAS BEEN DERECOGNISED BY THE SECURITIES AND EXCHANGE BOARD OF INDIA.

## Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.

Item No.6:Shri A.S.Rao had been re-appointed as Executive Vice Chairman in the Board Meeting held on 30.06.2005 for a period of five years with effect from 27.07.2005 to 26.07.2010. The appointment was subsequently approved at the 16<sup>th</sup> Annual General Meeting of the Company held on 30.09.2005. Accordingly his tenure comes to close on 26.07.2010.

Since Shri A.S.Rao is eligible for re-appointment, the Remuneration Committee of the Board of Directors had considered and recommended the re-appointment at its meeting held on 27.05.2010, for a further period of five years and accordingly the Board of Directors at its meeting held on 27.05.2010 approved the re-appointment for a further period of five years effective from 27.07.2010 to 26.07. 2015.

Shri A.S.Rao, the Chief Promoter, is a Director on the Board of the Company since inception.

Shri A.S.Rao, B.Tech (Hons)in Metallurgy is the Chief Promoter of the Company who has to his credit over four and a half decades of experience in the Iron and Steel Industry. He had earlier served in Steel Authority of India Limited (SAIL) for over 21 years before moving on to his own business. He is a first generation entrepreneur and has successfully implemented the existing Pig Iron project in 1992-93 with a distinction of being the first project of its kind to have a Co-generation Power plant and also the least cost project of similar capacity in the country. Mr. Rao was the Managing Director of the Company during the period 1992-1999 and is at present the Executive Vice Chairman of the Company. Mr. A.S.Rao is actively involved in the planning and execution of Company's Greenfield Project for manufacture of Metallurgical Coke and Co-generation Power and its ongoing expansion. Under his able stewardship the Company weathered ups and downs in the industry and maintained a consistent track record of profits.

Keeping in view his contribution to the Company and on the recommendations of the Remuneration Committee, the Board of Directors at its meeting held on 27.05.2010 re-appointed him as Executive Vice Chairman for a further period of five years effective from 27.07.2010 to 26.07.2015 at the remuneration set out in the resolution. Shri A.S.Rao is not liable to retire by rotation of Directors during his tenure as Executive Vice Chairman.

The re-appointment and the remuneration fixed are as per the provisions of the Schedule XIII of the Companies Act, 1956, which does not require the approval of the Central Government but is subject to approval of banks and members in General Meeting.

Accordingly, the approval of the members is being sought by way of ordinary resolution.

Shri A.Naresh Kumar, Managing Director, being a relative of Shri A.S.Rao—the appointee Director is interested in the resolution. No other Director is concerned or interested in the resolution.

Your Board of Directors commend the resolution for your approval.

### DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING RE-APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING

(in pursuance of Clause 49 of the Listing Agreements)

Name of Director	Shri Syed Anis Hussain	Shri S.N.Rao
Date of Birth	29.05.1938	27.10.1948
Date of Appointment	15.12.2005	01.02.1999
Qualifications	M.A.(Econ), C.A.I.I.B.,	B.E.(Mech.)
Expertise in specific functional areas	Over 42 years in Banking-specialized in currency management, Urban Co-operative banking and administration	Over 37 years experience with several leading Companies in India engaged in manufacture of Iron & Steel, Chemicals etc.
List of Companies in which outside directorship held as on 31 <sup>st</sup> March, 2010.	1. Godavari Drugs Limited. 2. Bio Chemicals & Synthetic Products Limited.	Nil
Chairman / Member of the Committees of the Board of the other Companies in which he is a Director as on 31 <sup>st</sup> March, 2010.	Nil	Nil

By order of the Board

Hyderabad  
Date : 27.05.2010

**(A. NARESH KUMAR)**  
MANAGING DIRECTOR

## DIRECTORS' REPORT

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

Your Directors have pleasure in presenting the 21<sup>st</sup> Annual Report together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2010:

### FINANCIAL RESULTS:

Your Directors report the following financial results for the year 2009-10:

(Rs. in Lakhs)			
Sl. No.	Particulars	Year ended 31-03-2010	Year ended 31-03-2009
1.	Sales	40776.75	57743.66
2.	Other Income	2329.07	868.45
3.	Operating profit before Interest and Depreciation	6637.94	6116.02
4.	Interest	2048.87	2590.81
5.	Depreciation	1507.00	1457.44
6.	Profit before Tax	3082.07	2067.77
7.	Income Tax adjustment and provision	537.10	756.03
8.	Net Profit after Tax	2544.97	1311.74
9.	Add: Profit brought forward from last year	3590.59	3337.36
10.	Available for appropriation	6135.56	4649.10
11.	Less: Transfer to General Reserve	1000.00	500.00
12.	Less: Proposed Dividend	501.00	477.38
13.	Less: Provision for Corporate Dividend Tax	83.21	81.13
14.	Balance carried forward	4551.35	3590.59
15.	Earning per Equity Share-Basic	7.73	4.12
16.	Earning per Equity Share-Diluted	7.73	3.93

Your Directors are pleased to report that the Company's performance is satisfactory. This performance is despite global recession consequent to the financial crisis and subdued commodity markets throughout the year. The sales turnover is lower at Rs.40776.75 Lakhs during the year under review as against Rs. 57743.66 Lakhs in the last year. The lower turnover was mainly due to decline in sales realisation and also due to job works undertaken by the Company. However the Profit before Tax for the year improved to Rs.3082.07 Lakhs as compared to Rs.2067.77 Lakhs in the year before. The Net Profit after Tax for the year also improved to Rs.2544.97 Lakhs as against Rs.1311.74 Lakhs in the previous year. The profits would have been better but for the reduced margins on Pig Iron and Metallurgical Coke sales. However, the profits have gone up due to full year operations of Co-generation Power plant. The Earning Per Share is at Rs.7.73 as against Rs.4.12 in the last year. A sum of Rs.1000 Lakhs (previous year Rs.500 Lakhs) was transferred to General Reserve.

### DIVIDEND:

The Board of Directors have recommended a dividend of 15% (Rs.1.50 per Share) for the year 2009-10, same as in the previous year. The proposed dividend involves an outlay of Rs.501.00 Lakhs and the applicable Corporate Dividend Tax on the proposed dividend amounting to Rs.83.21 Lakhs will be borne by the company. Thus the total outflow on account of dividend payment works out to Rs.584.21 Lakhs. Due to funds commitment for implementation of the expansion of Kudithini plant, the dividend rate has been maintained at 15% for the year 2009-10 and is being paid out of current year profits.

### DIRECTORS' RESPONSIBILITY STATEMENT:

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

- i) The applicable Accounting Standards have been followed in the preparation of Annual Accounts for the Financial Year 2009-10;



- ii) The accounting policies selected were applied consistently and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March 2010 and of the Profit of the Company for the year ended on the date;
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and,
- iv) The Annual Accounts have been prepared on a going concern basis.

**AUDIT COMMITTEE:**

The Audit Committee was reconstituted by appointing Shri S.N.Rao as member of the committee effective from 30<sup>th</sup> April 2009. The Audit Committee now comprises Chairman -Shri K.Thanu Pillai, independent Director and three other independent Director members -Shri Khaja Ruknuddin, Shri Syed Anis Hussain and Shri S.N.Rao. The Audit Committee at its meeting held on 27<sup>th</sup> May 2010 has considered and approved the Audited Accounts for the financial year ended 31<sup>st</sup> March 2010. The Audited Accounts for the financial year ended 31<sup>st</sup> March 2010, as approved and recommended by the Audit Committee, do not require any explanations from the Board.

**CORPORATE GOVERNANCE:**

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

**PROJECT:**

The expansion of the Coke making facility by 150000 tpa and augmentation of additional Co-generation power of 10 MW at Kudithini plant is under progress. The expansion of these facilities is expected to be completed by second quarter of 2010. The Company has also taken up works to de-bottleneck idle capacity in the Turbine Generator capacity by installing coal fired CFBC Boiler whereby the total power generating capacity would go up to 50 MW. This work is likely to be completed by September 2010.

**DIRECTORS:**

Shri Syed Anis Hussain and Shri S.N.Rao Directors are liable for retirement by rotation at the end of the ensuing 21<sup>st</sup> Annual General Meeting and being eligible, offers themselves for re-appointment at the said Annual General Meeting.

Shri A.S.Rao has been re-appointed as Executive Vice Chairman for a further period of five years effect from 27<sup>th</sup> July 2010 and approval of the members for the said re-appointment is being sought in the ensuing Annual General Meeting.

**AUDITORS:**

M/s. P V R K Nageswara Rao & Co., Chartered Accountants, Hyderabad retire as auditors at this Annual General Meeting and are eligible for reappointment.

**EMPLOYEES:**

The particulars of employees required to be furnished pursuant to section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of employees) rules, 1975, as amended, are given in the Annexure forming part of this report.

**SHARE CAPITAL:**

During the year the promoters exercised the option for conversion of 1575000 Share Warrants to 1575000 Equity Shares in terms of preferential allotment made in March 2008. Accordingly the paid-up capital increased by Rs.1,57,50,000/- and share premium by Rs.7,87,50,000/-.

**DEMATERIALISATION OF EQUITY SHARES:**

The Agreements entered into by the Company with the two Depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for dematerialisation of shares are in force and the Company's shares are in dematerialised mode under ISIN No. INE 176C01016. As per the Securities and Exchange Board of India (SEBI) directives, the equity shares of the Company are to be compulsorily traded in dematerialisation form with effect from 26<sup>th</sup> February 2001. In view of the significant benefits that accrue on dematerialisation of securities, members may avail the facility.

**LISTING OF SHARES ON STOCK EXCHANGES:**

The equity shares of the Company are regularly traded on the Bombay Stock Exchange Limited (Stock Code : 526093) and The National Stock Exchange of India Limited (NSE) (Stock Code : sathaispat). The listing fee to these stock exchanges has been paid upto date. The listing on Hyderabad Stock Exchange Limited (Stock Code : SVI) is not in force as the said exchange was de-recognised by the Securities and Exchange Board of India.

**STATUTORY INFORMATION:**

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

**FIXED DEPOSITS:**

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

**ACKNOWLEDGMENTS:**

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

Hyderabad  
Date:27.05.2010

(K. Thanu Pillai)  
Chairman

## ANNEXURE TO DIRECTORS' REPORT

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

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

(Rs. Lakhs)

I)	Foreign Exchange earnings	:		
	a) F.O.B value of exports		Nil	
II)	Foreign Exchange outgo:			
	a) C.I.F. value of imports:			
	1) Raw materials, Stores and Spares	:	23361.99	
	2) Capital Goods	:	3838.92	
	b) Travelling expenses	:	17.70	
	c) Usance interest	:	298.39	
	d) Dividend	:	73.52	

### Information pursuant to Section 217 (2A) of the Companies Act, 1956 Read with the Companies (Particulars of Employees) Rules 1975

Sl. No.	Name / Designation	Qualifications	Age (years)	Experience (years)	Date of Commencement of employment	Gross Remuneration Rs.	Name of Last Employer / Post held
1.	Shri A. Naresh Kumar Managing Director	B. Tech M.S.(USA)	39	20	01.06.1999	5469859	Chemical Market Resources Inc., Project Manager
2.	Shri A.S.Rao Executive Vice Chairman	B.Tech (Hons)	67	47	01.07.1991	4517660	Steel Authority of India Limited /Addl. Chief (Marketing)

- Notes: 1. Gross remuneration includes salary, H.R.A., commission and other perquisites.  
2. The conditions of employment are contractual.  
3. Sri A. Naresh Kumar and Sri A.S.Rao are related to each other.

for and on behalf of the Board

Hyderabad  
Date: 27.05.2010

(K. Thanu Pillai)  
Chairman

## REPORT ON CORPORATE GOVERNANCE

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

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

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

### 2. BOARD OF DIRECTORS:

The Board of Directors consists of six Directors of which two are Executive and four are Non-executive Directors and among these two are Promoter Directors and four are Independent Directors. The Independent Directors constitute 66.67% and Non-executive Directors constitute 66.67% of the board's strength. The Chairman of the board is Non-executive, Independent Director.

\*Composition and category of Directors is as follows:

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

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

Name of the Director	Board meetings		Attendance at Last AGM
	Held	Attended	
Shri K.Thanu Pillai	6	5	Yes
Shri A.S.Rao	6	6	Yes
Shri Khaja Ruknuddin	6	6	Yes
Shri Syed Anis Hussain	6	6	Yes
Shri A.Naresh Kumar	6	6	Yes
Shri S.N.Rao	6	5	Yes

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

Name of the Director	Board of Directors		Board Committees	
	Director	Chairman	Member	Chairman
Shri K.Thanu Pillai	11	None	5	1
Shri A.S.Rao	2	None	None	None
Shri Khaja Ruknuddin	1	None	None	None
Shri Syed Anis Hussain	2	None	None	None
Shri A.Naresh Kumar	2	None	None	None
Shri S.N.Rao	None	None	None	None

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

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

During the year the Company has held six Board of Directors Meetings. The dates on which these meetings held were: 30<sup>th</sup> April 2009; 30<sup>th</sup> June 2009; 31<sup>st</sup> July 2009; 30<sup>th</sup> September 2009; 31<sup>st</sup> October 2009; and 30<sup>th</sup> January 2010. The maximum interval between any two meetings was not more than three calendar months.

• Reappointment of Directors at the 21<sup>st</sup> AGM:

Shri Syed Anis Hussain and Shri S.N.Rao are liable to retire by rotation at the ensuing Annual General Meeting of the Company and being eligible have offered themselves for reappointment.

Shri Syed Anis Hussain had his entire career in Reserve Bank of India and retired as its 'Executive Director' in the year 1998. He also served as Banking Ombudsman for Andhra Pradesh for over three years. Mr. Hussain is

an M.A.(Econ), C.A.I.I.B., with specializations in Banking-specialized in currency management, Urban Co-operative banking and administration. Earlier he was on the Boards of i) Bharatiya Reserve Bank Note Mudran Private Limited, 2) Indian Immunologicals Limited and 3) RBI nominee Director on the Boards of three Nationalised Banks Viz; Andhra Bank, United Bank of India and Indian Bank. At present he is a Director on the boards of a few other companies. He is associated with the Company for the last four years.

Shri S.N.Rao is a Mechanical Engineer by profession and has gained wide experience with several leading companies in India engaged in manufacture of Iron & Steel, Chemicals etc. In his nine years of employment as Executive Director (Works), Shri S.N.Rao contributed significantly to the operations of the Company. The Company also achieved a good progress during his tenure as Executive Director (Works). Shri S.N.Rao, upon attainment of superannuation, has retired as Executive Director (Works) on 31<sup>st</sup> January 2008 but continues to be on the board of Company as an independent, professional Director with effective from 1<sup>st</sup> February 2008. He has also been appointed as member of Audit Committee effective from 30<sup>th</sup> April 2009.

### 3. Audit committee:

The Audit Committee of Board of Directors comprises Shri K.Thanu Pillai, Shri Khaja Ruknuddin; Shri Syed Anis Hussain and Shri S.N.Rao as its members all of whom are Independent Non-executive Directors. Shri S.N.Rao has been appointed as a member of Audit Committee effective from 30<sup>th</sup> April 2009. Company Secretary is also functioning as Secretary to the Audit Committee. The Audit Committee meets the requirements of both section 292A of the Companies Act 1956 and Clause 49 of the Listing Agreement.

The Committee has all the powers, duties and obligations conferred upon and vested in it in terms of Section 292A of the Companies Act, 1956 as amended from time to time and also such additional powers, functions / features, duties, obligations and discretions as is contained in Clause 49 of the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and as amended from time to time and / or any other powers, duties and obligations that may be given or assigned from time to time by the Board of Directors and the said Committee shall submit its reports, recommendations etc., to the Board of Directors on all matters.

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

### 4. REMUNERATION COMMITTEE:

Remuneration Committee comprises Shri K. Thanu Pillai; Shri Khaja Ruknuddin and Shri Syed Anis Hussain as its members all of whom are Independent Non-executive Directors.

The responsibility of the Committee is to review and fix the remuneration package of the Managing/Whole-time Directors based on performance and other criteria; to consider and approve service contracts, notice period, severance fee; and to consider and approve stock option schemes, if any. The Committee met once during the financial year 2009-10.

Details of remuneration to all the Directors:

#### a) Executive Directors:

Name of the Director	Salary and Allowances	Benefits	Commission	Rs.
				Total
1. Shri A.S.Rao, Executive Vice Chairman	1277290	9360	3231010	4517660
2. Shri A. Naresh Kumar, Managing Director	2190000	48849	3231010	5469859
Total	3467290	58209	6462020	9987519

#### b) Non-Executive Directors:

Name of the Director	Sitting fee (in Rs.)			No. of Equity Shares held
	As a Director	As a Committee Member	Total	
1. Shri K. Thanu Pillai Director / Chairman	40000	14000	54000	796
2. Shri Khaja Ruknuddin Director	48000	66000	114000	1000
3. Shri Syed Anis Hussain, Director	48000	18000	66000	1000
4. Shri S.N.Rao, Director	40000	12000	52000	Nil
Total	176000	110000	286000	2796

**5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE:**

Shareholders'/Investors' Grievance Committee comprises Shri Khaja Ruknuddin, Shri A.S.Rao and Shri A.Naresh Kumar as its members and is headed by Shri Khaja Ruknuddin. Shri K.V. Krishna Rao, General Manager (Finance) & Company Secretary has been nominated as the compliance officer.

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

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

During the year under review, Company received a total number of 14 shareholders' complaints. All these complaints were redressed / replied to the satisfaction of the shareholders and no complaints were outstanding as on 31<sup>st</sup> March 2010.

Share transfers in dematerialisation mode pending on 31<sup>st</sup> March 2010 were nil.

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

In line with the avowed policy on Corporate Governance, the Company has evolved a Code of Business Conduct and Ethics (hereafter referred to as "the Code") applicable to all Directors and senior management of the Company and the same was adopted by the Board of Directors at its Meeting held on 29<sup>th</sup> April 2006. The Code is appended to this Annual Report as an exhibit elsewhere.

The Code has since been circulated to all the Directors and members of senior management and their compliance reports for the financial year 2009-10 have been obtained by the Company.

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

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

I hereby declare and confirm that the Company has complied with the terms of Code of Conduct and Business Ethics evolved by the Company and has obtained the statements of compliance from all the members of the Board of Directors and senior management of the Company for the financial year 2009-10 and further confirm that there are no incidences of violation of the code.

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

**7. CEO / CFO CERTIFICATION:**

The Managing Director jointly with General Manager (Finance) have furnished to the Board of Directors a certificate certifying therein, inter alia, that the financial statements for the financial year 2009-10 submitted to the Audit Committee and to the Board of Directors, have been reviewed by them and further affirmed to the best of their knowledge and belief (a) that there are no materially misleading and untrue statements; (b) that the statements comply with existing Accounting Standards, applicable laws and regulations; (c) that they have established and evaluated the internal control systems for financial reporting while disclosing to the Audit Committee, Board of Directors and Statutory Auditors deficiencies, if any, including remedies taken thereof and also significant changes, made if any, in internal controls and accounting policies.

**8. GENERAL BODY MEETINGS:**

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

Year	Type of meeting	Venue	Date	Time
2006-07	AGM	Sri Sagi Rama Krishnam Raju Community Hall, Madhuranagar, Hyderabad - 500 038	29.09.2007	3.00 PM
2007-08	AGM	Same as above	30.09.2008	3.00 PM
2008-09	AGM	Same as above	30.09.2009	3.00 PM

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

**9. DISCLOSURES:**

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

The following are the related party transactions with the Directors:

Rs.

Name of the Related Party	Nature of transaction	
	Rental Income	Rental deposit
Shri A.Naresh Kumar, Managing Director	583200	810000
Shri A. Ashok Kumar, Relative of two Directors	1000800	630000
Smt. A. Mutya Bai, Relative of two Directors	857400	108000

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

b) Details of Non-compliance by the Company:

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

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

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

**10. MEANS OF COMMUNICATION:**

Half yearly and quarterly results are normally published in the newspapers viz., The Indian Express (English daily) and the Andhra Prabha (Telugu daily) on approval of the financial results by the Board of Directors. Half-yearly un-audited financial results (provisional) are also sent to shareholders by individual mail. The Company has registered with Securities and Exchange Board of India's (SEBI) EDIFAR website and the financial results are made available soon after declaration of the same on SEBI's website [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in). Consequent to deletion of Clause 51 to the Listing Agreement, SEBI has discontinued the website and instead as per SEBI's directives to the Stock Exchanges the results and Annual Reports will now be made available on the Stock Exchanges where the Shares of the Company are listed and also on Stock Exchanges sponsored website [www.corpfiling.co.in](http://www.corpfiling.co.in).

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

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

**11. GENERAL SHAREHOLDERS INFORMATION:**

- a) AGM : 21<sup>st</sup> Annual General Meeting  
 Day and Date : Thursday, the 30<sup>th</sup> September 2010  
 Time : 3.00 p.m.  
 Venue : Sri Sagi Ramakrishnam Raju Community Hall, Madhura Nagar, Hyderabad – 500 038.

b) Financial Calendar: Tentative schedule is as under.

- i) Unaudited Financial Results  
 1. First quarter : First fortnight of August 2010.  
 2. Half yearly : First fortnight of November 2010.  
 3. Third quarter: First fortnight of February 2011.  
 ii) Audited Financial Results : Last week of May 2011.

c) Date of book closure:

- i) Physical mode : 16.09.2010 to 30.09.2010 both days inclusive.  
 ii) Electronic mode : 15.09.2010.

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

Name of the Stock exchange	Stock code
The Bombay Stock Exchange Limited	526093
National Stock Exchange of India Limited	sathaispat
The Hyderabad Stock Exchange Limited*	SVI
ISIN Code for electronic trading and dematerialisation in NSDL / CDSL	INE176C01016

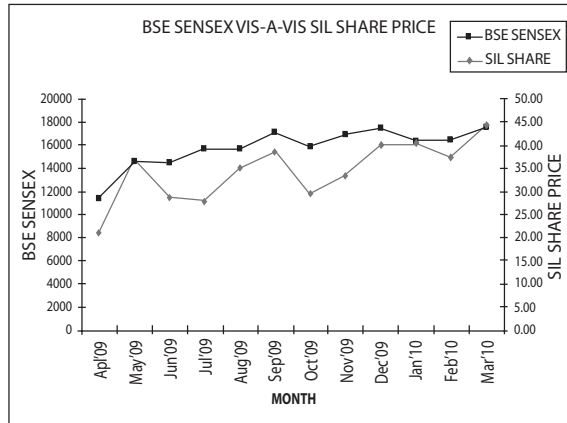
\*The Listing Agreement with the said Exchange is not in force as the said Exchange was derecognised by the Securities and Exchange Board of India.

The fee to the above Stock Exchanges (except HSE) has been paid upto financial year 2010-11.

e) Market price data : high/low during each month in last financial year 2009-10. Rs. ps.

Month	High	Low	Month	High	Low
April	28.65	17.40	October	39.90	28.50
May	38.30	20.60	November	36.90	28.00
June	42.00	27.80	December	42.85	33.00
July	29.55	21.95	January	50.95	38.35
August	35.50	26.20	February	42.50	36.25
September	40.40	29.50	March	46.00	37.85

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



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

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

- h) Share transfer system: The Company's shares are under compulsory dematerialisation category and transfers in electronic mode are affected on line by the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). In respect of physical shares received for transfer the share transfer agent normally processes the requests within 10 to 15 days and affects the transfer, if all the papers received were in order. The share transfer agent after affecting the transfer of the shares sends the same immediately.
- i) Distribution of shareholding as on 31<sup>st</sup> March 2010:

No. of shares		No. of Shareholders		Shareholding	
From	To	Nos.	% to total	Nos.	% to total
1	500	17555	81.72	3869389	11.59
501	1000	2055	9.57	1823631	5.46
1001	2000	898	4.18	1444633	4.32
2001	3000	293	1.36	770646	2.31
3001	4000	139	0.64	515794	1.54
4001	5000	143	0.67	687517	2.06
5001	10000	213	0.99	1598276	4.79
10001 and above		177	0.87	22690114	67.93
Total		21473	100.00	33400000	100.00

The shareholding pattern as on 31st March 2010:

Sl.No.	Category of shareholder	Number of share holders	Total Number of shares	Total shareholding as a percentage of total number of shares
<b>A. Shareholding of Promoter and Promoter Group</b>				
A.1	Indian	7	12090090	36.20
A.2	Foreign	-	-	-
<b>B. Public Shareholding</b>				
<b>B.1 Mutual Funds</b>				
	Financial Institutions / Banks	7	312800	0.94
<b>B.2 Bodies Corporate</b>				
	Individuals	20712	14047499	42.06
	Trust	3	8400	0.03
	Non Resident Indians	220	258714	0.77
	Clearing members	140	226774	0.68
	Foreign Bodies Corporate	1	4900000	14.67
Grand Total		21473	33400000	100.00

Dematerialisation of shares: The Company's shares are in compulsory dematerialisation category w.e.f. 26.02.2001 with ISIN No. INE176C01016. The Company has established electronic connectivity with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) through its Depository transfer agents M/s. XL Softech Systems Limited, # 3, Sagar Society, Road No.2, Banjara Hills, Hyderabad - 500 034. So far 23356196 Lakhs shares constituting 69.93% of share capital have been converted into fungible form.

- j) Plant locations:

1. Haresamudram Village, Bommanahal Mandal, Anantapur District, Andhra Pradesh.	2. Kudithini Village, Korugodu Road, Bellary District, Karnataka.
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- k) Address for correspondence:  
Sathavahana Ispat Limited,  
505, 5<sup>th</sup> Floor, Block - 1,  
Divyashakti Complex,  
Ameerpet, Hyderabad - 500 016.

for and on behalf of the Board

Hyderabad  
Date: 27.05.2010

**(K.THANU PILLAI)**  
CHAIRMAN

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. INDUSTRY STRUCTURE AND DEVELOPMENTS:

The Company is engaged in the manufacture and sale of Pig Iron and also Metallurgical Coke - an input material for Pig Iron, thus operates in the Iron and Steel Industry, which is considered as core sector.

The Company is using Mini Blast Furnace Technology. Earlier the Company had replaced TATA-KORF technology with CHINA-SHOUGANG technology for Pig Iron making. The Company uses the Anshan technology, sourced from P.R.China for Metallurgical Coke making.

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

Pig Iron is the basic raw material for most of the engineering products and construction industry. Pig Iron is also a raw material for foundry and engineering industry also. With the significant growth in the main user industries like automobiles, construction, foundries, the demand for Iron and Steel has increased significantly. The total production of Pig Iron in India has increased from 1.59 Million tons in 1991-92 to the present level of 5.68 (partly estimated) million tons in 2009-10. The production of Pig Iron as per statistics released by the Joint Plant Committee (JPC) attached to the Ministry of Steel for the financial year 2009-10 is at 5.68 (partly estimated) million tons as against 5.67 million tons in the previous year, registering a negligible growth. The global recession, increase in raw material costs and competition from the Integrated Steel plants resulted in the subdued performance of Pig Iron industry.

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

#### **Global scenario:**

The global Iron and Steel industry in 2009 witnessed a negative growth as a consequence of global economic crisis. The recession that had set in during the second

half of 2008, continued with much more intensity in the first of 2009 although the same was arrested in second half of 2009 following stimulus packages launched by the Governments across globe. The Western and European countries reported negative trends in their production by over 35% due to sharp contraction in demand. With exception of China, the Asian countries too reported negative growth. Overall the Global Iron and Steel industry reported a negative growth of 8.23% where the global production fell from 1.329 billion tons to 1.220 billion tons-a sharp fall in the decade. The compounded annual growth rate during 2000-2009 also contracted to 4.13% as against 5.79% in 2000-2008 and a peak of 6.89% in 2000-2007. The Asian Iron and Steel production continues to dominate the global scene despite the recession. The Asian steel production accounted for about 63.65% of the global production in 2009 as against 58.01% in 2008. China, with its 568 million tons production, continues to be the world's largest steel producer accounting for 46.56% of global steel production and 73.14% of Asian Steel Production. Japan, India and South Korea together account for 15.80% of global steel production and 24.83% of the Asian steel production. The global Pig Iron production, in line with the steel production also fell from 949 million tons to 898 million tons, registering a contraction of 3.11%. The resilience of Iron and Steel industry in the Asian markets against the global crisis had put pressure on raw materials resulting in increase in the prices towards year end. The volatility in markets and demand contraction during the year had left little margins to the Iron and Steel producers, whereby many producers could not achieve even moderate profits.

#### **Indian Scenario:**

The Indian Steel industry despite adverse market conditions continued to be one of the leading producers of steel-ranking fifth largest in the world and third largest in the Asia. Indian Steel production during the year 2009-10 had only marginally increased. During the year 2009-10 saleable Steel production touched a peak of 59.29 million tons (partly estimated) as against 56.39 million tons in the previous year, registering a year on year growth of 5.14%. The year saw two way foreign trades, with imports at 7.20 million tons (partly estimated) and exports of 2.85 million tons (partly estimated) that indicates net imports into India. In line with this trend, the Pig Iron industry recorded a production of 5.68 million tons (partly estimated)



versus previous year's level of 5.67 million tons. The apparent Pig Iron consumption grew from 5.28 million tons (partly estimated) to 5.30 million tons. The Pig Iron industry saw negative export trend of 19.6%, due to increased demand in the domestic markets. The timely and well planned stimulus packages introduced by the Government of India had really acted as a good stimulant to the Indian Iron and Steel industry, which not only helped the industry in general but also the economy as a whole. The Pig Iron industry during the year faced tight raw material situation and volatile markets for finished product, which exerted pressure on the margins.

#### **Price Trends:**

The prices of finished steel and steel raw materials which have softened during second half of 2008-09, continued to be low during first half of 2009-10 mainly due to lack of demand. The finished Iron and Steel prices had declined by almost 40-50% as compared to prices before global crisis. However the prices of raw materials like Iron Ore and Coking Coal started looking up during second half 2009-10 mainly due to supply constraints and reached to peak levels that were prevailing during mid 2007. Contrary to this, the sale prices of finished goods did not improve and whatever little improvement in the sales realizations that could be gained was only due to cost push and not due to demand push. The spot market Coking Coal prices in the second half of 2009-10 touched to a level of US\$240/mt C&F Indian ports as against US\$170/mt in the beginning of the year. Added to this, the issue of Coking Coal carryover tonnage from previous year, which the Australian miners insisted, to be honoured at the same peak price of US\$300/mt by the Iron and Steel producers also caused untold misery to the industry. The prices of Iron Ore too increased from a level of about Rs.1500/mt to about Rs.3000/mt, an increase by almost 100%. On the contrary the Steel prices had gone up marginally as compared to the increase in raw materials, which touched a high of about Rs.37000/mt as against Rs.26000/mt in the beginning of the year. The Pig Iron prices that were at about Rs.17500/mt in the beginning of the year have gone up to about Rs.22500/mt towards end of the year. The increase in sales realizations of finished products was not commensurate with the increase in prices of raw materials and as a result the margins were under pressure during the year.

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

- i) As the Company's Pig Iron enjoys brand value and being one of the low cost producers of Pig Iron, there is an opportunity of increasing the market share. The company has augmented additional capacity at its existing operations to improve its market share.
- ii) Opportunity of modernising the plant, which not only facilitates further efficiency and reduction in process costs but also increases volumes. The company is carrying out on a continuous basis modernisation of its existing operations to improve its efficiency parameters and bring down operating costs over a period.
- iii) Being in the intermediate stage there is an opportunity for both backward integration and forward integration. The Company has set up a Coke Oven facility with Co-generation of power at a Greenfield site-as a first phase of forward integration.
- iv) Company sources Coking Coal, a key input material, by importing from outside India and thus suffers from import constraints. However, the Company has identified reliable suppliers, which minimises the import constraints. The Company has set up a Coke making facility with latest technology at a Greenfield project site to minimize the impact of import of Metallurgical Coke.
- v) Future competition from the prospective domestic producers of Pig Iron. The Company is conscious of the threat and constantly upgrading its technology so as to derive competitive advantage.
- vi) As the customs duties on Pig Iron imports are lowered from time to time there is an import threat to that extent. However, given the importers' profile of Pig Iron who are mainly foundries and are in an unorganised sector, the import threat is minimal. Moreover, with the surge in global demand for Iron and Steel and increase in raw material prices, the availability of Iron and Steel at competitive price is remote. Negligible imports during the last couple of years are an ample indication of zero risk of the threat.
- vii) The levy of export duty on Pig Iron is a deterrent for exporting the Pig Iron. Given the global scenario of high prices and growing demand, such levy will have less bearing in the short term but is

a major deterrent in the long term. Exporting Pig Iron-a value added product over Iron Ore makes a sense and hence such levy on Pig Iron in all probability will not be reimposed.

- viii) The Company's business is mainly commodity business. The financial health of the unit will be affected by adverse changes in the Industry. Company is looking at both forward integration and backward integration and will take steps to minimise the risk.

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

The Company's business comprises manufacture and sale of Pig Iron as one segment and manufacture of Metallurgical Coke with Co-generation as the other segment. The operations of the Company during the year under review were satisfactory. The gross sales in value terms were Rs.40776.75 Lakhs as compared to Rs.57743.66 Lakhs in the last year. Actual Pig Iron production during the year was 143413 MTs as against 134295 MTs in the previous year. The Pig Iron would have been better but for the shut down of the plant during the period 17<sup>th</sup> August 2009 to 30<sup>th</sup> September 2009. The actual sales in volume terms were 146308 MTs as against 151412 MTs in the previous year. The Company's market share in Pig Iron constitutes about 2.58% of the domestic consumption. The Company produced 147448 MTs of Metallurgical Coke as against 178455 MTs in the year before. The Company also did Job work of Metallurgical Coke of 45829 MTs as against 17373 MTs in the last year. Thus the total production of Metallurgical Coke was at 193277 MTs as compared to 195828 MTs in the previous year. Out Of the total production 118534 MTs was captively consumed as against 107877 MTs in the previous year. The Company sold 42017 MTs of Metallurgical Coke as against 49075 MTs in the last year in the nearby markets. The Co-generation Power plant at Kudithini generated 74174520 KWH of Power as against 37472390 KWH in the year before, of which 60628500 KWH (previous year 27909500 KWH) was sold and 14525520 KWH (previous year 10107390 KWH) were captively consumed (including Power plant auxiliary load) that includes Power import of 979500 KWH (previous year 544500 KWH).

### **4. OUTLOOK:**

The short term outlook for the Iron and Steel industry appears to be weak and whereas the medium to long term outlook appears to be positive and encouraging given the resilience exhibited by the emerging

economies in Asia, Middle East and Africa in the face of global recession and Iron and Steel industry's quick recovery. The stimulus packages introduced by several governments in their countries had a telling effect, which not only arrested the free fall in demand in the Iron and Steel industry but also facilitated quick reversal of adverse economic growths in many of these economies. As expected the BRIC nations (Brazil, Russia, India and China) continue to show encouraging and positive growths despite global slowdown. However, the Western and European countries, as forecasted, are taking more time than the expected time to recover. The recent crisis in some of the European economies is however a cause for concern which may not only further delay the recovery in these economies but also might impact the global recovery as well. On the steelmaking raw material front, the recent events like sharp increase in prices of Iron Ore and Coking Coal is a major blow to the Iron and Steel industry since the realisations on finished goods are not commensurate with the increase in raw material prices. The marginal increase in prices of finished goods is due to cost push rather than the demand push and hence the margins continue to be under stress. Another cause for concern is the dismantling of yearly pricing of Coking Coal contracts by Australian miners and introduction of spot/quarterly pricing in its place, which is likely to have an adverse impact on the performance of the Iron and Steel industry particularly in view of the volatile markets. These issues may however fade once the economical growth comes to normalcy. The Indian and Steel industry is expected to improve further in view of the significant growth in the end use segment like construction, infrastructure and automobiles and general improvement in the economy as a whole.

The outlook for the Indian Pig Iron industry continues to be mixed as the full recovery from the global meltdown is yet to be seen. The increase in prices of Iron Ore and Coking Coal will have serious impact on the performance of Pig Iron sector. Non availability of quality raw materials and intense competition from the integrated steel players are the other factors that may have a bearing on the performance of Indian Pig Iron sector. To mitigate these potential risks, your company has taken up expansion projects in Metallurgical Coke, and Power generation facilities which are likely to enhance the financial strength of the Company. Your Company is also looking up for modernisation of Blast Furnace so as to reduce the production costs.

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

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

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

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

Indicator	Year 2009-10	Year 2008-09	Increase/ (Decrease)%
I. In volume terms	MTs	MTs	
Production - Pig Iron	143413	134295	6.79
- Metallurgical Coke*	193277	195828	(1.30)
- Power (KWH)	74174520	37472390	97.95
Sales - Pig Iron	146308	151412	(3.37)
- Metallurgical Coke	42017	49075	(14.38)
- Power (KWH)	60628500	27909500	117.23
II. In Value terms	(Rs. Lakhs)		
Gross Sales	40776.75	57743.66	(29.38)
Net Sales	38477.90	53871.26	(28.57)
III. Operating Profit before interest and depreciation	6637.94	6116.02	8.53
IV. Interest	2048.87	2590.81	(20.92)
V. Depreciation	1507.00	1457.44	3.40
VI. Net Profit before tax	3082.07	2067.77	49.05
VII. Income tax provisions and adjustments	537.10	756.03	(28.96)
VIII. Net Profit after tax	2544.97	1311.74	94.01

(\*Including job work of 45829 MTs previous year 17373 MTs)

Both operational and financial performances of the Company during the year are satisfactory. The production volume of Pig Iron was better which registered growth of 6.79% despite subdued Iron and Steel markets; tighter raw material situation and capital shut down of Blast Furnace for about 45 days. The Pig Iron sales were marginally lower at 146308 MTs as against 151412 MTs in the year before mainly due to slump in the markets. Metallurgical Coke production was at 193277 MTs (which includes job work of 45829 MTs) as against 195828 MTs (including job work of 17373 MTs) in the previous year. With a view to de-stress working capital cycle particularly in the face of volatile raw material prices, the Company attempted job work to sustain the operations, whereby it earned job charges. On the Co-generation Power front, the Company generated 74174520 kwh as against 37472390 kwh in the year before and sold 60628500 kwh as against 27909500 kwh at Kudithini plant in the previous year, while consuming the balance units for auxiliary loads and captive use. In value terms the gross sales for the year under review was Rs. 40776.75 Lakhs as compared to Rs.57743.66 Lakhs in the year before, accounting for decelerated growth of 29.38%. In consequence the net sales also posted a decelerated growth of 28.57%, down from previous year's level of Rs. 53871.26 Lakhs to Rs. 38477.90 Lakhs. The sales turnover was lower mainly due to decline in sales realisation and job work done by the Company to de-stress the working capital cycle particularly in the face of volatile raw material prices whereby the Company earned only job charges instead of sales revenue. The average sales realisation on Pig Iron during the year under review works out to Rs.21348/MT as against Rs.28832/MT during the last year, a fall of 25.96%. The average sales realisation on sale of surplus Metallurgical Coke was at Rs.15192/MT as compared to Rs.24605/MT in the previous year, which works out to reduction by 38.26%. The average sales realisation on power sold was at Rs.4.04/kwh as against Rs.3.98 / kwh in the last year. The average cost of Iron Ore consumed was at Rs.1783/MT as compared with Rs.2936/MT in the last year, which in percentage terms works to 39.27% lower. The average cost of Coking Coal was at Rs.9615/MT as against Rs.12653/MT in the year before, accounting for a reduction of 24.01%. The margins were under stress through out the year as often the decline in sales realisations was not in tandem with decline in raw material prices. Moreover, towards year end, the increase in raw material prices was steeper as compared to increase in the sales realisations which exerted pressure on margins in the later part of the year.

On the financial performance front the operating profit before interest and depreciation was higher at Rs.6637.94 Lakhs as against Rs. 6116.02 Lakhs in the last year despite adverse market conditions. In line with improved operating profit the Profits before Tax at Rs.3082.07 Lakhs and Profit after Tax at Rs.2544.97 Lakhs improved as compared to Rs. 2067.77 Lakhs and Rs.1311.74 Lakhs respectively in the year before. The interest costs were lower mainly due to lower utilisation of working capital which was partially offset by charging of full year interest relating to borrowal for Co-generation Power Plant to Profit and Loss Account. The interest earnings had fallen due to fall in temporary surplus funds. The increase in other income was due to mainly earnings on account of job charges of Rs.958.88 Lakhs and favourable foreign exchange fluctuations of Rs.731.30 Lakhs. The current tax charge is on account of application of section 115JB (Minimum Alternate Tax) provisions under the Income Tax Act, 1961 and decrease in Deferred Tax liability is mainly due to narrowing gap / decline in timing difference between tax depreciation and book depreciation.

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

The Company has a strong and dedicated workforce. The relations between the management and the workforce continue to be cordial during the year. The employees are imparted training on site and are encouraged to participate in the decision making process. The management acknowledges the contributions made by each employee at all levels and records its appreciation for the co-operation extended, but for which the present growth would not have been possible. The employee strength of the Company is 646 persons excluding working Directors.

**8. CAUTIONARY STATEMENT:**

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

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

To  
The Members of  
SATHAVAHANA ISPAT LIMITED

We have examined the compliance of conditions of corporate governance by SATHAVAHANA ISPAT LIMITED, for the year ended on 31<sup>st</sup> March, 2010, 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 of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

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

We state that in respect of investor grievances received during the year ended 31<sup>st</sup> March, 2010, no investor grievances are pending against the Company for a period exceeding one month as per the records maintained by the Company which are presented to the Shareholders / Investors Grievance Committee.

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

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

**P V R K NAGESWARA RAO**  
Partner  
Membership No.18840

Hyderabad  
27.05.2010

**AUDITORS' REPORT**

To

**The Members of  
SATHAVAHANA ISPAT LIMITED**

1. We have audited the attached Balance Sheet of **SATHAVAHANA ISPAT LIMITED** as at 31st March, 2010, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' 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.
4. Further to our comments in the Annexure referred to above, we report that:
  - i) 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.
  - ii) In our opinion, proper books of account as required by Law have been kept by the Company so far as appears from our examination of these books.
  - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred in Section 211 (3C) of the Companies Act, 1956 to the extent applicable.
  - v) On the basis of the written representations received from the directors, as on 31.03.2010, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31 st March, 2010 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - vi) 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 notes and accounting policies thereon 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:
    - a) in the case of Balance Sheet of the state of affairs of the Company as at 31st March, 2010;
    - b) in the case of Profit and Loss Account of the Profit for the year ended on that date; and
    - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

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

HYDERABAD  
27.05.2010

**P V R K NAGESWARA RAO**  
Partner  
Membership Number : 18840

**ANNEXURE REFERRED TO IN PARAGRAPH 1 OF AUDITORS' REPORT OF EVEN DATE ON THE ACCOUNTS OF SATHAVAHANA ISPAT LIMITED FOR THE YEAR ENDED 31ST MARCH, 2010**

- 1 (a) The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.  
(b) As explained to us, the fixed assets have been physically verified by the management according to the phased programme designed to cover all the fixed assets on rotation basis. In respect of fixed assets verified according to this programme, which is considered reasonable, no material discrepancies were noticed on such verification. As regards capital works in-progress, the same will be verified by the management on completion of assets.  
(c) The Company has not disposed off substantial part of fixed assets during the year, which affect the going concern.
- 2 (a) As explained to us, the stock of stores, spare parts, raw materials and finished goods of the company have been physically verified at the year end by the Management except stocks lying with outside warehouses and consignees which have been verified with reference to certificates and other relevant documents where available.  
(b) The procedures of physical verification of Inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.  
(c) The Company has maintained proper records of inventories and the discrepancies noticed on physical verification of stocks as compared to book records, which in our opinion were not material, have been properly dealt with in the books of account.
- 3 (a) The Company had granted interest free rent deposits of Rs.15,48,000/- to three parties and Share deposits of Rs. 81,50,000/- to two parties listed in the register maintained under section 301 of the Companies Act, 1956 during previous years. The balance as on 31.03.2010 and maximum amount involved during the year was Rs. 96,98,000/-.  
(b) In our opinion the terms and conditions of rent deposits given to parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interests of the company.  
(c) The Company is regular in receipt of principal amounts as stipulated and restipulated.  
(d) The Company has not taken any loans secured or unsecured from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- 4 In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems with regard to purchase of inventory, fixed assets and for the sale of goods.
- 5 (a) According to the information and explanations given to us and as confirmed by the General Manager (Finance) and Company Secretary of the Company, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.  
(b) In our opinion and according to the information and explanations given to us, there were no transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rs.5,00,000/- in respect of any party during the year.
- 6 According to the information and explanations given to us, the Company has not accepted any deposits covered by the directives issued by the Reserve Bank of India and provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under where applicable. We are informed that, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- 7 In our opinion and according to the explanations given to us, the Company has an internal audit system commensurate with the size and nature of its business.
- 8 We have broadly reviewed the books of account maintained by the company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub- section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been maintained and are being made up. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

- 9 (a) According to the records of the Company and as per the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs duty, Excise duty, Cess and other material statutory dues applicable to it with appropriate authorities and in respect of these statutory dues, there are no outstanding dues as on 31.3.2010 which are outstanding for a period of more than six months from the date they became payable.
- (b) According to the records of the Company and as per the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Wealth Tax, Service Tax, Customs duty and Cess which have not been deposited on account of any dispute as on 31.03.2010 except Excise Duty and the details of which are as given below:

Sl.No	Name of the Statute	Nature of the dues	Period to which it relates	Amount Rs.	Forum where dispute is pending
1	Central Excise Act, 1944	Duty Payable on Demand	2007- 2008	1,90,391	The Customs, Excise and Service Tax Appellate Tribunal, Bangalore.

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

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

HYDERABAD  
27.05.2010

**P V R K NAGESWARA RAO**  
Partner  
Membership Number: 18840

**BALANCE SHEET AS AT 31ST MARCH 2010**

	SCH. No.	Rs.	As at 31st March 2010 Rs.	Rs.	As at 31st March 2009 Rs.
<b>SOURCES OF FUNDS:</b>					
<b>SHAREHOLDERS' FUNDS:</b>					
Share Capital	1	334000000		318250000	
Share Warrants		0		9450000	
Reserves and Surplus	2	1562198505	1896198505	1287371947	1615071947
<b>LOAN FUNDS:</b>					
Secured Loans	3	1850492100		1625258882	
Unsecured Loans	4	141845289	1992337389	175985452	1801244334
<b>DEFERRED TAX LIABILITY (NET)</b>	5		191600458		173801679
TOTAL			4080136352		3590117960
<b>APPLICATION OF FUNDS:</b>					
<b>FIXED ASSETS:</b>					
Gross Block	6	3063976851		3025924967	
Less: Depreciation		891542403		752061010	
Net Block		2172434448		2273863957	
Scrap value of discarded asset		4199620		4199620	
Unallocated expenditure pending capitalisation		28712703		0	
Advance for capital works		110437226		37003501	
Capital Work in progress		795759061	3111543058	182259470	2497326548
<b>INVESTMENTS</b>	7		1194500		898262
<b>NET CURRENT ASSETS:</b>					
<b>CURRENT ASSETS, LOANS AND ADVANCES:</b>					
Inventories	8	1559258830		1260820023	
Sundry Debtors	9	340266904		528643594	
Cash and Bank Balances	10	1098943859		590517124	
Other Current Assets	11	12181854		6439882	
Loans and Advances	12	165592612		202309953	
		3176244059		2588730576	
<b>LESS: CURRENT LIABILITIES AND PROVISIONS:</b>					
Current Liabilities	13	2139126470		1432090261	
Provisions	14	69718795		64747165	
TOTAL		2208845265		1496837426	
<b>NET CURRENT ASSETS:</b>			967398794		1091893150
			4080136352		3590117960
<b>NOTES TO ACCOUNTS</b>	22				

Per our report of even date

For and on behalf of the Board

 For **P V R K NAGESWARA RAO & CO.,**  
Chartered Accountants

**K.THANU PILLAI**  
Chairman

**A.NARESH KUMAR**  
Managing Director

**P V R K NAGESWARA RAO**  
Partner  
Membership No.18840

**KHAJA RUKNUDDIN**  
Director

**A.S. RAO**  
Executive Vice Chairman

 Hyderabad  
Date : 27.05.2010

**K.V.KRISHNA RAO**  
General Manager (Finance) &  
Company Secretary

**SYED ANIS HUSSAIN**  
Director



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010**

	SCH. No.	For the Year ended 31st March, 2010		For the year ended 31st March, 2009	
		Rs.	Rs.	Rs.	Rs.
<b>I. INCOME:</b>					
Gross sales			<b>4077675222</b>		5774365886
Less:Excise duty			<b>229885106</b>		387240278
Net Sales			<b>3847790116</b>		5387125608
Other Income	15		<b>232906978</b>		86844966
Increase / ( Decrease) in Stocks	16		<b>(256834014)</b>		(84825774)
TOTAL			<b><u>3823863080</u></b>		<u>5389144800</u>
<b>II. EXPENDITURE:</b>					
Raw materials consumed	17		<b>2577934949</b>		3741361741
Manufacturing expenses	18		<b>161535793</b>		150726023
Salaries, Wages and other allowances to staff	19		<b>90533175</b>		80622745
Interest on loans	20		<b>204886357</b>		259080982
Other expenses	21		<b>330065485</b>		804832767
Depreciation (net)			<b>150700110</b>		145744020
TOTAL			<b><u>3515655869</u></b>		<u>5182368278</u>
<b>III. NET PROFIT BEFORE TAX</b>			<b>308207211</b>		206776522
Less: Income Tax expense:					
- Current Tax		<b>53000000</b>		32000000	
- Deferred Tax		<b>17798779</b>		42258459	
- MAT credit entitlement		<b>(16700000)</b>		0	
- Income Tax adjustments		<b>(389110)</b>		244284	
		<b>53709669</b>		74502743	
- Fringe Benefits Tax		<b>-</b>	<b>53709669</b>	1100000	75602743
<b>IV. NET PROFIT AFTER TAX</b>			<b>254497542</b>		131173779
Add : Profit brought forward from last year			<b>359058947</b>		333735656
			<b>613556489</b>		464909435
Transfer to:					
Proposed Dividend		<b>50100000</b>		47737500	
Provision for Corporate Dividend Tax		<b>8320984</b>		8112988	
General Reserve		<b>100000000</b>	<b>158420984</b>	50000000	105850488
Balance carried to Balance Sheet			<b>455135505</b>		359058947
Earnings Per Share -Basic			<b>7.73</b>		4.12
-Diluted			<b>7.73</b>		3.93

**NOTES TO ACCOUNTS**

22

Per our report of even date

For and on behalf of the Board

 For **P V R K NAGESWARA RAO & CO.,**  
Chartered Accountants

**K.THANU PILLAI**  
Chairman

**A.NARESH KUMAR**  
Managing Director

**P V R K NAGESWARA RAO**  
Partner  
Membership No.18840

**KHAJA RUKNUDDIN**  
Director

**A.S. RAO**  
Executive Vice Chairman

 Hyderabad  
Date : 27.05.2010

**K.V.KRISHNA RAO**  
General Manager (Finance) &  
Company Secretary

**SYED ANIS HUSSAIN**  
Director

**CASH FLOW STATEMENT**

	2009-10 Rs.	2008-09 Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax and extraordinary items	<b>308207211</b>	206776522
<b>Adjustments for:</b>		
Depreciation (net)	<b>150700110</b>	145744020
Interest expense	<b>204886357</b>	259080982
Interest income	<b>(40468207)</b>	(52552884)
Dividend earned	<b>(62580)</b>	(30440)
Wealth Tax	<b>12085</b>	24811
Provision for diminution in the value of investments no longer required (net)	<b>(396238)</b>	390273
Book deficit on assets discarded	<b>13043131</b>	-
Profit on sale of Investments	<b>(1788)</b>	-
Loss on sale of fixed asset (net)	<b>1500</b>	4191622
Provision for doubtful debts no longer required	<b>(7004298)</b>	-
Provision for doubtful advances no longer required	<b>(1035933)</b>	-
Operating profit before working capital changes	<b>627881350</b>	563624906
<b>Adjustments for:</b>		
(Increase) / decrease in sundry debtors	<b>195380988</b>	(226090535)
(Increase) / decrease in inventories	<b>(298438807)</b>	471306431
Increase / (decrease) in current liabilities and provisions	<b>709963526</b>	(521343869)
(Increase) / decrease in loans and advances	<b>37053392</b>	(69630049)
(Increase) in deposits pledged with banks and dividend account with bank	<b>(317726519)</b>	(3179756)
Cash generated from operations	<b>954113930</b>	214687128
Taxes Paid (net)	<b>(35749276)</b>	(111133546)
Net cash inflow from operating activities	<b>918364654</b>	103553582
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets including capital work in progress	<b>(777966751)</b>	(167255913)
Sale of Fixed asset	<b>5500</b>	24350203
Sale of investments	<b>101788</b>	-
Interest received	<b>34726235</b>	56643960
Dividend earned	<b>62580</b>	30440
Net cash outflow in investing activities	<b>(743070648)</b>	(86231310)

**CASH FLOW STATEMENT (Contd.)**

	2009-10 Rs.	2008-09 Rs.
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from long term borrowings	<b>536679588</b>	310262000
Payment of long term borrowings	<b>(360922158)</b>	(267516344)
Proceeds of Share capital including share premium	<b>85050000</b>	-
Increase in bank borrowings	<b>15335625</b>	121307843
Interest paid	<b>(204886357)</b>	(259080982)
Dividend and Corporate Dividend Tax paid	<b>(55850488)</b>	(46181019)
Net cash inflow from financing activities	<b>15406210</b>	(141208502)
Net increase / (decrease) in cash and cash equivalents	<b>190700216</b>	(123886230)
Cash and cash equivalents at the beginning of the year	<b>239196386</b>	363082616
Cash and cash equivalents at the end of the year*	<b>429896602</b>	239196386
*NOTE: Cash and cash equivalents at the end of the year comprises:		
Cash and bank balances	<b>1098943859</b>	590517124
Less : Deposits pledged with banks and Dividend account with bank dealt in operating activity.	<b>669047257</b>	351320738
Cash and cash equivalents at the end of the year	<b>429896602</b>	239196386

Notes :

1. The Cash Flow Statement has been prepared under 'Indirect Method' in accordance with the requirement of Accounting Standard - 3 "Cash Flow Statement" issued under Companies (Accounting Standards) Rules, 2006.
2. Notes to Accounts and Significant Accounting Policies (Schedule 22) forms an integral part of Cash Flow Statement.
3. Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

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

For and on behalf of the Board

**For P V R K NAGESWARA RAO & CO.,**  
Chartered Accountants

**K. THANU PILLAI**  
Chairman

**A.NARESH KUMAR**  
Managing Director

**P V R K NAGESWARA RAO**  
Partner  
Membership No. 18840

**KHAJA RUKNUDDIN**  
Director

**A.S.RAO**  
Executive Vice Chairman

Hyderabad  
Date : 27.05.2010

**K.V.KRISHNA RAO**  
General Manager (Finance) &  
Company Secretary

**SYED ANIS HUSSAIN**  
Director

**SCHEDULES TO BALANCE SHEET**

	Rs.	As at 31st March, 2010 Rs.	Rs.	As at 31st March, 2009 Rs.
<b>1. SHARE CAPITAL:</b>				
AUTHORISED:				
4,00,00,000 Equity Shares of Rs.10/- each		<u>400000000</u>		<u>400000000</u>
<b>ISSUED:</b>				
3,34,00,000 (previous year 3,18,25,000) Equity Shares of Rs.10/- each		<u>334000000</u>		<u>318250000</u>
<b>SUBSCRIBED AND PAID UP:</b>				
3,34,00,000 (previous year 3,18,25,000) Equity Shares of Rs.10/- each		<u>334000000</u>		<u>318250000</u>
		<u>334000000</u>		<u>318250000</u>
<b>2. RESERVES AND SURPLUS:</b>				
Capital Reserve:				
Forfeited amount on reissued shares	63000		63000	
State Investment Subsidy	<u>2000000</u>	2063000	<u>2000000</u>	2063000
Share Premium:				
As per last account	276250000		276250000	
Add: Amount received during the year on conversion of Share Warrants	<u>78750000</u>	355000000	0	276250000
General Reserve:				
As per last account	650000000		600000000	
Add: Amount transferred from Profit and Loss Account	<u>100000000</u>	750000000	<u>50000000</u>	650000000
Profit and Loss Account (Surplus)		<u>455135505</u>		<u>359058947</u>
		<u>1562198505</u>		<u>1287371947</u>
<b>3. SECURED LOANS:</b>				
i) Term Loans from:				
Canara Bank		468394767		434169767
State Bank of Hyderabad		464659758		378323758
Andhra Bank		367291960		283491960
(Secured by first mortgage and charge on all the immovable and movable assets, present and future, subject to the charges created in favour of the Company's Bankers on current assets for securing borrowings for working capital and guaranteed by two Directors of the Company)				
ii) Working Capital Loans from Banks:				
State Bank of Hyderabad		229232338		237381085
Canara Bank		138489202		136536592
Andhra Bank		161212656		139680894
(Secured by hypothecation of stocks and book debts and further secured by second charge on fixed assets of the Company and guaranteed by two Directors of the Company)				
iii) From Others:				
a) On Hypothecation of assets		21211419		15674826
(The above loans are guaranteed by the Managing Director of the Company)				
		<u>1850492100</u>		<u>1625258882</u>

**SCHEDULES TO BALANCE SHEET**

	As at 31st March, 2010 Rs.	As at 31st March, 2010 Rs.	Rs.	As at 31st March, 2009 Rs.
<b>4. UNSECURED LOANS:</b>				
Sales Tax Deferment		<b>141845289</b>		175985452
		<b>141845289</b>		175985452
<b>5. DEFERRED TAX LIABILITY (NET):</b>				
Deferred tax liability				
-Opening Balance	<b>195306742</b>			152207781
-Adjustment for the year	<b>15411625</b>	<b>210718367</b>	<u>43098961</u>	195306742
Deferred tax asset				
-Opening Balance	<b>21505063</b>			20664561
-Adjustment for the year	<b>(2387154)</b>	<b>19117909</b>	<u>840502</u>	21505063
		<b>191600458</b>		173801679

**6. FIXED ASSETS:**

Sl. No.	Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost as at 01.04.2009 Rs.	Additions during the Year Rs.	Deductions during the Year Rs.	Total Upto 31.03.2010 Rs.	Upto 31.03.2009 Rs.	For the Year Rs.	On deductions Rs.	Total Upto 31.03.2010 Rs.	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
1	Land and Site Development	10246139	0	0	<b>10246139</b>	0	0	0	<b>0</b>	<b>10246139</b>	10246139
2	Buildings	145301106	0	1356035	<b>143945071</b>	32115295	3544340	50384	<b>35609251</b>	<b>108335820</b>	113185811
3	Plant and Machinery	2811616529	47706999	22905813	<b>2836417715</b>	689507525	142550237	11168333	<b>820889429</b>	<b>2015528286</b>	2122109004
4	Data Processing Equipment	3834950	320609	0	<b>4155559</b>	2974600	299088	0	<b>3273688</b>	<b>881871</b>	860350
5	Office Equipment	6818551	395193	7000	<b>7206744</b>	3138598	345369	0	<b>3483967</b>	<b>3722777</b>	3679953
6	Furniture and Fixtures	2881154	97258	0	<b>2978412</b>	1644955	238161	0	<b>1883116</b>	<b>1095296</b>	1236199
7	Vehicles	45226538	13800673	0	<b>59027211</b>	22680037	3722915	0	<b>26402952</b>	<b>32624259</b>	22546501
	<b>TOTAL:</b>	3025924967	62320732	24268848	<b>3063976851</b>	752061010	150700110	11218717	<b>891542403</b>	<b>2172434448</b>	2273863957
	Previous Year Total:	2142923610	922373071	39371714	<b>3025924967</b>	617146879	145744020	10829889	<b>752061010</b>	<b>2273863957</b>	

**SCHEDULES TO BALANCE SHEET**

	As at 31st March, 2010		As at 31st March, 2009	
	Rs.	Rs.	Rs.	Rs.
<b>7. INVESTMENTS: Long Term</b>				
(At cost less provision for diminution in book value)				
NON TRADE: QUOTED				
10,720 Equity Shares of Rs. 10/- each in Industrial Development Bank of India.	<b>871000</b>		871000	
(Market value Rs.1232800/-) (Previous year Rs. 486688/-)				
Less: Provision for diminution in book value	<u>0</u>	<b>871000</b>	<u>384312</u>	486688
10,000 Equity Shares of Rs. 10/- each in IFCI Limited (Market value Rs.498500/-) (Previous year Rs.193000/-)		<b>100000</b>		100000
1050 Equity Shares of Rs.10/-each in State Bank of Travancore (Market Value Rs.643230/-) (Previous year Rs.222952/-)		<b>63000</b>		63000
UNQUOTED:				
5000 units of Rs.10/- each in SBI Mutual Fund (Net Asset value : Rs.70500/-, Previous year Rs.38250/-)	<b>50000</b>		50000	
Less: Provision for diminution in book value	<u>0</u>	<b>50000</b>	<u>11750</u>	38250
10000 units of Rs.10/- each in ING Vysya Mutual Fund (Net Asset value : Rs.Nil, Previous year Rs.99824/-)	<b>0</b>		100000	
Less: Provision for diminution in book value	<u>0</u>	<b>0</b>	<u>176</u>	99824
10000 Equity Shares of Rs.10/- each in Praveen Securities Limited		<b>100000</b>		100000
In Government Securities: National Saving Certificates (Pledged with Government Authorities)		<b>10500</b>		10500
		<b>1194500</b>		<u>898262</u>
Aggregate value of quoted investments				
- At cost		<b>1034000</b>		1034000
- At market value		<b>2374530</b>		902640
Aggregate value of unquoted investments - at cost		<b>160500</b>		<u>260500</u>
<b>8. INVENTORIES:</b>				
(As certified by the Management)				
Raw Materials		<b>722979986</b>		179676364
Work-in-progress		<b>26702116</b>		8708656
Finished goods including by-product		<b>779974258</b>		1035516387
Stores and Spares (includes material in-transit of Rs. 8500776/- previous year Rs. 2836097/-)		<b>29458692</b>		30058804
Scrap		<b>143778</b>		6859812
		<b>1559258830</b>		<u>1260820023</u>
<b>9. SUNDRY DEBTORS: (Unsecured)</b>				
Outstanding for more than six months:				
Considered good		<b>47166483</b>		31278431
Considered doubtful	<b>17708387</b>		24712685	
Less: Provision for doubtful debts	<u>17708387</u>	<b>0</b>	<u>24712685</u>	<u>0</u>
		<b>47166483</b>		31278431
Others: Considered good		<b>293100421</b>		497365163
		<b>340266904</b>		<u>528643594</u>

**SCHEDULES TO BALANCE SHEET**

	As at 31st March, 2010 Rs.	As at 31st March, 2009 Rs.
<b>10. CASH AND BANK BALANCES:</b>		
Cash on hand	330758	651469
Cash at scheduled banks:		
In current accounts	139565844	20372374
In dividend account	9137257	6221551
In fixed deposits	949910000	563271730
[Of the above Rs.659900000/- (previous year Rs. 345089187/-) pledged to Banks towards margin on Letters of Credit and Rs.10000/- (previous year Rs.10000/-) pledged to Government authorities.]	<u>1098943859</u>	<u>590517124</u>
<b>11. OTHER CURRENT ASSETS:</b>		
Interest accrued on deposits and investments	12181854	6439882
	<u>12181854</u>	<u>6439882</u>
<b>12. LOANS AND ADVANCES:</b>		
(Unsecured, recoverable in cash or in kind or for value to be received)		
<b>Considered good:</b>		
Deposits	6578358	6539358
Other advances and receivables	90113713	121543603
Prepaid expenses	9833037	31159606
Prepaid Taxes (net of provision for taxation)	42367504	43067386
MAT credit entitlement	16700000	0
<b>Considered doubtful:</b>		
Other advances and receivables	26647267	27683200
Less: Provision for doubtful advances	26647267	27683200
	<u>165592612</u>	<u>202309953</u>
<b>13. CURRENT LIABILITIES :</b>		
Dues of Micro and Small Enterprises	0	0
Dues of creditors other than Micro and Small Enterprises	2125638807	1418453995
Central Excise liability on closing stock of finished goods	22126087	12006805
Less: Central Excise deposit	17775681	4592090
Unclaimed dividend	9137257	6221551
(There is no amount due and outstanding to be credited to Investor Education and Protection Fund)	<u>2139126470</u>	<u>1432090261</u>
<b>14. PROVISIONS:</b>		
Provision for gratuity and leave encashment	11297811	8370494
Proposed Dividend	50100000	47737500
Provision for Corporate Dividend Tax	8320984	8112988
Provision for Fringe Benefits Tax (net of advance tax)	0	526183
	<u>69718795</u>	<u>64747165</u>

**SCHEDULES TO PROFIT AND LOSS ACCOUNT**

	For the Year ended 31st March, 2010 Rs.	For the Year ended 31st March, 2009 Rs.
<b>15. OTHER INCOME:</b>		
Dividend on long term non trade investments	62580	30440
Foreign exchange fluctuations	74395043	0
Miscellaneous income	103539749	34255853
Provision for diminution in the value of investments no longer required	396238	5789
Interest earned (Gross) (TDS Rs. 4749412/- Previous year Rs.12545594/-) (including interest on long term investment of Rs.1004/- previous year Rs.1004/-)	40468207	52552884
Provision for doubtful advances no longer required	1035933	0
Prior year adjustments (net)	13009228	0
	<u>232906978</u>	<u>86844966</u>
<b>16. INCREASE / (DECREASE) IN STOCKS:</b>		
OPENING STOCK:		
Finished goods including by-product	1035516387	1138710341
Work in progress	8708656	34229842
Scrap	6859812	28840334
	<u>1051084855</u>	<u>1201780517</u>
CLOSING STOCK:		
Finished goods including by-product	779974258	1035516387
Work in progress	26702116	8708656
Scrap	143778	6859812
	<u>806820152</u>	<u>1051084855</u>
Excise Duty Adjustment on finished goods inventory	(12569311)	65869888
<b>Increase / (Decrease) in stocks</b>	<u>(256834014)</u>	<u>(84825774)</u>
<b>17. RAW MATERIALS CONSUMED:</b>		
Opening stock	179676364	506359740
Add: Purchases	3121238571	3414678365
	<u>3300914935</u>	<u>3921038105</u>
Less: Closing stock	722979986	179676364
	<u>2577934949</u>	<u>3741361741</u>
<b>18. MANUFACTURING EXPENSES:</b>		
Stores consumed	45853119	34370452
Power and fuel	43470013	46182739
Repairs and maintenance to:		
-Buildings	1330589	2968662
-Plant and machinery	70882072	67204170
	<u>161535793</u>	<u>150726023</u>



**SCHEDULES TO PROFIT AND LOSS ACCOUNT**

	For the Year ended 31st March, 2010		For the Year ended 31st March, 2009
	Rs.	Rs.	Rs.
<b>19. SALARIES, WAGES AND OTHER ALLOWANCES TO STAFF:</b>			
Salaries, wages, bonus, gratuity and other benefits		<b>83164253</b>	74491567
Workmen and staff welfare expenses		<b>3254744</b>	2175016
Contribution to Provident Fund		<b>3952260</b>	3796182
Contribution to E.S.I.		<b>161918</b>	159980
		<u><b>90533175</b></u>	<u>80622745</u>
<b>20. INTEREST ON LOANS:</b>			
On Fixed Loans		<b>127191432</b>	97058614
On Working capital loans and import and inland bills		<b>76020454</b>	142203800
On Others		<b>1674471</b>	19818568
		<u><b>204886357</b></u>	<u>259080982</u>
<b>21. OTHER EXPENSES:</b>			
Managerial remuneration		<b>9987519</b>	7035236
Directors' fees		<b>286000</b>	258000
Rent		<b>3671782</b>	2778126
Printing and stationery		<b>1534405</b>	1259172
Communication expenses		<b>1689438</b>	1770628
Advertisement		<b>176111</b>	339405
Travelling and conveyance		<b>6305363</b>	5723877
Carriage and freight		<b>180870796</b>	191639558
Licence, taxes and fees		<b>4826719</b>	132076920
Repairs and maintenance to other assets		<b>313558</b>	486569
Vehicle maintenance		<b>8329424</b>	6661342
Insurance		<b>7469710</b>	7613196
Payments to Auditors		<b>2444583</b>	2063596
Legal and professional charges		<b>8955949</b>	14130625
Commission		<b>23624582</b>	21479968
General expenses		<b>15042914</b>	12354378
Foreign exchange fluctuations		<b>0</b>	340282307
Donations		<b>552060</b>	661342
Bank charges, Commission and other charges		<b>40727395</b>	50632559
Loss on sale of Assets (net)		<b>1500</b>	4191622
Provision for diminution in the book value of investments		<b>0</b>	396062
Bad debts written off	<b>7216844</b>		
Less: provision for doubtful debts no longer required	<b>7004298</b>	<b>212546</b>	0
Book deficit on assets discarded		<b>13043131</b>	0
Prior year adjustments(Net)		<b>0</b>	998279
		<u><b>330065485</b></u>	<u>804832767</u>

**22. NOTES TO ACCOUNTS:**

## 1. Significant Accounting Policies:

## a) Fixed Assets:

- i) Fixed assets are stated at cost of acquisition inclusive of inland freight, duties and taxes and incidental expenses related to acquisition.
- ii) Expenditure during construction period is treated as un-allocated expenditure and the same is allocated to the respective fixed assets on commencement of commercial production.
- iii) Blast Furnace relining is capitalised. The written down value of the asset consisting of lining/relining expenditure embedded in the cost of the furnace is written off in the year of fresh relining.

## b) Depreciation:

- i) Depreciation is provided on fixed assets used during the year under Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956 excepting Blast Furnace lining/relining at Haresamudram. Depreciation on Blast Furnace lining/relining is provided on straight line method at an accelerated rate of 23.75% per annum considering the estimated useful life of four years.
- ii) Depreciation is provided at one hundred per cent for assets costing less than Rs. 5,000/-.

## c) Excise Duty:

Excise duties recovered are included in "Gross Sales". Excise duty on despatches is shown as an item of expense and deducted from gross sales. The value of closing stock of finished goods includes excise duty paid/payable on such stocks.

## d) Investments:

Investments made by the Company in various securities are primarily meant to be held over long term period and are valued at cost. Provision is made for decline, other than temporary, in the value of long term investments.

## e) Inventories:

- i) Inventories are valued at cost and net realisable value which ever is lower except for by-product and scrap. By-product and scrap are valued at net realisable value. Cost is determined using first-in-first-out (FIFO) method.
- ii) Stationery, medical and canteen expenses are charged off to the revenue at the time of purchase.

## f) Retirement Benefits:

## A. Defined Contribution Plans:

Provident Fund: Contribution to Provident Fund is made at the prescribed rates to the Employees Provident Fund Scheme by the Central Government and is charged to the Profit and Loss Account.

## B. Defined Benefit Plans:

- i) Gratuity: Accruing liability towards gratuity is provided on the basis of actuarial valuation made by an independent Actuary. The actuarial valuation is done as per projected unit credit method. Actuarial gains/losses are immediately taken to Profit and Loss Account.
- ii) Leave Encashment Benefit: The Company records its unavailed leave liability based on actuarial valuation using projected unit credit method.

## C. Short Term Employee benefits:

Short term employee benefits are recognised as an expense as per the Company's scheme based on expected obligation on undiscounted basis.

## D. State Plans:

Employers' contribution to Employee's State Insurance is charged to Profit and Loss Account.

g) Foreign Exchange Transactions:

Transactions in foreign exchange, other than those covered by forward contracts are accounted for at the exchange rates prevailing on the date of transactions. Assets and Liabilities remaining unsettled at the end of the year other than those covered by forward contracts are translated at the closing rate. Realised gains and losses on foreign exchange transactions are recognised in the Profit and Loss Account.

h) Forward Exchange Contracts not intended for trading or speculation purposes:

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract and the same is recognised in statement of profit and loss. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or expense for that year.

i) Revenue Recognition:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be readily measured.

i) Sales: Gross sales includes excise duty and adjustments for price variation.

ii) Interest : Revenue is recognised on a time proportion basis taking into account the amount outstanding and the applicable rate.

iii) Dividend: Revenue is recognised when the shareholders' right to receive payment is established by the Balance Sheet date.

j) Accounting Convention:

The financial statements are prepared under the historical cost convention on an accrual basis and in accordance with notified accounting standards issued by the Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

k) Operating leases:

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

l) Taxation:

Tax expense or saving is the aggregate of Current Year Tax, and Deferred Tax charged or credited, as the case may be to the Profit and Loss Account for the year.

i) Current year charge:

The provision for taxation is made based on an estimate of assessable income determined by the Company under the Income Tax Act, 1961.

ii) Deferred Tax:

Deferred income taxes are recognised for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised and carried forward only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

iii) Minimum Alternate Tax (MAT) Credit Entitlement:

In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

m) Dividends:

Dividends as proposed by the Board of Directors are accounted in the books of account, pending approval at the Annual General Meeting.

n) Contingent Liabilities:

Contingent Liabilities are disclosed by way of Notes on the Balance Sheet. Provision is made in the accounts in respect of those contingencies which are likely to materialise into liability after the year end, till the finalisation of accounts and have material effect on the position stated in the Balance Sheet.

o) Provisions:

A provision is recognised when there is a present obligation as a result of past event. It is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

p) Borrowing Costs:

Borrowing costs that are attributable to the acquisition or construction of a qualifying asset are capitalised as a part of cost of such asset till such time the asset is ready for its intended use.

q) Earnings Per Share:

Basic Earnings Per Share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of Equity Shares during the year.

Diluted Earnings Per Share are calculated by dividing the net profit or loss for the year by the weighted average number of Equity Shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares.

r) Use of Estimates:

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known/materialised.

2. Contingent Liabilities Not Provided For:

	<b>2009-10</b>	2008-09
	<b>Rs.</b>	Rs.
i) Claims against the Company not acknowledged as debt	<b>12466141</b>	12966141
ii) Taxes and Duty demands and show cause notices contested by the Company	<b>190301</b>	9955478
iii) On account of Bank Guarantees executed by the bankers	<b>9467212</b>	6512000
Total	<b><u>22123654</u></b>	<u>29433619</u>

3. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)

<b>109026730</b>	<u>25702238</u>
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4. Managerial Remuneration:

	<b>2009-10</b>	2008-09
	<b>Rs.</b>	Rs.
<b>i. WHOLE-TIME DIRECTORS' REMUNERATION:</b>		
Salary and Allowances	<b>3467290</b>	2601290
Contribution to Provident Fund	<b>18720</b>	18720
Perquisites	<b>39489</b>	41696
Commission	<b>6462020</b>	4373530
Total	<b><u>9987519</u></b>	<u>7035236</u>

- ii. Computation of net profit in accordance with Section 198 of the Companies Act, 1956 with relevant details of calculation of commission payable by way of percentage of such profits to Managing Director and Executive Vice Chairman for the year ending 31st March, 2010.

Profit Before Tax as per Profit and Loss Account	308207211
Add: i) Directors' remuneration, Perquisites and other benefits	9987519
ii) Directors' sitting fees	286000
iii) Loss on sale of Assets	1500
iv) Wealth Tax	12085
v) Asset discarded	13043131
vi) Depreciation as per books	<u>150700110</u>
Sub Total	482237556
Less: i) Depreciation as envisaged under section 350 of the Companies Act*	150700110
ii) Provision for diminution in the value of investments no longer required	396238
iii) Provision for doubtful advances no longer required	1035933
iv) Provision for doubtful debts no longer required	<u>7004298</u>
NET PROFIT UNDER SECTION 198(1) OF THE COMPANIES ACT, 1956	<u>323100977</u>
Commission on the net profits to Managing Director and Executive Vice Chairman @1% each thereof	<u>6462020</u>

\*The company depreciates Blast Furnace lining / relining based on estimated useful life that is lower than those implicit in Schedule XIV of the Companies Act 1956. Accordingly, the rates of depreciation used by the Company in such cases are higher than the minimum rates prescribed by Schedule XIV.

5. Additional information:	<b>As At</b>	As At
	<b><u>31.03.2010</u></b>	<u>31.03.2009</u>
i) Details of capacities and production:		
Licenced capacity	<b>N.A.</b>	N.A.
ii) Installed capacity : Pig Iron (MTs)	<b>210000</b>	210000
: Metallurgical Coke (MTs)	<b>300000</b>	300000
: Co-generation Power (MW)	<b>30</b>	30
(As certified by the management but not verified by the Auditors)		
iii) Actual production : Pig Iron (MTs)	<b>143413</b>	134295
Slag (MTs)	<b>48425</b>	33574
Metallurgical Coke (MTs)*	<b>147448</b>	178455
Power (KWH)	<b>74174520</b>	37472390

\*Excluding job work of 45829 MTs (previous year 17373 MTs)

## iv) Details of opening, purchases and closing stock of finished goods:

	2009-10		2008-09	
	Quantity MT	Value Rs.	Quantity MT.	Value Rs.
<b>Opening stock:</b>				
Pig Iron	13821	267682549	30938	735663665
Slag	29927	10527768	86306	32094406
Metallurgical Coke	51025	757306070	29522	370952270
Total:		<u>1035516387</u>		<u>1138710341</u>
<b>Closing stock:</b>				
Pig Iron	10926	245262047	13821	267682549
Slag	386	170409	29927	10527768
Metallurgical Coke	37922	534541802	51025	757306070
Total:		<u>779974258</u>		<u>1035516387</u>

## v) Details of Turnover:

	2009-10		2008-09	
	Quantity MT	Value Rs.	Quantity MT.	Value Rs.
Pig Iron	146308	3123403558	151412	4365478193
Slag	77966	33651379	89953	35305561
Metallurgical Coke:				
-Captive consumption	118534	0	107877	0
- Sales	42017	638304738	49075	1207474411
Co-Generation Power:	KWH		KWH	
-Captive Consumption*	14525520	0	10107390	0
-Sales	60628500	244850056	27909500	110940392
Others		37465491		55167329
Total:		<u>4077675222</u>		<u>5774365886</u>

\*Includes 979500 kwh(previous year 544500 Kwh) power import.

## vi) Details of raw materials consumed:

	2009-10		2008-09	
	Quantity MT	Value Rs.	Quantity MT.	Value Rs.
Coking Coal	217723	2093334864	237443	3004265481
Iron ore	227827	406156210	230118	675636851
Others		78443875		61459409
Total:		<u>2577934949</u>		<u>3741361741</u>

- vii) Value of imported and indigenous raw materials and spares and components and their percentage to total consumption:

	2009-10		2008-09	
	Value Rs.	%	Value Rs.	%
Raw materials:				
Imported	<b>2053816259</b>	<b>79.67</b>	2844133256	76.02
Indigenous	<b>524118690</b>	<b>20.33</b>	897228485	23.98
Total:	<b>2577934949</b>	<b>100.00</b>	3741361741	100.00
Spares and Components:				
Imported	<b>0</b>	<b>0.00</b>	0	0.00
Indigenous	<b>4734750</b>	<b>100.00</b>	5778854	100.00
Total:	<b>4734750</b>	<b>100.00</b>	5778854	100.00
viii) Expenditure in foreign currency (on accrual basis):			<b>2009-10</b>	2008-09
			<b>Rs.</b>	Rs.
Usance Interest			<b>29839425</b>	48546856
Travelling expenses			<b>1770133</b>	505230
ix) Earnings in foreign exchange:				
F.O.B value of Exports			<b>Nil</b>	805394164
x) CIF Value of Imports:				
Raw materials and stores and spares			<b>2336199387</b>	2339547977
Capital goods			<b>383892264</b>	191469
xi) Dividend remitted in foreign currency:				
a) No. of non-resident shareholders			<b>3</b>	3
b) No. of shares held			<b>4901500</b>	4901500
c) Dividend remitted Rs.			<b>7352250</b>	22332
d) Year to which relates			<b>2008-09</b>	2007-08

6. Confirmation letters have been issued in respect of sundry debtors, loans and advances and sundry creditors of the Company but not responded to in some cases. Hence unconfirmed balances are subject to reconciliation and consequent adjustments, if any, would be determined/made on receipt of confirmation. However, in the opinion of the Board of Directors the current assets, loans and advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated and provision for all known liabilities has been made.
7. Excise duty on sales for the year has been disclosed as reduction from turnover. Excise Duty relating to the difference between closing stock and opening stock has been included in Schedule 16 "Increase/(Decrease) in stocks".
8. Deposits include an amount of Rs.810000/- (previous year Rs.810000/-) due from a Director of the Company towards rental deposit of office premises. Maximum amount outstanding during the year Rs.810000/- (Previous year: Rs. 810000/-).
9. Previous year figures have been regrouped / rearranged wherever necessary and paise have been rounded off to the nearest rupee.
10. Information as required to be disclosed under schedule VI of the Companies Act, 1956 with reference to Micro, Small and Medium Enterprises Development Act, 2006 (Act) as given below and the information mentioned at Schedule No.13 -Current Liabilities with reference to dues of Micro, Small and Medium enterprises, has been determined to the extent such parties have been identified on the basis of information available with the Company and relied on by the Auditors:

Particulars	2009-10 Rs.	2008-09 Rs.
Principal amount remaining unpaid as on March 31	<b>Nil</b>	Nil
Interest due thereon as on March 31.	<b>Nil</b>	Nil
Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprise Development Act, 2006 along with the amount of payment made to the supplier beyond the appointed day during the year	<b>Nil</b>	Nil
Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Act.	<b>Nil</b>	Nil
Interest accrued and remaining unpaid as at March 31.	<b>Nil</b>	Nil
Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Act.	<b>Nil</b>	Nil

11. Utilisation of proceeds of Preferential Issue:

In terms of SEBI (DIP) Guidelines 2000 for preferential issues, the utilisation of proceeds of Preferential Issue made in January 2008 is as under:

Particulars	Rs.
1. Amount lying in Fixed Deposits with Bank	100000000
2. Amount in Current Account with Bank	64298
3. Amount incurred on project and other related business expenditure	325935702
<b>Total</b>	<u><u>426000000</u></u>

12. Unallocated Expenditure pending capitalisation upto 31st March 2010:

Sl. No.	PARTICULARS	Upto 31.03.2009 Rs.	For the year Rs.	Upto 31.03.2010 Rs.
1.	Interest on Fixed loans	-	12878813	12878813
2.	Printing and Stationery	-	25760	25760
3.	Communication expenses	-	2467	2467
4.	Travelling and Conveyance	-	311794	311794
5.	Payment to auditors	-	193025	193025
6.	Legal and Professional	-	265450	265450
7.	Finance charges	-	15035394	15035394
	<b>Total</b>	-	<b>28712703</b>	<b>28712703</b>

13. Amounts paid / payable to Auditors :

Particulars	2009-10 Rs.	2008-09 Rs.
Audit fees	<b>1200000</b>	900000
Income Tax audit fees	<b>450000</b>	350000
Quarterly Reviews	<b>300000</b>	225000
Certification*	<b>453025</b>	327416
Tax matters	<b>150000</b>	125000
Reimbursement of expenses	<b>84583</b>	136180
<b>Total</b>	<b>2637608</b>	2063596

\* Rs.193025 (Previous year Rs. Nil) included in unallocated expenditure pending capitalisation.



## 14. Information on Employee benefits as required under Accounting Standard 15 (Revised):

<b>Particulars</b>	<b>2009-10</b>		<b>2008-09</b>	
	<b>Rs.</b>		<b>Rs.</b>	
<b>A. Defined Contribution Plans:</b>				
i. Contribution to Provident Fund	<b>3970980</b>		3814902	
<b>B. Defined Benefit Plans:</b>				
Disclosures(as per Actuary Certification)				
	<b>Gratuity</b>	<b>Leave</b>	Gratuity	Leave
	<b>(Unfunded)</b>	<b>Encashment</b>	(Unfunded)	Encashment
	<b>(Unfunded)</b>	<b>(Unfunded)</b>	(Unfunded)	(Unfunded)
<b>PROFIT AND LOSS ACCOUNT:</b>				
Current service cost	<b>452531</b>	<b>385042</b>	421574	110507
Interest cost on benefit obligation	<b>481052</b>	<b>166824</b>	384037	142761
Expected return on plan assets	<b>Nil</b>	<b>Nil</b>	Nil	Nil
Net Actuarial (gain)/ loss recognised in the year	<b>1335501</b>	<b>807407</b>	773990	135357
Past service cost	<b>Nil</b>	<b>Nil</b>	Nil	Nil
Net benefit expenses	<b>2269084</b>	<b>1359273</b>	1579601	388625
<b>BALANCE SHEET:</b>				
Change in the present value of the defined benefit obligation are as follows:				
Opening defined benefit obligation	<b>6215144</b>	<b>2155350</b>	4800464	1784519
Interest cost	<b>481052</b>	<b>166824</b>	384037	142761
Current services cost	<b>452531</b>	<b>385042</b>	421574	110507
Benefits paid	<b>(633855)</b>	<b>(67185)</b>	(164921)	(17794)
Actuarial (gain)/loss on obligation	<b>1335501</b>	<b>807407</b>	773990	135357
Closing defined benefit obligation	<b>7850373</b>	<b>3447438</b>	6215144	2155350
<b>C. The Principal assumptions used in determining gratuity and leave encashment</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Salary rise	<b>4</b>	<b>4</b>	4	4
Discount rate	<b>8</b>	<b>8</b>	8	8
Attrition rate	<b>3</b>	<b>3</b>	3	3
<b>D. STATE PLANS:</b>				
Contribution to E.S.I.	<b>161918</b>		159980	

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

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company. Inter segment transfers are eliminated on consolidation.

The following tables present the revenue, profit, assets and liabilities information relating to the business/geographical segment for the year ended 31st March 2010:

Primary Segment Reporting:

Rs.

Reportable Segment	2009-10			2008-09		
	Pig Iron	Metallurgical Coke with Co- generation power	Total	Pig Iron	Metallurgical Coke with Co- generation power	Total
<b>Revenue:</b>						
External Sales (net)	<b>2964635322</b>	<b>2844393158</b>	<b>5809028480</b>	4128650399	3478822479	7607472878
Inter/Intra Segment sales	-	<b>1961238364</b>	<b>1961238364</b>	-	2220347270	2220347270
<b>Total Revenue</b>	<b>2964635322</b>	<b>883154794</b>	<b>3847790116</b>	4128650399	1258475209	5387125608
Result:						
Segment Result	<b>117669420</b>	<b>397793104</b>	<b>515462524</b>	135331796	313575113	448906909
Interest (net)	-	-	<b>164418150</b>	-	-	206528098
Other Un-allocable Expenditure(net)	-	-	<b>42837163</b>	-	-	35602289
Profit before Tax	-	-	<b>308207211</b>	-	-	206776522
Provision for Tax	-	-	<b>53709669</b>	-	-	75602743
<b>Profit after Tax</b>	-	-	<b>254497542</b>	-	-	131173779
<b>Other information:</b>						
Segment Assets	<b>1613868796</b>	<b>4505534194</b>	<b>6119402990</b>	1571596246	3246042938	4817639184
Unallocated Assets	<b>169578627</b>	-	<b>169578627</b>	269316202	-	269316202
<b>Total Assets</b>	<b>1783447423</b>	<b>4505534194</b>	<b>6288981617</b>	1840912448	3246042938	5086955386
Segment Liabilities	<b>1075332366</b>	<b>3004582378</b>	<b>4079914744</b>	473962407	1947922560	2421884967
Unallocated Liabilities	<b>121267910</b>	-	<b>121267910</b>	876196793	-	876196793
<b>Total Liabilities</b>	<b>1196600276</b>	<b>3004582378</b>	<b>4201182654</b>	1350159200	1947922560	3298081760
<b>Capital Expenditure:</b>						
Tangible Assets	<b>51371358</b>	<b>10949374</b>	<b>62320732</b>	5624858	91648213	97273071
Depreciation	<b>50373162</b>	<b>100326948</b>	<b>150700110</b>	58389790	87354230	145744020

**Secondary Segment Reporting:**

As a part of secondary segment reporting, revenues are attributed to geographic areas on the location of the customers as detailed below:

Particulars	2009-10		2008-09	
	Rs.	%	Rs.	%
Domestic	<b>4077675222</b>	<b>100.00</b>	4968971722	86.05
Export	<b>0</b>	<b>0.00</b>	805394164	13.95
Total	<b>4077675222</b>	<b>100.00</b>	5774365886	100.00

Note: The Company does not track its assets and liabilities by geographical area.

16. As per Accounting Standard (AS - 18) transactions with the related parties as defined in the said Accounting Standard are given below:

Sl. No.	Name of the Related Party /Nature of Transaction	2009-10		2008-09	
		Amount of Transaction Rs.	Amount Outstanding Rs.	Amount of Transaction Rs.	Amount Outstanding Rs.
<b>1.</b>	<b>Key Management Personnel:</b>				
<b>a.</b>	<b>Managerial Remuneration:</b>				
	Shri A.S.Rao	4517660	3202610 Cr.	3377415	2796715 Cr.
	Shri A. Naresh Kumar	5469859	3202610 Cr.	3657821	3231974 Cr.
<b>b.</b>	<b>Rent:</b>				
	Shri A.Naresh Kumar	583200	116640 Cr.	453600	567000 Cr.
<b>c.</b>	<b>Rent Deposit:</b>				
	Shri A. Naresh Kumar	--	810000 Dr.	--	810000 Dr.
<b>2.</b>	<b>Relatives of Key Management Personnel:</b>				
<b>a.</b>	<b>Rent:</b>				
	Smt. A. Mutya Bai	857400	315408 Cr.	766050	459350 Cr.
	Shri A. Ashok Kumar	1000800	110160 Cr.	747000	693249 Cr.
<b>b.</b>	<b>Rent Deposit</b>				
	Smt. A. Mutya Bai	--	108000 Dr	--	108000 Dr.
	Shri A. Ashok Kumar	--	630000 Dr	--	630000 Dr.
<b>3.</b>	<b>Concerns in which Key management personnel are interested:</b>				
<b>a.</b>	<b>Share Deposits:</b>				
	Maruthi Industries Limited	--	5750000 Dr.	--	5750000 Dr.
	Vamsadhara Polymers Limited	--	2400000 Dr.	--	2400000 Dr.
<b>b.</b>	<b>Other Advances:</b>				
	Maruthi Industries Limited	--	18851 Dr.	--	18851 Dr.
	Vamsadhara Polymers Limited	--	999724 Dr.	--	999724 Dr.

17. Details of Foreign Currency exposures that are not hedged by a derivative instruments or otherwise:

SNo.	Particulars	Type of Foreign Currency	2009-10		2008-09	
			Amount in Foreign Currency	Equivalent in INR	Amount in Foreign Currency	Equivalent in INR
1.	Payable for supplies and services	USD	<b>37887615</b>	<b>1725666804</b>	19177777	947947756

18. Information on leases as per Accounting Standard 19 "Leases" issued under the Companies (Accounting Standard) Rules 2006:

**Operating lease expenses:**

The Company has various operating leases for various premises that are renewable on a periodic basis and cancellable at its option. Rental expenses for operating leases recognised in the Profit and Loss Account for the year is Rs.3671782/- (previous year Rs.2180886/-)

19. **Earnings Per Share (EPS)** – The numerator and denominator used to calculate Earnings per Share:

	<b>Year ended 31.03.2010</b>	Year ended 31.03.2009
- Profit attributable to the Equity Shareholders (Rs.) (A)	<b>254497542</b>	131173779
- Basic/Weighted average number of Equity Shares outstanding during the year - (B)	<b>32905123</b>	31825000
- Diluted/Weighted average number of Equity Shares outstanding during the year - (C)	<b>32905123</b>	33400000
- Face value of Equity Share	<b>10/-</b>	10/-
- Basic Earnings per Share (Rs.)–(A/B)	<b>7.73</b>	4.12
- Diluted Earnings per Share (Rs.)–(A)/(C)	<b>7.73</b>	3.93

20. **Provision for taxation:**

- The provision for taxation is made based on an estimate of assessable income determined by the company under section 115JB (Minimum Alternate Tax) the Income Tax Act, 1961.
- The Company estimates the deferred tax charge / (credit) using the applicable rate of taxation based on the impact of timing differences between financial statements and estimated taxable income for the current year.

The movement of provision for deferred tax is given below:

Particulars	Opening as at 01.04.2009 Rs.	Charge / (Credit) during the year Rs.	Closing as at 31.03.2010 Rs.
<b>Deferred Tax Liabilities:</b>			
(a) Depreciation	189025448	14727151	203752599
(b) Others	6281294	684474	6965768
<b>Total (A)</b>	<b>195306742</b>	<b>15411625</b>	<b>210718367</b>
<b>Deferred Tax Assets:</b>			
(a) Expenses allowable on payment basis under Income Tax Act, 1961.	3561020	823050	4384070
(b) Others	17944043	(3210204)	14733839
<b>Total (B)</b>	<b>21505063</b>	<b>(2387154)</b>	<b>19117909</b>
<b>Total (A)-(B)</b>	<b>173801679</b>	<b>17798779</b>	<b>191600458</b>

21. The schedules referred to in the Balance Sheet and Profit and Loss statements form an integral part of the accounts.

22. Information as required under part IV of Schedule VI to the Companies Act, 1956 is as per Annexure.

Per our report of even date

For and on behalf of the Board

For **P V R K NAGESWARA RAO & CO.,**  
Chartered Accountants

**K.THANU PILLAI**  
Chairman

**A.NARESH KUMAR**  
Managing Director

**P V R K NAGESWARA RAO**  
Partner  
Membership No. 18840

**KHAJA RUKNUDDIN**  
Director

**A.S. RAO**  
Executive Vice Chairman

Hyderabad  
Date : 27.05.2010

**K.V.KRISHNA RAO**  
General Manager (Finance) &  
Company Secretary

**SYED ANIS HUSSAIN**  
Director

**BALANCE SHEET ABSTRACT AND COMPANIES GENERAL BUSINESS PROFILE**

- i) Registration details
- |                    |            |                  |    |
|--------------------|------------|------------------|----|
| Registration No.   | 10654      | State code ..... | 01 |
| Balance Sheet date | 31.03.2010 |                  |    |
- ii) Capital raised during the year(Amount in Rs. Thousands)
- |                   |         |
|-------------------|---------|
| Public Issue      | : Nil   |
| Rights Issue      | : Nil   |
| Bonus Issue       | : Nil   |
| Private Placement | : 15750 |
- (On Conversion of 1575000 Share Warrants to 1575000 Equity Shares of Rs.10/- each full paid up)
- iii) Position of Mobilisation and Deployment of Funds (Amount in Rs. thousands)
- |                                |                |                           |                |
|--------------------------------|----------------|---------------------------|----------------|
| <b>Total Liabilities .....</b> | <b>4080136</b> | <b>Total Assets .....</b> | <b>4080136</b> |
|--------------------------------|----------------|---------------------------|----------------|
- Sources of Funds:**
- |                                    |         |                          |         |
|------------------------------------|---------|--------------------------|---------|
| Paid-Up Capital .....              | 334000  | Reserves & Surplus ..... | 1562199 |
| Secured Loans .....                | 1850492 |                          |         |
| Deferred Tax Liability (net) ..... | 191600  | Unsecured Loans .....    | 141845  |
- Application of funds:**
- |                          |         |                          |      |
|--------------------------|---------|--------------------------|------|
| Net Fixed Assets .....   | 3111543 | Investments .....        | 1194 |
| Net Current Assets ..... | 967399  |                          |      |
| Misc. Expenditure .....  | NIL     | Accumulated Losses ..... | NIL  |
- iv) **Performance of Company** (Amount in Rs. thousands)
- |                                |         |                         |         |
|--------------------------------|---------|-------------------------|---------|
| Turnover .....                 | 3823863 | Total Expenditure ..... | 3515656 |
| Profit Before Tax .....        | 308207  | Profit After Tax .....  | 254497  |
| Earnings Per Share in Rs ..... | 7.73    | Dividend rate(%) .....  | 15      |
- v) Generic Names of Three Principal Products /Services of Company (as per Monetary items)
- |                             |   |                    |
|-----------------------------|---|--------------------|
| 1. Item Code No.(ITC Code)  | : | 72011000           |
| Product Description         | : | PIG IRON           |
| 2. Item Code No.(ITC Code)  | : | 27040030           |
| Product Description         | : | METALLURGICAL COKE |
| 3. Item Code No. (ITC Code) | : | N.A.               |
| Product Description         | : | Power              |

## CODE OF BUSINESS CONDUCT AND ETHICS

### 1. INTRODUCTION:

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

### 2. POLICY STATEMENT:

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

### 3. OBJECTIVE:

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

### 4. AUTHORITY:

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

### 5. APPLICATION:

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

### 6. DISCLOSURE:

- 6.1 It is the intention of the Company that this Code shall be included in the next annual report of the Company

- to the shareholders as an exhibit to the report on Corporate Governance and be included so thereafter as may be decided by the Board of Directors in every annual report of the Company to the shareholders. The Code be also posted and maintained on the website of the Company, as and when the Company hosts its website.
- 6.2 The Managing Director in his capacity as Chief Executive Officer of the Company shall make an annual statement in the Annual Report of the Company addressed to all stake holders to the shareholders that all the Directors and Senior Management of the Company has complied with the standards of the Code and a certificate from every person affirming the compliance has been obtained.
- 6.3 Any update and modification to the Code shall be promptly disseminated and notified to all the members of the Board of Directors and senior management of the Company and so also to the Stock Exchanges where the equity shares of the Company are listed.
- 7. STANDARDS:**
- 7.1 Fiduciary duty and Conflict interest:
- 7.1.1 Directors and Senior Management owe a fiduciary duty to the Company to act always in the best interests of the Company and have a bounden duty to advance its legitimate business interests to itself whenever the opportunity to do so arises and must avoid any situation in which personal interests conflict or have potential of conflict with the Company interests.
- 7.1.2 Directors and Senior Management are prohibited from taking any benefit or advantage for themselves or through a third party entity where they have a direct or indirect relation, any corporate or business opportunity that is discovered through the use of Company's property, information or position unless Company itself has been given or afforded a first right of opportunity or option to take advantage of such opportunity and /or refusal and the Company has turned down such opportunity or option and refused to take such opportunity. Directors and Senior Management should desist from taking any personal gain, directly or indirectly through any related party, out of any corporate or business opportunity which otherwise would have genuinely belonged to the Company by virtue of deployment of its resources.
- 7.1.3 In the event of any conflict of interest in a particular situation, the proper course would be to have an approval of the Board of Directors of the Company beforehand. Where any personal benefit or gain made or accrued out of any corporate or business opportunity in which Company's property or services were used, the Directors and Senior Management must promptly account for such benefit or gain to the Company.
- 8.1 Confidentiality:**
- 8.1.1 All confidential information concerning the Company is the property of the Company and must be closely guarded and / or protected and shall not be disclosed to any third party save and except mandated to do so by Law or authorized by the Company.
- 8.1.2 Confidential information concerning Company include possible / future business opportunities, customer and supplier data or profile, financial performance, unpublished financial information and / or financial data, unpublished securities information, technology and technical information, technical advancements, patents, trade marks, copy rights or any other information, expertise, knowledge which are in the exclusive domain of the Company.
- 8.1.3 Directors and Senior Management are prohibited from disclosing or using the same for personal gain any confidential information concerning the Company, which they acquire in the course of their association / employment with the Company. Such prohibition shall extend not only to work place but also to any other outside place and covers a period of say, one year after their dis-association or cessation of employment with the Company.
- 9.1 Insider Trading:**
- Trading of Securities of the Company on the basis of confidential information acquired through your association /employment with the Company is restricted and / or prohibited.
- 9.2 Directors and Senior Management are bound by Securities and Exchange Board of India's (SEBI's) Insider Trading Regulations and Company's policy thereof. Directors and Senior Management are accordingly restricted from dealing in the Company's securities based on the unpublished price sensitive information concerning the Company during the opening of 'Window' period as provided in the above Regulations. Directors and Senior Management are strictly prohibited from dealing in the Company's securities based on any unpublished price sensitive information.
- 9.3 Any clarifications in this regard Director/Senior Management may always take assistance from Company Secretary and Compliance Officer of the Company.
- 10.1 Protection of Company's Assets:**
- 10.1.1 Protection of Company's Assets is of paramount importance and it is our duty to protect Company's Assets and also put the same to proper use.
- 10.1.2 Company's assets are exclusive property of the Company and they are to be used solely for legitimate business purposes of the Company only. Directors and Senior Management in their capacities as 'trustees' of the Company's properties shall always

- endeavor to protect the Company's assets and also bound to put the same to proper use.
- 10.1.3 Company's assets should not be used for personal purposes both in the course of employment or association and after cessation of employment or association with the Company.
- 11.1 **Compliance with Laws and Regulations:**
- 11.1.1 The Company seeks to comply in letter and spirit with all applicable laws and regulations in force and at all times and wherever operated.
- 11.1.2 Company's business is guided by several laws and regulations some of which are stringent. Directors and Senior Management must endeavor to comply with all the applicable laws and regulations with respect to conduct of Company's business and personal conduct both within and outside work place.
- 11.1.3 Violation of any laws will attract personal indictment and penalties, and the Company will also similarly be subjected to such penalties. Directors and Senior Management should ensure total compliance of laws and regulations to avoid any such penalties. They should familiarize themselves about the laws of land and keep abreast of all changes / amendments from time to time.
- 12.1 **Fair Business Practice and Dealings:**
- 12.1.1 The Company believes in fair dealings in the conduct of its business and encourages honest business competition.
- 12.1.2 Fair dealings imply conducting ourselves with honesty and integrity and showing transparency and openness when dealing with Company's customers, suppliers, competitors and employees.
- 12.1.3 Directors and Senior Management are discouraged from engaging in unfair methods of competition and unfair or deceptive acts and practices. Directors and Senior Management are also discouraged from taking unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or other unfair dealings.
- 12.1.4 Directors and Senior Management shall not authorize any third party to represent the Company whose business conduct and ethics are known to be inconsistent with the Code.
- 12.1.5 Directors and Senior Management are discouraged from accepting any gifts, contributions, donations other than customary nature from any parties and discourage offering such things to any third parties in the conduct of Company's business.
- 13.1 **Dissemination / Disclosure of Company's Information:**
- 13.1.1 The Company encourages dissemination or disclosure of timely, accurate and complete information to all stakeholders and law enforcing authorities through proper channel.
- 13.1.2 The Company is required to disclose information concerning its business affairs from time to time through media, publication, letters, notes, memoranda etc., the object being to keep the stakeholders, law enforcing authorities and public at large informed of the Company's plans, policies, compliances, achievements, accomplishments etc.
- 13.1.3 Directors and Senior Management should ensure that dissemination / disclosure are time bound, accurate, complete, true and fair. Disclosure / dissemination of non-public information is strictly prohibited. Inter action with media should be only through authorized persons. Information sought by the law enforcing authorities should be furnished as early as possible. All disclosures / dissemination of information shall be for and on behalf of the Company.
- 14.1 **Health, safety and Environment:**
- 14.1.1 The Company abides by the health, safety and environment norms guidelines and is committed to preserve quality of life of all concerned with Company's business.
- 14.1.2 Protection / perseverance of health, safety and quality of life of all involved in the business of Company in a conducive external and internal environment is of utmost importance for a sustainable development and therefore deserves highest priority.
- 14.1.3 Directors and Senior Management shall ensure compliance with the health, safety and environment laws and regulations and strive hard to adopt best practices concerning these issues.
- 15.1 **Reporting violations:**
- 15.1.1 Any activities that are in violation or having potential of violation of the Code should be promptly brought to the notice of the immediate supervisors or to the Chairman of the Board.
- 15.1.2 All employees are encouraged to report any violations or situations having potential of any violation should be brought to the notice of immediate supervisors or to the Chairman of the Company.
- 15.1.3 Directors / Senior Management should always welcome to receive information about violations of the Code from colleagues and sub ordinates such information and desist from taking punitive or vengeful action or punishment against the reporting employees.



**ELECTRONIC CLEARING SERVICE (ECS) FACILITY**

Dear Member,

As you are aware the Securities and Exchange Board of India (SEBI) vide Circular dated October 15, 2001 has directed the companies to remit the dividend amount payable to shareholders through Electronic Clearing Service(ECS) facility Mandatorily. The Company is extending such ECS facility at those centres permitted by RBI for distribution of dividend for the financial year 2009 -10 declared at the Annual General Meeting and the dividend amount not exceeding Rupees five lakhs will be sent through ECS. Dividend warrants will be issued to the other shareholders in these areas. Members holding shares in dematerialized form need not fill this form since their bank particulars as appearing in the books of Depositories will be used for distribution of dividend through ECS. Members willing to avail ECS facility may kindly fill in the enclosed ECS mandate form and return it to the Share Transfer Agents before the book closure date. Members are requested to kindly go through carefully the Notes to the Notice of the Annual General Meeting for further clarifications.

Your earliest action in the above matter will help us in serving you better.

Yours faithfully,

For SATHAVAHANA ISPAT LIMITED  
A. NARESH KUMAR  
MANAGING DIRECTOR

-----Tear here-----

**ELECTRONIC CLEARING SERVICE (ECS) MANDATE FORM**

To

M/s. XL Softech Systems Limited,  
(Unit : Sathavahana Ispat Limited)  
#3, Sagar Society, Road No.2,  
Banjara Hills, **HYDERABAD - 500 034.**

**RE : ELECTRONIC CLEARING SERVICE FOR PAYMENT OF DIVIDEND**

I have read the letter giving details of ECS scheme. I wish to participate in the Electronic Clearing Service Introduced by Reserve Bank of India. As requested, I give below the detail of my bank account, to which you may electronically credit the dividend due to me against the registered folio number mentioned against point 1.0.

1.0	Registered Folio No.	:																		
2.0	Particulars of the Bank :																			
2.1	Name of the Bank	:																		
2.2	Branch Address	:																		
2.3	* 9 digit code number of the Bank & Branch as appearing on the MICR cheque issued by the Bank	:																		
2.4	Account type (please tick)	:																		
2.5	Ledger Folio No. (If any) of my bank account	:																		
2.6	Account No.	:																		

I hereby declare that the particulars above given are correct and complete. I undertake to inform any subsequent changes in the above particulars before the relevant book closure date(s). If the payment transaction is delayed or not effected at all for reasons of incomplete or incorrect information or any other reason(s), beyond the control of the Company, I would not hold the Company responsible.

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of the first holder

\* The nine digit code number of your bank and branch is mentioned on the MICR bank next to the cheque number.

**VERIFICATION BY THE BANK**

(The following is not necessary if a blank cancelled cheque leaf or photocopy of a cheque is enclosed with the Form)

Certified that the particulars furnished above are correct as per our records.

Bank's Stamp:

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of the Authorised  
Official from the Bank

**FORM FOR FURNISHING BANK PARTICULARS**

Dear Member,

With a view to prevent fraudulent encashment of dividend warrants Company wishes to extend facility of recording the bank particulars on the dividend warrants to be issued for the dividend declared at the ensuing Annual General Meeting. Members holding shares in physical form are requested to kindly fill in the bank particulars in the attached form and return the form to the Share Transfer Agent before the book closure date. Members holding shares in dematerialized form need not fill this form since their bank particulars as appearing in the books of depositories will be printed on the dividend warrants. Any change in such bank particulars of those shares held in dematerialized form, such members are requested to approach the Depository Participant for any such change. Members are requested to kindly go through carefully the Notes to the Notice of the Annual General Meeting for further clarifications.

Your earliest action in the above matter will help us in serving you better.

Yours faithfully,  
For SATHAVAHANA ISPAT LIMITED  
A. NARESH KUMAR  
MANAGING DIRECTOR

----- ✂ ----- Tear here -----

**FORM FOR FURNISHING BANK PARTICULARS**

To  
M/s. XL Softech Systems Limited,  
(Unit : Sathavahana Ispat Limited)  
#3, Sagar Society, Road No.2,  
Banjara Hills,  
**HYDERABAD - 500 034.**

**RE : BANK PARTICULARS FOR PRINTING ON DIVIDEND WARRANTS**

I have read the letter regarding furnishing bank particulars to be printed on the dividend warrants. As requested, I give below the details of my bank account, which you may kindly print the same on dividend warrant against the registered folio number mentioned against point 1.0.

1.0	Registered Folio No.	:																		
2.0	Particulars of the Bank :																			
2.1	Name of the Bank	:																		
2.2	Account type (please tick)	:																		
2.3	Ledger Folio No. (If any) of my bank account	:																		
2.4	Account No.	:																		

I hereby declare that the particulars above given are correct and complete. I undertake to inform any subsequent changes in the above particulars before the relevant book closure date(s). If the particulars are not printed on the dividend warrants for reasons of incomplete or incorrect information or any other reason(s), beyond the control of the Company, I would not hold the Company responsible.

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of the first holder

**VERIFICATION BY THE BANK**

Certified that the particulars furnished above are correct as per our records.

Bank's Stamp:  
Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of the Authorised  
Official from the Bank

**SATHAVAHANA ISPAT LIMITED**

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

**TWENTY FIRST ANNUAL GENERAL MEETING**
**ATTENDANCE SLIP**

(To be filled in by the Shareholder)

Folio No.	Client Identity No.	D.P. Identity No.	No. of Shares

I, hereby, record my presence at the TWENTY FIRST ANNUAL GENERAL MEETING of the Company being held on Thursday, the 30th September, 2010 at 3.00 p.m. at Sri Sagi Ramakrishnam Raju Community Hall, Madhuranagar, Hyderabad - 500 038.

Name of Member/Proxy

Signature of Member/Proxy

**Note:**

1. A member/Proxy attending the meeting must complete this Attendance Slip and hand it over at the entrance.
2. Member intending to appoint a Proxy should complete the Proxy Form below and deposit it at the Company's Corporate Office not later than 48 hours before the commencement of the meeting.

**SATHAVAHANA ISPAT LIMITED**

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

**TWENTY FIRST ANNUAL GENERAL MEETING**
**PROXY FORM**

(To be filled in by the Shareholder)

Folio No.	Client Identity No.	D.P. Identity No.	No. of Shares

I/We ..... being a Member/Members of **SATHAVAHANA ISPAT LIMITED**, hereby appoint.....of ..... in the district of.....or failing him .....of.....in the district of ..... as my /our Proxy to vote for me/us on my/our behalf at the **TWENTY FIRST ANNUAL GENERAL MEETING** of the Company to be held on Thursday the 30<sup>th</sup> day of September, 2010 and at any adjournment thereof.

Signed this.....day of.....2010

Name .....

Address.....

 Affix  
Revenue  
Stamp

**Note:** The Proxy duly filled in and signed should be deposited at the Corporate Office of the Company at least 48 hours before the commencement of the meeting.

**No Gifts will be distributed at the Annual General Meeting**

# Book Post Printed Matter



*If Underlivered please return to :*  
**Sathavahana Ispat Limited**  
505, 5th Floor, Block - 1,  
Divyashakti Complex,  
Ameerpet, Hyderabad- 500 016