

**SPONGE IRON**

**ROLLING MILL**

**ELECTRIC FURNACES**

**EMPOWERING  
GROWTH**

**POWER PLANT**

**BILLET**

**SIEL**

**15<sup>TH</sup> ANNUAL REPORT 2009-10**



**SOUTHERN ISPAT AND ENERGY LIMITED**  
(FORMERLY SOUTHERN ISPAT LIMITED)

# Board of Director

## **Shri. Vivek Agarwal**

*Chairman & Managing Director*

## **Smt. Richa Agarwal**

*Director*

## **Smt. Anasuya Devi Agarwal**

*Director*

## **Shri. V. Manikandan**

*Independent Director*

## **Shri. Thiagaraja Iyer Venkatramani**

*Independent Director*

## **Shri. R. Sivaramakrishnan**

*Independent Director*

### **Auditors**

M/s. Sunil Johri & Associates  
Chartered Accountants,  
Raipur (C.G.), Chattisgarh.

M/s. Mahadevan & Sivarajan  
Chartered Accountants,  
Palakkad

### **Company Secretary**

Shri. Liston Pereira

### **Bankers**

State Bank of India, Palakkad.  
Registered Office:  
19/629 (1), "Sreyas",  
Near Yakkara School Bus Stop,  
West Yakkara, Palakkad – 678 001.

### **Factory**

Kariankode Post, Kottayi, Palakkad - 678 572

### **Share Transfer Agents**

M/s S.K.D.C. Consultants Limited  
Kanapathy Towers, 3<sup>rd</sup> Floor  
139/A-1, Sathy Road, Ganapathy,  
Coimbatore – 641 006  
Ph : 0422 – 6549995, 2539835, 2539836  
Fax: 0422-2539837  
Email: info@skdc-consultants.com

# SOUTHERN ISPAT & ENERGY LIMITED

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## *Chairman & Managing Director's Message*



**Vivek Agarwal**

Chairman and Managing Director

### **EMPOWERING GROWTH**

#### **From Chairman's & Managing Director's Desk**

**Dear Shareholders,**

It is my proud privilege to welcome you to the 15th Annual General Meeting of your company. 2009-10 was a very significant one for Southern Ispat and Energy Ltd (SIEL) and the operation for this financial year are for 15 months. This year company capitalized opportunities and strengthened its market presence through various corporate strategic planning. We have scaled new height by diversification its operation. Achievement of this distinction is a reflection of your company's consistent good performance and stellar progress made over the years. Undoubtedly, concerted efforts made by many visionary leaders in the past have helped in shaping the fortunes of the company and I feel humbled by the enormous responsibility that has been entrusted upon me now to carry their legacy forward. It is my goal to build on our many achievements so far, to ensure that SIEL continues on its growth path with determination and vigour.

#### **Global Steel Scenario**

In the aftermath of the global financial crisis in 2008, negative growth continued from the 4th quarter of 2008 to 3rd quarter of 2009. Production cuts over this period led to 58% capacity utilization. Financial stimulus packages declared by different

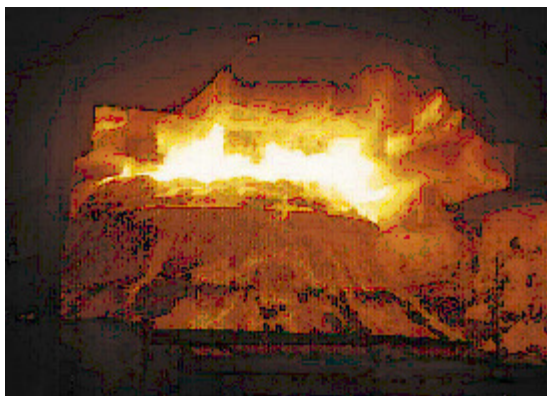
# SOUTHERN ISPAT & ENERGY LIMITED

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countries facilitated production from 4th quarter of 2009 and the growth rate rebounded to pre crisis level of over 6% per annum. Present utilization of capacity is around 80%. De stocking has also taken place. Production growth at around 25% in the first seven months is robust in 2010. World Steel Association (WSA) in its latest demand forecast has projected a growth in consumption of 'Finished Steel' by 10.7% and 5.3% in 2011 & 2012. While advanced economies are expected to grow by 2.6% in 2010, emerging & developing economies are expected to grow at 6%. China & India are slated to be the major drivers of 'Growth' in the consumption of steel.

## Indian Steel Scenario

In India, the outlook appears to be positive. As compared to a GDP growth of 6.7% in 2008-09, the revised estimate for 2009-10 projects a growth of 7.4%. This has been possible due to higher growth of 10.4% in the Index of Industrial Production in 2009-10 as compared to 2.8% in 2008-09 and also due to higher demand for capital goods and consumer durables to the tune of 19.2% and 26%, respectively. There is a degree of optimism regarding the performance of the Indian economy.



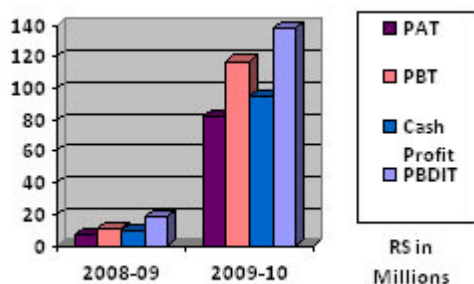
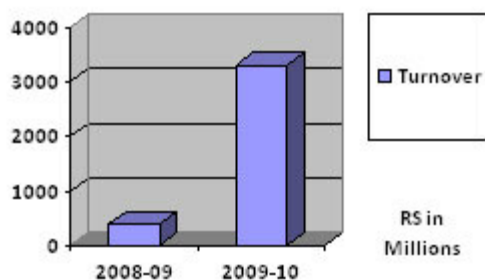
The International Monetary Fund (IMF) has projected a growth of 9.4% for 2010 and 8.4% for 2011 for India.

The apparent consumption of finished carbon steel in India at 53 million tonnes in 2009-10 registered a growth of 7.8% over the previous year. The overall saleable carbon steel production during 2010 was 56.8 million tonnes. WSA has projected a growth of more than 13% for India during 2010 and 2011,

with overall consumption reaching 72 million tonnes by 2011. In fact, it is expected that India will emerge as one of the highest steel consuming countries during the next decade, touching the level of 150 million tonnes by 2020. This assumes a growth rate of 9% in consumption, which can well be achieved considering the strong growth trend that is already emerging from steel-consuming sectors like machinery & equipment manufacturing and automobiles. Demand from the construction sector is also rising, mainly due to growing infrastructure-related projects in the power sector, including power transmission, highways, airports, ports and industrial construction. Besides, growth is expected in individual housing and small and medium commercial construction. The projected investment in infrastructure, encompassing all these sectors, in the 11th Five – year plan (2007-12) at 20,54,205 crore is 9% of GDP as against 5% of GDP in the 10th Five year plan. Approximately, 125 MT (million tonnes) of steel will be needed to achieve these investments in infrastructure in 11th Five- year plan.

This clearly indicates India like many other developing country have registered high level of economic growth. The steel industry has also been impacted by this economic growth with robust domestic markets. The requirement of steel is growing, where the industries are experiencing high demand.

During the period where sub – prime crisis triggered the array of events that led to a global economic depression, the SIEL where spot the opportunity in adversary situation. The SIEL diversify from the age old formulae of reducing production, deferring expansion programmes etc, during the critical time by taking one step ahead by indulging in metal, Speculative trading of metal and other goods. SIEL achieved the highest-ever Turnover of Rs 3288.71 million a growth of 737.65% over the last year. Esteemed shareholders, you will be glad to know that your company has recorded the best ever profit before tax of Rs 117.08 Million since inception. This could be possible only due to the combined effect of Trading & Manufacturing Activities major strategic decisions, valuable expansions, improvement in techno-economic parameters and optimum utilization of funds



### SIEL Growth Strategies

When the economy is booming, growth comes easy. It is definitely not a cause for concern. However, to move up the performance ladder, we will need to have an added edge over our competitors. That edge will come from innovation, and our continued endeavours to look for new growth segments and at the same time strengthening our existing portfolio.

The emerging demand scenario in the country will bring in suitable strategic responses from other domestic steel producers and also strengthen the resolve of global players to partake a slice of the domestic market. In order to retain the market leadership position in the country and maintain competitiveness, your company is currently implementing a growth plan to enhance its production capacity in a phased manner. Under the ongoing phase of the modernization &

expansion plan, capacity will get expanded to 3,00,000 Tonnes by 2012-13. The growth plan, besides targeting higher production, also addresses the need for cost competitiveness by eliminating technological obsolescence, achieving energy savings, enriching product-mix, reducing pollution, developing mines and collieries and developing matching infrastructure facilities

To meet future challenges, SIEL is working on a long-term strategic plan 'Empowering Growth', the company's proposed plan of acquiring of New-Tech Forge and Foundry Ltd an Integrated Steel Plant with an Annual Capacity of 1,20,000 MT in Gujarat is going according to its plan. This will enable the company to have a fully owned subsidiary which is capable of producing all ranges of product IB steel sector. It is the only integrated forging & foundry plant which manufacturing Sponge Iron to alloy steel products. It manufactures Sponge Iron, Billets, Round Steel, Machine Flanges, Bearings, Gears, Crankshaft, connecting Rod, Camshaft etc.

This will steer the company towards meeting its strategic objectives of achieving profitability through growth and customer satisfaction. The acquisition will result in capacity expansion for SIEL of steel will go to 3 lakhs tonne per annum. SIEL will expand its reach to Geographical area of Gujarat with plant facility in Kutch and towards international market as New-Tech Forge and Foundry Ltd already have presence in sale and distribution level in international market.

Cumulative Company has received about Rs 152.15 Millions through GDR issues & further issue share warrants for the modernization & expansion plan till date. During the year 2009-10, capital expenditure of 92.90 Millions has been incurred and for 2010-11, an outlay of 1000 Millions has been planned mainly for various modernization & expansion schemes. In the integrated steel plants, execution of various packages is in progress.

### Collaborative Growth

The proposal to merge M/s. Kerala Sponge Iron Limited (KSIL) is on the verge of completion and is expected to materialize during the next financial year. Further expansion by doubling its production capacity and installation of Power Plant in the new unit are to be completed within a few months, which will enhance the profitability of your Company and

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your Company will become an Integrated Steel Plant. The company will get its main raw material sponge iron & power generated through waste heat recovery. Precisely the expansion plan is making the company to integrate its operations & maximizes the profit and thus earning per Share (EPS).

## Short-Term Outlook

Focusing on its fundamentals, including the expansion plan, your company has been growing from strength to strength. However, several concerns, some of them quite critical in nature, continue to hover in our horizon. First and foremost is the continuing trend of rising input costs. With few indigenous sources of the required quality and quantity of coking coal, your company has to depend on imports of higher volumes every year to maintain production targets. Prices of imported coking coal have been volatile in recent times, putting pressure on our margins. Though some improvement is expected in coming quarters, it is expected that fluctuations will continue on this account. To offset the rise in cost of inputs, which also includes manpower, fuel, power, minerals, etc., we have laid a thrust on improving productivity across the organization, encompassing people as well as production facilities and processes.

## Raw Material Security

For securing raw material supplies, your company is examining proposals for acquisition of equity stakes in Iron Ore mines. SIEL identified three Iron Ore mines covering total area of 150 Hecter in the district of Chattarpur, Buxwaha village, State of Madhya Pradesh having an estimated Iron Ore reserve of 230 MMT. The result of chemical analysis of Iron Ore was average 64% Fe.



## Emerging Global Opportunities

Your company will spread its wings and pursue overseas opportunities for marketing of products as well as sourcing of raw materials. Developing countries like Dubai are going in for huge infrastructure projects as part of their economic development plans. This provides a good marketing opportunity that SIEL can exploit. Your company intends to become a global player in the coming years.

## Protecting Health of Our Planet

Your Company reaffirms its commitment to contribute towards a clean, sustainable environment and continually enhance its environmental performance as an integral part of its business philosophy and values. As a result of



measures taken by SIEL has purchased pollution equipments to the tune of Rs.50 Millions.

## Corporate Governance

Your company is committed to conforming to the highest standards of Corporate Governance by ensuring transparency, disclosures and reporting as required under various laws, regulations and guidelines, including those issued by the Department of Public Enterprises, Government of India.



### **Acknowledgement**

I gratefully acknowledge the guidance and support extended by the various Ministries particularly the Ministry of Steel under the Government of India and State Government of Kerala. I would also like to thank all the stakeholders of the Company for their continued support in all our endeavors.

I express my sincere appreciation for the invaluable contribution and cooperation of my colleagues on the Board in charting the road map



of the Company for growth and profitability, thereby steering it to greater heights.

As I conclude, I sincerely thank each and every one of you, our shareowners, for the confidence and trust you have reposed on us. We will try our best to surpass your expectations

**Vivek Agarwal**

Chairman and Managing Director

27<sup>th</sup> November 2010



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## NOTICE TO THE ANNUAL GENERAL MEETING

Notice is hereby given that the Fifteenth Annual General Meeting of the Members of Southern Ispat and Energy Limited (Formerly Southern Ispat Limited) will be held on **27<sup>th</sup> December 2010 at 10.30 AM at its Registered Office at 19/629(1), "Sreyas", Near Yakkara School Bus Stop, West Yakkara, Palakkad – 678 001** to transact the following business:

### Item No. 1:

To consider and adopt the audited Balance Sheet as at 30<sup>th</sup> June 2010, the Profit and Loss Account for the financial year ended on that date and the report of the Board of Directors and Auditors thereon.

### Item No.2:

To appoint a Director in place of Smt. Anusuya Devi Agarwal who has given her unwillingness for her reappointment. and to pass the following resolution with or without modification.

" RESOLVED THAT Smt. Anusuya Devi Agarwal , who retires by rotation and given her unwillingness to be re-appointed , be not re-appointed and the vacancy created be filled up in the ensuing Annual General Meeting.

### Item No.3:

To appoint a Director in place of Smt. Richa Agarwal who has given her unwillingness for her re-appointment and to pass the following resolution with or without modification.

" RESOLVED THAT Smt. Richa Agarwal , who retires by rotation and given her unwillingness to be re-appointed , be not re-appointed and the vacancy created be filled up in the ensuing Annual General Meeting.

### Item No.4:

To appoint a Director in place of Mr. V Manikandan, who retires by rotation and being eligible, offers himself for re-appointment.

### Item No. 5:

To reappoint Auditors and to fix their remuneration.

"RESOLVED THAT M/S. Sunil Johri & Associates, Chartered Accountants be and are hereby appointed as Auditors of the company from the conclusion of this Annual General Meeting till the conclusion of next

Annual General Meeting on a remuneration fixed by the Board of Directors in consultation with the Auditors.

"RESOLVED THAT M/S. Mahadevan & Sivarajan, Chartered Accountants be and are hereby appointed as Joint Auditors of the company from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting on a remuneration fixed by the Board of Directors in consultation with the Auditors.

### Special Business:

### Item No. 6:

To consider the re appointment of Mr. Vivek Agarwal, Chairman & Managing Director and vary the terms and conditions and pass the following resolution with or without modification as Special Resolution

RESOLVED THAT pursuant to Section 198,269,309,310,314, Schedule XIII and applicable provisions of the Companies Act, 1956 the consent of the Company be and is hereby accorded for the re-appointment of Mr. Vivek Agarwal as Managing Director of the Company for a period of five years on the following terms and conditions.

- 1) Salary Rs. 50000/- Per month (Consolidated)
- 2) Term of Office – Five Years from 27-12-2010 to 26-12-2015

RESOLVED FURTHER THAT Mr. Vivek Agarwal will not be entitled to any sitting fees for attending Board Meetings

### Item No. 7:

Appointment of Mr. K K Agarwalla as Executive Director of the Company for a period of 05 Years.

To Consider and if thought fit to pass with or without modification the following resolution as Special Resolution.

RESOLVED THAT pursuant to provisions of Section 198,269 and 309 and other applicable provisions , if any of the Companies Act,1956 read with Schedule XIII as amended and subject to approval of members of the company the board of directors of the company be and are hereby given the approval to the appointment of Shri K K Agarwalla as the Whole Time Director of the Company under the designation "Executive Director"



for a period of 05 Years with effect from the date of passing the resolution in the Annual General Meeting on the following terms and conditions.

1. Salary – 30,000/- per month consolidated

RESOLVED FURTHER THAT Mr. Vivek Agarwal Chairman and Managing Director be and is hereby authorized to file all filing along with necessary consent from the director and to comply with all other formalities.

**Item No. 8:**

To consider the appointment of Mr. E Sankaranarayana as Director and if thought fit to pass with or without modification the following resolution as Special Resolution

RESOLVED THAT pursuant to Section 198,309,310 and any other applicable provisions, if any of the Companies Act, 1956 , Mr. E Sanakaranarayana be and is hereby appointed as director of the company on a remuneration of Rs. 25000/- per month (Consolidated) whose period of office liable to retire by rotation.

RESOLVED FURTHER THAT Mr. E Sanakaranarayana will not be entitled to any sitting fees for attending Board Meetings

**Item No. 9:**

To appoint a Director in place of Shri. Thiagaraja Iyer Venkatramani (Additional Director) who retires at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment and to pass with or without modification the following resolution as Ordinary Resolution.

“RESOLVED THAT Shri Thiagaraja Iyer Venkatramani who was appointed as an Additional Director of the company by the Board of Directors and who ceases to hold office under Section 260 of the Companies Act,1956 on the date of this meeting and in respect of whom the company has received a notice under section 257 in writing proposing his candidature for the office of director, be and is hereby elected and appointed as an Independent Director of the company liable to retire by rotation.

**Item No. 10:**

To appoint a Director in place of Shri. R Sivaramakrishnan ( Additional Director) who retires at the Ensuing Annual General Meeting and being eligible , offers himself for re-appointment and to pass with or without modification the following resolution as Ordinary Resolution.

“RESOLVED THAT Shri R Sivaramakrishnan who was appointed as an Additional Director of the company by the Board of Directors and who ceases to hold office under Section 260 of the Companies Act,1956 on the date of this meeting and in respect of whom the company has received a notice under section 257 in writing proposing his candidature for the office of director, be and is hereby elected and appointed as an Independent Director of the company liable to retire by rotation”

**Item No.11**

To consider and ratify the remuneration of Auditors fixed by the previous Annual General Meeting held on 29th September 2009 and if thought fit to pass with or without modification the following resolution as Special resolution.

RESOLVED THAT the remuneration paid to M/s. Sunil Johri and Associates, Chartered Accountant and M/s. Mahadevan and Sivarajan , Chartered Accountants be and are hereby increased from Rs. 20000/- to Rs.300000/- and Rs. 15000/- to Rs. 200000/- per annum respectively plus out of pocket expenses.

By the order of the board of Directors.

**Vivek Agarwal**

Chairman and Managing Director

**Notes**

1. **A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy and to vote on a poll instead of herself / himself and need not be a member of the company .The instrument appointing a proxy should however be deposited at the registered office of the company not less than 48 hours before the commencement of the meeting**
2. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act in respect of the special business is set out in the Annexure enclosed.
3. Members are requested to notify change of address if any immediately to the registrars and share transfer agents M/s.S K D C Consultants Ltd, 3<sup>rd</sup> Floor,1391/A-1, Sathy Road, Ganapathy, Coimbatore – 641006.
4. The register of members if the company will remain closed from 22<sup>nd</sup> December 2010 to27th December 2010 (both days inclusive.)

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## ANNEXURE TO NOTICE

Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 which forms part of the Notice convening the Annual General Meeting of the Company on 27<sup>th</sup> December 2010.

### Item No.6.

Mr. Vivek Agarwal has been the Managing Director and Chairman of the Company for the last so many years. His terms of office was for a period of 05 Years upto 24<sup>th</sup> September 2011. Considering his contribution to the growth of the Company, he is being reappointed by the Board of Directors for a period of 05 Year term with effect from 27-12-2010. Pursuant to provisions of Section 269 and other applicable provisions of the Companies Act, 1956, your consent for his re-appointment and payment of remuneration is required. Mr. Vivek Agarwal deemed to be interested in the resolution to the extent of his re-appointment and payment of remuneration to him. Mrs. Richa Agarwal and Mrs. Anusuya Devi Agarwal are interested in this resolution being relatives. No other director is interested in this resolution.

### Item No.7

Mr. K K Agarwalla the Executive Officer of the Company is delivering and guiding the company for the last 15 years with his vast and immense experience. His inclusion to the board level create a greater synergy to the company and enhance the vision and mission. As required by Section 257 of the Act , a notice has been received from a member signifying his intention to propose appointment of Shri K K Agarwalla as a director along with a deposit of Rs.500. The Board considers that it is desirable that the company should continue to avail itself of his services and recommend to pass necessary resolution as Special Resolution.

Shri Vivek Agarwal, Smt. Richa Agarwal and Smt Anusuya Devi Agarwal are interested in the resolution being relatives. None of the other directors is interested in the resolution. Shri K K Agarwalla may be deemed to be interested to the extent of his appointment.

### Item No. 8

Mr. E Sankaranarayan have got wide experience in steel and allied business for more than 15 years. His inclusion in the board will make the board to a professional one and proposed to include the proposal in the notice of Annual General Meeting appointing him as Director. As required by Section 257 of the Act , a notice has been received from a member signifying his intention to propose appointment of Shri.Sanakaranarayana as a director along with a deposit of Rs.500/- The Board considers that it is desirable that the company should continue to avail his services and

recommend to pass necessary resolution as an Special Resolution.

None of the directors are interested other Shri. Shankara Narayana who may be deemed to be interested to the extend of his appointment.

### Item No.9

Shri Thiagaraja Iyer Venkatramani was appointed as additional director of the company on 24<sup>th</sup> December 2009 by the Board of Directors of the Company. According to the provisions of the Section 260 of the Companies Act, 1956 he may hold office as director only upto the date of the ensuing Annual General Meeting. As required by Section 257 of the Act, a notice has been received from a member signifying his intention to propose appointment of Shri. Venkatramani as a director along with a deposit of Rs.500/-. The Board considers that it is desirable that the company should continue to avail itself of his services and recommend to pass necessary resolution as an Ordinary Resolution.

None of the directors are interested other Shri. Thiagaraja Iyer Venkatramani who may be deemed to be interested to the extend of his appointment.

### Item No.10

Shri R Sivaramkrishnan was appointed as additional director of the company on 22<sup>nd</sup> March 2010 by the Board of Directors of the Company. According to the provisions of the Section 260 of the Companies Act, 1956 he may hold office as director only upto the date of the ensuing Annual General Meeting. As required by Section 257 of the Act , a notice has been received from a member signifying his intention to propose appointment of Shri. R Sivaramkrishnan as a director along with a deposit of Rs.500. The Board considers that it is desirable that the company should continue to avail itself of his services and recommend to pass necessary resolution as an Ordinary Resolution.

None of the directors are interested other than Shri. R Sivaramkrishnan who may be deemed to be interested to the extend of his appointment

### Item No.11

M/s. Sunil Johri & Associates, Chartered Accountant and M/s. Mahadevan and Sivarajan , Chartered Accountants as Joint Auditors were working on a remuneration of Rs.20,000/- and Rs.15,000/- per annum plus out of Expenses being the remuneration fixed by the last Annual General Meeting during the last financial year. The increase in the Auditors fees is due to extension of financial year of the company by 03 months from April 2010 to June 2010 and the increase in the volume of audit work in that financial year due to increase in operation of company in the last year.

By order of the Board  
Sd/-

**Vivek Agarwal**  
Chairman & Managing Director

Palakkad  
27.11.2010



## Directors Report

### Dear Shareholders,

Your Directors take immense pleasure in presenting this 15<sup>th</sup> Annual Report together with the audited accounts of the Company for the financial year 2009-10 for the period of 15<sup>th</sup> Months ended 30<sup>th</sup> June 2010.

Financial Results (Rs Million).

Particulars	09-10	08-09
Sales & Other Income	3288.71	392.61
Direct Expenditure	3141.68	368.06
Administrative & Financial Expenditure	18.03	11.59
Depreciation	11.91	2.58
Profit before Taxes	117.09	10.37
Taxes - Current Tax	19.99	0.77
- Deferred Tax	14.80	2.23
- Fringe Benefit Tax	NIL	0.02
Profit After Taxes	82.30	7.35
Transfer to General Reserves	10.62	NIL
Balance Carried to Balance sheet	71.67	7.35
Earnings per Share (Basic)	7.46	1.03
Earnings per Share (Dilutive)	6.60	1.03

### REVIEW OF OPERATIONS

The fiscal year under review was an important year for the domestic industry. The year started with signs showing the growth, amidst the global slowdown that was still prevailing. The domestic market was showing good support to the product irrespective of the substantial reduction in the export to the advanced countries. The company took various initiatives to improve its profitability by diversification which helped the company to post an impressive performance for the year.

### EXPANSION PLANS

The proposal to takeover M/s. Kerala Sponge Iron Limited is on the verge of completion and is expected to materialise during the next financial year. Further expansion by doubling its production capacity and installation of Power Plant in the new unit are to be completed within a few months, which will enhance the profitability of your Company and your Company will become an Integrated Steel Plant.

For securing raw material supplies, your company is examining proposals for acquisition of equity stakes in Iron Ore mines in Chattarpur district of Madhya Pradesh.

The company's proposed plan of acquiring of New-Tech Forge and Foundry Ltd an Integrated Steel Plant with an Annual Capacity of 1,20,000 MT in Gujarat is going according to its plan. This will enable the company to have a fully owned subsidiary which is capable of producing all ranges of product IB steel sector. This will enable the company to have a fully owned subsidiary which is capable of producing all ranges of product IB steel sector. It manufactures Sponge Iron, Billets, Round Steel, Machine Flanges, Bearings, Gears, Crankshaft, connecting Rod, Camshaft etc. It is the only integrated forging & foundry plant which manufacturing Sponge Iron to alloy steel products. This will steer the company towards meeting its strategic objectives of achieving profitability through growth and customer satisfaction. The acquisition will result in capacity expansion for SIEL of steel will go to 3 lakhs tonne per annum. SIEL will expand its reach to Geographical area of Gujarat with plant facility in Kutch and towards international market as New-Tech Forge and Foundry Ltd already have presence in sale and distribution level in international market.

The Company also initiated the plans of controlling the business from large spectrum setup an wholly owned subsidiary company in Sharjah Airport International Free Zone (SAIF ZONE) in Dubai, UAE in the name of Southern Ispat and Energy Ltd (FZE) on 25th August 2010.

Precisely the expansion plan is making the company to integrate its operations & maximizes the profit and thus earning per Share (EPS).

### INTERNAL CONTROL SYSTEM

The Company has adequate internal control systems which are evaluated periodically by the Audit Committee and the systems are adequate commensurating with the operations of the Companies.

### SOCIAL RESPONSIBILITY AND COMMUNITY DEVELOPMENT

Corporate Social Responsibility occupies a central position in SIEL's activities and is an ongoing daily affair. Our Company's plant at Kottayi, Palakkad is a leading industrial unit in the region and therefore the local community look towards the Company for social support.

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SIEL continues to provide necessary support to economically backward people of the adjoining villages through various community development, education and healthcare programmes.

## HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Your Company all the time strives towards the development of its employees, to upgrade their skills and to boost the motivation levels of its human resource through various mechanisms. For enhancing the team spirit of the employees departmental quality circles and other awareness programmes being organized from time to time. We were successful in maintaining a healthy working environment and cordial industrial relations throughout the year. The efforts put in by the employees at all levels are highly commendable and have contributed immensely to the excellent performance of the company.

SIEL HR team has been continuously striving for establishing a better and congenial relationship with Workmen, Unions and all external agencies resulting in achieving zero man days loss due to industrial unrest.

## DIVIDEND

In order to augment resources for the expansion plans, your Directors, do not recommend distributing any dividend for the year ended 30th June 2010.

## BOARD OF DIRECTORS

**Mrs. Anusuya Devi Agarwal and Mrs. Richa Agarwal** were given their unwillingness to continue on the board w e f the date of ensuing Annual General Meeting. The Directors included the resolution in the notice of Annual General Meeting indicating the above directors not to be re-appointed. Your directors place on record their deep appreciation of the valuable services rendered by Mrs. Anusuya Devi Agarwal and Mrs Richa Agarwal during their tenure as directors.

**Mr. M Eswaran**, an Independent Director whose sudden and untimely death on 11th December 2009 has created a casual vacancy in the Board of Directors. He has made invaluable contribution towards the progress of the company. The Board held an un official meeting on 12.12.2010 to condole the untimely death of Mr. M Eswaran and conveyed heart-felt condolences to bereaved family. The casual vacancy created was filled in the next Board Meeting held on 24th December 2009 by appointing Mr. Thiagaraja Iyer Venkatramani.

**Mr. Vivek Agarwal** was appointed as Managing Director of the Company for a period of 05 Years w e f 25-09-2006.

His tenure is going to be expiring on 24-09-2011. The Board after considering his invaluable contribution towards growth of the company has decided to review the terms and condition of appointment approved in the Annual General Meeting held on 20-07-2007. Hence his term of engagement as Managing Director is extended for another 05 Years w e f 27-12-2010 on a remuneration of Rs.50000/- per month Consolidated. Your Company decided to include the proposal of extension of terms and conditions of Mr. Vivek Agarwal, Managing Director in the notice of AGM for your approval

**Mr. Thiagara Iyer Venkatramani** who was appointed by the Board of Directors of your company in its meeting held on 24th December 2009 as an Additional Director w.e.f 24th December 2010 in terms of the Articles of Association of the Company, holds office upto the date of the ensuing Annual General Meeting. Your Company has received a notice under Section 257 of the Companies Act, 1956 from a shareholder of your company, signifying his intention to propose the name of **Mr. Thiagaraja Iyer Venkatramani** for appointment as Independent Director of your company liable to retire by rotation.

**Mr. R Sivaramakrishnan** who was appointed by the Board of Directors of your company in its meeting held on 22nd March 2010 as an Additional Director w.e.f 22nd March 2010 in terms of the Articles of Association of the Company, holds office upto the date of the ensuing Annual General Meeting. Your Company has received a notice under Section 257 of the Companies Act, 1956 from a shareholder of your company, signifying his intention to propose the name of **Mr. R Sivaramakrishnan** for appointment as Independent Director of your company liable to retire by rotation.

**Mr. V Manikandan**, Director retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

## Other appointment/Change in Board

**K K Agarwalla:** Your Company also received notice under Section 257 of the Companies Act from a shareholder of the company to appoint Mr. K K Agarwalla the Executive Officer of the Company since 01st January 1999 as Whole time Director. Mr. K. K. Agarwalla, aged about 63 years, is one of the founder promoter-Directors of the Company. Presently he is the Executive Officer of the Company. He is well experienced in various fields of steel industry.



Mr. Agarwalla was associated with Mr. Vivek Agarwal in setting up SIL, which was then the first steel industry in Kerala to be listed with the Stock Exchanges. Mr. Agarwalla has been assisting in day to day operations of the Company to the CMD.. His experience and expertise are being fully utilised for development of the Company.

Your company decides to include the proposal for the appointment of K K Agarwalla as Whole Time Director under designation Executive Director for a period of 05 years.

**E Sankaranarayana** : Your Company also received notice under Section 257 of the Companies Act, 1956 from a shareholder of the company to appoint Mr. E Shankaranarayana as Director liable to retire by rotation. Mr. E. Sankaranarayana is an energetic and experienced business stalwart aged about 64 Years, who is a Science Graduate with Technical interest, having experience of 40 years in steel industry. He is specialised in erection, installation and functioning of steel industries and have an enviable record in this field. He is inducted into the Board in view of his track record to utilise his experience and capacities. The Board decided to pay him Rs. 25000.00 per month Consolidated during the tenure subject to approval of members by Special Resolution in the ensuing Annual General Meeting

The proposals regarding the appointment/re-appointment of the aforesaid Directors are placed for your approval.

#### **PARTICULARS UNDER SEC 217**

None of the employees of the Company was in receipt of remuneration above Rs. 2,00,000/= per month or Rs. 24,00,000/= per annum during the year under review and as such there is no need to give a declaration u/s 217 (2A) of the Companies Act, 1956

#### **CORPORATE GOVERNANCE**

The Company has implemented all the mandatory provisions of Clause 49 of the Listing Agreement relating to the corporate governance. The Annual Report contains a separate Section for the same.

As required under the said provisions, the Company has obtained the Certificate from the Auditors of the Company which is annexed to forms part of the Annual Report.

The Management Discussion and Analysis Report forms part of the Annual Report.

#### **DIRECTOR'S RESPONSIBILITY STATEMENT**

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

In the preparation of the Annual Accounts, all applicable Accounting Standards have been followed and proper explanations relating to material departures, if any have been furnished.

Accounting policies as listed in Schedule L to the financial statements have been made so as to give a true and fair view of the state of affairs of the Company for the financial year 2009-10 for the period of 15 months ended as on 30th June, 2010 and of the Profit of the Company for the Accounting Year ended on that day

Proper and sufficient care for the maintenance of adequate accounting records has been taken in accordance with the provisions of this Act so as to safeguard the assets of the Company and to prevent and detect fraud and other irregularities and

The Annual Accounts have been prepared on a going concern basis.

The following accounting standards were not applicable to the company during the year under review due to non-occurrence of events and transactions covered under the scope of these accounting standards: -

- AS - 14 Accounting for amalgamation
- AS - 21 Consolidated financial statements
- AS - 23 Accounting for investments in associates in consolidated financial statements
- AS - 24 Discontinuing operation
- AS - 7 Accounting for construction
- AS - 11 Accounting for the effects of changes in Foreign Exchange rates

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

The particulars as required to be disclosed pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosures of Particulars in the Report of Board of Directors) Rules 1988 are given in Annexure: A forming part of this report.

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

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## AUDITORS AND AUDITORS OBSERVATION

M/S. Sunil Johri & Associates, Chartered Accountants and M/S. Mahadevan & Sivarajan, Chartered Accountants Auditors of the company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

The Company has received letters from M/S. Sunil Johri & Associates, Chartered Accountants and M/S. Mahadevan & Sivarjan, Chartered Accountants, to the effect that their appointment, if made would be within the prescribed limits under 224(1B) of the Companies Act, 1956 and that they are not disqualified for such appointment within the meaning of Section 226 of the Companies act,1956.

Reply to Auditors observation is given as addendum to the report as required under Section 217 (3) of the Companies Act, 1956.

## DEPOSITS

The Company has not accepted any fixed deposits during the period under review.

## SHARE WARRANTS

The Company during the Financial year 2009-2010 ended on 30th June 2010 issued 50 Lakhs Share Warrants of Rs.10 each at a premium of Rs.5 each to 04 Allottees of Promotor Group on 22<sup>nd</sup> July 2009 and 01 Crore Share warrants of Rs.10 each with a Premium of Rs.22 each to 15 Allottees of Non Promotors both with an option to convert into one Equity Share of Rs.10 each through preferential allotment as per SEBI Guidelines.

## ISSUE OF GDR

Your company issued 32,723,400 fully paid up under lying Equity shares of Rs.10 Each with an offer price of Rs.14.10 through 1,090,780 Global Depository Receipts on 10th August 2010. These GDR are listed in Luxembourg Stock Exchange .

## TRADING PERMISSION IN NATIONAL STOCK EXCHANGE

Your Company got the trading permission to deal the existing paid up capital in National Stock Exchange, Mumbai under the Symbol " SUIISPAT" w e f 01-10-2010 .

## SIEL (FZE)

The Company also initiated the plans of controlling the business from large spectrum setup a wholly owned subsidiary of Southern Ispat and Energy Limited in Sharjah

Airport International Free Zone ( SAIF ZONE) in Dubai, UAE in the name of Southern Ispat and Energy Ltd (FZE) on 25th August 2010 for general trading activities of the company.

## ACKNOWLEDGE MENTS

Your directors acknowledge the assistance and goodwill received from the concerned departments of the State and Central Governments, Financial Institutions, Banks, Customers, Selling Agents, Dealers, Distributors, employees at all levels and the Shareholders.

For, Southern Ispat & Energy Limited

**Vivek Agarwal**  
Chairman & Managing Director

**Richa Agarwal**  
Director

Date: 27/11/2010

Place: Palakkad.



**ADDENDUM TO THE DIRECTOR'S REPORT  
AUDITOR'S OBSERVATIONS AND BOARD'S REPLY**

**Observation No. 1 :**

Note No. 4 regarding non-confirmation of Sundry Debtors, Sundry Creditors, Loan & Advances and other Personal Accounts and effects thereof, if any.

**Reply**

The company has taken steps to seek confirmation of balances from Sundry Debtors, Sundry Creditors and others. Necessary steps are being taken to get confirmation of balances before finalization of accounts in future.

**Observation No. 2:**

Regarding non-provision of liabilities if any as required under the Micro, Small and Medium Enterprises Development Act, 2006.

**Reply**

The company has not received details from the creditors as to their status like whether they are Micro or small or Medium Scale Enterprises. This is being followed up and it is hoped that in the current year the company would be able to identify and categorise the creditors and also provided for such liabilities, if any.

**Observation No. 3 :**

Accounting Policy No. (L) regarding non-provision of retirement benefits which is at variance with AS15 issued by the Institute of Chartered Accountants of India.

**Reply**

Retirement liability to employees towards leave encashment and gratuity are being worked out by adopting Actuarial Valuation method and necessary provision would be made in the coming year for the past liabilities.

**Vivek Agarwal**  
Chairman & Managing Director

**Richa Agarwal**  
Director

Date: 27/11/2010

Place: Palakkad.



# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

## ANNEXURE - A

### ANNEXURE TO DIRECTORS' REPORT:

#### Company's (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988

Information under Section 217 (1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

#### 1. Conservation of Energy:

- |   |   |   |
|---|---|---|
| (a) Energy conservation measures taken  | } | The Company is using Induction Furnace and hence possibility of conserving energy is limited. |
|   | } |   |
| (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.                             |   | Company has installed approx Rs. 150 lakhs worth plant & machinery.                           |
| (c) Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods. |   | Company has gained conservation of Energy of 15% by the above measure.                        |

#### FORM A

A. Power and Fuel Consumption	Current Year (ended on 30-6-2010)	Previous Year (ended on 31-3-2009)
1. Electricity:		
(a) Purchased:		
Units/KWH	42,44,548	6612800
Total amount (Rs. lakhs)	271.68	310.43
Rate/Unit Rs.	6.40	4.69
(b) Own generation:		
(i) Through Diesel Generator:	Nil	Nil
Units/KWH	Nil	Nil
Units per litre of Diesel Oil	NA	NA
Cost of Unit of Diesel Oil (Rs./KWH)	NA	NA
2. Coal:		
Quantity (T) (Grade varies from A to D)	Nil	Nil
Total Cost (Rs. lakhs)	NA	NA
Average rate (Rs./Tonne)	NA	NA
3. Furnace Oil (Diesel Oil/LD Oil)	Nil	Nil
Quantity (litres)	Nil	Nil
Total amount (Rs. lakhs)	Nil	Nil
Average rate (Rs./litre)	NA	NA

#### B. Consumption per unit of production:

Product	Current Year (ended 30-6-2010)			Previous Year (ended 31-3-2009)		
	Elec. Units (KWH)	Diesel/LD Oil/(litre)	Coal (MT)	Elec.Units (KWH)	Diesel/LD Oil(litre)	Coal (MT)
M.S. INGOT	1070	Nil	Nil	1375	Nil	Nil



## II. Technology Absorption

### FORM B

(See Rule 2)

(Form for disclosure of particulars with respect to Technology Absorption)

- |  |   |     |
|--|---|-----|
| 1. Specific area in which R & D carried out                  | : | NIL |
| 2. Benefits derived as a result of the above                 | : | NIL |
| 3. Future Plan of Action                                     | : | NIL |
| 4. Expenditure on R & D                                      | : | NIL |
| (a) Capital  | : |     |
| (b) Recurring  | : |     |
| (c) Total  | : |     |
| (d) Total R&D Expenditure as a percentage of total turnover: |   |     |

#### Technology Absorption, Adaptation and Innovation:

- |   |   |     |
|---|---|-----|
| 1. Efforts, in brief, made towards technology Absorption, adaptation and innovation   | : | NIL |
| 2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution                             | : | NA  |
| 3. In case of imported technology (imported during the last five years, reckoned from the beginning of the financial year), following information may be furnished: | : | NIL |
| (a) Technology imported   | : | NIL |
| (b) Year of import  | : |     |
| (c) Has technology been fully absorbed?   | : | NA  |
| (d) If not fully absorbed, areas where this has not taken place (reasons and future plans of action):   | : | NA  |

- |   |   |     |
|---|---|-----|
| III. Foreign Exchange Earnings and outgo: | : | NIL |
|---|---|-----|

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

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## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### OVERVIEW

The financial year 2009-10 was an important year for the Company where we have shown robust recovery and emerge as a stronger Company to deliver enhanced shareholder value over the coming years. Your Company registered a healthy performance during 2009-10 with a 737.65 % growth in revenues to Rs.3288.71million, 655% growth in EBIDTA to Rs.137.70 million, 1029 % increase in PBT to Rs. 117.09 million and 1019.59 % rise in PAT to Rs.82.30million.

### INDUSTRY STRUCTURE AND DEVELOPMENTS

#### STEEL INDUSTRY OVERVIEW

The global economy has witnessed a sharp recovery largely driven by the large stimulus packages announced by various countries which has created liquidity and stimulated demand, leading to the speedy recovery of the world GDP growth. The Chinese and Indian economies have been the fastest economies to recover. The steel industry has also seen a strong recovery in demand and increase in production volumes especially in China and India. However, this has once again put pressure on raw material availability and prices. From a net exporter of Coking Coal and Coke, China has become a net importer of Coking Coal. As a consequence of China importing significant quantity of Coking Coal, prices of Coking Coal have increased from USD 128 to USD 200 per MT. Due to the volatility in Coking Coal prices over the last couple of years; there has been a shift in pricing mechanism for Coking Coal to quarterly benchmark prices instead of annual benchmark prices. China continues to drive the global steel industry with a production of approx. 570 million tons in 2009 which equates to 50% of global Steel production. Chinese Steel demand continues to be driven by large capital expenditure and government infrastructure projects across the

country. The Indian economy grew at 7.2% in 2009-10 against 6.7% last year which shows a remarkable turnaround. The economy is likely to grow at approx. 8 to 10% over the next decade driven by the infrastructure (power, road, railways, ports etc.) and consumption (automobile, real estate etc.) sectors which will result in robust growth in demand for various iron and steel products. The States of Orissa, Chhattisgarh, Madhya Pradesh and Jharkhand which account for majority of the iron ore and coal reserves in the country will remain the most attractive locations for setting up iron and steel manufacturing capacity.

### COMPANY OVERVIEW

During the period where sub – prime crisis triggered the array of events that led to a global economic depression, the SIEL where spot the opportunity in adversary situation. The SIEL diversify from the age old formulae of reducing production, deferring expansion programmes etc, during the critical time by taking one step ahead by indulging in metal, Speculative trading of metal and other goods.

### STRATEGIC INITIATIVES

#### Project expansion

Your Company proposal to merge M/s. Kerala Sponge Iron Limited is on the verge of completion and is expected to materialise during the next financial year. Further expansion by doubling its production capacity and installation of Power Plant in the new unit are to be completed within a few months, which will enhance the profitability of your Company and your Company will become an Integrated Steel Plant.

Your Company is examining proposals for acquisition of equity stakes in Iron Ore mines in Chattarpur district of Madhya Pradesh for securing raw material supplies.



Your company's proposed plan of acquiring of New-Tech Forge and Foundry Ltd an Integrated Steel Plant with an Annual Capacity of 1,20,000 MT in Gujarat is going according to its plan. This will enable the company to have a fully owned subsidiary which is capable of producing all ranges of product IB steel sector.

Your Company also initiated the plans of controlling the business from large spectrum setup an wholly own subsidiary in Sharjah Airport International Free Zone (SAIF ZONE) in Dubai, UAE in the name of Southern Ispat and Energy Ltd (FZE) on 25th August 2010.

Precisely the expansion plan is making the company to integrate its operations & maximizes the profit and thus earning per Share (EPS).

#### **OPPORTUNITIES AND THREATS**

Your Company is poised to seize the opportunities in the Iron & Steel Industry (both for steel & intermediary saleable products) through its strengths of locational and logistical advantages, raw material linkages, technology edge and management expertise. These opportunities will be linked directly to the growing demand from the automobile and auto components, infrastructure, construction and power sectors. Your Company is well positioned in its conscious adherence to a modular project implementation, thereby enabling ploughing of internal accruals in future projects, thereby reducing costs related to financing. The threats for your Company would come from adverse fluctuations in input and capital costs, foreign exchange variations and taxes & duties. The buoyancy in the Iron & Steel Sector has attracted many players, resulting in reduced availability of skilled manpower and contractor workforce. Delay in implementation of project may lead to opportunity loss in revenue generation and rise in costs.

#### **DEVELOPMENTS IN HUMAN RESOURCES & INDUSTRIAL RELATIONS**

Your Company recognises the fact that manpower is one of the vital constituents of a successful organisation. The growth of your Company and execution of new projects places emphasis on the recruitment process and your Company has been successful in attracting professional talent.

#### **OUTLOOK**

India has immense potential for creating new steel production capacity. Indian per capita steel consumption is presently very low compared to the world average, which further re-confirms the opportunities for steel demand to continue accelerating in the times ahead. Your Company with a well diversified product portfolio is well poised to take advantage of the growth in the Iron and Steel demand.

#### **Cautionary Statement**

Statements in this "Management Discussion & Analysis" describing the Company's objectives, projections, estimates, expectations or predictions 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 global and Indian demand supply conditions, finished goods prices, input availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts business and other factors such as litigation and labour negotiations.

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

## CORPORATE GOVERNANCE REPORT FOR THE YEAR 2009-2010

(pursuant to Clause 49 of the Listing Agreements entered into with the Stock Exchanges)

### 1. COMPANY'S CORPORATE GOVERNANCE POLICY

The Company's corporate governance policy emphasis the need for full transparency and accountability in all its transactions, in order to protect the interest of its stakeholders. The policies, procedures and practices that are installed in the Company ensure requisite care and diligence in functioning as well as providing transparencies and accountability for performance thereby enhancing the value of shareholders and safeguarding their interest. A Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges forms part of the Annual Report. The Company combines the advanced technology with sound environment and application of superior customer relationship.

### 2. BOARD OF DIRECTORS

#### 2.2 Appointment :

The Directors of the Company are appointed by shareholders at General Meeting. All the directors are subject to retirement by rotation and at every Annual General meeting 1/3 of such Directors are liable to retire by rotation, if eligible, generally offer themselves for re election, in accordance with the provisions of Section 256 and 257 of the Companies Act, 1956 and that of the Articles of Association of the Company. The executive Directors on the Board serve in accordance with the terms of their contracts of service with the company.

#### 2.2 The composition of and the category of directors were as under:

The Company has a balanced blend of executive and non-executive independent directors. As on 30-06-2010 the Board of Directors comprises of 01 Executive Director 02 Directors and 03 Independent Directors.

Name of the Director	Portfolio	Category	Date of Joining the board
Mr. Vivek Agarwal	Chairman and Managing Director	Executive Director	25-09-2006
Mrs. Richa Agarwal	Director	Director	31-03-2004
Mrs. Anusuya Devi Agarwal	Director	Director	23-04-2007
Mr. V. Manikandan	Director	Independent Director	23-04-2007
Mr.Thiagaraja Iyer Venkatramani	Additional Director	Independent Director	24-12-2009
Mr. R Sivaramakrishnan	Additional Director	Independent Director	22-03-2010

#### 2.3 Details of Board Meetings

The Board of Directors met 15 times during the period under review on 26/05/2009, 30/06/2009, 22/07/2009, 30/07/2009,22/09/2009, 30/10/2009, 30/11/2009,24/12/2009, 30/01/2010, 22/03/2010 , 07/04/2010,30/04/2010 ,27/05/2010, 01/06/2010, and 18/06/

2010. Attendance of each Director at the meeting of the Board of directors held during the year and the last Annual General Meeting held by them and Directorship in other companies is indicated below.



Name of Directors	No. of Meeting Held/attended	Whether Last AGM attended	No. of Directorship (including this company)		No. of Committee (including this company)	
			As Chairman	As Member	As Chairman	As Member
Mr. Vivek Agarwal	15	Yes	01	02	Nil	Nil
Mrs. Richa Agarwal	15	Yes	Nil	02	01	01
Mrs. Anusuya Devi Agarwal	15	Yes	Nil	02	Nil	02
Mr. V. Manikandan	15	Yes	Nil	Nil	02	01
Mr. Thiagaraja Iyer Venkatramani #	06	No	Nil	05	Nil	01
Mr. Sivaramakrishnan #	05	No	Nil	Nil	Nil	01

# Not a director at the time of last Annual General Meeting

### 3. BOARD COMMITTEES

#### Audit Committees

In terms of Clause 49 of the listing agreement as well as Section 292A of the Companies Act, 1956 the Board has constituted Audit Committee of the Board of Directors at its meeting held on 17<sup>th</sup> March 2004. The Audit Committee consist of Mr. V Manikandan Mr. R Sivaramakrishnan and Mrs. Anusuya Devi Agarwal. The Audit Committee is chaired by Mr. V Manikandan who has wide experience on economic and financial issues. All members of the Committee are financial literate.

The broad terms of references are as follows: -

- 1) Review of Company's Financial Reporting process and its Financial Statements.
- 2) Review of Internal control System.
- 3) Reviewing with management the annual and quarterly financial statements before submission to the Board .
- 4) Recommending the appointment/reappointment and replacement /removal of statutory auditor.

The Audit Committee held its meeting on 10/04/2009, 26/06/2009, 28/07/2009, 28/10/2009, 27/01/2010, 27/04/2010

Attendance of members at the meeting of the Audit Committee held during the period

Name of Members	Category	No of Meetings	
		Held	Attended
Mr. V ManikandanChairman	Independent Director	06	06
Mr. R Sivaramakrishnan	Independent Director	01	01
Mrs.Anusuya Devi Agarwal	Director	02	02
Mr. Eswaran ( Late)	Independent Director	04	04

#### 3.2 Shareholders/investors grievance committee

The Shareholders/ Investor's Grievance Committee comprising of Mrs.Richa Agarwal as Chairman and Mr.V Manikandan and Mr. Thiagaraja Iyer Venkatramani as members. The Committee, inter alia , approves issue of duplicate certificates and overseas and reviews all matters connected with transfer of securities. The Committee also monitors implementation and compliance of the Company's code of conduct for Prohibition of Insider Trading in pursuance of SEBI ( Prohibition of Insider Trading) Regulation,1992.The Shareholders/ Investor Grievance Committee held its meetings on 03/06/2009, 26/12/2009. The company has appointed SKDC Consultants Ltd to act as Registrar and Transfer Agent of the Company. As on 30/06/2010, there are no complaints, queries pending for reply. There was no share transfers pending. There were no share transfers pending for registration for more than 30 days as on the said date.

Attendance of members at the meeting of the Shareholders/ Investors Grievance Committee held during the period.

# SOUTHERN ISPAT & ENERGY LIMITED

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Name of Members	Category	No of Meetings	
		Held	Attended
Mrs. Richa Agarwal	Chairman / Director	03	03
Mr. V. Manikandan	Independent Director	04	04
Mr. Thiagaraja Iyer Venkatramani	Independent Director	03	03

### 3.3 Remuneration Committee

The remuneration Committee , which is a non- mandatory requirement of Clause 49 constituted with the following directors. The remuneration Committee comprising of Mr. V Manikandan as Chairman of the Committee and Mrs. Anusuya Devi Agarwal and Mrs. Richa Agarwal as members. The Committee inter alia consider the process for selection and appointment of new directors and succession plans and the compensation structure for directors. The committee held its meeting on 17<sup>th</sup> June 2009.

## 4. GENERAL BODY MEETING

### 4.1 ANNUAL GENERAL MEETING (AGMs)

Location and time for the last three Annual General Meetings:-

AGM	Year	Location	Date	Time	No.of Special Resolutions
14 <sup>th</sup>	2008-09	19/629(1), Sreyas, West Yakkara, Palakkad	29/09/2009	03.00 PM	6
13 <sup>th</sup>	2007-08	19/629(1) Sreyas West Yakkara, Palakkad	17/07/2006	3.00 PM	2
12 <sup>th</sup>	2006-07	19/629(1) Sreyas West Yakkara, Palakkad	20/07/2007	4.00 PM	6

### 4.2 Special resolutions through Postal Ballot

The Company conducted an Extra Ordinary General Meeting on 11/05/2010 and passed 05 Resolutions as Special Resolution through postal ballot . Mr. S R Balaji, Practicing Company Secretary was the scrutinizer for the postal ballot. Detail voting pattern as shown below.



Sl No.	Particulars	ASSENT			DISSENT		
		No of Postal Ballots	No. of Shares	Percentage %	No of Postal Ballots	No. of Shares	Percentage
1.	Special Resolution under Section 81, 81(1A) to issue GDR/ADR/FCCB	104	2370128	100	Nil	Nil	Nil
2.	Special Resolution under Section 372A to increase the limits of inter corporate investments	102	2367136	98.87	02	2992	0.13
3.(a)	Special Resolution under Section 94 to increase authorized capital	103	2369928	99.99	01	200	0.01
3.(b)	Special Resolution under Section 31(1) to alter the article of association for increase in authorized capital	104	2369928	99.99	01	200	0.01
4	Special resolution under section 81(1A) for preferential allotment of share warrant	100	2365936	99.82	04	4192	0.18

## 5. DISCLOSURES

There are no materially significant transactions with related parties viz. Promoters, Directors of their management, their subsidiaries or relatives conflicting with Company's interest.

- a) **Compliance with non-mandatory requirements:** Further the company comply with all the mandatory requirements of clause 49 of Listing Agreement and set up Remuneration Committee which is a Non mandatory requirement as per the Clause 49 also being complied.
- b) **Non- instance of non compliance:** There has been no instance of non compliance by the company on any matter related to capital markets during the last three years and hence no penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority.
- c) **Subsidiaries:** The Company does not have any material non-listed subsidiary company and hence ,it is not required to have an independent director of the company on the board of such subsidiary company.
- d) **Whistle blower policy:** The Company lay down the mechanism for making enquiry into whistle blower compliant received by the company. Employees aware of any alleged wrongful conduct are encouraged to make a disclosure .
- e) **Code of Conduct:** The Company has adopted the code of conduct and ethics for directors . The code had been circulated to all the members of the Board .The Board of Directors have affirmed their compliance with the code and a declaration signed by the Managing Director in terms of Clause 49-V of the listing agreement.



# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

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- f) **MD/CFO Certification** : The Managing Director of the company has given the certification on the financial reporting , internal controls and stated to the audit committee and auditors about the financial reporting and internal controls and placed before the board such certificate as required under clause 49(V) of the Listing Agreement. A copy of the certificate is annexed to this Corporate Governance report.

## 6. MEANS OF COMMUNICATIONS

The Company is publishing quarterly unaudited results and notices to shareholders in dailies within 48 hours of the conclusion of the meeting in which they are considered. and are also posted on the Company's website [www.southernispatltd.com](http://www.southernispatltd.com). and are sent to Stock exchanges immediately after they are approved by the Board.

## 7. GENERAL SHAREHOLDER INFORMATION

### 7.1) Annual General Meeting

DATE: 27-12-2010

TIME: 10.30 AM

VENUE: 19/629(1), " Sreyas", Near Yakkara School Bus Stop

West Yakkara, Palakkad -678 001

### 7.2 Financial Calendar 2010-11

Unaudited Results of the Quarter ended 30/09/2010 **On or Before 15/11/2010**

Unaudited Results of the Quarter ended 31/12/2010 **On or Before 15/02/2011**

Unaudited Results of the Quarter ended 31/03/2011 **On or Before 15/05/2011**

### 7.3 Book Closure :

Register of Members and Share Transfer books will remain closed for 06 days from 22-12-2010 to 27-12-2010 (both days inclusive)

### 7.4 Listing on Stock Exchanges:

The Company's shares are listed on Mumbai/Cochin/ Madras/Ahmedabad and got trading permission on National Stock Exchange w e f 01-10-2010 and the GDR got listed in Luxembourg Stock Exchange from 11-08-2010.

## 8. STOCK MARKET DATA

Bombay Stock Exchange Ltd

Scrip Code: 531645



Month	Month's High	Month's Low
April 2009	14.50	8.30
May 2009	14.58	10.08
June 2009	20.25	12.80
July 2009	22.50	16.65
August 2009	20.40	15.40
September 2009	22.55	14.65
October 2009	31.20	22.00
November 2009	36.80	22.00
December 2009	41.70	30.35
January 2010	48.60	34.15
February 2010	43.00	29.80
March 2010	31.00	20.00
April 2010	25.20	18.70
May 2010	21.95	17.20
June 2010	17.85	11.90

#### 9. REGISTRAR/ SHARE TRANSFER AGENT :

M/s S.K.D.C. Consultants Limited

Kanapathy Towers, 3<sup>rd</sup> Floor

139/A-1, Sathy Road, Ganapathy,

Coimbatore – 641 006

Ph : 0422 – 6549995, 2539835, 2539836

Fax: 0422-2539837

Email: info@skdc-consultants.com

#### 10. SHARE TRANSFER SYSTEM

Shareholders/Investors are requested to send share transfer related documents directly to our Registrar and Transfer Agent whose address is given above. The Board has delegated powers to the Share transfer Committee of the company, on approval, RTA to approve the transfers/ transmission/ dematerialisation / rematerialisation. The company obtains from a Company Secretary in Practice a half yearly certificate of compliance with the share transfer formalities as required under Clause 47(c) of the Listing Agreement with Stock Exchange and files a copy of the certificate with the Stock exchanges.

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

## DISTRIBUTION OF SHAREHOLDING AS ON 30/06/2010

Range	No. of Shareholders	% of Shareholders	Amount (Rs)	% of Shareholding
Upto 5,000	2420	62.45	5057280	4.59
5,001 to 10,000	580	14.97	4917030	4.46
10,001 to 20,000	326	8.41	5053500	4.58
20,001 to 30, 000	117	3.02	3058630	2.77
30,001 to 40,000	73	1.88	2665500	2.42
40,001 to 50,000	80	2.06	3893980	3.53
50,001 to 1,00,000	124	3.20	9534800	8.65
1,00,001 and above	155	4.00	76076280	69.00
TOTAL	3875	100.00	110257000	100.00

## 12. DEMATERIALISATION OF SHARES

The shares of the Company are traded in demat form by all categories of investors. The Company has arrangement with both National Depositories Limited ( NSDL) and Central Depository Services Limited (CDSL) to establish electronic connectivity of our shares for scripless trading. The ISIN allotted for the shares of the Company is INE943B01011. As on 30/06/2010, 98.77 % of shares of the Company were held in dematerialised form.

## 13. OUT STANDING WARRANTS :

The Company issued by way of Preferential allotment of 50Lac Share Warrants @ Rs.15 to Promoters group on 22<sup>nd</sup> July 2009 and 01 Crore Share Warrant @ Rs.32 by way of Preferential Allotment to Non-Promoter Group on 27<sup>th</sup> May 2010. Both the Preferential issue of share warrants are pending for conversion as there exist certain more period of time for conversion of share warrants into equity shares.

## 14) QUERIES ON ANNUAL REPORT

Queries on Annual Report may be addressed to :

SOUTHERN ISPAT AND ENERGY LIMITED,

19/629 (1), SREYAS,

NEAR YAKKARA SCHOOL BUS STOP,

WEST YAKKARA,

PALAKKAD, KERALA-678 001.

Palakkad  
27.11.2010

Sd/-  
Richa Agarwal  
Director

By order of the Board  
Sd/-  
Vivek Agarwal  
Chairman & Managing Director



**CERTIFICATE BY MANAGING DIRECTOR  
ON CORPORATE GOVERNANCE**

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

Palakkad  
27.11.2010

By order of the Board  
Sd/-  
**Vivek Agarwal**  
Chairman & Managing Director

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

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## **SUNIL JOHRI & ASSOCIATES**

CHARTERED ACCOUNTANTS  
NATHANI BUILDING,  
SHASTRI CHOWK, RAIPUR (C.G.)  
Ph. No. 4065904, 3291222,  
Mob. No. 98931-21888  
E-MAIL : johri62@rediffmail.com

## **MAHADEVAN & SIVARAJAN**

CHARTERED ACCOUNTANTS  
10/491, ANUGRAHA, GARDEN STREET,  
COLLEGE ROAD, PALAKKAD-678 001.  
Ph. No. 2546884  
Mob. No. 98460-38884  
E-MAIL : casivarajanp@gmail.com

## **AUDIT CERTIFICATE**

**To the Members of  
Southern Ispat and Energy Ltd  
( formerly Southern Ispat Ltd )**

We have examined the compliance of conditions of Corporate Governance procedure implemented by Southern Ispat and Energy Ltd, (Formerly Southern Ispat Ltd) for the year ended on 30<sup>th</sup> June 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange.

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

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.

On the basis of review and according to the information and explanations given to us, the conditions of corporate governance as stipulated in clause 49 of the Listing Agreement(s) with Stock Exchange have been complied with in all material respect by the company and that no investor grievance(s) is/are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders Grievance / Allotment and Transfer Committee of the Board

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**For SUNIL JOHRI & ASSOCIATES**

Chartered Accountants

FRN. 005960 C

Sd/-

(SUNIL JOHRI)

Partner

Membership No. 074654

Place : Palakkad

Date : 27.11.2010

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**For MAHADEVAN & SIVARAJAN**

Chartered Accountants

FRN. 006388 S

Sd/-

(P. SIVARAJAN)

Partner

Membership No. 200652



**SUNIL JOHRI & ASSOCIATES**  
 CHARTERED ACCOUNTANTS  
 NATHANI BUILDING, SHASTRI CHOWK, RAIPUR (C.G.)  
 Ph. No. 4065904, 3291222, Mob. No. 98931-21888  
 E-MAIL : johri62@rediffmail.com

**MAHADEVAN & SIVARAJAN**  
 CHARTERED ACCOUNTANTS  
 10/491, ANUGRAHA, GARDEN STREET, COLLEGE ROAD,  
 PALAKKAD-678 001. Ph. No. 2546884  
 Mob. No. 98460-38884 E-MAIL : casivarajan@gmail.com

## AUDITORS' REPORT

### To the Members of

### Southern Ispat & Energy Limited (Formerly Southern Ispat Limited)

- 1) We have audited the attached balance sheet of **M/s Southern Ispat & Energy Limited (Formerly Southern Ispat Limited)**, as at 30<sup>th</sup> June 2010 and also the Profit & Loss A/c and the Cash Flow Statement for the 15 Months period 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 that 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) Our comments on above accounts are given in ANNEXURE -1
- 4) As required by the Companies (Auditor's Report) Order, 2003 including Companies (Auditor's Report) (Amendment) Order' 2004 issued by the Central Government of India in terms of Sub-section (4A) of section 227 of the companies Act, 1956, we enclose in the Annexure-II, a Statement on the matters specified in paragraphs 4 & 5 of the said order.
- 5) Further to our comments in the Annexures referred to above, we report that :-

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
2. In our opinion, proper books of account as required by law have been kept by the company as far as appears from our examination of those books.
3. The Balance sheet and profit & loss account and cash flow statement dealt with this report are in agreement with the books of account.
4. In our opinion the Balance Sheet and Profit & Loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the companies Act, 1956.
5. On the basis of written representation received from the Directors, as on 30<sup>th</sup> June 2010, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 30<sup>th</sup> June 2010 from being appointed as a Directors in terms of Clause (g) of sub-section (1) of section 274 of the companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, and the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
  - a. In the case of balance sheet, of the state of affairs of the company as at 30<sup>th</sup> June 2010.
  - b. In the case of profit & loss account, of the Profit for the period ended on that date; and
  - c. In the case of cash flow statement, of the cash flow for the period ended on that date.

### For SUNIL JOHRI & ASSOCIATES

Chartered Accountants

FRN. 005960 C

Sd/-

(SUNIL JOHRI)

Partner

Membership No. 074654

Place : Palakkad

Date : 27.11.2010

### For MAHADEVAN & SIVARAJAN

Chartered Accountants

FRN. 006388 S

Sd/-

(P. SIVARAJAN)

Partner

Membership No. 200652

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

---

## SUNIL JOHRI & ASSOCIATES

CHARTERED ACCOUNTANTS  
NATHANI BUILDING,  
SHASTRI CHOWK, RAIPUR (C.G.)  
Ph. No. 4065904, 3291222,  
Mob. No. 98931-21888  
E-MAIL : johri62@rediffmail.com

## MAHADEVAN & SIVARAJAN

CHARTERED ACCOUNTANTS  
10/491, ANUGRAHA, GARDEN STREET,  
COLLEGE ROAD, PALAKKAD-678 001.  
Ph. No. 2546884  
Mob. No. 98460-38884  
E-MAIL : casivarajanp@gmail.com

**ANNEXURE I REFERRED TO IN PARAGRAPH (3) OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS OF SOUTHERN ISPAT & ENERGY LIMITED (FORMERLY KNOWN AS SOUTHERN ISPAT LIMITED) FOR THE 15 MONTHS PERIOD ENDED ON 30-06-2010.**

1. Note No. 4 regarding non-confirmation of Banks, Sundry Debtors, Sundry Creditors, Loan & Advances and other Personal Accounts and effects thereof, if any.
2. Note No. 14 Regarding non-provision of liabilities if any as required under the Micro, Small and Medium Enterprises Development Act, 2006.
3. Accounting Policy No. (L) regarding non-provision of retirement benefits which is at variance with AS15 issued by the Institute of Chartered Accountants of India.

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**For SUNIL JOHRI & ASSOCIATES**

Chartered Accountants

FRN. 005960 C

Sd/-

(SUNIL JOHRI)

Partner

Membership No. 074654

Place : Palakkad

Date : 27.11.2010

---

**For MAHADEVAN & SIVARAJAN**

Chartered Accountants

FRN. 006388 S

Sd/-

(P. SIVARAJAN)

Partner

Membership No. 200652



**ANNEXURE II REFERRED TO IN PARAGRAPH (4) OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS OF SOUTHERN ISPAT & ENERGY LIMITED (FORMERLY KNOWN AS SOUTHERN ISPAT LIMITED) FOR THE 15 MONTHS PERIOD ENDED ON 30-06-2010**

1.
  - a. In respect of fixed assets, the company has maintained records showing full particulars including quantitative details and situation in most cases of such assets.
  - b. As explained to us, the assets have been physically verified by the management, in accordance with the established system of periodical verification of fixed assets once in 2/3 months. In our opinion, the frequency of verification is reasonable, considering the size of the operations of the company. No material discrepancies between the book records and the physical records were noticed in respect of the assets physically verified.
  - c. In our Opinion the company has not disposed off any of the fixed assets during the financial year and the question of affecting the going concern does not arise.
2.
  - a. As explained to us, the inventory of the company has been physically verified during the financial year by the management. In respect of materials lying with third parties, they have substantially confirmed these. In our opinion the frequency of verification is reasonable.
  - b. According to the information and explanations given to us, in our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. In our opinion, it would be preferable if verification were made by persons who do not have responsibility for custody.
  - c. On the basis of our examination of records of inventory, in our opinion, the Company has maintained proper records of inventory and the discrepancies noted on physical verification between the physical stocks and book records were not material, having regard to the size of the operations of the company.
3.
  - a. In our opinion and according to the information and explanations given to us, the Company has not granted unsecured loans to Companies & firms or other parties covered in the register maintained under section 301 of the Company Act, 1956.
  - b. As per point stated in para (a) above para 4(III) (b) (c) & (d) of said Order's are not applicable.
  - c. The Company has taken loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the companies act, 1956. Total number of parties is 2 and amount involved (maximum outstanding during the year) is Rs. 5.80 Lacs and year-end balance is Rs 2.90 Lacs.
  - d. In our opinion the rate of interest and other terms and condition on which loan have been taken from the parties listed in the register maintained under section 301 of the companies act, 1956 are not prima facie prejudicial to the interest of the company.
  - e. In our opinion and according to the information and explanations given to us, company has been paying principal and interest amount on secured loan. In respect of unsecured loan the terms of repayment have not been stipulated, therefore we have not made any comments.
4. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of a special nature and suitable alternative sources do not exist for obtaining comparable quotations. There are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods & services. Further, on the basis of our examination, and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control procedures.



## SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

5. a) According to information and explanations given transactions that need to be entered in the register maintained in pursuance of Section 301 of the Act has been entered.  
b) All the above transactions are made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us the Company has not accepted any deposits during the year from the Public within the meaning of Section 58A and 58AA of the Companies Act and the rules framed there under.
7. In our opinion, the Company should maintain an internal audit system.
8. Company has not maintained cost records under Section 209 (1) (d) of the Companies Act 1956 as prescribed by the Central Government.
9. a. According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, undisputed statutory dues including provident fund, investor education and protection fund, employee's state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to the Company have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at 30<sup>th</sup> June 2010 for a period of more than six months from the date they became payable except as mentioned below:

S.No.	Nature of Dues	Year	(Rs in Lacs)
1	Income Tax	A.Y.2009-10	13.69
2	Fringe Benefit Tax	A.Y.2009-10	0.24
3	Tax Deducted at Source	A.Y.2009-10	0.76
4	MVAT	F.Y.2009-10	0.99

- b. As at 30<sup>th</sup> June 2010, according to the records of the Company and the information and explanations given to us, the following are the particulars of disputed dues on account of excise duty and cess matters, commercial tax and income tax that have not been deposited:-

Name of the statute	Nature of the dues	Amount (Rs. In Lacs)	Period to which the amounts release	Forum where pending
Commercial Tax & CST	Commercial Tax & CST	15.66	2004-05	Sales Tax Appellate Tribunal Additional Bench Palakkad, Kerala
Commercial Tax	Commercial Tax	168.42 165.54	2005-06 2006-07	Deputy Commissioner Appeals Commercial Taxes, Ernakulam



10. The Company does not have accumulated losses of more than 50% of its net worth as at 30<sup>th</sup> June, 2010 and has not incurred cash losses during the financial year ended on the date or in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank during the period. There are no debenture holders in the company.
12. In our opinion and according to 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.
13. The provisions of any special statute as applicable to Chit Fund/Nidhi/Mutual Benefit Fund/Societies are not applicable to the Company.
14. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
15. In our opinion and according to the information and explanations given to us, the Company has not given guarantees for loans taken by others from bank or financial institutions.
16. Company has not taken any term loan from any banks or Financial Institutions.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long term investment by the Company.
18. 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 Financial year,
19. The company has not issued debentures; hence question of creation of securities does not arise.
20. Company has granted share warrants in respect of the Company's Equity Share Capital as follows :
  - a. To Promoters : On 22nd July 2009, 50,00,000 Share Warrants @ Premium of Rs 5/- with an option for conversion within 18 Months against which company has received a sum of Rs 2,61,50,000.00 (Rupee Two Crores Sixty one Lacs Fifty Thousand only) till Balance sheet date.
  - b. To Non Promoters: On 27th May 2010, 1,00,00,000 Share Warrants @ Premium of Rs. 22/- with an option for conversion within 18 Months against which company has received a sum of Rs. 8,00,00,000.00 (Rupee Eight Crores only ) till Balance sheet date.
21. According to the information and explanations given to us, during the Financial year no fraud on or by the Company has been noticed or reported.

**For SUNIL JOHRI & ASSOCIATES**

Chartered Accountants

FRN. 005960 C

Sd/-

(SUNIL JOHRI)

Partner

Membership No. 074654

Place : Palakkad

Date : 27.11.2010

**For MAHADEVAN & SIVARAJAN**

Chartered Accountants

FRN. 006388 S

Sd/-

(P. SIVARAJAN)

Partner

Membership No. 200652

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

## Balance Sheet as at 30th June, 2010

(in Rs.)

Particulars	Schedule No.	As on 30.06.2010	As on 31.03.2009
<b>I. Sources of Funds</b>			
1. Shareholders' Funds			
A. Share Capital	A	216407000.00	110257000.00
B. Reserves & Surplus		117076501.51	34779432.07
		<u>333483501.51</u>	<u>145036432.07</u>
2. Loan Funds			
A. Secured Loans	B	51252233.69	42976725.49
B. Unsecured Loans	C	11490000.00	0.00
		62742233.69	42976725.49
3. Deferred Tax Liability		17907453.00	3109079.00
<b>TOTAL</b>		<u>414133188.20</u>	<u>191122236.56</u>
<b>II. Application of Funds</b>			
1. Fixed Assets			
A. Gross Block	D	180460831.24	87553581.24
B. Depreciation		60840390.78	48921358.78
NET BLOCK		<u>119620440.46</u>	<u>38632222.46</u>
2. Investments	E	5800000.00	8500000.00
3. Current Assets, Loans & Advances	F		
A. Inventories		11963587.00	39477359.70
B. Sundry Debtors		347363542.97	113181568.87
C. Cash & Bank Balances		11179585.14	491845.87
D. Other Current Assets		28405435.73	41468314.73
E. Loans & Advances		3491114.00	403779.00
		402403264.84	195022868.17
Less : Current Liabilities and Provisions	G		
A. Sundry Creditors		79251046.00	25040155.07
B. Provisions & Others		34439471.10	26137019.00
		<u>113690517.10</u>	<u>51177174.07</u>
<b>NET CURRENT ASSETS</b>		288712747.74	143845694.10
4. Miscellaneous Expenditure W/Off		-	144320.00
<b>TOTAL</b>		<u>414133188.20</u>	<u>191122236.56</u>

### ACCOUNTING POLICIES & NOTES ON ACCOUNTS L

for and on behalf of the Board of Directors

In terms of our Report of Even date

Sd/-  
**Vivek Agarwal**  
Chairman &  
Managing Director

Sd/-  
**Richa Agarwal**  
Director

Sd/-  
**Liston Pereira**  
Company Secretary

Place : Palakkad  
Date : 27.11.2010

**For SUNIL JOHRI & ASSOCIATES**  
Chartered Accountants  
Sd/-  
**(SUNIL JOHRI)**  
Partner  
Membership No. 074654  
FRN. 005960 C

**For MAHADEVAN & SIVARAJAN**  
Chartered Accountants  
Sd/-  
**(P. SIVARAJAN)**  
Partner  
Membership No. 200652  
FRN. 006388 S



## Profit & Loss Account for 15 Months Period ended 30th June 2010 (in Rs.)

PARTICULARS	Schedule No.	As on 30.06.2010	As on 31.03.2009
<b>INCOME</b>			
Revenue from Sales & Operations	H	3287274348.00	391020900.00
Other Income	I	1441564.47	1596743.14
<b>TOTAL</b>		<b>3288715912.47</b>	<b>392617643.14</b>
<b>EXPENDITURE</b>			
Cost of Sales	J	3141680088.10	368066394.86
Administrative and Financial Expenses	K	18030259.93	11590641.06
<b>TOTAL</b>		<b>3159710348.03</b>	<b>379657035.92</b>
<b>PROFIT BEFORE DEPRECIATION &amp; TAX</b>			
Less : Depreciation	D	129005564.44	12960607.22
		11919032.00	2587054.93
<b>PROFIT BEFORE TAXES AND STATUTORY APPROPRIATIONS</b>			
Less : Deferred Tax		14798374.00	2231907.00
Less : Tax Expenses		24341411.00	1112481.00
Less : FBT Expenses		0.00	19520.00
Add : MAT Credit Entitlement		4350322.00	0.00
Add : Excess IT Provision W/Back		0.00	345715.00
Profit / (Loss) After Taxes		82297069.44	7355359.29
Add : Profit / (Loss) brought forward from previous year		23988299.07	16632939.78
		106285368.51	23988299.07
Transfer to General Reserves		10628537.00	0.00
<b>BALANCE CARRIED OVER TO BALANCE SHEET</b>			
		<b>95656831.51</b>	<b>23988299.07</b>
Nominal Value of Equity Share		10.00	10.00
No. of Equity Shares (Weighted)		11025700	7127673
EPS in Rs. (Basic)		7.46	1.03
EPS in Rs. (Dilutive)		6.60	1.03
<b>ACCOUNTING POLICIES &amp; NOTES ON ACCOUNTS</b>			
	L		

for and on behalf of the Board of Directors

Sd/-

**Vivek Agarwal**

Chairman &amp;

Managing Director

Sd/-

**Richa Agarwal**

Director

Sd/-

**Liston Pereira**

Company Secretary

Place : Palakkad

Date : 27.11.2010

**For SUNIL JOHRI & ASSOCIATES**

Chartered Accountants

Sd/-

**(SUNIL JOHRI)**

Partner

Membership No. 074654

FRN. 005960 C

In terms of our Report of Even date

**For MAHADEVAN & SIVARAJAN**

Chartered Accountants

Sd/-

**(P. SIVARAJAN)**

Partner

Membership No. 200652

FRN. 006388 S

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

## Schedule annexed to and Forming part of Balance Sheet (in Rs.)

Particulars	30.06.2010	31.03.2009
<b>SCHEDULE - "A"</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised Share Capital</b>	780000000.00	160000000.00
78000000 Equity shares of Rs.10/- each (Previours year 16000000 Equity shares of Rs.10/- each)	_____	_____
<b>Issued, Subscribed &amp; Paid-up Capital</b>		
11025700 Equity shares of Rs.10/- each (Previours year 11025700 Equity shares of Rs.10/- each)	110257000.00	110257000.00
Share Warrant Application Money (Pending for allotments)	106150000.00	0.00
	<b>216407000.00</b>	<b>110257000.00</b>
	_____	_____
<b>RESERVES AND SURPLUS</b>		
<b>A. Capital Reserve</b>		
Against Forfeiture of 11,69,900 Equity Shares	5849500.00	5849500.00
Against Forfeiture of 3,45,000 Share Warrants	351900.00	351900.00
<b>B. Share Warrant Premium</b>		
	1031000.00	1031000.00
<b>C. Capital Investment Subsidy from Govt. of Kerala</b>		
	1500000.00	1500000.00
<b>D. General Reserves</b>		
	12687270.00	2058733.00
<b>E. Profit &amp; Loss A/c for the Year</b>		
	95656831.51	23988299.07
	_____	_____
	<b>117076501.51</b>	<b>34779432.07</b>
	_____	_____
	<b>333483501.51</b>	<b>145036432.07</b>
<b>SCHEDULE - "B"</b>		
<b>SECURED LOANS</b>		
<b>CC Limit from SBI</b>	51252233.69	42976725.49
(Secured by Hypothecation of Company's Raw Material, Finished Goods, Stock in Process, Stores, Spares and Book Debts and Equitable Mortgage on the Fixed Assets of the Company)	_____	_____
	<b>51252233.69</b>	<b>42976725.49</b>
<b>SCHEDULE - "C"</b>		
<b>UNSECURED LOAN</b>		
<b>SHORT TERM LOAN FROM OTHERS</b>	11490000.00	0.00
	_____	_____
	<b>11490000.00</b>	<b>0.00</b>
	_____	_____



**Schedule - D : Fixed Assets**  
(in Rs.)

Particulars	Gross Block as on 01.04.2009	Additions	Deduction	Total as on 30.06.2010	Rate of Depreciation	Upto 31.03.2009	During the Period upto 30.06.2010	Total	Net Block as on 30.06.2010	Net Block on 31.03.2009
Land & Site development	2256739.65	0.00	0.00	2256739.65	0.00%	0.00	0.00	0.00	2256739.65	2256739.65
6MT FURNANCE	5210883.85	0.00	0.00	5210883.85	20.87%	3326200.54	471144.00	3797344.54	1413539.31	1884683.31
Air Conditioner	32000.00	0.00	0.00	32000.00	13.91%	23566.54	1425.00	24991.54	7008.46	8433.46
Building	16603066.93	0.00	0.00	16603066.93	10.00%	10923904.62	695697.00	11619601.62	4983465.31	5679162.31
Computers & Printers	516012.50	0.00	0.00	516012.50	40.00%	426057.27	41379.00	467436.27	48576.23	89955.23
Drum Container	10400.00	0.00	0.00	10400.00	30.00%	9182.45	429.00	9611.45	788.55	1217.55
Electrical Installations	4436946.95	0.00	0.00	4436946.95	20.87%	4008644.03	107070.00	4115714.03	321232.92	428302.92
EPBAX	43350.00	0.00	0.00	43350.00	18.10%	35907.02	1623.00	37530.02	5819.98	7442.98
Furniture & Fixtures	120620.00	0.00	0.00	120620.00	18.10%	97762.46	4984.00	102746.46	17873.54	22857.54
Miscellaneous Fixed Assets	62568.75	0.00	0.00	62568.75	18.10%	48831.81	2995.00	51826.81	10741.94	13736.94
Office Equipment	76403.00	7250.00	0.00	83653.00	18.10%	53051.68	5181.00	58232.68	25420.32	23351.32
Plant & Machinery	31437833.78	4290000.00	0.00	74337833.78	20.87%	27628142.50	1091867.00	28720009.50	45617824.28	3809691.28
Pollution Control Equipments	23987414.00	5000000.00	0.00	73987414.00	20.87%	96009.00	9343436.00	9439445.00	64547969.00	23891405.00
Tools & Tackles	176151.25	0.00	0.00	176151.25	13.91%	137252.36	6576.00	143828.36	32322.89	38898.89
Vehicles	2533190.58	0.00	0.00	2533190.58	25.89%	2067527.12	142897.00	2210424.12	322766.46	465663.46
Xerox Machine	50000.00	0.00	0.00	50000.00	18.10%	39319.38	2329.00	41648.38	8351.62	10680.62
Total	87553581.24	92907250.00	0.00	180460831.24		48921358.78	11919032.00	60840390.78	119620440.46	38632222.46
	(63435857.24)	(24117724)	(0.00)	(87553581.24)		(46334303.85)	(2587054.93)	(48921358.78)	(38632222.46)	(17101553.39)

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

## Schedules continued...

(in Rs.)

Particulars 30.06.2010 31.03.2009

### SCHEDULE - E :

#### INVESTMENTS (UNQUOTED)

1,16,000 (Prev. Year 80,000) Shares of Special Blast Ltd	5800000.00	4000000.00
(Prev. year - 4,50,000 Shares of Kerala Sponge Iron Limited)	0.00	4500000.00

### SCHEDULE - F :

#### CURRENT ASSETS, LOANS & ADVANCES)

##### A. INVENTORIES (As certified & valued by the Management)

Raw Material	53995.00	29125630.70
Finished Goods		
M.S. Ingot	0.00	732897.00
Runner Riser	0.00	65339.00
Green Mould & Mould Box (WIP)	11159592.00	8443811.00
Coal	0.00	109682.00
Consumables	400000.00	500000.00
Stores & Spares	350000.00	500000.00
	<b>11963587.00</b>	<b>39477359.70</b>

##### B. SUNDRY DEBTORS (CONSIDERED GOOD)

Over Six months	144262087.47	66987656.47
Others	203101455.50	46193912.40
	<b>347363542.97</b>	<b>113181568.87</b>

##### C. CASH & BANK BALANCES

Cash in Hand	77930.68	336289.68
Bank Balances (Current Accounts)	11101654.46	155556.19
	<b>11179585.14</b>	<b>491845.87</b>

##### D. OTHER CURRENT ASSETS

28405435.73 41468314.73

##### E. LOANS & ADVANCES

3491114.00 403779.00

**402403264.84** **195022868.17**

### SCHEDULE - "G"

#### CURRENT LIABILITIES & PROVISIONS

##### A. Sundry Creditors

Creditors for Capital Goods	1708406.00	1915109.47
Creditors for Raw Materials	6193484.00	9464484.00
Creditors for Expenses & others	71349156.00	13660561.60

##### B. Other Current Liabilities & Provisions

**34439471.10** 26137019.00

**Total** **113690517.10** **51177174.07**



## Schedule Annexed to and forming Part of Profit & Loss Account (in Rs.)

Particulars 30.06.2010 31.03.2009

### SCHEDULE - "H"

#### REVENUE FROM SALES & SERVICES

Sales & Services	3287274348.00	350320900.00
Other operating Income	0.00	40700000.00
	<u>3287274348.00</u>	<u>391020900.00</u>

### SCHEDULE - "I"

Other Income		
Interest on FDR	883081.00	643313.14
Miscellaneous Income	179313.00	771172.00
Sundry Balance written off / back	379170.47	182258.00
	<u>1441564.47</u>	<u>1596743.14</u>

### SCHEDULE - "J"

Cost of Material		
Opening Stock	39477359.70	67102947.56
Add : Purchases	3085323598.40	279736553.00
Add : Manufacturing Expenses	28842717.00	60704254.00
Less: Closing Stock	11963587.00	39477359.70
	<u>3141680088.10</u>	<u>368066394.86</u>

### SCHEDULE - "K"

Administrative Expenses	9333330.73	6316684.36
Financial Charges	8696929.20	5273956.70
	<u>18030259.93</u>	<u>11590641.06</u>



# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

## Significant Accounting Policies & Notes on Accounts'

(Forming part of the accounts for the Financial Year 2009-10 for the Period of 15 Months ended on 30<sup>th</sup> June 2010)

### SCHEDULE - "L"

#### I. SIGNIFICANT ACCOUNTING POLICIES:

##### A. BASIS OF ACCOUNTING :-

The financial statements are prepared under the historical cost conventional accrual basis of accounting, in conformity with accounting principles generally accepted in India and comply with the accounting standard referred to in Sec.211 (3c) of the Companies Act, 1956.

##### B. FIXED ASSETS:

- (i) Fixed Assets are stated at cost less depreciation. Cost comprises the purchase price and any other applicable costs.
- (ii) Borrowing costs in respect of loans acquired for acquisition and construction of fixed assets are capitalised upto the date the assets are ready for use.

##### C. DEPRECIATION:

The company provides depreciation on Fixed Assets on Written down Value method on double shift basis at the rates and in the manner prescribed in schedule XIV to the Companies Act 1956.

##### D. INVESTMENTS :-

Long term investments are carried at cost less provision, if any for permanent diminution in value of such investments. Current investments are carried at lower of cost and fair value.

##### E. INVENTORIES:-

Stock of raw material, stores, finished goods, spares are valued at cost or net realizable value, whichever is less. Net realizable value is calculated on the basis of average price of April, i.e., to the year end. The cost of inventories of Raw Material is computed on average cost basis. Finished good stocks are valued at the cost of raw material consumed and direct cost related to production excluding depreciation.

##### F. TAXES ON INCOME :-

Current tax is determined as the amount of tax payable in respect of taxable income for the years. Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets, other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future.

##### G. REVENUE RECOGNITION:-

- a. Sale of goods is recognised on transfer of property therein.
- b. Insurance and other claims are recognised only on acceptance of claims by the appropriate authorities.

##### H. RESEARCH & DEVELOPMENT EXPENDITURE

Revenue expenditure is charged to the Profit and Loss A/C and capital expenditure is added to the cost of Fixed Assets in the year in which it is incurred and depreciation thereon is provided as per the rates prescribed in Schedule XIV of the Companies Act, 1956.

##### I. CONTINGENT LIABILITIES

Contingent liabilities are generally not accounted for in the accounts and are disclosed by Notes on Accounts. Provision made in the accounts in respect of those contingencies which are likely to become a liability after the year end but before finalisation of accounts and which may have material effect on the position stated in the balance sheet.

##### J. BORROWING COST

Borrowing costs that are attributable to the acquisition or construction of qualifying or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowings costs are charged to revenue.

##### K. GOVERNMENT GRANTS

The grants are treated as Capital Reserve (and treated as a part of Shareholders funds), which can be neither distributed as dividend nor as deferred income.

##### L. RETIREMENT BENEFITS

Contributions to the Government Provident Fund and ESI are charged to revenue. Since the company does not have any defined retirement benefit scheme in this regard, accounting standard 15 issued by the Institute of Chartered Accountants of India is not considered applicable.

##### M. IMPAIRMENT OF ASSETS

At each balance sheet date the company reviews whether there is any indication of impairment of the carrying amount of the company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is



the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor

#### N. LEASE

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

#### II. NOTES TO ACCOUNTS:-

1. The Accounts for the Financial Year 2009-10 have been prepared for the period of 15 Months from 1<sup>st</sup> April, 2009 to 30<sup>th</sup> June, 2010. (Previous Year 1<sup>st</sup> April 2008 to 31<sup>st</sup> March 2009)
2. Disclosures as required by Accounting standards (As - 19) issued by the ICAI are

as follows:- The company's leasing arrangements are in respect of office premises taken on lease. The arrangements are for 5 years and are usually renewable by mutual consent or mutually agreeable terms. Lease rentals payable are recognised in the profit and loss account for the year and included under rental of office premises. (Disclosed under administration expenses)

3. There was no employee at any time during the year drawing Rs.200000/- or more per month.
4. Balances of Banks, Debtors, Creditors, Loan & Advances and other Personal Accounts are subject to confirmation.
5. FDR's made for bank guarantee in favour of KSEB and Sales Tax Department has substantial amount hence, interest on it has been taken into account but for remaining deposit no interest have been provided.
6. Segment Reporting :-
  - a) Business Segment: - The Company has considered business segment as the primary segment to disclose. The company is engaged in the manufacturing / trading of Steel Products and Trading in Fabrics, which is the context of AS-17 issued by the Institute of Chartered Accountants of India is considered the only two business segments. Other business, include providing Speculative Trading, Job works etc.

#### All the Assets pertaining to the primary business . (Rs. in Lakhs)

Particular	Steel items	Fabrics	Others	Total
Sales / Income	15004.73	16101.3	1766.71	32872.74
Segment Result	(711.73)	11.40	1523.30	822.97
Current Assets	1020.42	11.50	2992.11	4024.03
Current Liabilities	936.88	0.11	199.91	1136.90

- b) **Geographical Segment:-** The company sell its products within India. The condition prevailing in India being uniform No. Separate geographical segment disclosure is considered necessary.

#### 7. Earning per share :-

Earning for Shareholders for the period	Rs. 822.97 Lakhs	Rs. 73.55 Lakhs
No. of Equity Share Outstanding	11025700	7127673
Potential No. of Equity Share Outstanding	1445111	639845
Earning per share ( Basic)	Rs.7.46	Rs.1.03
Earning per share ( Dilutive)	Rs.6.60	Rs.1.03

## SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

### 8. Income Tax:-

The Company has provided for Income Tax an amount of Rs. 234.41 Lakhs (Rs. 11.12 Lakhs), which is subject to change (not material in amount) after final computation of income tax.

### 9. Operating Lease :-

Future obligations towards lease rentals	Current Year	Previous Year
Within one year	Rs. 1.20 Lakhs	Rs. 0.90 Lakhs
Later than one year but less than Five years	Rs. 3.60 Lakhs	Rs. 4.50 Lakhs
Later than Five years	NIL	NIL
Total	Rs. 4.80 Lakhs	Rs. 5.40 Lakhs

### 10. Deferred Tax :-

In accordance with the Accounting Standard -22 "Accounting for taxes on Income" issued by the Institute of Chartered Accountants of India, the company has accounted for deferred tax during the period. Consequently, the cumulative net deferred tax liability of Rs. 147.98 Lakhs as on 30<sup>th</sup> June 2010 has been recognised & charged to Profit & Loss Account.

Particulars	As at 30.06.2010	As at 31.03.09
<b>Deferred Tax Liabilities:-</b>		
Difference in Accumulated Book Depreciation & Accumulated Depreciation under Income Tax Act.	579.47	101.64
<b>Deferred Tax Assets:-</b>		
Unabsorbed Depreciation & disallowance allowable expenses on payment basis	52.63	10.17
<b>Net Timing Difference</b>	526.84	91.47
Total Deferred Tax Liability to be recognised		
Deferred Tax Liability previously recognized	179.07	31.09
Net Deferred Tax Liability provided during the period	147.98	22.32

11. Previous year's figures have been regrouped wherever necessary to confirm to this year's classifications.

12. Details of Audit fees are as follows:

Company Audit Fees	3,50,000.00	(35,000.00)
Tax audit Fees	1,00,000.00	(7,500.00)
Consultation & Other Services	50,000.00	(Nil)
Reimbursement of Expenses	Nil	(4,378.00)



13. Company has granted share warrants in respect of the Company's Equity Share Capital as follows :

- a. To Promoters :On 22nd July 2009, 50,00,000 Share Warrants @ Premium of Rs 5/- with an option for conversion within 18 Months against which company has received a sum of Rs 2,61,50,000.00 (Rupee Two Crores Sixty One Lacs Fifty Thousand only) till Balance sheet date.
- b. To Non Promoters: On 27th May 2010, 1,00,00,000 Share Warrants @ Premium of Rs 22/- with an option for conversion within 18 Months against which company has received a sum of Rs 8,00,00,000.00 (Rupee Eight Crores only ) till Balance sheet date.

14. None of the enterprises supplying goods or rendering services to the company who are engaged in manufacturing or production of goods are rendering or providing services have given any information as required under "The Micro, Small and Medium Enterprises Development Act 2006" Hence the company is not in a position to disclose the required information nor provided any liabilities as required under the said Act.

15. **Contingent Liabilities not provided for :-**

Claims against the company not acknowledged as debts:-

		Rs in Lakhs
a) Tax demands under Appeal	30.06.2010	31-03-2009
i) By the Commercial Taxes Department (05-06,06-07)	334.06	334.06
ii) By the Commercial Taxes Department	15.66	15.66
iii) By the Central Excise Department	0.00	88.57

16. **Related Party disclosure:**

Disclosures as required by accounting standard 18 (AS-18) related party disclosures issued by the Institute of Chartered Accountants of India are as follows and description of relationship.

a. Name of related parties

i. Subsidiaries - NIL

ii. Key management personal

1. Shri. Vivek Agarwal, Chairman & Managing Director
2. Smt. Richa Agrawal, Director
3. Smt. Anusuyadevi Agarwal, Director
4. Shri V. Manikandan, Director
5. Shri.Thiagaraja Iyer Venketaramani, Director
6. Shri.R. Sivaramakrishnan, Director
7. Shri. K. K. Agarwalla, Executive Officer
9. Shri. Liston Perieira, Company Secretary

iii. Relative of key management personnel where transaction have been taken place during the year.

- i. Kerala Sponge Iron Ltd.
- ii. Transaction with related parties referred to above in ordinary course of business.

## SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

Nature of Transactions	Referred in 11 (a) (ii) above	Referred in 11(a) (iii) above (Rs. in Lakhs)
Remuneration Paid / Salary	14.40	NIL
Rent paid to K.K. Agarwalla	1.79	NIL
Purchase made from Kerala Sponge Iron Ltd.	NIL	36.09
Loan or Deposit taken	5.80	NIL
Return towards Loan	2.90	0.00
Debit/(Credit) balances outstanding	(4.35)	(1.86)

17. Information as per Schedule VI Part II 4A,4B,4C and 4D of the Companies Act, 1956.

1. Remuneration paid to Directors	-	Rs. 9.30 Lakhs	(7.44 Lakhs)
2. Payment to Auditors	-	Rs. 5.00 Lakhs	(0.43 Lakhs)
3. Licensed and installed capacity:			

Particulars	Licensed Capacity	Installed Capacity	Production
CTD Bars, Angle	24000 TPA(24000 TPA)	—	—
Shots & Grits	4000 TPA(4000 TPA)	4000 TPA(4000 TPA)	—
M.S. Ingots	24000 TPA(24000 TPA)	16000 TPA(16000 TPA)	1949.440 (4754.550)

### 3. Material Purchased:

Item	Quantity	Value
Steel Items	38264.683 (11240.79)	14685.58 (2797.37)
Fabrics	5688711 MTR (0.00)	16089.91 (0.00)

1. Finished Goods details:

Item Particulars	M S Ingots		C I Moulds	
	Qty (MT)	Value (Rs in lacs)	Qty (MT)	Value (Rs in lacs)
Op. Stock	31.295(59.720)	7.33(15.81)	0.000 (83.645)	0.00 (19.87)
Sales (consumption)	1980.735(4390.245)	434.67(1191.87)	0.000(0.000)	0.00(0.00)
Closing Stock	0.000 (31.295)	0.000 (7.33)	0.000(0.000)	0.00(0.00)



**THE COMPANIES ACT (1 OF 1956) SCHEDULE VI – PART IV**  
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

<b>REGISTRATION DETAILS</b>			
A	Registration No.		L45309KL1995PLC009171
B	State Code No.		10
C	Balance Sheet Date		30.06.2010
<b>CAPITAL RAISED DURING THE YEAR (Amount in Thousands)</b>			
A	Public Issue		NIL
B	Right Issue		NIL
C	Bonus Issue		NIL
D	Private Placement including share premium		106150
<b>POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Thousands)</b>			
A	Total Liabilities		414133
B	Total Assets		414133
<b>SOURCE OF FUNDS</b>			
A	Paid-up capital (Including Share Warrant)		111228
B	Reserve & Surplus		117076
C	Secured Loans		51252
D	Unsecured Loans		11490
E	Deferred tax liability		17907
<b>APPLICATION OF FUNDS</b>			
A	Net Fixed Assets		119620
B	Investment		5800
C	Net Current Assets		288713
D	Deferred Tax Assets		0
E	Miscellaneous Expenses		0
F	Accumulated Loss		0
<b>PERFORMANCE OF COMPANY</b>			
A	Turnover / Receipt		3288716
B	Total Expenditure		317162
C	Profit / (Loss) Before Tax		117087
D	Profit / (Loss) After Tax		82297
E	Earning Per Share (Basic)		7.46
F	Earning Per Share (Diluted)		6.60
G	Dividend Rate		NIL
<b>GENERIC NAME OF PRINCIPAL PRODUCT/SERVICES OF THE COMPANY</b>			
A	Item Code	7206.90	INGOTS OF IRON & STEEL OTHER THAN HIGH CARBON
B	Product Description	7213.00	STEEL BARS & RODS, HOT ROLLED IN IRREGULARLY WOUND COILS AND NON ALLOY STEEL

for and on behalf of the Board of Directors

Sd/-  
**Vivek Agarwal**  
Chairman &  
Managing Director

Sd/-  
**Richa Agarwal**  
Director  
  
Sd/-  
**Liston Pereira**  
Company Secretary

Place : Palakkad  
Date : 27.11.2010

For **SUNIL JOHRI & ASSOCIATES**  
Chartered Accountants  
Sd/-  
**(SUNIL JOHRI)**  
Partner  
Membership No. 074654  
FRN. 005960 C

In terms of our Report of Even date

For **MAHADEVAN & SIVARAJAN**  
Chartered Accountants  
Sd/-  
**(P. SIVARAJAN)**  
Partner  
Membership No. 200652  
FRN. 006388 S

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

## CASH FLOW STATEMENT FOR THE 15 MONTH PERIOD ENDED 30<sup>TH</sup> JUNE 2010

	(Amount in Lacs)	
	Current Year	Previous Year
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
a) Net Profit/(Loss) before Taxes and Exceptional Items	1170.87	103.74
Adjustments for:-		
Miscellaneous Expenses Written Off during the Year	1.44	0.72
Depreciation	119.19	25.87
Excess Provision Written Back	0.00	3.46
	<b>1291.50</b>	<b>133.79</b>
b) Operating Profit before Working Capital Changes		
Adjustments for:-		
Inventories	275.14	276.26
Trade & Other Receivables	(2198.56)	(26.20)
Trade Payables	(625.13)	(549.37)
	<b>(1298.29)</b>	<b>(299.32)</b>
c) Cash generated from Operations	(6.79)	(165.53)
Direct Taxes	(243.41)	(11.32)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(250.21)</b>	<b>(176.85)</b>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase Sale of Fixed Assets	(929.07)	(241.18)
Payment for misc. fixed Assets		
Increase in Capital Work in Progress	(0.00)	-
<b>NET CASH FROM / (USED IN) INVESTING ACTIVITIES</b>	<b>(929.07)</b>	<b>(241.18)</b>
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Monies received towards Share Capital and Premium	1061.50	268.27
Repayment of Borrowings	0.00	
Investment made	27.00	182.82
Proceeds from Borrowings	197.66	141.04
<b>NET CASH FROM / (USED IN) FINANCING ACTIVITIES</b>	<b>1286.16</b>	<b>409.31</b>
<b>D) NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>106.88</b>	<b>(8.71)</b>
Cash and Cash Equivalent at beginning of the Year	4.92	13.63
Cash and Cash Equivalent at end of the Year	111.80	4.92

Note:- Previous Year figures have been regrouped / recast wherever necessary.

for and on behalf of the Board of Directors

Sd/-  
**Vivek Agarwal**  
Chairman &  
Managing Director

Sd/-  
**Richa Agarwal**  
Director  
  
Sd/-  
**Liston Pereira**  
Company Secretary

Place : Palakkad  
Date : 27.11.2010

**For SUNIL JOHRI & ASSOCIATES**

Chartered Accountants  
Sd/-  
**(SUNIL JOHRI)**  
Partner  
Membership No. 074654  
FRN. 005960 C

In terms of our Report of Even date

**For MAHADEVAN & SIVARAJAN**  
Chartered Accountants  
Sd/-  
**(P. SIVARAJAN)**  
Partner  
Membership No. 200652  
FRN. 006388 S

### AUDITORS REPORT

We have examined the above Cash Flow of Southern Ispat & Energy Ltd for the 15 month period ended 30<sup>th</sup> June 2010 and certify that this is based on and is in agreement with the corresponding Balance Sheet and Profit & Loss account of the company covered by our report dt. 27-11-2010 to the members of the company.

**For SUNIL JOHRI & ASSOCIATES**

Chartered Accountants  
FRN. 005960 C

Sd/-  
**(SUNIL JOHRI)**  
Partner  
Membership No. 074654

Place : Palakkad  
Date : 27.11.2010

**For MAHADEVAN & SIVARAJAN**

Chartered Accountants  
FRN. 006388 S

Sd/-  
**(P. SIVARAJAN)**  
Partner  
Membership No. 200652



## Southern Ispat & Energy Limited

Regd. Office : 19/629 (1) "SREYAS" Near Yakkara School Bus Stop, West Yakkara, Palakkad-678 001.

### ATTENDANCE SLIP

(To be handed over at the entrance of the Meeting Hall)

Full name of the Member attending .....

(To be filled in if first named joint-holder does not attend the Meeting)

Name of Proxy .....

I hereby register my presence at the ANNUAL GENERAL MEETING held at 19/629 (1), "SREYAS" Near Yakkara School Bus Stop, West Yakkara, Palakkad-678 001. on the 27<sup>th</sup> December, 2010 at 10.30 A.M.

.....  
(Member's / Proxy's Signature)  
(To be signed at the time of handing over this slip)



## Southern Ispat & Energy Limited

Regd. Office : 19/629 (1) "SREYAS" Near Yakkara School Bus Stop, West Yakkara, Palakkad-678 001.

### PROXY FORM

I/We .....

..... being a member/members of the above-named Company hereby appoint.

As my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 27<sup>th</sup> December, 2010 at 10.30 A.M. and at any adjournment thereof\* in favour/against of the resolutions.

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

Registered Folio No.: .....

No. of Shares held: .....

Signature .....

Re. 1
Revenue
Stamp

N.B. The instrument appointing proxy should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.



# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

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Printed - Matter

Book - Post

To

If undelivered, please return to:

Registrars & Share Transfer Agents

**M/s. SKDC Consultants Ltd.,**

**Kanapathy Towers, 3<sup>rd</sup> Floor , 1391/A-1, Sathy Road,  
Ganapathy, Coimbatore 641 006**

Phone: 0422 6549995, 2539835-836 Fax : 0422 2539837

E-mail: [info@skdc-consultants.com](mailto:info@skdc-consultants.com)