



# SOUTHERN ISPAT AND ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)



**17th ANNUAL REPORT**

# ***Corporate Information***

## **Board of Directors**

- Shri Vivek Agarwal  
Chairman & Managing Director
- Shri Manish Kumar Mishra  
Director
- Shri Umesh Kumar Sahu  
Director
- Shri Thiagaraja Iyer Venkatramani  
Independent Director
- Shri V. Manikandan  
Independent Director
- Shri T. N. Sivakumar  
Independent Director

## **Registered Office:**

19/629 (1), "Sreyas",  
Near Yakkara School Bus Stop,  
West Yakkara, Palakkad - 678 001

## **Auditors**

M/s Sunil Johri & Associates  
Chartered Accountants,  
Raipur, Chattisgarh

## **Bankers**

State Bank of India, Palakkad

## **Share Transfer Agents**

M/s Adroit Corporate Services Pvt. Ltd.  
17-20 Jaferbhoy Industrial Estate,  
1<sup>st</sup> Floor, Makwana Road, Marol Naka,  
Andheri (East),  
Mumbai – 400 059  
Ph. : 022 - 285 940 60  
Fax : 022 - 285 037 48  
Email : adroit@vsnl.net

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## From Chairman & Managing Director's Desk

### ***Emerging as Steel Conglomerate***

***Dear Shareholders,***

It is my pleasure and privilege to reach you through this momentous Annual Report & share with you the highlights of our Company's performance during the year 2011-12.

This occasion merits pride and celebrations and I am sure that you all share the same feeling. Your company has transformed itself from a domestic player to one of the leading Global Steel Conglomerate. I am delighted to inform you that your company has scaled a new height in top line and registered a healthy performance during Financial year 2011-12 with a almost 25% growth in revenue to Rs 10011.63 millions as compared to previous years & highest ever top line registered in any other FY.



**VIVEK AGARWAL**  
**CHAIRMAN & MANAGING DIRECTOR**

#### ***Steel Industry Overview***

The global economy is witnessing another period of uncertainty due to the European Sovereign debt crisis. The increase in inflation in emerging economies has led to a sharp hike in interest rates, which has resulted in slowdown in demand. The



global financial uncertainty has also resulted in volatility in exchange rates. The global Steel industry has witnessed reasonable demand growth and Steel making capacities have gradually shifted to emerging markets such as China and India. However, the high cost of raw materials and increased volatility in prices has put pressure on margins.

The Indian economy is expected to grow at 7.6% in 2012-13 against 6.9% in 2011-12. The economy is likely to grow significantly over the next decade driven by the infrastructure (power, road, railways, ports etc.) and consumption (automobile, real estate etc.) sectors which will result in sustained growth in demand for various Iron and Steel products.



### **Outlook**

India has immense potential for creating new steel capacity. Indian per capita steel consumption is presently very low compared to world average which further re-confirms the opportunities for steel demand to continue accelerating in the times ahead.

### **Company Overview**

Your Company is focused on its vision to emerge as a low cost producer of value added Steel products with captive mineral resources and captive power. The Company is also focused on mining its own iron ore in order to improve margins and also to set up a Beneficiation Plant to exploit the resources.

### **Company Strategic Measures**

#### **◆ Iron Ore Mines**

Your Company is in dialogue to acquire 50% stake, in Buxwaha Iron Ore mine spread over 150 Hectares in Chattarpur area of Madhya Pradesh, India with a view to secure its raw material requirements and integrating backwards into mining of Iron Ore. The mines have a substantial resource base of superior quality iron ore with high Fe (iron) content and bulk density. The Fe content varies between 63 to 66 per cent, which



makes it one of the best quality materials available in the country. The mining operations are mechanized, adopting state-of-the-art technology and equipment namely hydraulic



drifter, in-pit crusher, cone crushers and mobile crushers. Flexibility in operations enables the division to maximize the utilization of resources, as well as cater to the needs of diverse customers.

◆ **Beneficiation & Pelletization Plant**

Your Company is also planning to set up a Beneficiated & Pelletizing plant with an installed capacity of 12,00,000 TPA in area of Madhya Pradesh, India for Agglomeration of beneficiated and ground iron ore into spherical shaped green balls and subsequent heat hardening them is termed as Pelletizing.



Pellets thus produced to desired physical and chemical properties are much superior to the conventionally sized iron ore lumps. Iron ore Pellets are in very high demand. The company has also acquired adequate land near to mines for setting up of a Beneficiation & Pelletization plant for exploiting the mining operations & maximizing profits.

◆ **Solar Grade Silicon**

Your Company as a group is diversifying by going into manufacturing of solar grade Silicon ingots and bricks, which are the vital component of Solar cells. With the dying of natural resources, solar energy, though in its



infancy still, has enormous potential to be the leading energy supplier in the near future. In this regard, we have taken a few positive steps in assessing about the need, the resources available and various other factors which would influence the setting up of a manufacturing facility for Silicon ingots and bricks. In this regard a lot of groundwork has gone into the appraisal of various parameters and the requirements for setting up such a facility, Such as the company have established contact and have gone into various contracts with leading manufacturers of equipments required for the facility like GT Solar, Centrotherm, ALD Vacuum Tech., Schmid Silicon, Cyberstar and various other reputed conglomerates & have detailed our project to them and have received instructive quotations and estimates regarding the equipments.



## **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, it is indeed satisfying to witness a fulfilling journey of an enterprise

that is deeply motivated by its commitment to create value for its stakeholders and society. Your Company looks to the future with confidence, driven by an inspiring Vision, Values of Trusteeship and Vitality powered by a dedicated world class team of human resources.

SIEL owns its sustained success to its trusted relationships with customers, employees, banks and of course with you, our shareowners. I would like to sincerely thank you for your confidence, for being a pillar of support in helping to accomplish our shared aspirations. We will continue to make every effort in years to come to justify your confidence. As we move on new thinking will lead us to new horizons.



As always, I am looking forward for your continued support and encouragement.

Sd/-

*Vivek Agarwal*  
Chairman and Managing Director

Date: 26th November, 2012  
Place: Palakkad, Kerala



## NOTICE TO ANNUAL GENERAL MEETING

Notice is hereby given that the Seventeenth Annual General Meeting of the Members of Southern Ispat and Energy Limited will be held on **26<sup>th</sup> December 2012 at 11.30 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:

### Ordinary Business

#### **Item No.1**

To consider and adopt the Audited Balance Sheet as on 30<sup>th</sup> June 2012, 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 Mr. T.N. Sivakumar, who retires by rotation and being eligible, offers himself for re-appointment.

#### **Item No.3**

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."

#### **Item No.4**

To appoint a Director in place of Sri. Umesh Kumar Sahu who has given his unwillingness for his reappointment and to pass the following resolution with or without modification.

"RESOLVED THAT Sri. Umesh Kumar Sahu, who retires by rotation and given his unwillingness to be reappointed, be not re-appointed and the vacancy be filled in the ensuing Annual General Meeting."

### Special Business

#### **Item No.5**

To appoint a Director in place of Shri. Manish Kumar Mishra (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 Manish Kumar Mishra who was appointed as an 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 a director of the company liable to retire by rotation"

#### **Item No.6**

To consider and if thought fit to pass with or without modification the following resolution as ordinary resolution

"RESOLVED THAT Sri Vinod Bajoria be and is hereby appointed as the director of the Company whose office is determinable as liable to retire by rotation."

*By the order of the Board of Directors.*

Sd/-

*Vivek Agarwal*

*Chairman and Managing Director*

*Date: 26th November, 2012*

*Place: Palakkad, Kerala*





## **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. Adroit Corporate Services Pvt Ltd**, 17-20, Jafferbhoy Industrial Estate, 1st Floor, Makhwana Road, Marol Naka, Andheri (East) , Mumbai-400 059.
4. The register of members of the company will remain closed from 21st December 2012 to 26th December 2012 (both days inclusive).

## ***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 26th December 2012.

### **Item No. 5 :**

Mr. Manish Kumar Mishra was appointed as additional director of the company on 14th January 2012 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

*Date: 26th November, 2012*

*Place: Palakkad, Kerala*

to propose appointment of Mr. Manish Kumar Mishra as a director along with a deposit of Rs.500/-. Mr. Manish Kumar Mishra is a graduate in Commerce and has an overall experience of 15 years in steel industry. His vast and rich experience, consistent with Production strategy will provide operational excellence to the Company and a capability to drive innovation. 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 Mr. Manish Kumar Mishra who may be deemed to be interested to the extent of his appointment.

### **Item No.6**

Mr. Vinod Bajoria is a graduate in Commerce and has an overall experience of 15 years in steel industry. His vast and rich experience, consistent with Production strategy will provide operational excellence to the Company and a capability to drive innovation. Your company decides to include the proposal in the notice of Annual General Meeting appointing him as Director of the company. As required by Section 257 of the Act, a notice has been received from a member signifying his intention to propose appointment of Mr. Vinod Bajoria as a director along with a deposit of Rs 500/-. The Board considers that it is desirable that the company should pass necessary resolution to avail his services.

None of the directors are interested other than Shri Vinod Bajoria who may be deemed to be interested to the extent of his appointment.

*By the order of the Board of Directors.*

*Sd/-*

*Vivek Agarwal*

*Chairman and Managing Director*



## **Directors Report to Shareholders**

Dear Shareholders,

Your Directors take immense pleasure in presenting this 17<sup>th</sup> Annual Report together with the Consolidated Audited Accounts of the Company for the financial year 2011-12 for the period ended on 30<sup>th</sup> June 2012.

### **Financial Results (Rs. Million).**

<b>Particulars</b>	<b>11-12</b>	<b>10-11</b>
Sales & Other Income	10191.36	8050.48
Material Consumed	9577.75	7554.02
Changes in Inventory	(4.87)	6.88
Employee Benefits	5.19	4.18
Finance Cost	4.02	10.50
Depreciation	19.27	24.05
Other Expenses	179.10	62.39
Profit before Taxes	410.89	388.44
Taxes - Current Tax	6.59	29.69
- Deferred Tax	(22.84)	(6.60)
Profit After Taxes	412.52	365.36
Earnings per Share (Basic & Dilutive)	3.12	8.15

### **REVIEW OF OPERATIONS**

During the year under review, the Company's financial performance has been adversely affected due to the non-availability of raw material, increasing raw material costs, high bank interest rates and volatile foreign exchange. The company took various initiatives to improve its profitability by diversification which helped the company to post a reasonable performance for the year.

### **DIVIDEND**

In order to augment resources for the expansion plans, your directors do not recommend distributing any dividend for the year ended 30<sup>th</sup> June 2012.

## **CONSOLIDATED FINANCIAL STATEMENTS**

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

### **SUBSIDIARY**

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary company is not being attached with the Balance Sheet of the Company. However the financial information of the subsidiary companies is disclosed in the Annual Report in compliance with the said circular. The Company will make available the Annual Accounts of the subsidiary company and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary company will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary company. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary Company. Details of subsidiary of the Company are covered in Management's Discussion and Analysis Report forming part of the Annual Report.

### **EXPANSION PLANS**

- ◆ Exploring Mining Opportunities & Securing Raw materials and integrating backwards into mining of Iron Ore and Chrome Ore.
- ◆ Setting up a Beneficiated & Pelletizing plant with an installed capacity of 12, 00,000 TPA in Madhya



Pradesh, India for exploiting the mining operations & maximizing profits.

- ◆ Entering into Solar cells/ solar power plant equipments which aim to manufacture “electricity from Sun & Sand”.

### **INTERNAL CONTROL SYSTEM**

The Company has in place an adequate and appropriate system of internal control, commensurate with its size and nature of business to ensure efficacy of operations and compliance with applicable legislations. The company has comprehensive budgetary control system. The management regularly reviews actual performance.

### **SOCIAL RESPONSIBILITY AND COMMUNITY DEVELOPMENT**

Corporate Social Responsibility occupies a central position in Companies 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. Company 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. Your Company 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.

### **BOARD OF DIRECTORS**

During the year **Mr. E Sankaranaryana** has given his unwillingness due to his health to continue on the board w e f 14<sup>th</sup> January 2012. The Directors had appointed Mr. Manish Kumar Mishra as Director of the company. Mr. Manish Kumar Mishra is a graduate in Commerce and has an overall experience of 15 years in steel industry. His vast and rich experience, consistent with Production strategy will provide operational excellence to the Company and a capability to drive innovation. Your directors also place on record their deep appreciation of the valuable services rendered by Mr. E Sankaranaryana during his directorship.

**Mr. Manish Kumar Mishra** who was appointed by the Board of Directors of your company in its meeting held on 14th January 2012 as an Additional Director w.e.f 14th January 2012 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. Manish Kumar Mishra for appointment as Director of your company liable to retire by rotation.

**Mr. Umesh Kumar Sahu** also given his 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 intention of the above director not to be re-appointed. Your directors place on record his deep appreciation of the valuable services rendered by him during his directorship tenure.

**Mr. Vinod Bajoria** is a commerce graduate and has an overall experience of 15 years in steel industry. His vast and rich experience, consistent with Production strategy will provide operational excellence to the Company and a capability to drive innovation. Your company decides to include the proposal in the notice of Annual General Meeting appointing him as Director of the company. As required by Section 257 of the Act, a notice has been received from a member signifying his intention to propose appointment of Mr. Vinod Bajoria as a director of your company liable to retire by rotation.

**Mr. T. N. Sivakumar**, Independent Directors retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

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.

### **DEPOSITS**

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

### **SHARE WARRANTS**

During the Year, Company has forfeited the share warrant money received against One Crore Shares of Rs.10 each with a Premium of Rs.22 due to the non receipt of remaining 75% amount. The amount forfeited has been transferred to Capital Reserves.

### **AUDITORS AND AUDITORS REPORT**

M/s. Sunil Johri & Associates and M/s. Mahadevan & Sivarajan, Chartered Accountants were appointed as Joint auditors of the Company in the last Annual General Meeting. But M/s. Mahadevan & Sivarajan has resigned from auditor ship as joint auditor w.e.f. September 27, 2012 due to personal occupancy. Your directors place on record their deep appreciation of the valuable services rendered by them during their Auditorship tenure.



M/s. Sunil Johri & Associates, Chartered Accountant shall remain statutory auditor till the conclusion of ensuing General meeting of the Company and are eligible for reappointment.

The Company has received letters from M/s. Sunil Johri & Associates, Chartered Accountants, to the effect that their appointment, if made would be within the prescribed limits under Section 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.

The observation and comments given by auditors in this report read together with notes to Accounts are self explanatory and hence do not call for any further comments under Section 217 of the Companies Act,1956.

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

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

- i. 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.
- ii. Accounting policies as listed in notes 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 2011-12 for the pe riod ended on 30<sup>th</sup> June,2012 and of the Profit of the Company for the Accounting Year ended on that day.

Date: 26/11/2012

Place:Palakkad, Kerala

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

### **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.

### **ACKNOWLEDGEMENTS**

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*

Sd/-  
Vivek Agarwal  
Chairman and  
Managing Director

Sd/-  
Manish Mishra  
Director



## ANNEXURE TO THE 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.

#### *I. 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.	NIL
Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.	NA

### **FORM - A**

A.	Power and Fuel Consumption	Current Year ended on 30/06/12	Previous Year ended on 30/06/11
1.	Electricity Purchased		
	Units/KWH	6907320	6904320
	Total Amount (Rs. in Lakhs)	341.76	298.10
	Rate/Unit (Rs.)	4.95	4.32
	Own Generation (Diesel Generation)		
	Units/KWH	NIL	NIL
	Units per litre of Diesel Oil	NA	NA
	Cost of Unit of Diesel Oil (Rs. / KWH)	NA	NA
2.	Coal		
	Qty. (MT) (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)		
	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 (30/06/12)			Previous Year (30/06/11)		
	Electricity (KWH)	Diesal / LD Oil (Ltr)	Coal (MT)	Electricity (KWH)	Diesal / LD Oil (Ltr)	Coal (MT)
M S Ingots	1346	NIL	NIL	1367	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	NA
3	Future plan of action	NIL
4	Expenditure on R & D Capital Recurring Total Total R & D Expenditure as a percentage of total turnover	NIL
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. Technology Imported. Year of Import Has technology has been fully absorbed ? If not fully absorbed, areas where this has not taken place (reasons and future plans of action)	NIL

## III. Foreign Exchange Earnings and outgo

The particulars of foreign exchange earned / utilized during the year	NIL
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## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

### **OVERVIEW**

The financial year 2011-12 has been one of the most challenging years for the Company. The combined effect of European debt crisis and global economic slowdown along with the domestic challenges of non availability and high cost of raw material has impacted the Iron & Steel industry and the performance of the Company. SIEL saw through this challenging period has achieved healthy growth in sales and profitability and is poised to emerge as a stronger Company to deliver enhanced shareholder value over the coming years. During the financial year 2011-12, your Company registered a 24% growth in revenues to Rs.10011.63 million, 2.5% growth in EBIDTA to Rs.434.18 million and 13% rise in PAT to Rs. 412.51 million.

### **INDUSTRY STRUCTURE & DEVELOPMENTS**

With recent global developments contributing to a significant rebalancing of portfolios as a result of rapidly changing risk perceptions and appetites, the Indian macroeconomic environment has looked turbulent during the past year. After a promising start to the decade, with achievements like maintaining GDP growth rate around 8 percent, bringing down fiscal deficit to 4.8 percent of GDP as well as containing current account deficit to 2.6%, the fiscal year 2011-12 has been challenging for the Indian Economy. The year started on a note of optimism through impressive growth in exports and high levels of foreign exchange inflows, only to moderate as the year progressed through continued monetary tightening in response to the untamed inflationary pressures. Gradually, high levels of inflation gave way to a slow-down in the growth. Additionally, as fiscal conditions worsened over the year, export numbers were revised in light of data discrepancies leading to a widening of trade deficit. In light of a perceivably weak macroeconomic environment, a well-planned economic revival policy from the Government's part is required to get back the Indian Economy on the path to stable and prosperous growth.

### **GLOBAL STEEL INDUSTRY OVERVIEW**

Performance of major advanced economies has been a point of concern as the economic outlook of the Euro Area continues to be grim in the shadow of a protracted sovereign debt crisis. Japan is still trying to cope up with the economic impact of natural calamities which is having an impact on its export partners. Despite some modest signs of improvement in the US, the European debt problem has unquestionably remained as a dominant global factor and a source of volatility in asset and currency markets all over the world. By contrast, emerging market economies have generally shown reasonable robustness – mainly on account of their domestic drivers and increasing linkages with each other. Nevertheless a slowdown in advanced economies is a point of concern as it impacts the investment and exchange rate channel of the domestic economy.

The world steel industry is a key driver of the world's economy.

### **INDIAN STEEL INDUSTRY & ITS PROSPECTS**

The global Steel industry has witnessed reasonable demand growth and Steel making capacities have gradually shifted to emerging markets such as China and India. However, the high cost of raw material and increased volatility in prices has put pressure on margins. India is poised to be a dominant player in the Global Steel industry with a strong growth in its economy. Demand for steel products is being driven primarily by infrastructure and consumption led sectors including construction, automobile, white goods and oil & gas. However, the Steel industry in India has suffered due to the non availability and high prices of Iron Ore, high interest rates and foreign exchange volatility.

Steel is at the core of a green economy, in which economic growth and environmental responsibility work hand in hand. The steel industry believes that sustainable development must meet the needs of the present without compromising





the ability of future generations to meet their own needs. Within this, a green economy delivers prosperity for all nations, wealthy and poor alike, while preserving and enhancing the planet's resources.

Steel's two key components are iron (one of Earth's most abundant elements) and recycled steel. Once steel is produced it becomes a permanent resource because it is 100% recyclable and has an infinite life cycle. Infinite recyclability without loss of properties makes steel unique and valuable. For example, trade in ferrous scrap has been steadily increasing over the years.

In 2011, world average steel use per capita was 215 kg, it has steadily increased over time. Steel touches every aspect of our lives. No other material has the same unique combination of strength, formability and versatility. Steel is central to transport, housing, energy, agriculture, water and infrastructure.

## **COMPANY OVERVIEW**

Your Company is focused on its vision to emerge as a low cost producer of value added Steel products with captive mineral resources and captive power. The Company is also focused on mining its own iron ore in order to improve margins & also to setup a Beneficiation Plant to exploit the resources.

## **STRATEGIC INITIATIVES**

### ◆ **IRON ORE MINES**

Your Company has also taken necessary steps for securing its raw material requirements and integrating backwards into mining of Iron Ore, Coal and Chrome Ore. SIEL is talks to acquire 50% stake, in Buxwaha Iron Ore mine spread over 150 Hectares in Chattarpur area of Madhya Pradesh, India. The mining division has its iron ore operations in the mineral rich Chattarpur belt of Madhya Pradesh. The mines have a substantial resource base of superior quality iron ore with high Fe (iron) content and bulk density. The Fe content varies between 63 to 66 per cent, which makes it one of the best quality materials available in the country. SIEL Mining will hold a leading position in the Indian mining industry

for its superior mining techniques, equipment, and scale and flexibility of operations and systems. The potential of the proven deposit, as well as the quality and quantity of reserves, are good enough to sustain the mining operations for the next 20 years at the current operating capacity. The main products are:

- ❖ Calibrated Iron Ore Lumps – inputs for steel making through the DRI/ BF process.
- ❖ Iron Ore Fines – inputs for sinters and pellets, used for making steel.

The mining operations are mechanized, adopting state-of-the-art technology and equipment namely hydraulic drifter, in-pit crusher, cone crushers and mobile crushers. Flexibility in operations enables the division to maximize the utilization of resources, as well as cater to the needs of diverse customers.

### ◆ **BENEFICIATION & PELLETIZATION PLANT**

Your Company is planning to set up a Beneficiated & Pelletizing plant with an installed capacity of 12,00,000 TPA in area of Gujarat, India for Agglomeration of beneficiated and ground iron ore into spherical shaped green balls and subsequent heat hardening them is termed as Pelletizing. Pellets thus produced to desired physical and chemical properties are much superior to the conventionally sized iron ore lumps. Iron ore Pellets are in very high demand. No difficulties are foreseen regarding its marketability. Indeed, Iron Ore Pellet fills a long standing demand and supply gap in the steel industry by use of abundant and easily available iron ore fines which otherwise find no buyer in India. The demand of high quality sized iron ore is ever increasing and constantly echoed at various apex bodies. Moreover, Pelletizing units are using low grade iron ore available in abundance. The company has also acquired adequate land near to mines for setting up of a Beneficiation & Pelletization plant for exploiting the mining operations & maximizing profits.



### ◆ **SOLAR GRADE SILICON**

Your Company as a group is diversifying by going into manufacturing of solar grade Silicon ingots and bricks, which are the vital component of Solar cells. With the dying of natural resources, solar energy, though in its infancy still, has enormous potential to be the leading energy supplier in the near future. In this regard, we have taken a few positive steps in assessing about the need, the resources available and various other factors which would influence the setting up of a manufacturing facility for Silicon ingots and bricks.

In this regard a lot of groundwork has gone into the appraisal of various parameters and the requirements for setting up such a facility, Such as the company have established contact and have gone into various contracts with leading manufacturers of equipments required for the facility like GT Solar, Centrotherm, ALD Vacuum Tech., Schmid Silicon, Cyberstar and various other reputed conglomerates & have detailed our project to them and have received instructive quotations and estimates regarding the equipments. We have also visited colossal industrial fairs and exhibitions catering to adhoc Solar technology and its allied fields and have received a great deal of information after meeting up with the industry personnel at the fairs in Shanghai in China and San Francisco in USA and Ontario, Montreal and Bencouver in Canada where we had definite discussions with industry and ministry

officials in Ontario and Quebec districts in Canada. We had also talked about the establishment of our project in their locality (which is very business advantageous) and we had many conclusive possible funding and venture capital from the Government.

We have aproposition for collaboration with a conglomerate name Calisolar there in setting up of their Polysilicon production plant. This will give us a leading edge in Supply chain management environs, as upgraded Polysilicon is the raw material and at the same time we will procure the ingot manufacturing furnaces.

Thus in a nutshell this is the description of the future plans for a probable expansion and diversification into this vastly emerging solar energy industry, by fist charting ahead with a solar ingot and brick manufacturing plant, with Canadian collaboration.

### **SEGMENT-WISE PERFORMANCE AND OUTCOME**

The company is in the business of Manufacturing & Trading of Steel Items and hence operates in a single business segment. Performance of the company has been dealt with in the Directors' Report.

### **OUTLOOK**

With continued focus of the government on the infrastructure development & Power sector, the consumption of steel is expected to increase, which is expected to translate into demand growth for sponge iron and finished steel in form of rods,



bars and wires. Domestic demand is also expected to remain robust because of sustained growth of major steel consuming sector such as construction, infrastructure and capital goods, barring temporary decline in the growth due to collapse of global financial markets.

### **INTERNAL CONTROLS**

The company has in place an adequate and appropriate system of internal control, commensurate with its size and nature of business to ensure efficacy of operations and compliance with applicable legislations. The company has comprehensive budgetary control system. The management regularly reviews actual performance. The company has well defined organization structure, clear authority levels and detailed internal guidelines for conducting business transactions. Besides this, the company has Audit Committee of the Board which periodically review the audit plans, evaluates the observations and recommendations of the internal and external auditors with reference to significant risk areas and adequacy of the internal control systems.

### **INDUSTRIAL RELATIONS & HUMAN RESOURCES MANAGERMENTS**

Your Company recognizes the fact that manpower is one of the vital constituents of a successful organization. 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.

### **HEALTH & SAFETY**

The Company continuously focuses on the health and safety of all its workers and staff. Adequate safety measures have been taken at all the plants for the prevention of accidents or other untoward incident.

The necessary medical facilities are available for the workers, staff and their family members to enable them to maintain good health. The Company has also obtained Group Medical Policy for its employee's and their families.

### **CORPORATE SOCIAL RESPONSIBILITY**

The Principles of Corporate Social Responsibility (CSR) are firmly embedded in Man's philosophy and strategy as a business enterprise. The company considers itself part of society and therefore obligated to behave as a responsible corporate citizen. As we continue to grow, it becomes increasingly important to focus on our core values, namely: building a sustainable business and giving back to society. Our sustainability program guides us in supporting our employees and the communities where they work.

### **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.



**CORPORATE GOVERNANCE  
REPORT FOR THE YEAR 2011-2012  
(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**

**2.1 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 reelection, 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 30-06-2012 the Board of Directors comprises of 03 Non Independent Executive Director and 03 Non Executive Independent Directors.

Name of the Director	Portfolio	Category	Date of Joining the board
Mr. Vivek Agarwal	Chairman and Managing Director	Non Independent Executive Director	25-09-2006
Mr. Umesh Kumar Sahu	Director	Non Independent Executive Director	21-11-2011
Mr. Manish Kumar Mishra	Director	Non Independent Executive Director	14-01-2012
Mr. T. N. Sivakumar	Director	Non Executive Independent Director	21-11-2011
Mr. V. Manikandan	Director	Non Executive Independent Director	23-04-2007
Mr.Thiagaraja Iyer Venkatramani	Additional Director	Non Executive Independent Director	24-12-2009



## 2.3 Details of Board Meetings

The Board of Directors met 7 times during the period under review on 13/08/2011, 14/11/2011, 21/11/2011, 26/11/2011, 14/01/

2012, 13/02/2012 and 15/05/2012. 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 in other companies is indicated below.

Name of Director	No. of meeting Held/ Attended	Whether Last AGM Attended	No of Directorship( Including this Company)		No. of Committees ( Including this company)	
			As Chair-man	As Member	As Chair-man	As Member
Mr. Vivek Agarwal	07	Yes	01	02	NIL	NIL
Mr. E. Sankaranarayana #	05	Yes	NIL	02	NIL	NIL
Mr. Umesh Kumar Sahu	05	Yes	NIL	01	NIL	NIL
Mr. Manish Kumar Mishra ##	03	No	NIL	02	01	01
Mr. V Manikandan	07	Yes	NIL	02	01	02
Mr. Thiagara Iyer Venkatramani	07	Yes	NIL	05	01	02
Mr. K.K. Agarwalla ###	04	Yes	NIL	02	NIL	NIL
Mr. T. N. Sivakumar	05	Yes	NIL	01	NIL	01

# : Resigned from the board w.e.f. 14th January 2012

##: Not a Director at the time of Last Annual General Meeting

###: Resigned from the Board w.e.f. 21st November 2011

## 3. BOARD COMMITTEES

### 3.1 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 17th March 2004. The Audit Committee consist of Mr. V Manikandan Mr. T.N. Sivakumar and Mr. Thiagaraja Iyer Venkatramani. 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 11/08/2011, 09/11/2011, 10/02/2012 and 11/05/2012.

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 Manikandan Chairman	Independent Non Executive	04	04
Mr. T. N. Sivakumar	Independent Non Executive	04	02
Mr. Thiagaraja Iyer Venkatramani	Independent Non Executive	04	04
Mr. E. Sankaranarayana #	Non Independent Executive	04	02

# Resigned from Committee w.e.f 14th January 2012

### 3.2 Shareholders/Investors Grievance Committee

The Shareholders/ Investor's Grievance Committee comprises of Mr. Thiagaraja Iyer Venkatramani as Chairman , Mr. Manikandan and Mr. Manish Kumar Mishra 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/ In-

vestor Grievance Committee held its meetings on 19/08/2011 and 24/02/2012. The company has appointed Adroit Corporate Services Pvt Ltd to act as Registrar and Transfer Agent of the Company. As on 30/06/2012, 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.

Name of Members	Category	No of Meetings	
		Held	Attended
Mr. Thiagaraja Iyer Venkatramani Chairman	Independent Non Executive	02	02
Mr. V Manikandan	Independent Non Executive	02	02
Mr. E. Sankaranarayana #	Non Independent Executive	02	01
Mr. Manishkumar Mishra	Non Independent Executive	02	01

# Resigned from Committee w.e.f 14th January 2012



### 3.3 Remuneration Committee

The Remuneration Committee, which is a non- mandatory requirement of Clause 49 constituted with the following directors. The Remuneration Committee comprises of Mr. Manish Kumar Mishra as Chairman of the Committee and Mr. Thiagaraja Iyer Venkatramani and Mr. V.Manikandan 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 17th June 2012.

### 4. GENERAL BODY MEETING

#### 4.1 Annual General Meetings :

**Location and time for the last three Annual General Meeting:-**

AGM	Year	Location	Date	Time	No. of Special Resolutions
16	2010-2011	19/629(1) Sreyas Wes Yakkara, Palakkad	26/12/2011	11.30 AM	2
15	2009-2010	19/629(1) Sreyas Wes Yakkara, Palakkad	27/12/2010	10.30 AM	6
14	2008-2009	19/629(1) Sreyas Wes Yakkara, Palakkad	29/09/2009	03.00 PM	6

### 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 have non-listed foreign 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.

### 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: 26-12-2012

TIME: 11.30 AM

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

West Yakkara, Palakkad-678 001

### 7.2 Financial Calendar 2011-12

Unaudited Results of the Quarter ended 30/09/2011 **On or Before 15/11/2011**

Unaudited Results of the Quarter ended 31/12/2011 **On or Before 15/02/2012**

Unaudited Results of the Quarter ended 31/03/2012 **On or Before 15/05/2012**

Unaudited Results of the Year ended 30/06/2012 **On or Before 15/08/2012**

Audited Results of the Year ended 30/06/2012 **On or Before 26/11/2012**

### 7.3 Book Closure :

Register of Members and Share Transfer books will remain closed for 06 days from 21-12-2012 to 26-12-2012 (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's got listed in Luxembourg Stock Exchange on 11-08-2010 and 15-06-2011 respectively.

## 8. STOCK MARKET DATA

Bombay Stock Exchange Ltd.

Scrp Code : 531645

Month	Month's High	Month's Low
July 2011	8.63	8.00
August 2011	8.28	6.28
September 2011	7.10	3.81
October 2011	5.00	4.03
November 2011	4.30	3.08
December 2011	3.94	3.03
January 2012	4.20	2.85
February 2012	5.11	3.32
March 2012	4.75	3.52
April 2012	5.30	3.80
May 2012	4.15	3.30
June 2012	3.78	3.20





## 9. REGISTRAR/ SHARE TRANSFER AGENT :

M/s Adroit Corporate Services Pvt. Ltd.  
17-20, Jafferbhoy Industrial Estate,  
1st Floor, Makhwana Road, Marol Naka,  
Andheri (East), Mumbai-400 059  
Ph : 022 – 42270400, 28596060  
Fax: 022-28503748  
Email: adroit@vsnl.net

## 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.

## 11. DISTRIBUTION OF SHAREHOLDING AS ON 30/06/2012

Range	No. of Shareholders	% of Shareholders	Amount(Rs)	% of Shareholding
Upto 500	5856	48.13	14685550	1.11
501 to 1,000	2475	20.34	22207730	1.68
1,001 to 2,000	1468	12.06	24218720	1.83
2,001 to 3,000	632	5.19	16802540	1.27
3,001 to 4,000	328	2.70	12039040	0.91
4,001 to 5,000	402	3.30	19408750	1.47
5,001 to 10,000	533	4.38	40690190	3.08
10,001 & Above	474	3.90	1171438280	88.65
<b>TOTAL</b>	<b>12168</b>	<b>100.00</b>	<b>1321490800</b>	<b>100.00</b>

## 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 30/06/2012, 98.77 % of shares of the Company were held in dematerialised form.

## 13. 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.



## 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.

*By the order of the Board of Directors.*

*Date : 26/11/2012*

*Place : Palakkad, Kerala*

*Sd/-*

*Vivek Agarwal*

*Chairman and Managing Director*



## AUDITORS' CERTIFICATE

**To,  
The Members of  
Southern Ispat & Energy Limited**

We have examined the compliance of conditions of Corporate Governance procedures implemented by Southern Ispat & Energy Limited ("the Company"), for the period ended on June 30, 2012 as stipulated in clause 49 of the listing agreement of the said company with the stock exchanges in India.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to a review of procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is

neither an audit nor an expression of opinion on the financial statements of the Company.

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

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

*For SUNIL JOHRI & ASSOCIATES  
CHARTERED ACCOUNTANTS  
FRN 005960C*

*Sd/-  
(SUNIL JOHRI)  
PARTNER  
M. No. 074654*

*Date: 30/09/2012  
Place: Palakkad, Kerala*



## Auditors' Report on Consolidated Financial Statements

### To the Members of Southern Ispat & Energy Limited

- 1) We have audited the attached consolidated balance sheet of M/s Southern Ispat & Energy Limited and its subsidiary, as at 30th June 2012 and also the consolidated Profit & Loss A/c and the consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated 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) We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of Rs 1436.03 Millions as at 30th June 2012, Total Revenue of Rs 6741.59 Million and net cash flow of Rs 407.22 Millions for the year ended on 30th June 2012.
- These financial statements and other financial information have been audited by other auditors / compiled and approved by the management whose report have been furnished to us, and our opinion is based solely on the report of the other auditors and information provided by the management.
- 4) We report that the consolidation financial statements have been prepared by the company in accordance with the requirements of Accounting Standard -21, "consolidated Financial Statements" notified by the Companies (Accounting Standards) Rules, 2006.
  - 5) Based on our audit and on consideration of other auditors on separate financial statements and on the other financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.
    - i) In the case of consolidated balance sheet, of the state of affairs of the company as at 30th June 2012.
    - ii) In the case of consolidated profit & loss account, of the Profit for the period ended on that date; and
    - iii) In the case of consolidated cash flow statement, of the cash flow for the period ended on that date.

*For SUNIL JOHRI & ASSOCIATES  
CHARTERED ACCOUNTANTS  
FRN 005960C*

*Sd/-  
(SUNIL JOHRI)  
PARTNER*

*Date: 30/09/ 2012  
Place: Palakkad, Kerala*



## CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE 2012

	NOTE NO.	As at 30-Jun-12 (In INR)	As at 30-Jun-11 (In INR)
<b>I. LIABILITIES :</b>			
<b>(1) Shareholder's Funds :</b>			
(a) Share Capital	1	1,321,490,800	1,321,490,800
(b) Reserves and Surplus	2	1,311,635,835	664,143,087
(c) Money received against share warrants		-	-
		<b>2,633,126,635</b>	<b>1,985,633,887</b>
<b>(2) Share application money pending allotment :</b>			
		-	<b>69,000,000</b>
<b>(3) Non-Current Liabilities :</b>			
(a) Long-term borrowings		-	-
(b) Deferred tax liabilities (Net)	3	9,020,380	11,305,127
(c) Other long term liabilities		-	-
(d) Long term provisions		-	-
		<b>9,020,380</b>	<b>11,305,127</b>
<b>(4) Current Liabilities :</b>			
(a) Short-term borrowings	4	30,000,000	29,073,877
(b) Trade payables	5	1,378,302,108	1,564,649,460
(c) Other current liabilities	6	20,868,586	74,513,177
(d) Short-term provisions		-	-
		<b>1,429,170,694</b>	<b>1,668,236,514</b>
<b>TOTAL</b>		<b>4,071,317,709</b>	<b>3,734,175,528</b>
<b>II. ASSETS :</b>			
<b>(1) Non-current assets</b>			
(a) Fixed assets	10		
(i) Tangible assets		77,627,214	96,461,566
(ii) Intangible assets		-	-
(iii) Capital work-in-progress		7,667,900	6,700,000
(iv) Misc.Expenditure to the extent not Written off		40,450,065	50,562,581
(b) Non-current investments	11	5,800,000	5,800,000
(c) Long term loans and advances	7	143,139,169	121,094,889
(d) Other non-current assets	8	4,100,000	4,100,000
		<b>278,784,348</b>	<b>284,719,036</b>
<b>(2) Current assets</b>			
(a) Inventories	9	1,157,877,564	725,236,456
(b) Trade receivables	12	1,590,437,586	1,820,708,869
(c) Cash and cash equivalents	13	1,043,308,624	899,826,366
(d) Short-term loans and advances	14	-	-
(e) Other current assets	15	909,587	3,684,802
		<b>3,792,533,361</b>	<b>3,449,456,493</b>
<b>TOTAL</b>		<b>4,071,317,709</b>	<b>3,734,175,529</b>

*Notes to Consolidated Accounts referred above form an integral part of the financial statements*

*As per our attached report of even date*

**For Sunil Johri & Associates**  
Chartered Accountants  
Firm Regn. No. 005960C

*For and on behalf of the Board of Directors*

Sd/-  
**Sunil Johri**  
Partner  
Membership No 074654  
Dated : 30/09/2012  
Place : Palakkad, Kerala

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

Sd/-  
**Manish Mishra**  
Director



**STATEMENT OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2012**

	NOTE NO.	As at 30-Jun-12 (In INR)	As at 30-Jun-11 (In INR)
<b>Revenue</b>			
Revenue from Operations	16	10,011,639,121	8,055,929,726
Other Income	17	179,718,901	(5,445,565)
<b>TOTAL (A)</b>		<b>10,191,358,022</b>	<b>8,050,484,161</b>
<b>Cost of Material Consumed</b>			
Cost of Material Consumed	18	9,577,754,126	7,554,018,979
Changes in Inventory of FG, WIP & Stock In trade	19	(4,876,187)	6,887,605
Employee Benefits	20	5,192,056	4,182,012
Finance Cost	21	4,016,163	10,504,682
Depreciation and amortization expenses	10	19,272,103	24,053,971
Other Expenses	22	179,108,296	62,049,367
<b>TOTAL (B)</b>		<b>9,780,466,556</b>	<b>7,661,696,616</b>
<b>Profit before Taxation and Exceptional Item (C) = (A) - (B)</b>		<b>410,891,466</b>	<b>388,787,545</b>
Exceptional Items Expenses (D)		-	339,977
Prior Year Income/(Expenses) (H)		-	-
<b>Profit before Taxation (E) = (C) + (D)</b>		<b>410,891,466</b>	<b>388,447,568</b>
<b>Less: Provision for Taxation</b>			
Current tax		659,677	29,690,507
Deferred tax		(2,284,747)	(6,602,326)
<b>Profit after Tax (PAT)</b>		<b>412,516,536</b>	<b>365,359,387</b>
<b>Earning Per Share</b>			
Basic (Rs.)		3.12	8.15
Diluted (Rs.)		3.12	8.15

*Notes to Consolidated Accounts referred above form an integral part of the financial statements*

*As per our attached report of even date*

**For Sunil Johri & Associates**  
Chartered Accountants  
Firm Regn. No. 005960C

Sd/-  
Sunil Johri  
Partner  
Membership No 074654  
Dated : 30/09/2012  
Place : Palakkad, Kerala

For and on behalf of the Board of Directors

Sd/-  
Vivek Agarwal  
Chairman & Managing Director

Sd/-  
Manish Mishra  
Director



## Significant Accounting Policies forming part of the Consolidated Accounts for the F Y 2011-12

### 1. SIGNIFICANT ACCOUNTING POLICIES :

#### A. BASIS OF ACCOUNTING :

The consolidated financial statements have been 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. The financial statements are presented in Indian rupees.

#### B. USE OF ESTIMATES :

The preparation of financial statements are in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods. Examples of such estimates include provisions for doubtful debts, provision for income taxes and the useful lives of fixed assets.

However, the preparation of financial statements of subsidiary accounts is drawn in conformity with IFRS.

#### C. 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 capitalized upto the date the assets are ready for use.

#### D. 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.

The Subsidiary company provides depreciation on Fixed Assets on Straight Line method over their useful economic life.

#### E. 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.

#### F. INVENTORIES :

Finished and semi-finished products produced and purchased by the Company are carried at lower of cost and net realisable value.

Work-in-progress is carried at lower of cost and net realisable value.

The cost of inventories of Raw Material purchased by the Company is carried



at lower of cost and net realisable value.

Stores and spare parts are carried at cost. Necessary provision is made and charged to revenue in case of identified obsolete and non-moving items.

Cost of inventories is generally ascertained on the 'weighted average' basis. Work-in-progress and finished and semi-finished products are valued on full absorption cost basis.

#### **G. TAXES ON INCOME :**

##### **i) Indian Entities :**

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 incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Where there is an unabsorbed depreciation or carry forward loss, 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.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax after the tax holiday period.

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

##### **ii) Foreign Entities :**

Foreign Companies recognize tax liabilities and assets in accordance with local laws.

#### **H. 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.

#### **I. RESEARCH AND 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.

#### **J. 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.



**K. BORROWING COST :**

Borrowing costs that are attributable to the acquisition 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.

**L. 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.

**M. EMPLOYEE BENEFITS :**

Short-term employee benefits (benefits which are payable within twelve months after the end of the period in which the employees render service) are measured at cost and are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

Contributions to Provident Fund, a defined contribution plan, are made in accordance with the statute and are recognized as an expense when employees have rendered service entitling them to the contributions.

Other long-term employee benefits (benefits which are payable after the end of twelve months from the end of the year in which the employees render service) are measured on a discounted basis by the Projected Unit Credit Method on the basis of actuarial valuation.

Actuarial gains and losses are recognized immediately in the Profit and Loss Account

However, in Subsidiary accounts employee terminal benefits are accounted on cash payment basis.

**N. 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.

**O. 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 capitalized.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capi-



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.

**P. FOREIGN CURRENCY TRANSACTIONS :**

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

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

In case of foreign entities, revenue items are translated at the average rate prevailing during the period and all assets and liabilities at the rates prevailing at the end of the period. Any exchange difference arising on consolidation is recognized in foreign currency translation reserve.

**Q. EARNINGS PER SHARE :**

The Company reports Basic and Diluted Earnings Per Share (EPS/DEPS) in accordance with Accounting Standard 20 on "Earnings Per Share". Basic EPS is computed by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of eq-

uity shares outstanding during the year.

Diluted EPS is computed by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

**R. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS :**

The Company recognizes provisions when there is present obligation as a result of past event and it is probable that there will be an outflow of resources and reliable estimate can be made of the amount of the obligation. A disclosure for Contingent liabilities is made in the notes on accounts when there is a possible obligation or present obligations that may, but probably will not, require an outflow of resources. Contingent assets are neither recognized nor disclosed in the financial statements.

**S. TRADE RECEIVABLE & PAYABLES :**

Sales made on credit are included in trade receivables at the balance sheet date & reduced by appropriate allowances for estimated doubtful amounts. Trade payables are stated at their nominal value.

**T. CASH AND CASH EQUIVALENTS :**

For the purpose of the cash flows, cash & cash equivalents comprise cash on hand, balances with bank and deposits with banks.



## NOTES TO CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE 2012

<b>NOTE 1 : SHARE CAPITAL</b>	<b>As at 30-Jun-12 (In Nos.)</b>	<b>As at 30-Jun-12 (In INR)</b>	<b>As at 30-Jun-11 (In Nos.)</b>	<b>As at 30-Jun-11 (In INR)</b>
<b>AUTHORISED</b> Equity Shares of Rs. 10/- each.	160,000,000	1,600,000,000	160,000,000	1,600,000,000
<b>TOTAL</b>	<b>160,000,000</b>	<b>1,600,000,000</b>	<b>160,000,000</b>	<b>1,600,000,000</b>
<b>ISSUED</b> Equity Shares of Rs. 10/- each.	132,149,080	1,321,490,800	132,149,080	1,321,490,800
<b>SUBSCRIBED &amp; PAID UP</b> Equity Shares of Rs. 10/- each fully paid	132,149,080	1,321,490,800	132,149,080	1,321,490,800
<b>TOTAL</b>	<b>132,149,080</b>	<b>1,321,490,800</b>	<b>132,149,080</b>	<b>1,321,490,800</b>

The Company has issued one class of shares referred to as equity shares having a par value of Rs. 10/- Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of Company, the holder of equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts. However no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

Company is yet to file various e-forms as required under Companies Act, 1956

### Reconciliation of the number of shares outstanding

	<b>As at 30-Jun-12 (In Nos.)</b>	<b>As at 30-Jun-12 (In INR)</b>	<b>As at 30-Jun-11 (In Nos.)</b>	<b>As at 30-Jun-11 (In INR)</b>
Number of shares at the beginning	132,149,080	1,321,490,800	132,149,080	1,321,490,800
Add: Shares issued on exercise of employee stock options				
Number of shares at the end of the year	132,149,080	1,321,490,800	132,149,080	1,321,490,800
<b>Details of Shareholder holding more than 5 % shares</b>				
<b>No. of Shareholder</b>	<b>No. of Shares held</b>	<b>% of Holding</b>	<b>No. of Shares held</b>	<b>% of Holding</b>
NIL	NIL	NIL	NIL	NIL

### NOTE 2 : RESERVE AND SURPLUS

	<b>As at 30-Jun-12 (In INR)</b>	<b>As at 30-Jun-11 (In INR)</b>
<b>Capital Reserve</b>		
Opening balance	32,351,400	6,201,400
Add:- Current Year	69,000,000	26,150,000
<b>Closing Balance</b>	<b>101,351,400</b>	<b>32,351,400</b>
During the Year, Company has forfeited the share warrant money received against One Crore Shares of Rs.10 each with a Premium of Rs.22 due to the non receipt of 75% remaining amount. The amount forfeited has been transferred to Capital Reserve		
<b>General Reserve</b>		
Opening Balance	191,591,527	15,375,674
Security Premium		155,972,217
Foreign Currency Translation Reserve	165,976,212	(572,423)
Add:- Current Year	85,271,670	20,816,058
<b>Closing Balance</b>	<b>442,839,408</b>	<b>191,591,527</b>

**NOTES TO CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE 2012**

	As at 30-Jun-12 (In INR)	As at 30-Jun-11 (In INR)
<b>Surplus</b>		
Opening balance	440,200,160	95,656,832
Add:- Current Year	412,516,536	365,359,387
Less:- Transfer to General Reserve	85,271,670	20,816,058
<b>Closing Balance</b>	<b>767,445,027</b>	<b>440,200,160</b>
<b>TOTAL</b>	<b>1,311,635,835</b>	<b>664,143,087</b>
<b><u>NOTE 3 : DEFERRED TAXES AND LIABILITIES</u></b>		
<b>Deferred Tax Liability</b>		
Difference in Net Block of Fixed Assets	15,547,096	17,711,908
<b>Deferred Tax Asset</b>		
Disallowance under Section 43 B of the Income tax Act, 1961	2,413,970	2,482,977
Disallowance under Section 40 (a) (ia) of the Income tax Act, 1961	4,112,746	3,923,804
<b>Deferred Tax (Assets)/ Liability</b>	<b>9,020,380</b>	<b>11,305,127</b>
<b><u>NOTE 4 : SHORT TERM BORROWINGS</u></b>		
<b>Secured</b>		
- from banks		
Cash Credit Limit From SBI (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. Interest rate on such Secured Demand Loan from Banks is linked with the base rate of respective banks. Overdue amount as on Balance Sheet date is Rs.22.90 Lacs which has been shown under other Current Liability.)	30,000,000	29,073,877
<b>TOTAL</b>	<b>30,000,000</b>	<b>29,073,877</b>
<b><u>NOTE 5 : TRADE PAYABLES</u></b>		
Creditors for Services	15,234,765	39,578,425
Creditors for Capital Goods	1,111,148	1,318,628
Creditor For Raw Materials (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.)	1,361,956,195	1,523,752,407
<b>TOTAL</b>	<b>1,378,302,108</b>	<b>1,564,649,460</b>
<b><u>NOTE 6 : OTHER CURRENT LIABILITIES</u></b>		
Accrued salaries & benefits	90,170	68,307
For other Liabilities		
-Taxes payable	14,138,693	72,540,585
-Provision for expenses	4,311,686	1,889,590
-Book overdraft from Banks	2,290,901	
-Other Payables	37,136	14,695
(All Liabilities payable within 12 months are grouped under current liabilities.)		
<b>TOTAL</b>	<b>20,868,586</b>	<b>74,513,177</b>

**NOTES TO CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE 2012**

	As at 30-Jun-12 (In INR)	As at 30-Jun-11 (In INR)
<b>Contingent Liabilities not provided for: (In Lacs)</b>		
<b>Claims against the company not acknowledged as debts :</b>		
Tax demands under Appeal by the Commercial Taxes Department	166.85	166.85
Bank Guarantee to KSEB (against 100% Margin Money Deposit)	51.50	51.50
Security Deposit with Sales Tax	5.20	5.20

**NOTE 7 : LONG TERM LOANS & ADVANCES****Capital Advances****Unsecured , Considered Good**

-Rent, Electricity and other deposits	901,440	1,907,404
-Capital Advances	128,358,880	102,262,748
-Deposits with Statutory Authorities	13,878,849	16,924,737
<b>TOTAL</b>	<b>143,139,169</b>	<b>121,094,889</b>

Balances shown Under Capital Advances are subject to confirmation.

**NOTE 8 : OTHER NON CURRENT ASSETS**

(unsecured and considered good unless otherwise mentioned )

a) Long term trade receivables :		
Secured	4,100,000	4,100,000
Unsecured		
Doubtful		
b) Others :		
<b>TOTAL</b>	<b>4,100,000</b>	<b>4,100,000</b>

**NOTE 9 : INVENTORIES**

a) Finished Goods	465,554	614,987
b) Trading Goods	1,132,297,753	716,271,620
c) Work In Progress	8,682,620	3,657,000
d) Raw Materials	15,281,637	3,767,849
e) Stores & Spares	600,000	450,000
f) Consumables	550,000	475,000
<b>TOTAL</b>	<b>1,157,877,564</b>	<b>725,236,456</b>

**SOUTHERN ISPAT & ENERGY LIMITED**

**REGD OFF.:-19/629(1) SREYAS, WEST YAKKARA, PALAKKAD, KERALA - 678 001**

**NOTE "10" - FIXED ASSETS**

PARTICULARS	Gross Block as on 01/07/2011	Additions	Deduction	TOTAL AS ON 30/06/2012	DEPRECIATION				Net Block as on 30/06/2012	Net Block as on 30/06/2011
					Rate of Depreciation	Upto 30/06/2011	01/07/2011 TO 30/06/2012	Total		
Land & Site Development	2,256,740			2,256,740	-	-	-	-	2,256,740	2,256,740
Computers & Printers	687,748	81,810		769,558	40.00%	512,863	98,961	611,824	157,733	174,884
Drum Container	10,400			10,400	30.00%	9,848	165	10,013	387	552
Vehicles	2,533,191			2,533,191	25.89%	2,293,988	61,930	2,355,918	177,272	239,202
6MT FURNANCE	5,210,884			5,210,884	20.87%	4,092,351	233,438	4,325,789	885,095	1,118,533
Electrical Installations	4,436,947		200,000	4,236,947	20.87%	4,182,755	53,050	4,235,805	1,142	254,192
Plant & Machinery	74,405,384			74,405,384	20.87%	38,241,647	7,547,372	45,789,019	28,616,365	36,163,737
Pollution Control Equipments	73,987,414	528,440		74,515,854	20.87%	22,910,606	10,703,638	33,614,244	40,901,610	51,076,808
EPBAX	43,350			43,350	18.10%	38,583	863	39,446	3,904	4,767
Furniture & Fixtures	120,620	11,260		131,880	18.10%	105,981	4,119	110,100	21,780	14,639
Xerox Machine	50,000			50,000	18.10%	43,160	1,238	44,398	5,602	6,840
Miscellaneous Fixed Assets	62,569			62,569	18.10%	53,771	1,592	55,363	7,206	8,798
Office Equipment	711,165	2,450		713,615	18.10%	115,048	108,322	223,370	490,245	596,117
Air Conditioner	60,300	13,791		74,091	13.91%	27,488	5,032	32,520	41,571	32,812
Tools & Tackles	176,151			176,151	13.91%	148,324	3,871	152,195	23,956	27,827
Building	16,603,067			16,603,067	10.00%	12,117,949	448,512	12,566,461	4,036,606	4,485,118
<b>TOTAL</b>	<b>181,355,928</b>	<b>637,751</b>	<b>200,000</b>	<b>181,793,679</b>		<b>84,894,362</b>	<b>19,272,103</b>	<b>104,166,465</b>	<b>77,627,214</b>	<b>96,461,566</b>
Capital Work in Progress	6,700,000	967,900		7,667,900					7,667,900	6,700,000
<b>TOTAL</b>	<b>188,055,928</b>	<b>1,605,651</b>	<b>200,000</b>	<b>189,461,579</b>		<b>84,894,362</b>	<b>19,272,103</b>	<b>104,166,465</b>	<b>85,295,114</b>	<b>103,161,566</b>
<b>PREVIOUS YEARS</b>	<b>180,460,831</b>	<b>9,085,074</b>	<b>1,489,977</b>	<b>188,055,928</b>		<b>60,840,391</b>	<b>24,053,971</b>	<b>84,894,362</b>	<b>103,167,566</b>	<b>38,632,222</b>



**NOTE 11: NON CURRENT INVESTMENTS (AT COST)**

Sr. No.	Name of the Body Corporate	Subsidiary / Associate / JV/ Controlled Entity/Others	No. of Shares / Units		Quoted / Unquoted	Partly Paid Fully paid	Extent of Holding(%)		As at 30-Jun-12 (In INR)	As at 30-Jun-11 (In INR)
			As at 30-Jun-12	As at 30-Jun-11			2012	2011		
a)	Investment in Equity Instruments	Subsidiary Others			Unquoted Unquoted	Fully paid Fully paid			5,800,000	5,800,000
b)	Investments in Preference Shares									
c)	Investments in partnership firms									
d)	Investments in Debentures or Bonds									
	<b>Total</b>								<b>5,800,000</b>	<b>5,800,000</b>

Aggregate amount of quoted investments Nil  
 Market Value of quoted investments Nil  
 Aggregate amount of unquoted investments 5800000  
 Aggregate provision for diminution in value of investment Nil

**NOTE 12: TRADE RECEIVABLES**

	As at 30-Jun-12 (In INR)	As at 30-Jun-11 (In INR)
<b>Unsecured, Considered Good</b>		
a.) Outstanding for a period more than six months from the date they are due for payment	641,384,510	375,968,773
b.) Outstanding for a period less than six months from the date they are due for payment	949,053,076	1,444,740,096
<b>Secured, Considered Good</b>		
a.) Outstanding for a period more than six months from the date they are due for payment		
b.) Outstanding for a period less than six months from the date they are due for payment		
<b>TOTAL</b>	<b>1,590,437,586</b>	<b>1,820,708,869</b>
Balances shown Unsecured Trade Receivables are subject to confirmation.		



<b><u>NOTES TO CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE 2012</u></b>	<b>As at 30-Jun-12 (In INR)</b>	<b>As at 30-Jun-11 (In INR)</b>
<b><u>NOTE 13 : CASH AND BANK BALANCES</u></b>		
<b>Cash and Cash Equivalents</b>		
Cash on hand	273,832,836	1,471,254
Balance with banks		
In current accounts	272,977	(9,111,626)
Fixed Deposit (less than 3 month Maturity)	769,202,811	907,466,738
<b>TOTAL</b>	<b>1,043,308,624</b>	<b>899,826,366</b>
<b>Fixed Deposit Receipt under lien to exchange Fixed Deposit Receipt lien with banks against borrowings</b>	<b>3,200,000</b>	<b>5,150,284</b>
<b><u>NOTE 14 : SHORT TERM LOANS AND ADVANCES</u></b>		
Loans and advances to related parties	-	-
Unsecured Advances, Considered Good	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>
<b><u>NOTE 15 : OTHER CURRENT ASSETS</u></b>		
Interest Accrued on Fixed Deposit	514,001	2,296,051
Service Tax Recievable	214,776	152,576
Modvat Recievable	180,810	86,175
Insurance Claim Recievable		1,150,000
<b>TOTAL</b>	<b>909,587</b>	<b>3,684,802</b>




**NOTES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR PERIOD ENDED ON 30TH JUNE 2012**

	FOR THE YEAR ENDED 30-Jun-12 (In INR)	FOR THE YEAR ENDED 30-Jun-11 (In INR)
<b><u>NOTE 16 : REVENUE FOR OPERATION</u></b>		
Sales of Steel Products	10,011,535,321	7,860,593,735
Other Operating Revenue :		
Income from Conversion / Job work	103,800	922,110
Income from Commision / Services	-	194,413,881
<b>TOTAL</b>	<b>10,011,639,121</b>	<b>8,055,929,726</b>
<b><u>NOTE 17 : OTHER INCOME</u></b>		
Interest Income on Deposits	5,321,354	2,535,803
Other non operating Income	706,541	13,287
Foreign Exchange Gain / (Loss)	173,691,006	(7,994,655)
<b>TOTAL</b>	<b>179,718,901</b>	<b>(5,445,565)</b>
<b>GROSS REVENUE</b>	<b>10,191,358,022</b>	<b>8,050,484,161</b>
<b><u>NOTE 18 : COST OF MATERIAL CONSUMED</u></b>		
Raw Material	113,152,180	84,844,995
Stock In Trade	9,464,019,516	7,468,826,184
Consumables	232,430	147,800
Stores & Spares	350,000	200,000
<b>TOTAL</b>	<b>9,577,754,126</b>	<b>7,554,018,979</b>
<b><u>NOTE 19 : CHANGES IN INVENTORY OF FINISHED GOODS WORK IN PROGRESS AND STOCK IN TRADE</u></b>		
<b>Opening Stock</b>		
Finished Goods	4,271,987	11,159,592
Work in Progress	-	-
<b>Closing Stock</b>		
Finished Goods	9,148,174	4,271,987
Work in Progress	-	-
<b>Increase / (Decrease) in Stock</b>	<b>(4,876,187)</b>	<b>6,887,605</b>


**NOTES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR PERIOD ENDED ON 30TH JUNE 2012**

<b>NOTE 20 : EMPLOYEE BENEFITS</b>	<b>FOR THE YEAR ENDED 30-Jun-12 (In INR)</b>	<b>FOR THE YEAR ENDED 30-Jun-11 (In INR)</b>
Salary, Bonus and Allowances	5,043,755	3,980,100
Contribution to provident & other Funds	98,005	92,777
Staff Welfare Expenses	50,296	109,135
<b>TOTAL</b>	<b>5,192,056</b>	<b>4,182,012</b>
There was no employee at any time during the year drawing Rs.200000/- or more per month.		
<b>NOTE 21 : FINANCE COST</b>		
Interest Expenses	3,383,181	9,515,169
Other Borrowing Cost	632,982	989,513
<b>TOTAL</b>	<b>4,016,163</b>	<b>10,504,682</b>
<b>NOTE 22 : OTHER EXPENSES</b>		
Advertisement Expenses	902,649	6,418,639
Remuneration to Auditors	500,000	500,000
Secretarial Affairs	163,546	708,154
Insurance Expenses	136,918	57,646
Donations	-	5,000
Duties & Taxes	3,952,954	7,235,812
Power and Fuel	35,990,814	30,725,893
Carriage Inward	2,724,769	1,499,481
Repairs	523,037	182,887
Listing Fees	1,053,815	1,385,631
News Paper & Periodicals	9,444	-
Office Maintainance Expenses	5,389,907	3,065,209
Postage & Couriers	123,666	42,345
Printing & Stationery	63,776	31,039
Professional Tax	7,050	4,000
Regn. & Lisence Fees	182,637	94,025
Communication Expenses	579,051	248,119
Travelling Expenses	1,187,730	789,157
Preliminary Expenses Written Off	10,112,516	-
Misc. Expenses	115,504,017	9,056,330
<b>TOTAL</b>	<b>179,108,296</b>	<b>62,049,367</b>

**Note: 23**

**GENERAL NOTES TO  
CONSOLIDATED ACCOUNTS :-**

**1. Principles of Consolidation :**

The Consolidated Financial Statements relate to Southern Ispat & Energy Limited ("the Company") and its subsidiary companies ("the Group"). The Consolidated Financial Statements have been prepared on the following basis.

- a) The financial statements of the Company and its subsidiary companies have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and unrealized profits or losses on intra-group transactions as per Accounting Standard 21 - "Consolidated Financial Statements" notified by the Companies (Accounting Standards) Rules, 2006.
- b) In case of foreign subsidiaries being non-integral foreign operations, revenue items are consolidated at the average rate prevailing during the period. All assets and liabilities are converted at the rates prevailing at the end of the period. Any exchange difference arising on consolidation is recognized in "For-

eign Currency Translation Reserve".

- c) The excess of cost to the Company, of its investment in the subsidiaries over the Company's share of equity is recognized in the financial statements as Goodwill and tested for impairment annually.
- d) Minority interest in the net assets of the consolidated subsidiaries is identified and presented in consolidated balance sheet separately from current liabilities and the equity of the Company's share holders. Minority interest in the net assets of the in the consolidated subsidiaries consists of:
  - i) The amount of equity attributable to minorities at the date on which investment in a subsidiary is made; and
  - ii) The minorities share of movements in the equity since the date the parent subsidiary relationship came into existence.
- e) Minority interest share of net profit for the period of consolidated subsidiaries is identified and adjusted against profit after tax of the group.
- f) The list of Subsidiary companies which are included in the consolidation and the Company's holdings therein are as under.

<b>Subsidiary Name</b>	<b>Origin Country</b>	<b>Holding %</b>
<b>SIEL, FZE</b>	Free Zone Entity, UAE	100.00



The Financial Statement of Subsidiary used in the consolidation is drawn up to the same reporting date as that of the Company i.e. June 30, 2012. However accounts of the subsidiary is audited only up to 31st March 2012.

2. The Accounts for the Financial Year 2011-12 have been prepared for the period of 12 Months from 1st July, 2011 to 30th June, 2012. (Previous Year 1st July 2010 to 30th June 2011 for the period of 12 Months)

### 3. Segment Reporting :

a) Business Segment : The Company has considered business segment as

the primary segment to disclose. The company is engaged in the manufacturing of MS Ingots / trading of Steel Products, which the context of AS-17 is issued by the Institute of Chartered Accountants of India, is considered the only business segments.

b) Geographical Segment : The company sell its products within India & UAE, accordingly segment reporting based on operations in India & UAE separately are presented below

Particular	(Rs. In Millions)		
	India	UAE	Total
Sales / Income	3449.76	6741.59	10191.35
Segment Result	5.28	407.27	412.55
Fixed Assets	85.30	—	85.30
Investments / (Capital)	7.65	(1.85)	5.80
Current Assets	1786.15	2006.40	3792.55
Other Advances	147.18	—	147.18
Advances / (Loans) to Subsidiary	695.19	(695.19)	—
Current Liabilities	858.81	570.36	1429.17

### 4. Operating Lease :

Future obligations towards lease rentals	Current Year	Previous Year
Within one year	Rs. 9.20 Lakhs	Rs. 46.20 Lakhs
Later than one year but less than Five years	Rs. 50.00 Lakhs	Rs. 2.40 Lakhs
Later than Five years	NIL	NIL
Total	Rs. 59.20 Lakhs	Rs. 48.60 Lakhs



### 5. Earning per share :

Earning for Shareholders for the period	Rs. 4125.17 Lakhs	Rs. 3653.59 Lakhs
No. of Equity Share (Weighted)	13,21,49,080	4,48,27,502
Potential No. of Equity Share Outstanding	NIL	NIL
Earning per share ( Basic)	Rs. 3.12	Rs. 8.15
Earning per share ( Dilutive)	Rs. 3.12	Rs. 8.15

### 6. 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. The cumulative net deferred tax liability of Rs. 113.05 Lakhs as on 30th June 2012 has been recognized. Consequently the excess Deferred Tax Liability of Rs 22.85 Lakhs has been recognized & credited to Profit & Loss account.

Particulars	Rs. in Lakhs	
	As at 30.06.2012	As at 30.06.2011
<b><u>Deferred Tax Liabilities</u> :</b>		
Difference in Accumulated Book Depreciation & Accumulated Depreciation under Income Tax Act.	457.40	521.09
<b><u>Deferred Tax Assets</u> :</b>		
Unabsorbed Depreciation & disallowance Allowable expenses on payment basis	192.01	188.49
<b>Net Timing Difference</b>	265.38	332.60
Total Deferred Tax Liability to be recognised	90.20	113.05
Deferred Tax Liability previously recognized	113.05	179.07
Net Deferred Tax Liability provided / (Reversed) during the period	(22.85)	(66.02)

### 7. Details of Audit fees are as follows :

Company Audit Fees	3,50,000.00	3,50,000.00
Tax audit Fees	1,00,000.00	1,00,000.00
Consultation & Other Services	50,000.00	50,000.00
Reimbursement of Expenses	NIL	NIL



### 8. 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

1) Subsidiaries - SIEL, FZE

ii) Key management personal

1) Shri Vivek Agarwal, Chairman & Managing Director

- 2) Shri Manish Kumar Mishra, Director  
 3) Shri Umesh Kumar Sahu, Director  
 4) Shri E Sankaranarayana, Ex - Director  
 iii) Relative of key management personnel where transaction have been taken place during the year.  
 1) Kerala Sponge Iron Ltd.  
 2) Sree Enterprises  
 3) K K Agarwalla  
 iii) Transaction with related parties referred to above in ordinary course of business.

Nature of Transactions	Rs in Lakhs		
	Referred in 20(a)(i) above	Referred in 20(a)(ii) above	Referred in 20(a)(iii) above
Remuneration Paid / Salary	NIL	9.34	3.68
Rent	NIL	NIL	1.20
Purchase	NIL	NIL	3.21
Loan or Deposit taken	NIL	NIL	6.56
Loan or Advance Given / Repaid	3153.35	NIL	2.00
Investment	NIL	NIL	NIL
Receivable to Company	6951.48	NIL	NIL
Payable by Company	NIL	1.08	13.62

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

1. Remuneration paid to Directors - Rs. 9.34 Lakhs (Rs. 10.15 Lakhs)  
 2. Payment to Auditors - Rs. 5.00 Lakhs (Rs. 5.00 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)	4735.580 (4651.070)



#### 4. Finished Goods details :

Item	M S Ingots	
	Qty (MT)	Value (Rs. in lacs)
Op. Stock	20.455 (0.000)	0.00 (7.33)
Sales (consumption)	4741.010 (4630.615)	1549.33 (1247.06)
Closing Stock	15.025 (20.445)	4.50 (5.71)

*As per our attached report of even date*

*For Sunil Johri & Associates  
Chartered Accountants  
Firm Regn. No. 005960C*

*Sd/-  
Sunil Johri  
Partner  
Membership No 074654  
Dated : 30/09/2012  
Place : Palakkad, Kerala*

**For and on behalf of the Board of Directors**

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

**Sd/-  
Manish Mishra  
Director**



## AUDITORS' REPORT

### To the Members of Southern Ispat & Energy Limited

- 1) We have audited the attached balance sheet of M/s Southern Ispat & Energy Limited, as at 30th June 2012 and also the Profit & Loss A/c and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting 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) 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.
- 4) Further to our comments in the annexure referred to above, we report that :
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) 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.
  - c) The Balance sheet and profit & loss account and cash flow statement dealt with this report are in agreement with the books of account.
  - d) 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.
  - e) On the basis of written representation received from the Directors, as on 30th June 2012, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 30th June 2012 from being appointed as Directors in terms of Clause (g) of sub-section (1) of section 274 of the companies Act, 1956.
  - f) In our opinion and to the best of our information and according to the explanations given to us, 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.
    - I) In the case of balance sheet, of the state of affairs of the company as at 30th June 2012.
    - II) In the case of profit & loss account, of the Profit for the period ended on that date; and
    - III) 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 005960C**

Sd/-

**(SUNIL JOHRI)**

**PARTNER**

M. No. 074654

DATE: 30/09/2012

PLACE: PALAKKAD, KERALA





**Annexure referred to in paragraph (3) of our report of even date on the accounts of Southern Ispat & Energy Limited for the year ended on 30-06-2012**

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 and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
2. a) As explained to us, the inventory of the company has been physically verified during the financial year by the management. 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.
  - 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
3. a) In our opinion and according to the information and explanations given to us, the Company has granted unsecured loans to one Company covered in the register maintained under section 301 of the Company Act, 1956. The Maximum amount involved during the year was Rs 6.93 Lacs and the yearend balance is NIL.
  - b) In our opinion and according to the information and explanation given to us, the rate of Interest and other terms and condition for such loan are prima facie, prejudicial to the interest of the company.
  - c) The Party has repaid the principal amount to the company.
  - d) There is no overdue amount of loans granted to companies covered in the register maintained under section 301 of the Company Act, 1956.
  - e) According to the information and explanations given to us, during the period covered by audit report the Company has not taken any unsecured loans to / from the Company covered in the register maintained under section 301 of the Company Act, 1956. Accordingly, the provisions of clause 4(iii) (e) to (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
4. In our opinion and according to the



information and explanations given to us, there exists an adequate internal control system 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 and services. During the course of our audit, we have not observed any continuing failure to correct weakness in internal control system of the company.

5. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the 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 2012 for a period of more than six months from the date they became payable except Fringe Benefit Tax Rs 0.24 Lacs, TDS Rs 13.76 Lacs, Listing Fees Rs 5.58 Lacs & MCA Filing Fee Rs 71.03 Lacs.

b) As at 30<sup>th</sup> June 2012, 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
		30.74	2005-06	
		120.45	2006-07	



10. The Company does not have accumulated losses as at the end of the financial year. There are no cash losses during the financial year under report and 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 Company does not fall within the category of Chit fund / Nidhi / Mutual Benefit fund / Society and hence the related reporting requirements of the Order are not applicable.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments and hence the related reporting requirements of the Order are not applicable.
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 the Company has used no funds raised on short-term basis for long-term investment.
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. According to the information and explanations given to us, during the period covered by audit report the company has not raised any money by public issue. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
21. During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company, noticed and reported during the year, nor have we been informed of such case by the management.

*For SUNIL JOHRI & ASSOCIATES  
CHARTERED ACCOUNTANTS  
FRN 005960 C*

*Sd/-  
(SUNIL JOHRI)  
PARTNER*

*Date: 30/09/ 2012  
Place: Palakkad, Kerala*



## STANDALONE BALANCE SHEET AS AT 30TH JUNE 2012

	NOTE NO.	As at 30-Jun-12 (In INR)	As at 30-Jun-11 (In INR)
<b>I. LIABILITIES :</b>			
<b>(1) Shareholder's Funds :</b>			
(a) Share Capital	1	1,321,490,800	1,321,490,800
(b) Reserves and Surplus	2	572,597,482	411,859,876
(c) Money received against share warrants		-	-
		<b>1,894,088,282</b>	<b>1,773,350,676</b>
<b>(2) Share application money pending allotment :</b>			
		-	<b>69,000,000</b>
<b>(2) Non-Current Liabilities :</b>			
(a) Long-term borrowings		-	-
(b) Deferred tax liabilities (Net)	3	9,020,380	11,305,127
(c) Other long term liabilities		-	-
(d) Long term provisions		-	-
		<b>9,020,380</b>	<b>11,305,127</b>
<b>(3) Current Liabilities :</b>			
(a) Short-term borrowings	4	30,000,000	29,073,877
(b) Trade payables	5	812,153,231	1,045,594,561
(c) Other current liabilities	6	16,654,337	73,844,944
(d) Short-term provisions			
		<b>858,807,568</b>	<b>1,148,513,382</b>
<b>TOTAL</b>		<b>2,761,916,230</b>	<b>2,962,169,185</b>
<b>II. ASSETS :</b>			
<b>(1) Non-current assets</b>			
(a) Fixed assets	10		
(i) Tangible assets		77,627,214	96,461,566
(ii) Intangible assets			
(iii) Capital work-in-progress		7,667,900	6,700,000
(iv) Misc.Expenditure to the extent not Written off		40,450,065	50,562,581
(b) Non-current investments	11	7,651,060	7,651,060
(c) Long term loans and advances	7	143,077,240	121,043,059
(d) Other non-current assets	8	4,100,000	4,100,000
		<b>280,573,479</b>	<b>286,518,266</b>
<b>(2) Current assets</b>			
(a) Inventories	9	25,579,811	8,964,836
(b) Trade receivables	12	987,239,103	1,434,698,291
(c) Cash and cash equivalents	13	772,466,123	899,587,297
(d) Short-term loans and advances	14	695,148,127	328,715,694
(e) Other current assets	15	909,587	3,684,802
		<b>2,481,342,751</b>	<b>2,675,650,920</b>
<b>TOTAL</b>		<b>2,761,916,230</b>	<b>2,962,169,186</b>

*Notes to Standalone Accounts referred above form an integral part of the financial statements*

*As per our attached report of even date*

**For Sunil Johri & Associates**  
Chartered Accountants  
Firm Regn. No. 005960C

*For and on behalf of the Board of Directors*

Sd/-  
**Sunil Johri**  
Partner  
Membership No 074654  
Dated : 30/09/2012  
Place : Palakkad, Kerala

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

Sd/-  
**Manish Mishra**  
Director


**STATEMENT OF STANDALONE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2012**

	NOTE NO.	FOR THE YEAR ENDED 30-Jun-12 (In INR)	FOR THE YEAR ENDED 30-Jun-11 (In INR)
<b>Revenue</b>			
Revenue from Operations	16	3,270,052,330	4,523,910,353
Other Income	17	179,714,083	(5,458,852)
<b>TOTAL (A)</b>		<b>3,449,766,413</b>	<b>4,518,451,501</b>
Cost of Material Consumed	18	3,250,248,513	4,279,869,972
Changes in Inventory of FG, WIP & Stock In trade	19	(4,876,187)	6,887,605
Employee Benefits	20	2,720,116	2,532,748
Finance Cost	21	3,863,392	10,430,767
Depreciation and amortization expenses	10	19,272,103	24,053,971
Other Expenses	22	174,873,607	58,744,527
<b>TOTAL (B)</b>		<b>3,446,101,543</b>	<b>4,382,519,590</b>
<b>Profit before Taxation and Exceptional Item (C) = (A) - (B)</b>		<b>3,664,870</b>	<b>135,931,911</b>
Exceptional Items Expenses (D)		-	339,977
Prior Year Income/(Expenses) (H)		-	-
<b>Profit before Taxation (E) = (C) + (D)</b>		<b>3,664,870</b>	<b>135,591,934</b>
<b>Less: Provision for Taxation</b>			
Current tax		659,677	29,690,507
Deferred tax		(2,284,747)	(6,602,326)
<b>Profit after Tax (PAT)</b>		<b>5,289,940</b>	<b>112,503,753</b>
<b>Earning Per Share</b>			
Basic (Rs.)		<b>0.04</b>	<b>2.51</b>
Diluted (Rs.)		<b>0.04</b>	<b>2.51</b>

*Notes to Standalone Accounts referred above form an integral part of the financial statements*

*As per our attached report of even date*

*For Sunil Johri & Associates  
Chartered Accountants  
Firm Regn. No. 005960C*

*For and on behalf of the Board of Directors*

*Sd/-  
Sunil Johri  
Partner  
Membership No 074654  
Dated : 30/09/2012  
Place : Palakkad, Kerala*

*Sd/-  
Vivek Agarwal  
Chairman & Managing  
Director*

*Sd/-  
Manish Mishra  
Director*



## Significant Accounting Policies forming part of the Standalone Accounts for the Financial Year 2011-12

### A. BASIS OF ACCOUNTING :

The financial statements have been 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. The financial statements are presented in Indian rupees.

### B. USE OF ESTIMATES :

The preparation of financial statements are in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods. Examples of such estimates include provisions for doubtful debts, provision for income taxes and the useful lives of fixed assets.

### C. 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 capitalized upto the date the assets are ready for use.

### D. 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.

### E. 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.

### F. INVENTORIES :

Finished and semi-finished products produced and purchased by the Company are carried at lower of cost and net realisable value.

Work-in-progress is carried at lower of cost and net realisable value.

The cost of inventories of Raw Material purchased by the Company is carried at lower of cost and net realisable value.

Stores and spare parts are carried at cost. Necessary provision is made and charged to revenue in case of identified obsolete and non-moving items.

Cost of inventories is generally ascertained on the 'weighted average' basis. Work-in-progress and finished and semi-finished products are valued on full absorption cost basis.

### G. 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 incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Where there is an unabsorbed depreciation or carry forward loss, 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.

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

### H. 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.

### I. RESEARCH AND 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.



**J. 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.

**K. BORROWING COST :**

Borrowing costs that are attributable to the acquisition 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.

**L. 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.

**M. EMPLOYEE BENEFITS :**

Short-term employee benefits (benefits which are payable within twelve months after the end of the period in which the employees render service) are measured at cost and are recognised as an expense at the undiscounted amount in the profit and loss account in the profit and loss account of the year in which the related service is rendered.

Contributions to Provident Fund, a defined contribution plan, are made in accordance with the statute and are recognized as an expense when employees have rendered service entitling them to the contributions.

Other long-term employee benefits (benefits which are payable after the end of twelve months from the end of the year in which the employees render service) are measured on a discounted basis by the Projected Unit Credit Method on the basis of actuarial valuation.

Actuarial gains and losses are recognized immediately in the Profit and Loss Account

**N. 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.

**O. 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 capitalized.

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.

**P. FOREIGN CURRENCY TRANSACTIONS :**

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

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

**Q. EARNINGS PER SHARE :**

The Company reports Basic and Diluted Earnings Per Share (EPS/DEPS) in accordance with Accounting Standard 20 on "Earnings Per Share". Basic EPS is computed by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted EPS is computed by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

**R. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS :**

The Company recognizes provisions when there is present obligation as a result of past event and it is probable that there will be an outflow of resources and reliable estimate can be made of the amount of the obligation. A disclosure for Contingent liabilities is made in the notes on accounts when there is a possible obligation or present obligations that may, but probably will not, require an outflow of resources. Contingent assets are neither recognised nor disclosed in the financial statements.



## NOTES TO STANDALONE BALANCE SHEET AS AT 30TH JUNE 2012

<b>NOTE 1 : SHARE CAPITAL</b>	<b>As at 30-Jun-12 (In Nos.)</b>	<b>As at 30-Jun-12 (In INR)</b>	<b>As at 30-Jun-11 (In Nos.)</b>	<b>As at 30-Jun-11 (In INR)</b>
<b>AUTHORISED</b> Equity Shares of Rs. 10/- each.	160,000,000	1,600,000,000	160,000,000	1,600,000,000
<b>TOTAL</b>	<b>160,000,000</b>	<b>1,600,000,000</b>	<b>160,000,000</b>	<b>1,600,000,000</b>
<b>ISSUED</b> Equity Shares of Rs. 10/- each.	132,149,080	1,321,490,800	132,149,080	1,321,490,800
<b>SUBSCRIBED &amp; PAID UP</b> Equity Shares of Rs. 10/- each fully paid	132,149,080	1,321,490,800	132,149,080	1,321,490,800
<b>TOTAL</b>	<b>132,149,080</b>	<b>1,321,490,800</b>	<b>132,149,080</b>	<b>1,321,490,800</b>

The Company has issued one class of shares referred to as equity shares having a par value of Rs. 10/- Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of Company, the holder of equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts. However no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

Company is yet to file various e-forms as required under Companies Act, 1956

### Reconciliation of the number of shares outstanding

	<b>As at 30-Jun-12 (In Nos.)</b>	<b>As at 30-Jun-12 (In INR)</b>	<b>As at 30-Jun-11 (In Nos.)</b>	<b>As at 30-Jun-11 (In INR)</b>
Number of shares at the beginning	132,149,080	1,321,490,800	132,149,080	1,321,490,800
Add: Shares issued on exercise of employee stock options				
Number of shares at the end of the year	132,149,080	1,321,490,800	132,149,080	1,321,490,800

<b>Details of Shareholder holding more than 5 % shares</b>	<b>No. of Shares held</b>	<b>% of Holding</b>	<b>No. of Shares held</b>	<b>% of Holding</b>
<b>No. of Shareholder</b>				
NIL				

### NOTE 2 : RESERVE AND SURPLUS

	<b>As at 30-Jun-12 (In INR)</b>	<b>As at 30-Jun-11 (In INR)</b>
<b>Capital Reserve</b>		
Opening balance	32,351,400	6,201,400
Add:- Current Year	69,000,000	26,150,000
<b>Closing Balance</b>	<b>101,351,400</b>	<b>32,351,400</b>

During the Year, Company has forfeited the share warrant money received against One Crore Shares of Rs.10 each with a Premium of Rs.22 due to the non receipt of 75% remaining amount. The amount forfeited has been transferred to Capital Reserve.

#### General Reserve

Opening balance	192,163,949	15,375,674
Security Premium	-	155,972,217
Foreign Currency Translation Reserve	86,447,666	-
Add:- Current Year	19,263,447	20,816,058
<b>Closing Balance</b>	<b>297,875,062</b>	<b>192,163,949</b>





<b>NOTES TO STANDALONE BALANCE SHEET AS AT 30TH JUNE 2012</b>	<b>As at 30-Jun-12 (In INR)</b>	<b>As at 30-Jun-11 (In INR)</b>
<b>Surplus</b>		
Opening balance	187,344,526	95,656,832
Add:- Current Year	5,289,940	112,503,753
Less:- Transfer to General Reserve	19,263,447	20,816,058
<b>Closing Balance</b>	<b>173,371,019</b>	<b>187,344,526</b>
<b>TOTAL</b>	<b>572,597,482</b>	<b>411,859,876</b>
<b><u>NOTE 3 : DEFERRED TAXES AND LIABILITIES</u></b>		
<b>Deferred Tax Liability</b>		
Difference in Net Block of Fixed Assets	15,547,096	17,711,908
<b>Deferred Tax Asset</b>		
Disallowance under Section 43 B of the Income tax Act, 1961	2,413,970	2,482,977
Disallowance under Section 40 (a) (ia) of the Income tax Act, 1961	4,112,746	3,923,804
<b>Deferred Tax (Assets)/ Liability</b>	<b>9,020,380</b>	<b>11,305,127</b>
<b><u>NOTE 4 : SHORT TERM BORROWINGS</u></b>		
<b>Secured</b>		
- from banks		
Cash Credit Limit From SBI (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. Interest rate on such Secured Demand Loan from Banks is linked with the base rate of respective banks. Overdue amount as on Balance Sheet date is Rs.22.90 Lacs which has been shown under other Current Liability.)	30,000,000	29,073,877
<b>TOTAL</b>	<b>30,000,000</b>	<b>29,073,877</b>
<b><u>NOTE 5 : TRADE PAYABLES</u></b>		
Creditors for Services	15,234,765	39,578,425
Creditors for Capital Goods	1,111,148	1,318,628
Creditor For Raw Materials (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.)	795,807,318	1,004,697,508
<b>TOTAL</b>	<b>812,153,231</b>	<b>1,045,594,561</b>
<b><u>NOTE 6 : OTHER CURRENT LIABILITIES</u></b>		
Accrued salaries & benefits	90,170	68,307
For other Liabilities		
-Taxes payable	14,138,693	72,540,585
-Provision for expenses	97,437	1,221,357
-Book overdraft from Banks	2,290,901	
-Other Payables	37,136	14,695
(All Liabilities payable within 12 months are grouped under current liabilities.)		
<b>TOTAL</b>	<b>16,654,337</b>	<b>73,844,944</b>


**NOTES TO STANDALONE BALANCE SHEET AS AT 30TH JUNE 2012**

:	As at 30-Jun-12 (In INR)	As at 30-Jun-11 (In INR)
<b>Contingent Liabilities not provided for (In Lacs.)</b>		
Claims against the company not acknowledged as debts	166.85	166.85
Tax demands under Appeal by the Commercial Taxes Department	51.50	51.50
Bank Guarantee to KSEB (against 100% Margin Money Deposit)	5.20	5.20
Security Deposit with Sales Tax	5.20	5.20

**NOTE 7 : LONG TERM LOANS & ADVANCES**
**Capital Advances**
**Unsecured , Considered Good**

- Rent, Electricity and other deposits
- Capital Advances
- Deposits with Statutory Authorities

	901,440	1,907,404
	128,358,880	102,262,748
	13,816,920	16,872,907
<b>TOTAL</b>	<b>143,077,240</b>	<b>121,043,059</b>

Balances shown Under Capital Advances are subject to confirmation.

**NOTE 8 : OTHER NON CURRENT ASSETS**

(unsecured and considered good unless otherwise mentioned )

**a) Long term trade receivables :**

- Secured
- Unsecured
- Doubtful

**b) Others :**

	4,100,000	4,100,000
	-	-
	-	-
	-	-
<b>TOTAL</b>	<b>4,100,000</b>	<b>4,100,000</b>

**NOTE 9 : INVENTORIES**

Finished Goods	465,554	614,987
Work In Progress	8,682,620	3,657,000
Raw Materials	15,281,637	3,767,849
Stores & Spares	600,000	450,000
Consumables	550,000	475,000
<b>TOTAL</b>	<b>25,579,811</b>	<b>8,964,836</b>

**SOUTHERN ISPAT & ENERGY LIMITED**

**REGD OFF.:-19/629(1) SREYAS, WEST YAKKARA, PALAKKAD, KERALA - 678 001**

**Note "10" - FIXED ASSETS**

PARTICULARS	Gross Block as on 01/07/2011	Additions	Deduction	TOTAL AS ON 30/06/2012	DEPRECIATION				Net Block as on 30/06/2012	Net Block as on 30/06/2011
					Rate of Depreciation	Upto 30/06/2011	01/07/2011 TO 30/06/2012	Total		
Land & Site Development	2,256,740			2,256,740	-	-	-	-	2,256,740	2,256,740
Computers & Printers	687,748	81,810		769,558	40.00%	512,863	98,961	611,824	157,733	174,884
Drum Container	10,400			10,400	30.00%	9,848	165	10,013	387	552
Vehicles	2,533,191			2,533,191	25.89%	2,293,988	61,930	2,355,918	177,272	239,202
6MT FURNANCE	5,210,884			5,210,884	20.87%	4,092,351	233,438	4,325,789	885,095	1,118,533
Electrical Installations	4,436,947		200,000	4,236,947	20.87%	4,182,755	53,050	4,235,805	1,142	254,192
Plant & Machinery	74,405,384			74,405,384	20.87%	38,241,647	7,547,372	45,789,019	28,616,365	36,163,737
Pollution Control Equipments	73,987,414	528,440		74,515,854	20.87%	22,910,606	10,703,638	33,614,244	40,901,610	51,076,808
EPBAX	43,350			43,350	18.10%	38,583	863	39,446	3,904	4,767
Furniture & Fixtures	120,620	11,260		131,880	18.10%	105,981	4,119	110,100	21,780	14,639
Xerox Machine	50,000			50,000	18.10%	43,160	1,238	44,398	5,602	6,840
Miscellaneous Fixed Assets	62,569			62,569	18.10%	53,771	1,592	55,363	7,206	8,798
Office Equipment	711,165	2,450		713,615	18.10%	115,048	108,322	223,370	490,245	596,117
Air Conditioner	60,300	13,791		74,091	13.91%	27,488	5,032	32,520	41,571	32,812
Tools & Tackles	176,151			176,151	13.91%	148,324	3,871	152,195	23,956	27,827
Building	16,603,067			16,603,067	10.00%	12,117,949	448,512	12,566,461	4,036,606	4,485,118
<b>TOTAL</b>	<b>181,355,928</b>	<b>637,751</b>	<b>200,000</b>	<b>181,793,679</b>		<b>84,894,362</b>	<b>19,272,103</b>	<b>104,166,465</b>	<b>77,627,214</b>	<b>96,461,566</b>
Capital Work in Progress	6,700,000	967,900		7,667,900					7,667,900	6,700,000
<b>TOTAL</b>	<b>188,055,928</b>	<b>1,605,651</b>	<b>200,000</b>	<b>189,461,579</b>		<b>84,894,362</b>	<b>19,272,103</b>	<b>104,166,465</b>	<b>85,295,114</b>	<b>103,161,566</b>
<b>PREVIOUS YEARS</b>	<b>180,460,831</b>	<b>9,085,074</b>	<b>1,489,977</b>	<b>188,055,928</b>		<b>60,840,391</b>	<b>24,053,971</b>	<b>84,894,362</b>	<b>103,167,566</b>	<b>38,632,222</b>



**NOTE 11: NON CURRENT INVESTMENTS (AT COST)**

Sr. No.	Name of the Body Corporate	Subsidiary / Associate / JV/ Controlled Entity/Others	No. of Shares / Units		Quoted / Unquoted	Partly Paid Fully paid	Extent of Holding(%)		As at 30-Jun-12 (In INR)	As at 30-Jun-11 (In INR)
			As at 30-Jun-12	As at 30-Jun-11			2012	2011		
a)	Investment in Equity Instruments	Subsidiary Others			Unquoted Unquoted	Fully paid Fully paid	100% 100%	1,851,060 5,800,000	1,851,060 5,800,000	
b)	Investments in Preference Shares									
c)	Investments in partnership firms									
e)	Investments in Debentures or Bonds									
	<b>Total</b>							<b>7,651,060</b>	<b>7,651,060</b>	

Aggregate amount of quoted investments	Nil
Market Value of quoted investments	Nil
Aggregate amount of unquoted investments	7651060
Aggregate provision for diminution in value of investment	Nil


**NOTES TO STANDALONE BALANCE SHEET AS AT 30TH JUNE 2012**

<b><u>NOTE 12 : TRADE RECEIVABLES</u></b>	<b>As at 30-Jun-12 (In INR)</b>	<b>As at 30-Jun-11 (In INR)</b>
<b><u>Unsecured, Considered Good</u></b>		
a.) Outstanding for a period more than six months from the date they are due for payment	641,384,510	375,968,773
b.) Outstanding for a period less than six months from the date they are due for payment	345,854,593	1,058,729,518
<b><u>Secured, Considered Good</u></b>		
a.) Outstanding for a period more than six months from the date they are due for payment		
b.) Outstanding for a period less than six months from the date they are due for payment		
<b>TOTAL</b>	<b>987,239,103</b>	<b>1,434,698,291</b>
Balances shown Unsecured Trade Receivables are subject to confirmation.		
 <b><u>NOTE 13 : CASH AND BANK BALANCES</u></b>		
<b>Cash and Cash Equivalents</b>		
Cash on hand	2,990,335	1,471,254
Balance with banks		
In current accounts	272,977	(9,350,695)
Fixed Deposit (less than 3 month Maturity)	769,202,811	907,466,738
<b>TOTAL</b>	<b>772,466,123</b>	<b>899,587,297</b>
<b>Fixed Deposit Receipt under lien to exchange Fixed Deposit Receipt lien with banks against borrowings</b>	<b>3,200,000</b>	<b>5,150,284</b>
 <b><u>NOTE 14 : SHORT TERM LOANS AND ADVANCES</u></b>		
Loans and advances to related parties		
Unsecured, Considered Good		
<b>Advances</b>		
-Subsidiaries	695,148,127	328,715,694
<b>TOTAL</b>	<b>695,148,127</b>	<b>328,715,694</b>
 <b><u>NOTE 15 : OTHER CURRENT ASSETS</u></b>		
Interest Accrued on Fixed Deposit	514,001	2,296,051
Service Tax Receivable	214,776	152,576
Modvat Receivable	180,810	86,175
Insurance Claim Receivable	-	1,150,000
<b>TOTAL</b>	<b>909,587</b>	<b>3,684,802</b>



**NOTES TO STANDALONE PROFIT AND LOSS ACCOUNT FOR PERIOD ENDED ON 30TH JUNE 2012**

	<b>FOR THE YEAR ENDED 30-Jun-12 (In INR)</b>	<b>FOR THE YEAR ENDED 30-Jun-11 (In INR)</b>
<b><u>NOTE 16 : REVENUE FOR OPERATION</u></b>		
Sales of Steel Products	3,269,948,530	4,328,574,362
Other Operating Revenue :		
Income from Conversion / Job work	103,800	922,110
Income from Commision / Services	-	194,413,881
<b>TOTAL</b>	<b>3,270,052,330</b>	<b>4,523,910,353</b>
<b><u>NOTE 17 : OTHER INCOME</u></b>		
Interest Income on Deposits	5,321,354	2,535,803
Other non operating Income	701,723	-
Foreign Exchange Gain / (Loss)	173,691,006	(7,994,655)
<b>TOTAL</b>	<b>179,714,083</b>	<b>(5,458,852)</b>
<b>GROSS REVENUE</b>	<b>3,449,766,413</b>	<b>4,518,451,501</b>
<b><u>NOTE 18 : COST OF MATERIAL CONSUMED</u></b>		
Raw Material	113,152,180	84,844,995
Stock In Trade	3,136,513,903	4,194,677,177
Consumables	232,430	147,800
Stores & Spares	350,000	200,000
<b>TOTAL</b>	<b>3,250,248,513</b>	<b>4,279,869,972</b>
<b><u>NOTE 19 : CHANGES IN INVENTORY OF FINISHED GOODS WORK IN PROGRESS AND STOCK IN TRADE</u></b>		
<b>Opening Stock</b>		
Finished Goods	4,271,987	11,159,592
Work in Progress	-	-
<b>Closing Stock</b>		
Finished Goods	9,148,174	4,271,987
Work in Progress	-	-
<b>Increase / (Decrease) in Stock</b>	<b>(4,876,187)</b>	<b>6,887,605</b>



<b><u>NOTE 20 : EMPLOYEE BENEFITS</u></b>	<b>FOR THE YEAR ENDED 30-Jun-12 (In INR)</b>	<b>FOR THE YEAR ENDED 30-Jun-11 (In INR)</b>
Salary, Bonus and Allowances	2,571,815	2,330,836
Contribution to provident & other Funds	98,005	92,777
Staff Welfare Expenses	50,296	109,135
<b>TOTAL</b>	<b>2,720,116</b>	<b>2,532,748</b>
There was no employee at any time during the year drawing Rs.200000/- or more per month.		
<b><u>NOTE 21 : FINANCE COST</u></b>		
Interest Expenses	3,383,181	9,515,169
Other Borrowing Cost	480,211	915,598
<b>TOTAL</b>	<b>3,863,392</b>	<b>10,430,767</b>
<b><u>NOTE 22 : OTHER EXPENSES</u></b>		
Advertisement Expenses	902,649	6,418,639
Remuneration to Auditors	500,000	500,000
Secretarial Affairs	163,546	708,154
Insurance Expenses	136,918	57,646
Donations	-	5,000
Duties & Taxes	382,576	4,678,632
Power and Fuel	35,830,271	30,494,676
Carriage Inward	2,724,769	1,499,481
Repairs	523,037	182,887
Listing Fees	1,053,815	1,385,631
News Paper & Periodicals	9,444	-
Office Maintainance Expenses	5,177,821	2,919,015
Postage & Couriers	123,666	42,345
Printing & Stationery	63,776	31,039
Professional Tax	7,050	4,000
Regn. & Lisence Fees	182,637	94,025
Communication Expenses	393,147	159,870
Travelling Expenses	1,081,952	507,157
Preliminary Expenses Written Off	10,112,516	-
Misc. Expenses	115,504,017	9,056,330
<b>TOTAL</b>	<b>174,873,607</b>	<b>58,744,527</b>

**Note: 23****GENERAL NOTES TO ACCOUNTS :**

1. The Accounts for the Financial Year 2011-12 have been prepared for the period of 12 Months from 1st July, 2011 to 30th June, 2012. (Previous Year 1st July 2010 to 30th June 2011 for the period of 12 Months)
2. Previous year's figures have been re-grouped wherever necessary to confirm to this year's classifications.
3. **Segment Reporting :**
  - a) Business Segment : The Company has considered business segment as

the primary segment to disclose. The company is engaged in the manufacturing of MS Ingots / trading of Steel Products, which the context of AS-17 is issued by the Institute of Chartered Accountants of India, is considered the only business segments.

- 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.

**4. Operating Lease :**

Future obligations towards lease rentals	Current Year	Previous Year
Within one year	Rs. 7.20 Lakhs	Rs. 46.20 Lakhs
Later than one year but less than Five years	Rs. 40.00 Lakhs	Rs. 2.40 Lakhs
Later than Five years	NIL	NIL
Total	Rs. 47.20 Lakhs	Rs. 48.60 Lakhs

**5. Earnings per share :**

Earning for Shareholders for the period	Rs. 52.89 Lakhs	Rs. 1125.04 Lakhs
No. of Equity Share (Weighted)	132149080	44827502
Potential No. of Equity Share Outstanding	NIL	NIL
Earnings per share ( Basic)	Rs 0.04	Rs. 2.51
Earnings per share ( Dilutive)	Rs 0.04	Rs. 2.51

**6. 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. The cumulative net

deferred tax liability of Rs. 113.05 Lakhs as on 30th June 2012 has been recognized. Consequently the excess Deferred Tax Liability of Rs. 22.85 Lakhs has been recognized & credited to Profit & Loss account.





Rs in Lakhs

Particulars	As at 30.06.2012	As at 30.06.2011
<b>Deferred Tax Liabilities :</b>		
Difference in Accumulated Book Depreciation & Accumulated Depreciation under Income Tax Act.	457.40	521.09
<b>Deferred Tax Assets :</b>		
Unabsorbed Depreciation & disallowance Allowable expenses on payment basis	192.01	188.49
<b>Net Timing Difference</b>	265.38	332.60
Total Deferred Tax Liability to be recognised	90.20	113.05
Deferred Tax Liability previously recognized	113.05	179.07
Net Deferred Tax Liability provided / (Reversed) during the period	(22.85)	(66.02)

**7. Details of Audit fees are as follows :**

Company Audit Fees	3,50,000.00	3,50,000.00
Tax audit Fees	1,00,000.00	1,00,000.00
Consultation & Other Services	50,000.00	50,000.00
Reimbursement of Expenses	NIL	NIL

**8. 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 - SIEL, FZE
- ii) Key management personal
  - 1) Shri Vivek Agarwal, Chairman & Managing Director
  - 2) Shri Manish Kr. Mishra, Director

3) Shri Umesh Kumar Sahu, Director

4) Shri E Sankaranarayana, Ex-Director

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

1) Kerala Sponge Iron Ltd.

2) Sree Enterprises

3) K. K. Agarwalla

iii) Transaction with related parties referred to above in ordinary course of business.



(Rs. in Lakhs)

Nature of Transactions	Referred in 20(a)(i) above	Referred in 20(a)(ii) above	Referred in 20(a)(iii) above
Remuneration Paid / Salary	NIL	9.34	3.68
Rent	NIL	NIL	1.20
Purchase	NIL	NIL	3.21
Loan or Deposit taken	NIL	NIL	6.56
Loan or Advance Given / Repaid	3153.35	NIL	2.00
Investment	NIL	NIL	NIL
Receivable to Company	6951.48	NIL	NIL
Payable by Company	NIL	1.08	13.62

9. As required under section 212 of the Companies Act Statement on Companies interest in the subsidiary is given below

- ❖ There is no change in the share-holding Interest between the end of the financial year of the subsidiary & the end of the company's financial year.
- ❖ No Material changes have occurred between the end of the financial year of the Subsidiary company & the

: end of the company's financial year in respect of Subsidiary's fixed assets, investments, moneys lent by it and moneys borrowed by it for any purpose other than that of meeting current liabilities.

- ❖ Subsidiary Company's Brief un audited Financial Information as on 30.06.2012 & 30.06.2011 are as follows :

(Amount in Lacs)

Particulars	2011-12	2010-11
A Paid-up capital	18.51	18.51
B Reserve & Surplus	7390.38	2528.56
C Loans	6951.48	3287.16
D Net Current Assets	14360.38	5834.23
E Turnover	67415.92	35320.33
F Total Expenditure	63343.65	32791.77
G Profit	4072.26	2528.56



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

1. Remuneration paid to Directors	Rs. 9.34 Lakhs	(Rs. 10.15 Lakhs)
2. Payment to Auditors	Rs. 5.00 Lakhs	(Rs. 5.00 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)	4735.580 (4651.070)

4. **Finished Goods details :**

Item	M S Ingots	
	Qty (MT)	Value (Rs in lacs)
Particulars		
Op. Stock	20.455 (0.000)	0.00 (7.33)
Sales (consumption)	4741.010 (4630.615)	1549.33 (1247.06)
Closing Stock	15.025 (20.445)	4.50 (5.71)

*As per our attached report of even date*

**For Sunil Johri & Associates**  
Chartered Accountants  
Firm Regn. No. 005960C

Sd/-  
Sunil Johri  
Partner  
Membership No 074654  
Dated : 30/09/2012  
Place : Palakkad, Kerala

*For and on behalf of the Board of Directors*

Sd/-  
Vivek Agarwal  
Chairman & Managing  
Director

Sd/-  
Manish Mishra  
Director

## CONSOLIDATED CASH FLOW STATEMENT

(Rs. Million)

Particulars	Current Year		Previous Year	
<b>Cash Flow From Operating Activities</b>				
Profit Before Taxation		410.89		388.45
Add				
1) Depreciation	19.27		24.05	
2) Interest Paid / Borrowing cost	4.02		10.50	
3) Provision for doubtful debt	-		-	
4) bad debt w/off	108.01	131.30	-	34.56
<b>OPERATING PROFIT</b>		<b>542.19</b>		<b>423.01</b>
Adjustment For:				
1) (Increase)/Decrease In Trade Receivables	230.27		(1585.21)	
2) (Increase)/Decrease In Stock-in-trade	(432.64)		(713.27)	
3) (Increase)/Decrease In Short Term Loans & Advances	-		-	
4) (Increase)/Decrease In Long Term Loans & Advances	(22.04)		-	
5) (Increase)/Decrease In Interest Accrued/ Other Current Assets	2.78		-	
6 Increase/(Decrease) in Other Trade Payable	(186.35)		1535.36	
7) Increase/(Decrease) in Other Current Liabilities	(53.64)		-	
		(461.63)		(763.12)
<b>Cash Generated From Operations</b>		<b>80.56</b>		<b>(340.12)</b>
Taxes Paid		0.66		(6.60)
<b>Net Cash Generated From Operation Before Extraordinary Items</b>		<b>79.90</b>		<b>(346.72)</b>
Less Extraordinary items (net of tax)		-		-
<b>Net Cash Generated From /(Used) From/In Operating Activities (A)</b>		<b>79.90</b>		<b>(346.72)</b>
<b>Cash Flow From Investing Activities</b>				
Purchase of Fixed Assets (Net of increase in CWIP)		(1.61)		(7.60)
Purchase of Investments		-		-
Sale of Fixed Assets		0.20		-
<b>Net Cash Generated From /(Used) From/In Investing Activities (B)</b>		<b>(1.41)</b>		<b>(7.60)</b>
<b>Cash Flow From Financing Activities</b>				
Proceeds/Repayment of Borrowing		69.00		1,248.31
Final Dividend and DDT				
Interest Paid		(4.02)		(10.50)
<b>Net Cash Generated From /(Used) From/In Financing Activities (C)</b>		<b>64.98</b>		<b>1,237.81</b>
<b>Net Cash Flow Generated For The Period (A+B+C)</b>		<b>143.48</b>		<b>883.50</b>
<b>Cash &amp; Cash Equivalents as at beginning of year</b>				
Cash on hand		1.47		0.08
Bank balance in current account		(9.11)		16.25
Fixed Deposit (less than 3 month Maturity)		907.47		-
<b>Total Cash &amp; Cash Equivalents as at beginning of year</b>		<b>899.83</b>		<b>16.33</b>
<b>Cash &amp; Cash Equivalents as at end of year</b>				
Cash on hand		273.83		1.47
Bank balance in current account		0.27		(9.11)
Fixed Deposit (less than 3 month Maturity)		769.20		907.47
<b>Total Cash &amp; Cash Equivalents as at end of year</b>		<b>1,043.31</b>		<b>899.83</b>

Note : Previous Year Figures have been regrouped / rearranged to confirm current year classification.

As per our attached report of even date

For and on behalf of the Board of Directors

For Sunil Johri & Associates  
Chartered Accountants  
Firm Regn. No. 005960C

Sd/-  
Sunil Johri  
Partner

Sd/-  
Vivek Agarwal  
Chairman & Managing Director

Sd/-  
Manish Mishra  
Director

Membership No 074654  
Dated : 30/09/2012  
Place : Palakkad, Kerala

### AUDITORS' REPORT

We have examined the above Consolidated Cash Flow of Southern Ispat & Energy Limited for the period ended 30th June 2012 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 dated 30/09/2012 to the members of the company.

For **SUNIL JOHRI & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**  
FRN 005960C

DATE: 30/09/2012  
PLACE: PALAKKAD, KERALA

Sd/-  
**SUNIL JOHRI**

## STANDALONE CASH FLOW STATEMENT

(Rs. Million)

Particulars	Current Year		Previous Year	
<b>Cash Flow From Operating Activities</b>				
Profit Before Taxation		3.66		135.92
Add				
1) Depreciation	19.27		24.05	
2) Interest Paid / Borrowing cost	3.86		10.43	
3) Provision for doubtful debt	-		-	
4) bad debt w/off	108.01	131.15	-	34.48
<b>OPERATING PROFIT</b>		<b>134.81</b>		<b>170.40</b>
Adjustment For:				
1) (Increase)/Decrease In Trade Receivables	447.46		(1527.86)	
2) (Increase)/Decrease In Stock-in-trade	(16.61)		3.00	
3) (Increase)/Decrease In Short Term Loans & Advances	(445.96)		-	
4) (Increase)/Decrease In Long Term Loans & Advances	(22.03)		-	
5) (Increase)/Decrease In Interest Accrued/ Other Current Assets	2.78		-	
6 Increase/(Decrease) in Other Trade Payable	(233.44)		1015.64	
7) Increase/(Decrease) in Other Current Liabilities	(57.19)		-	
		(325.01)		(509.23)
<b>Cash Generated From Operations</b>		<b>(190.19)</b>		<b>(338.82)</b>
Taxes Paid		0.66		6.60
<b>Net Cash Generated From Operation Before Extraordinary Items</b>		<b>(190.85)</b>		<b>(345.42)</b>
Less Extraordinary items (net of tax)		-		-
<b>Net Cash Generated From /(Used) From/In Operating Activities (A)</b>		<b>(190.85)</b>		<b>(345.42)</b>
<b>Cash Flow From Investing Activities</b>				
Purchase of Fixed Assets (Net of increase in CWIP)		(1.61)		(7.60)
Purchase of Investments				(1.85)
Sale of Fixed Assets		0.20		-
<b>Net Cash Generated From /(Used) From/In Investing Activities (B)</b>		<b>(1.41)</b>		<b>(9.45)</b>
<b>Cash Flow From Financing Activities</b>				
Proceeds/Repayment of Borrowing		69.00		1,248.55
Final Dividend and DDT				
Interest Paid		(3.86)		(10.43)
<b>Net Cash Generated From /(Used) From/In Financing Activities (C)</b>		<b>65.14</b>		<b>1,238.12</b>
<b>Net Cash Flow Generated For The Period (A+B+C)</b>		<b>(127.12)</b>		<b>883.26</b>
<b>Cash &amp; Cash Equivalents as at beginning of year</b>				
Cash on hand		1.47		0.08
Bank balance in current account		(9.35)		16.25
Fixed Deposit (less than 3 month Maturity)		907.47		-
<b>Total Cash &amp; Cash Equivalents as at beginning of year</b>		<b>899.59</b>		<b>16.33</b>
<b>Cash &amp; Cash Equivalents as at end of year</b>				
Cash on hand		2.99		1.47
Bank balance in current account		0.27		(9.35)
Fixed Deposit (less than 3 month Maturity)		769.20		907.47
<b>Total Cash &amp; Cash Equivalents as at end of year</b>		<b>772.47</b>		<b>899.59</b>

Note : Previous Year Figures have been regrouped / rearranged to confirm current year classification.

*As per our attached report of even date*

*For and on behalf of the Board of Directors*

**For Sunil Johri & Associates**  
Chartered Accountants  
Firm Regn. No. 005960C

Sd/-  
**Sunil Johri**  
Partner

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

Sd/-  
**Manish Mishra**  
Director

Membership No 074654  
Dated : 30/09/2012  
Place : Palakkad, Kerala

### AUDITORS' REPORT

We have examined the above Standalone Cash Flow of Southern Ispat & Energy Limited for the period ended 30th June 2012 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 dated 30/09/2012 to the members of the company.

**For SUNIL JOHRI & ASSOCIATES**  
CHARTERED ACCOUNTANTS  
FRN 005960C

DATE: 30/09/2012  
PLACE: PALAKKAD, KERALA

Sd/-  
**SUNIL JOHRI**  
PARTNER







# Southern Ispat & Energy Ltd

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 26th December 2012 at 11:30 A.M.

.....  
(Member's/Proxy's Signature)

(To be signed at the time of handing over this slip)



# Southern Ispat & Energy Ltd

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

## PROXY FORM

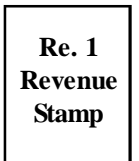
I/We ..... being a member/members of the above named Company hereby appoint..... as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 26th December, 2012 at 11:30 A.M. and at any adjournment thereof\*in favour/against of the resolutions.

Signed this.....day of.....2012

Registered Folio No.:.....

No. of Shares held:.....

Signature.....



**NB: 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.**





To,

If undelivered, please return to :

**Southern Ispat & Energy Limited**

118 Atlanta Estate, near Virwani Industrial area,

Opp. W.E.highway, Goregaon (East) Mumbai - 400 063