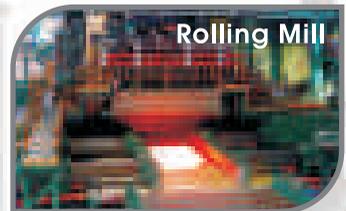
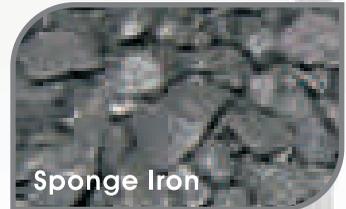




# SOUTHERN ISPAT AND ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)



**Leading Towards Strong Foundation**

**SIEL**

**16<sup>th</sup> ANNUAL REPORT 2010-11**

# Corporate Information

## Board of Directors

**Shri Vivek Agarwal**  
*Chairman & Managing Director*

**Shri K.K. Agarwalla**  
*Executive Director*

**Shri E. Sankaranarayana**  
*Director*

**Shri Thiagaraja Iyer Venkatramani**  
*Independent Director*

**Shri V. Manikandan**  
*Independent Director*

## Auditors

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

M/s Mahadevan & Sivarajan  
Chartered Accountants,  
Palakkad, Kerala

## Bankers

State Bank of India, Palakkad

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

## Factory

Kariankode Post, Kottayi,  
Palakkad-678 572

## Share Transfer Agents

M/s Adroit Corporate Services Pvt Ltd  
19/20, Jaferbhoy Ind. Estate,  
1st Floor, Makwana Road,  
Marol Naka, Andheri (East),  
Mumbai - 400 059

Tel : 022-28596060/28594060

Fax : 022-28503748

E-mail : adroit@vsnl.net

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

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

### LEADING TOWARDS STRONG FOUNDATION



**Vivek Agarwal**  
Chairman and Managing Director

Dear Shareholders,

It gives me great pleasure to share with you the highlights of our Company's performance during the year 2010-11.

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 2010-11 with a three times growth in revenue to Rs 8058.48 millions as compared to previous years & highest ever top line registered in any other FY.

#### *Indian Steel Scenario*

Iron & Steel Industry in India is on an upswing because of the strong global and domestic demand. India's rapid economic growth and soaring demand by sectors like infrastructure, real estate and automobiles, at home and abroad, has put Indian steel industry on the global map. According to the latest report by International Iron and Steel Institute (IISI), India is the seventh largest steel producer in the world. The Indian steel industry is organized in three categories i.e., main producers, other major producers and the secondary producers. The main producers and other major producers have integrated steel making facility with plant capacities over 0.5 MT and utilize iron ore and coal/gas for production of

# SOUTHERN ISPAT & ENERGY LIMITED

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steel. The secondary sector is dispersed and consists of: (1) Backward linkage from about 120 sponge iron producers that use iron ore and non-coking coal, providing feedstock for steel producers; (2) Approximately 650 mini blast furnaces, electric arc furnaces, induction furnaces and energy optimizing furnaces that use iron ore, sponge iron and melting scrap to produce steel; and (3) Forward linkage with about 1,200 re-rollers that roll out semis into finished steel products for consumer use. Strengths of Indian Steel Industry :

- ✓ Low labour wage rates
- ✓ Abundance of quality manpower
- ✓ Mature production base
- ✓ Positive stimuli from construction industry
- ✓ Booming automobile industry

## *Outlook*

The outlook for Indian steel industry is very bright. India's lower wages and favourable energy prices will continue to promise substantial cost advantages compared to production facilities in (Western) Europe or the US. It is also expected that steel industry will undergo a process of consolidation since industry players are engaged in an unfettered rush for scale. This is evident from the recent acquisition of Corus by Tata. The deployment of modern production systems is also enabling Indian steel companies to improve the quality of their steel products and thus enhance their export prospects.

## *Company Overview*

Steel is crucial to the development of any

modern economy and is considered to be the backbone of the human civilization. The level of per capita consumption of steel is treated as one of the important indicators of socio-economic development and living standard of the people in any country. It is a product of a large and technologically complex industry having strong forward and backward linkages in terms of material flow and income generation. All major industrial economies are characterized by the existence of a strong steel industry and the growth of many of these economies has been largely shaped by the strength of their steel industries in their initial stages of development.

## *Strategic Initiatives*

### ● PROJECT EXPANSION

Your Company has charted a vision for expanding the existing facility at Kottayi, Palakkad in Kerala to enhance the production capacity of Steel Ingots and Billets to 55440 TPA & Rolling Mill plant with Capacity 74250 TPA.



The plan is to raise the total Steel production of the Company to 0.13 million TPA over the next few years and provide the foundation to maintain high quality growth and enhance value creation for its shareholders.



● **ACQUISITION OF INTEGRATED STEEL PLANT**

As a part of its forward integration strategy, your Company is poised to seize the opportunities in the Iron & Steel Industry (both for steel & intermediary saleable products) through its Acquisition of Integrated Steel Plant. Company is strengthening its raw material linkages, technology edge and management expertise. These opportunities will be linked directly to the growing demand from the automobile and auto components, infrastructure, construction and power sectors. It is an integrated steel plant having capability to manufacture products across the entire value chain of steel from sponge iron to forged and machined products.

● **ACQUISITION OF IRON ORE MINES**

Your Company has also taken necessary steps for securing its raw material requirements and integrating backwards into mining of Iron Ore. SIEL is in talks to acquire 100% 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. 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.

● **SETTING UP OF A 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 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.

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

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## ● Entering Into Solar

Your company is entering into Solar cells/ solar power plant equipments which aim to



manufacture “electricity from Sun & Sand”. In this project Quartz (SiO<sub>2</sub>) of 98% and above purity is purchased and processed to manufacture Solar cells/ equipments. Your Company is planning to execute in a Phased Manner. In Initial Phase, Company will Purchase metallurgical grade silicon from market & Initiate our plant with the chemical factory to produce Polysilicon of purity 12N



from the 6N available in the market. This translates that the purity of silicon shall be from 99.9999% to 99.999999999%. Thereafter in further stage, we look towards as part of forward Integration and Install an

Ingot/Crystal Growing & Wafer manufacturing Plant along with a brick factory. In third phase, we arrange the facility to manufacture the cell & Module. In last phase, we conclude into the end user product by manufacturing Solar power plant system.

## ● Vibrant Gujarat 2011'

The Company had participated & signed a



MOU with Gujarat Govt. in 'VIBRANT GUJARAT 2011' for a capital Expenditure to tune of Rs 50000 Millions.

## ● Buisness Operations

With a view to expand the Buisness operations, SIEL has opened three branches across the country & also floated a foreign subsidiary in the name of “SIEL FZE” to exploit the Global oppurtunities which inturns boost the operations and maximize the wealth of shareholders.

## Corporate Governance

Your company is committed to conforming to the highest standards of Corporate Governance



by ensuring transparency, disclosures and reporting as required under various laws,



regulations and guidelines, including those issued by the Department of Public Enterprises, Government of India.

### **Acknowledgement**

I gratefully acknowledge the guidance and



support extended by the various Ministries particularly the Ministry of Steel under the

Government of India and State Government of Kerala. I would also like to thank all the stakeholders of the Company for their continued support in all our endeavors.

I express my sincere appreciation for the invaluable contribution and cooperation of my colleagues on the Board in charting the road map of the Company for growth and profitability, thereby steering it to greater heights.

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

Sd/-

Vivek Agarwal  
Chairman and Managing Director

Date: 21-11-2011

Place: Palakkad

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

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## NOTICE TO ANNUAL GENERAL MEETING

Notice is hereby given that the Sixteenth Annual General Meeting of the Members of Southern Ispat and Energy Limited will be held on **26<sup>th</sup> December 2011 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 2011, 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. Thiagaraja Iyer Venkatramani 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."

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

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

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

"RESOLVED THAT Sri. K.K. Agarwalla, who retires by rotation and given his unwillingness to be re-appointed, be not re-appointed and the vacancy created be filled up in the ensuing Annual General Meeting."

### Special Business

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

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

"RESOLVED THAT Sri T.N. Sivakumar be and is hereby appointed as the director of the Company whose office is determinable as 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 Shri. Umesh Kumar Sahu 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



## 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, 19/20, Jaferbhoy Ind. Estate, 1st Floor, Makwana Road, Marol Naka, Andheri (East), Mumbai - 400 059
4. The register of members of the company will remain closed from 21<sup>st</sup> December 2011 to 26<sup>th</sup> December 2011 (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 26<sup>th</sup> December 2011.

### Item No.5

Mr. T.N. Sivakumar is a BE Electrical & Electronics Engineer. He has done M.Sc Engineering in Applied Electronics and Servo Mechanism. He is having 34 years of vital experience in Industrial Consultancy. He is a member of Institution of Engineers, India, Institution of Engineering Technology, London, Coimbatore Productivity Council, Coimbatore Dist., Small Scale Industries association, Engineering Export promotion Council and Coimbatore Management Association. His inclusion in the Board will make the board to a professional one and proposed to include the proposal in the notice of Annual General Meeting appointing him as Director. As

required by Section 257 of the Act, a notice has been received from a member signifying his intention to propose appointment of Shri. T.N. Sivakumar as a director along with a deposit of Rs.500/-. The Board considers that it is desirable that the Company should continue to avail his services and recommend to pass necessary resolution as a Special Resolution.

None of the directors are interested other than Shri. T.N. Sivakumar who may be deemed to be interested to the extent of his appointment.

### Item No.6

Mr. Umesh Kumar Sahu aged about 40 years is a graduate in Commerce with vast experience in Steel Industry. He is specialised in erection, installation and functioning of steel industries and have an enviable record in this field. In addition to his general corporate experience, his vast and rich experience, consistent with Production strategy will provide operational excellence to the Company and a capability to drive innovation. He has extensive advisory experience on issue of strategy, driving performance improvement, change management, organisation building and human capital development. His inclusion in the Board will make the board to professional one and proposed to include the proposal in the notice of Annual General Meeting appointing him as Director. As required by Section 257 of the Act, a notice has been received from a member signifying his intention to propose appointment of Mr. Umesh Kumar Sahu as a director along with a deposit of Rs. 500/-. The Board considers that it is desirable that the Company should continue to avail his services and recommend to pass necessary resolution as a Special Resolution. None of the directors are interested other than Mr. Umesh Kumar Sahu who may be deemed to be interested to the extent of his appointment

By Order of the Board  
Sd/-

Vivek Agarwal  
Chairman and  
Managing Director

Date: 21-11-2011  
Place Palakkad

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

## Directors Report to Shareholders

Dear Shareholders,

Your Directors take immense pleasure in presenting this 16<sup>th</sup> Annual Report together with the consolidated audited accounts of the Company for the financial year 2010-11 for the period ended on 30<sup>th</sup> June 2011.

Financial Results (Rs. Million).

Particulars	10-11	09-10
Sales & Other Income	8058.48	3288.72
Direct Expenditure	7593.34	3141.68
Administrative & Financial Expenditure	52.64	18.03
Depreciation	24.05	11.92
Profit before Taxes	388.45	117.09
Taxes- Current Tax	29.69	19.99
- Deferred Tax	(6.60)	14.80
Profit After Taxes	365.36	82.30
Transfer to General Reserves	46.10	10.63
Balance Carried to Balance sheet	414.91	95.66
Earnings per Share (Basic & Dilutive)	8.15	7.46

## REVIEW OF OPERATIONS

The fiscal year that has just ended has been positive and encouraging for your company and clear that we are on the right and intended path. The domestic market was showing good support to the product irrespective of the substantial reduction in the export to the advanced countries. The company took various initiatives to improve its profitability by diversification which helped the company to post an impressive performance for the year.

## EXPANSION PLANS

- Expanding existing facilities such that to raise the total Steel production of the Company to 0.13 million TPA over the next few years and provide the foundation to maintain high quality growth and enhance value creation for its shareholders.
- As a part of its forward integration strategy, company is poised to seize the opportunities in the Iron & Steel Industry (both for steel & intermediary saleable products) through its Acquisition of Integrated Steel Plant.
- 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”.
- Company has opened three branches across the country to curb the Indian steel demand.
- Your Company has also floated a 100% foreign subsidiary by name of “SIEL FZE” in UAE to exploit the Global opportunities which in turns boost the operations and maximize the wealth of shareholders.

## 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.

## 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 2011.

## BOARD OF DIRECTORS

### Appointment/Retirement in Board

★ **Mr. K K Agarwalla** has 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 their deep appreciation of the valuable services rendered by Mr K K Agarwalla during his directorship.

★ **Mr. Umesh Kumar Sahu** aged about 40 years is a graduate in Commerce with vast experience in Steel Industry. He is specialised in erection, installation and functioning of steel industries and have an enviable record in this field. In addition to his general corporate experience, his vast and rich experience, consistent with Production strategy will provide operational excellence to the Company and a capability to drive innovation. He has extensive advisory experience on issue of strategy, driving performance improvement, change management, organisation building and human capital development your company decides to include the proposal for the appointment of Mr. Umesh Kumr Sahu as Director of the company.

★ **Mr. T N Sivakumar** is a B.E. Electrical & Electronics Engg. M.Sc Engineering., in Applied Electronics & Servo Mechanism. He is having 34 years of vital industrial Experience. He is also a member of Member of Institution of Engineers India, Member of Institution of Engineering Technology London, Coimbatore productivity council, Coimbatore Dist. Small Scale Industries Association, Engineering Export promotion Council & Coimbatore Management Association. He has also worked for one year as senior research fellow in the Council of Scientific and industrial Research govt., of India. Your company decides to include the proposal for the appointment of Mr. T N Sivakumar as Independent Director of the company.

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

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★ **Mr. Thiagaraja Iyer Venkatramani**, Director 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 Director 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 CAPITAL AND LISTING OF SHARES**

During the year under review, your company issued 32,723,400 & 88,399,980 fully paid up under lying Equity shares of Rs.10 Each through 1,090,780 & 2,946,666 Global Depository Receipts on 4th August 2010 & 9th June 2011 respectively. These GDR's are listed in Luxembourg Stock Exchange. The securities of

the company are listed and traded in compulsory dematerialized form on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

## **SHARE WARRANTS**

During the Year, Company has forfeited the share warrant money received against Fifty Lacs Shares of Rs.10 each with a Premium of Rs.5 due to the non receipt of remaining amount. The amount forfeited has been transferred Capital Reserves.

## **AMALGAMATION**

Your Directors decided in the interest of the company not to pursue further for the proposed Amalgamation of Kerala Sponge Iron Limited with your Company due to continuing delay in complying with technical issues.

## **SUBSIDIARY**

The Company also initiated the plans of controlling the business from large spectrum by setting up a business office in Sharjah Airport International Free Zone (SAIF ZONE) in Dubai, UAE through 100% wholly owned subsidiary company in the name of SIEL FZE on 25th August 2010 for general trading activities of the Company.

In view of the general exemption granted by the Ministry of Corporate Affairs from applicability of the provisions of Section 212 of the Companies Act, 1956 (Act), the stand alone audited financial statements of the subsidiary company is not attached to this report. As per the general exemption, a statement containing brief financial details of the company's subsidiary for the year ended 31st March, 2011 is included in the Annual Report. Copies of Annual Report of the subsidiary companies and related information, will be made available free of cost to the shareholders, on request. Annual Accounts of the subsidiary company are available for inspection at registered office of the company.



Audited Consolidated Financial Statements prepared in accordance with prescribed accounting standards, form part of this Annual Report.

#### **AUDITORS & AUDITORS REPORT**

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

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

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:-

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

Accounting policies as listed in Schedule M & M-1 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 2010-11 for the period ended on 30<sup>th</sup> June, 2011 and of the Profit of the Company for the Accounting Year ended on that day.

Proper and sufficient care for the maintenance of adequate accounting records has been taken in accordance with the provisions of this Act so as to

safeguard the assets of the Company and to prevent and detect fraud and other irregularities and The Annual Accounts have been prepared on a going concern basis.

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

AS- 7 Accounting for construction

AS-13 Accounting for amalgamation

AS-23 Accounting for investments in associates in consolidated financial statements

AS-24 Discontinuing operation

#### **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 to Directors 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 &

Managing Director

Date: 21/11/2011

Place: Palakkad.

Sd/-

E Sankaranarayana,

Director

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

## 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
c. 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 30/06/11	Previous Year ended on 30/06/10
1 Electricity Purchased		
Units/KWH	6904320	4244548
Total Amount (Rs. in Lakhs)	298.10	271.68
Rate/Unit (Rs.)	4.32	6.40
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)	NA	NA
Average rate (Rs./Litre)	NA	NA



## B. Consumption per unit of production

Product	Current Year (30/06/11)			Previous Year (30/06/10)		
M S Ingots	Electricity (KWH)	Diesel / LD Oil (Ltr)	Coal (MT)	Electricity (KWH)	Diesel / LD Oil (Ltr)	Coal (MT)
	1367	Nil	Nil	1070	Nil	Nil

## II. Technology Absorption

FORM B (See Rule 2)	
<b>(Form for disclosure of particulars with respect to Technology Absorption)</b>	
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 (a) Capital (b) Recurring (c) Total (d) 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 (a) Technology Imported (b) Year of Import (c) Has technology has been fully absorbed ? (d) If not fully absorbed, areas where this has not taken place (reasons and future plans of action)	NIL

## III. Foreign Exchange Earnings and outgo

NIL

# SOUTHERN ISPAT & ENERGY LIMITED

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## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Overview

The financial year (FY) 2010-11 saw the Indian economy rapidly emerging from the slowdown caused by the global meltdown in 2007-09. As per Advanced Estimates of the Central Statistics Office, the economy grew by 8.6 percent in 2010-11. The gross domestic product (GDP) at constant market prices showed an upswing of 9.7 percent in 2010-11. 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. Your Company registered a stable performance during 2010-11 with almost 1.5 times growth in revenues to Rs 8058.48 million, almost 3 times growth in EBIDTA to Rs. 421.99 million, 2 times in PBT to Rs.388.44 million and 3.5 times rise in PAT to Rs. 365.36 million.

### Industry Structure & Developments

#### Steel Industry Overview

The Steel Industry has entered into the current fiscal on a promising note. Based on the estimates and studies, the India's steel industry will record a compound annual growth rate (CAGR) of close to 10% during 2010- 13 in view of government proactive incentive plans to boost economic growth by injecting funds in various industries,



such as construction, infrastructure, automobile, and power. Further, Steel consumption in India is expected to grow significantly in coming years as per capita finished steel consumption is far less

than its regional counterparts. India has already stepped up to be the fourth largest producer of steel in the world with its total steel production of close to 78 Million MT in 2011 and is aiming for the number two position by 2015. In the recent times, the Indian Steel industry has earned a central position in the global steel market with global acquisitions, continuous modernization, improving energy efficiency, and backward integration into global raw material sources. On the whole, the outlook for the domestic operating environment is positive, driven by robust growth in infrastructure, power, autos and construction.

#### Indian Steel Industry & Its Prospects

As per Ministry of Steel's annual report 2010-11, India continues to maintain its lead position as the world's largest producer of direct reduced iron (DRI) or sponge iron during January-December 2010, a rank it has held on since 2002. During April-December 2010: production for sale was at 47.30



million tonne (MT), a growth of 7.9 per cent. Steel exports increased by 17.3 per cent as it reached an estimated 2.46 MT while steel imports were at an estimated 5.36 mt, a growth of 2.8 per cent during the same period. Domestic steel consumption at 44.27 mt during April- December 2010 registered an increase of 8 percent indicating a robust growth. Indian steel industry has come out of the slowdown that affected its performance during 2008-09. Domestically, 2010 ended on a relatively better and encouraging note. Globally also there are signs of improvement in economic conditions and firming up of demand and prices.



### 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

#### • Project Expansion

Your Company has charted a vision for expanding the existing facility at Kottayi, Palakkad in Kerala to enhance the production capacity of Steel Ingots and Billets to 55440 TPA & Rolling Mill plant with Capacity 74250 TPA. The plan is to raise the total Steel production of the Company to 0.13 million TPA over the next few years and provide the



foundation to maintain high quality growth and enhance value creation for its shareholders.

#### • Acquisition Of Integrated Steel Plant

As a part of its forward integration strategy, your Company is poised to seize the opportunities in the Iron & Steel Industry (both for steel & intermediary saleable products) through its Acquisition of Integrated Steel Plant. Company is strengthening's its raw material linkages, technology edge and management expertise. These opportunities will be linked directly to the growing demand from the automobile and auto components, infrastructure, construction and power sectors. The Target

Company was engaged in the manufacturing of Carbon Steel Forging and also in the business of manufacturing sponge iron, steel and steel rolled products like billets, blooms, bars etc. & has also forging and machining facilities to manufacture steel flanges, bearing races, rings, etc. It is an integrated steel plant having capability to manufacture products across the entire value chain of steel from sponge iron to forged and machined products.

#### • Acquisition Of 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 in 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 lump - inputs for steel making through the DRI/BF process

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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.

## ● **Setting Up Of An 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.

## ● **Entering Into Solar**

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 ad hoc 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. The Company had also signed a



MOU with Gujarat Govt. in 'VIBRANT GUJARAT 2011' for a capital Expenditure to tune of Rs 50000 Millions.

#### ● **Buisness Operations**

With an view to expand the Buisness operations, SIEL has opened three branches across the country & also floated a foreign subsidiary in the name of "SIEL FZE" to exploit the Global oppurtunities which inturns boost the operations and maximize the wealth of shareholders.

#### **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.

#### ● **Developments In Human Resources & Industrial Relations**

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.

#### **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.

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## CORPORATE GOVERNANCE REPORT FOR THE YEAR 2010-2011

(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

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. K.K. Agarwalla	Director	Non Independent Executive Director	27-11-2010
Mr.E. Sankaranarayana	Director	Non Independent Director	27-11-2010
Mr. V. Manikandan	Director	Independent Director	23-04-2007
Mr.Thiagaraja Iyer Venkatramani	Director	Independent Director	24-12-2009

#### 2.3 Details of Board Meetings

The Board of Directors met 13 times during the period under review on 20/07/2010, 10/08/2010, 13/08/2010, 29/09/2010, 22/10/2010, 06/11/2010, 27/11/2010, 01/01/2011, 22/01/2011, 14/02/2011,

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 30-06-2011 the Board of Directors comprise of 02 Non Independent Executive Directors, 01 Non Independent Director and 02 Non Executive Independent Directors.

02/04/2011, 14/05/2011 and 10/06/2011. 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 Chairman	As Member	As Chairman	As Member
Mr. Vivek Agarwal	13	Yes	01	02	Nil	Nil
Mrs. Richa Agarwal##	08	Yes	Nil	Nil	Nil	Nil
Mrs. Anusuya Devi Agarwal##	08	Yes	Nil	Nil	Nil	Nil
Mr. E. Sankaranarayana #	05	Yes	Nil	02	01	02
Mr. V Manikandan	13	Yes	Nil	02	01	02
Mr. Thiagara Iyer Venkatramani	12	Yes	Nil	05	01	01
Mr. R Sivaramakrishnan###	09	No	Nil	Nil	Nil	01
Mr. K.K. Agarwalla #	04	Yes	Nil	Nil	Nil	Nil

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

##: Resigned from the Board at Last Annual General Meeting

###: Resigned from the Board w.e.f. 14<sup>TH</sup> February 2011

### 3.3. BOARD COMMITTEE

#### 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 01-01-2011. The Audit Committee consist of Mr. V Manikandan Mr. R Sivaramakrishnan and Mr. E. Sankaranarayana. 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 11/08/2010, 18/10/2010, 26/11/2010, 11/02/2011, 11/05/2011

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	05	05
Mr. R Sivaramakrishnan	Independent Non Executive	05	03
Mrs.Anusuya Devi Agarwal#	Non-Independent Non Executive	05	03
Mr.E. Sankaranarayana	Non-Independent Non Executive	05	02

# Resigned from Committee w.e.f Last annual General Meeting

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## 3.2 Shareholders/Investors Grievance Committee

The Shareholders/ Investor's Grievance Committee comprising of Mr.Thiagaraja Iyer Venkatramani as Chairman and Mr. V. Manikandan and Mr. E. Sankaranarayana as Members. The Committee, inter alia , approves issue of duplicate certificates and overseas and reviews all matters connected with transfer of securities. The Committee also monitors implementation and compliance of the Company's Code of Conduct for Prohibition of Insider Trading in pursuance of SEBI ( Prohibition of Insider Trading) Regulation,1992.The Shareholders/ Investor Grievance Committee held its meetings on 21/08/2010, 23/02/2011. The company has appointed Adroit Corporate Services Pvt Ltd to act as Registrar and Transfer Agent of the Company. As on 30/06/2011, 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
Mrs. Richa Agarwal, Chairman #	Non Independent Non Executive	01	01
Mr. V Manikandan	Independent Non Executive	02	02
Mr.Thiagaraja Iyer Venkatramani	Independent Non Executive	02	02
Mr. E. Sankaranarayana	Non Independent Non Executive	01	01

# Resigned from Committee w.e.f Last annual general Meeting

## 3.3 Remuneration Committee

The remuneration Committee, which is a non- mandatory requirement of Clause 49 constituted with the following directors.The remuneration Committee comprising of Mr. E.Sankaranarayana 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 16<sup>th</sup> June 2011.

## 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
15	2009-10	19/629(1) SREYAS West Yakkara, Palakkad	27/12/10	10.30 AM	6
14	2008-09	19/629(1) SREYAS West Yakkara, Palakkad	29/09/09	03.00 PM	6
13	2007-08	19/629(1) SREYAS West Yakkara, Palakkad	12/08/08	03.00 PM	2



#### 4.2 Special resolutions through Postal Ballot

The Company conducted an Extra Ordinary General Meeting on 11/12/2010 and passed 05 Resolutions as Special Resolution through postal ballot . Mr. S. R. Balaji, Practicing Company Secretary was the scrutinizer for the postal ballot. Detailed voting pattern as shown below.

Sno.	Particulars	ASSENT No. of Postal Ballots	DISSENT No. of Shares	%	No. of Postal Ballot	No. of shares	%
1	Special Resolution under Section 81(1A) to issue GDR/ADR/FCCB	203	954219	99.99	1	4000	0.01
2 (a)	Special Resolution under Section 94(1)(a) to increase Authorized Capital	203	954219	99.99	1	4000	0.01
2 (b)	Special Resolution under Section 31(1) to alter the Article of Association for increase in authorized capital	203	954219	99.99	1	4000	0.01

#### 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 Ccompany. 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

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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 COMMUNICATION

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: 26-12-2011

TIME: 11.30 AM

VENUE: 19/629(1), "Sreyas",

Near Yakkara School Bus Stop

West Yakkara, Palakkad -678 001

### 7.2 Financial Calendar 2010-11

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

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

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

Unaudited Results of the Year ended 30/06/2011 **On or Before 15/08/2011**

Audited Results of the Year ended 30/06/2011 **On or Before 21/11/2011**

### 7.3 Book Closure :

Register of Members and Share Transfer books will remain closed for 06 days from 21-12-2011 to 26-12-2011 (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

Scrip Code: 531645

Month	Month's High	Month's Low
July 2010	19.25	13.80
August 2010	16.70	12.48
September 2010	14.82	10.30
October 2010	12.50	9.90
November 2010	13.55	9.71
December 2010	11.40	9.35
January 2011	12.10	9.17
February 2011	9.59	7.06
March 2011	10.00	7.80
April 2011	9.50	8.81
May 2011	9.80	8.00
June 2011	11.25	8.00

## 9. REGISTRAR/ SHARE TRANSFER AGENT

M/s Adroit Corporate Services Pvt Ltd

19/20, Jaferbhoy Ind. Estate,

1st Floor, Makwana Road,

Marol Naka, Andheri (East),

Mumbai - 400 059

Tel : 022-28596060/28594060

Fax : 022-28503748

E-mail : 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 30/06/2011

Range	No. of Shareholders	% of Shareholders	Amount (Rs)	% of Shareholding
Upto 5,000	6284	49.94	15730720	1.19
5,001 to 10,000	2590	20.58	23298360	1.76
10,001 to 20,000	1509	11.99	24944410	1.89
20,001 to 30,000	606	4.82	16205810	1.23
30,001 to 40,000	302	2.40	11122060	0.84
40,001 to 50,000	379	3.01	18478030	1.40
50,001 to 1,00,000	471	3.74	37024010	2.80
1,00,001 and above	441	3.51	1174687400	88.89
TOTAL	12582	100.00	1321490800	100.00

#### 12. DEMATERIALISATION OF SHARES

The shares of the Company are traded in demat form by all categories of investors. The Company has arrangement with both National Depositories Limited ( NSDL) and Central Depository Services Limited (CDSL) to establish electronic connectivity of our shares for scripless trading. The ISIN allotted for the shares of the Company is INE943B01011. As on 30/06/2011, 98.77 % of shares of the Company were held in dematerialised form.

#### 13. OUTSTANDING WARRANTS :

The Company issued by way of Preferential allotment of 50Lac Share Warrants @ Rs.15 to Promoters group on 22<sup>nd</sup> July 2009 and 01 Crore Share Warrant @ Rs.32 by way of Preferential Allotment to Non- Promoter

Group on 27<sup>th</sup> May 2010. The preferential issue of Share Warrants to Non-Promoter Group is pending for conversion as there exist certain more period of time for conversion of Share Warrants into Equity Shares and the Preferential issue of Share Warrants to Promoter Group has been forfeited as the subscribers were unable to pay the balance amount.

#### 14) QUERIES ON ANNUAL REPORT

Queries on Annual Report may be addressed to :

**SOUTHERN ISPAT & ENERGY LIMITED,**  
19/629 (1), Sreyas,  
Near Yakkara School Bus Stop,  
West Yakkara, Palakkad,  
Kerala-678 001.

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## 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 on 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.

Place : Palakkad  
Date : 21.11.2011

By order of the Board  
Sd/-  
Vivek Agarwal  
Chairman & 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, 2011 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 005960 C

Sd/-  
(SUNIL JOHRI)  
PARTNER  
M. No. 074654  
PLACE: PALAKKAD  
DATE: 21/11/2011

For MAHADEVAN & SIVARAJAN  
CHARTERED ACCOUNTANTS  
FRN 006388S

Sd/-  
(P. SIVARAJAN)  
PARTNER  
M. No. 200652  
PLACE: PALAKKAD  
DATE: 21/11/2011

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## 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 30<sup>th</sup> June 2011 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 58.28 Crores as at 30<sup>th</sup> June 2011, Total Revenue of Rs 35.32 Crores and net cash flow of Rs 0.02 Crores for the year ended on 30<sup>th</sup> June 2011. 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 consolidated 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 30<sup>th</sup> June 2011.
  - 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 005960 C

Sd/-  
(SUNIL JOHRI)  
PARTNER  
M. No. 074654  
PLACE: PALAKKAD  
DATE:21/11/2011

For MAHADEVAN & SIVARAJAN  
CHARTERED ACCOUNTANTS  
FRN 006388S

Sd/-  
(P. SIVARAJAN)  
PARTNER  
M. No. 200652  
PLACE: PALAKKAD  
DATE:21/11/2011



**Consolidated Balance Sheet As At 30<sup>th</sup> June 2011**

Particulars	Sche-dule	As On 30/06/2011	As On 30/06/2010
<b>I. Sources Of Funds</b>			
<b>1 Shareholders Funds</b>			
A. Share Capital	A	1,390,490,800	216,407,000
B. Reserves & Surplus	B	663,985,683	117,076,502
		<b>2,054,476,483</b>	<b>333,483,502</b>
<b>2 Loan Funds</b>			
A. Secured Loans	C	29,073,877	51,252,234
B. Unsecured Loans	D	-	11,490,000
		<b>29,073,877</b>	<b>62,742,234</b>
<b>3 Deferred Tax Liability</b>		<b>11,305,127</b>	<b>17,907,453</b>
	<b>Total</b>	<b>2,094,855,487</b>	<b>414,133,188</b>
<b>II. Application Of Funds</b>			
<b>1 Fixed Assets</b>	E		
A. Gross Block		181,355,928	180,460,831
B. Depreciation		84,894,362	60,840,391
Net Block		<b>96,461,566</b>	<b>119,620,440</b>
Capital Work In Progress		6,700,000	
Total		<b>103,161,566</b>	<b>119,620,440</b>
<b>2 Investments</b>	F	<b>5,800,000</b>	<b>5,800,000</b>
<b>3 Current Assets, Loans &amp; Advances</b>	G		
A. Inventories		725,236,456	11,963,587
B. Sundry Debtors		1,825,718,243	346,434,924
C. Cash & Bank Balances		899,826,366	16,329,869
D. Other Current Assets		26,746,606	23,255,152
E. Loans & Advances		104,221,054	1,786,944
		<b>3,581,748,724</b>	<b>399,770,476</b>
Less: <b>Current Liabilities &amp; Provisions</b>	H		
A. Sundry Creditors		1,571,617,140	76,618,257
B. Provisions & Others		74,800,244	34,439,471
<b>Net Current Assets</b>		<b>1,935,331,340</b>	<b>288,712,748</b>
<b>4 Miscellaneous Expenditure</b>		<b>50,562,581</b>	<b>-</b>
	<b>Total</b>	<b>2,094,855,487</b>	<b>414,133,188</b>
Accounting Policies And Notes On Accounts	M	In Terms Of Our Report Of Even Date	
For And On Behalf Of The Board Of Directors		For Sunil Johri & Associates Chartered Accountants Frn 005960 C	For Mahdevan & Sivarajan Chartered Accountants Frn 006388 S
Sd/- Chairman & Managing Director Place : Palakkad Date : 21-11-2011	Sd/- Director	Sd/- (Sunil Johri) Partner M.no.074654	Sd/- (P.sivarajan) Partner M.no. 200652

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

## Consolidated Profit & Loss Account For The Year Ended 30th June 2011

Particulars	Sche- dule	Year Ended On 30/06/2011	Year Ended On 30/06/2010
Revenue From Sales & Operations	I	8,055,929,726	3,287,274,348
Other IncomeJ		2,549,090	1,441,564
		<b>8,058,478,816</b>	<b>3,288,715,912</b>
Cost Of Sales K		7,593,339,088	3,141,680,088
Administrative & Financial Expenses	L	52,638,189	18,030,260
Total		<b>7,645,977,277</b>	<b>3,159,710,348</b>
<b>Profit Before Depreciation &amp; Tax</b>		412,501,539	129,005,564
Less : Depreciation	E	24,053,971	11,919,032
Profit Before Taxes & Statutory Appropriations		388,447,568	117,086,532
Less: Deferred Tax		(6,602,326)	14,798,374
Less : Tax Expenses		29,690,507	19,991,089
Profit / (loss) After Taxes		<b>365,359,387</b>	<b>82,297,069</b>
Add: Profit / (loss) Brought Forward		95,656,832	23,988,299
From Previous Year		461,016,218	106,285,369
Transfer To General Reserves		46,101,622	10,628,537
<b>Balance Carried Over To Balance Sheet</b>		<b>414,914,596</b>	<b>95,656,832</b>
Nominal Value Of Equity Share		10	10
No. Of Equity Shares (weighted)		44,827,502	11,025,700
Eps In Rs. (basic & Diluted)		8.15	7.46
<p>Accounting Policies And Notes On Accounts <span style="float: right;">M</span> In Terms Of Our Report Of Even Date</p>			
For And On Behalf Of The Board Of Directors		For Sunil Johri & Associates Chartered Accountants Frn 005960 C	For Mahdevan & Sivarajan Chartered Accountants Frn 006388 S
Sd/- Chairman & Managing Director Place : Palakkad Date : 21-11-2011	Sd/- Director	Sd/- ( Sunil Johri) Partner M.no.074654	Sd/- ( P.sivarajan) Partner M.no. 200652



**Schedule Annexed To And Forming Part of Balance Sheet As At 30-06-2011**

Particulars	30/06/2011	30/06/2010
<b><u>Schedule "A"</u></b>		
<b><u>Share Capital</u></b>		
Authorised Share Capital	1,600,000,000	780,000,000
160000000 Equity Shares Of Rs.10/- Each (previous Year 78000000 Equity Shares Of Rs.10/- Each)		
<b><u>Issued, Subscribed &amp; Paid-up Capital</u></b>		
132149080 Equity Shares Of Rs.10/- Each (11025700 Equity Shares Of Rs. 10/= Each)	1,321,490,800	110,257,000
Share Warrant Application Money(pending For Allotments)	69,000,000	106,150,000
	<b>1,390,490,800</b>	<b>216,407,000</b>
<b><u>Schedule "B"</u></b>		
<b><u>Reserves &amp; Surplus</u></b>		
A. Capital Reserve		
Against Forfeiture Of 11,69,900 Equity Shares	5,849,500	5,849,500
Against Forfeiture Of 3,45,000 Share Warrants	351,900	351,900
B. Share Warrant / Security Premium	135,196,940	1,031,000
C. Share Warrant Forfeited	26,150,000	-
D. Capital Investment Subsidy From Govt. Of Kerala	1,500,000	1,500,000
E. General Reserves	80,022,746	12,687,270
F. Profit & Loss A/c For The Year	414,914,596	95,656,832
	663,985,683	117,076,502
	<b>2,054,476,483</b>	<b>333,483,502</b>
<b><u>Schedule 'C'</u></b>		
<b><u>Secured Loans</u></b>		
CC Limits From State Bank Of India (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)	29,073,877	51,252,234
	<b>29,073,877</b>	<b>51,252,234</b>
<b><u>Schedule 'D'</u></b>		
<b><u>Unsecured Loan</u></b>		
	-	11,490,000
	-	<b>11,490,000</b>

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

## SCHEDULE "E" - CONSOLIDATED FIXED ASSETS

Particulars	Gross Block As On 01/07/2010	Additions	Deduction	Total As On 30/06/2011	Depreciation			Net Block As On 30/06/2011	Net Block As On 30/06/2010
					Rate Of Depreciation	Upto 30/06/2010	01/07/2010 To 30/06/2011		
Land & Site Development	2,256,740	-		2,256,740		-	-	2,256,740	2,256,740
6mt Furnace	5,210,884			5,210,884	20.87%	3,797,345	295,006	4,092,351	1,118,533
Air Conditioner	32,000	28,300		60,300	13.91%	24,992	2,496	27,488	32,812
Building	16,603,067			16,603,067	10.00%	11,619,602	498,347	12,117,949	4,485,118
Computers & Printers	516,013	171,735		687,748	40.00%	467,436	45,427	512,863	174,884
Drum Container	10,400			10,400	30.00%	9,611	237	9,848	552
Electrical Installations	4,436,947			4,436,947	20.87%	4,115,714	67,041	4,182,755	254,192
Epbox	43,350			43,350	18.10%	37,530	1,053	38,583	4,767
Furniture & Fixtures	120,620			120,620	18.10%	102,746	3,235	105,981	14,639
Miscellaneous Fixed Assets	62,569			62,569	18.10%	51,827	1,944	53,771	8,798
Office Equipment	83,653	627,512		711,165	18.10%	58,233	56,815	115,048	596,117
Plant & Machinery	74,337,834	67,550		74,405,384	20.87%	28,720,010	9,521,637	38,241,647	36,163,737
Pollution Control Equipments	73,987,414			73,987,414	20.87%	9,439,445	13,471,161	22,910,606	51,076,808
Tools & Tackles	176,151			176,151	13.91%	143,828	4,496	148,324	27,827
Vehicles	2,533,191	1,489,977	1,489,977	2,533,191	25.89%	2,210,424	83,564	2,293,988	239,202
Xerox Machine	50,000			50,000	18.10%	41,648	1,512	43,160	6,840
<b>Total Assets</b>	<b>180,460,831</b>	<b>2,385,074</b>	<b>1,489,977</b>	<b>181,355,928</b>		<b>60,840,391</b>	<b>24,053,971</b>	<b>84,894,362</b>	<b>96,461,566</b>
Capital Work In Progress	6,700,000			6,700,000				-	6,700,000
<b>Total</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>103,161,566</b>
Previous Years	87,553,581	92,907,250	-	180,460,831		48,921,359	11,919,032	60,840,391	119,620,440
									38,632,222



Particulars	30/06/2011	30/06/2010
<b><u>Schedule 'F'</u></b>		
Investments		
5,80,000 (prev Year 5,80,000) Shares Of Special Blast Ltd	5,800,000	5,800,000
	-	-
	5,800,000	5,800,000
<b><u>Schedule 'G'</u></b>		
Current Assets, Loans & Advances		
<b><u>A. Inventories</u></b> (as Certified & Valued By The Management)		
<i>Raw Material</i>	3,767,849	53,995
<i>Finished Goods</i>		
i. M.s. Ingot	571,033	-
ii. Runner Riser	43,954	-
iii. Structural Item	716,271,620	
iv. Green Mould & Mould Box (wip)	3,657,000	11,159,592
v. Consumables	475,000	400,000
vi. Stores & Spares	450,000	350,000
	<b>725,236,456</b>	<b>11,963,587</b>
<b>B. Sundry Debtors (considered Good)</b>		
Less Than Six Months	1,444,740,096	1,642,645
More Than Six Months	380,978,147	344,792,279
	1,825,718,243	346,434,924
<b>C. Cash &amp; Bank Balances</b>		
Cash In Hand	1,471,254	77,931
Bank Balances	898,355,112	16,251,938
	899,826,366	16,329,869
<b>D. Other Current Assets</b>	26,746,606	23,255,152
<b>E. Loans &amp; Advances</b>	104,221,054	1,786,944
	<b>3,581,748,724</b>	<b>399,770,476</b>
<b><u>Schedule 'H'</u></b>		
Current Liabilities		
<b>A. Sundry Creditors</b>	1,571,617,140	76,618,257
<b>B. Other Current Liabilities &amp; Provisions</b>	74,800,244	34,439,471
	<b>1,646,417,384</b>	<b>111,057,728</b>

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

Particulars	30/06/2011	30/06/2010
<b>Schedule "I"</b>		
<u>Revenue From Sales &amp; Services</u>		
Sales	8,055,929,726	3,287,274,348
Other Operating Income	<b>8,055,929,726</b>	<b>3,287,274,348</b>
<b>Schedule "J"</b>		
<u>Other Income</u>		
Interest On Fdr	2,549,090	883,081
Income From Job Work	-	179,313
Sundry Balance Written Off / Back	-	379,170
	<b>2,549,090</b>	<b>1,441,564</b>
<b>Schedule "K"</b>		
<u>Cost Of Material</u>		
Opening Stock	11,963,587	39,477,360
Add: Purchases	7,557,907,833	3,085,323,598
Add: Manufacturing Expenses	32,432,504	28,842,717
Less: Closing Stock	8,964,836	11,963,587
	<b>7,593,339,088</b>	<b>3,141,680,088</b>
<b>Schedule "L"</b>		
Administrative Expenses	43,143,159	9,333,331
Financial Charges	9,495,030	8,696,929
	<b>52,638,189</b>	<b>18,030,260</b>



## Schedule "M"

**Consolidated Significant Accounting Policies & Notes On Accounts :**

(forming Part Of The Accounts For The Financial Year 2010-11

For The Year Ended On 30<sup>th</sup> June 2011)

1. Significant Accounting Policies:

are ready for use.

**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.

**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.

**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 are drawn in confirmity with IFRS.

**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.

**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

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

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## 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, 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.

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 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

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

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.

## II. NOTES TO 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 "Foreign 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.

Subsidiary Name	Origin Country	Holding %
SIEL, FZE	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, 2011. However accounts of the subsidiary is audited only up to 31<sup>st</sup> March 2011.
2. The Accounts for the Financial Year 2010-11 have been prepared for the period of 12 Months from 1<sup>st</sup> July, 2010 to 30<sup>th</sup> June, 2011. (Previous Year 1<sup>st</sup> April 2009 to 30<sup>th</sup> June 2010 for the period of 15 Months ). The subsidiary account consolidated is from the period of 10 Months from September 2010 to June 2011.
  3. Disclosures as required by accounting standards (As - 19) issued by the ICAI are as follows: - The Company's leasing arrangements are in respect of office premises taken on lease. The arrangements are for 11 months and are usually renewable by mutual consent or mutually agreeable terms. Lease rentals payable are recognised in the profit and loss account for the year and included under rental of office premises. (Disclosed under administration expenses)
  4. There was no employee at any time during the year drawing Rs.200000/- or more per month.
  5. Balances of Banks, Debtors, Creditors, Loan & Advances and other Personal Accounts are subject to confirmation.
  6. FDR's made for bank guarantee in favour of KSEB and Sales Tax Department has substantial amount hence, interest on it has been taken into account but for remaining deposit no interest have been provided.
  7. **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 is the context of AS-17 issued by the Institute of Chartered Accountants of India is considered the only two business segments. Other business, include Speculative Trading in Metals

**All the Assets pertaining to the primary business.**

(Rs. In Lakhs)

Particular	Steel items	Metal Trading	Total
Sales / Proceeds (net of Exp.)	78643.16	1941.63	80584.79
Segment Result	2098.94	1554.65	3653.59
Current Assets	31935.92	3728.66	35664.58
Current Liabilities	15924.29	386.98	16311.27

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

(Rs. In Lakhs)

Particular	India	UAE	Total
Sales / Income	45264.46	35320.33	80584.79
Segment Result	1125.04	2528.56	3653.60
Fixed Assets	1031.62	-	1031.62
Investments / (Capital)	76.51	(18.51)	58.00
Current Assets	24638.85	11025.73	35664.58
Advances / (Loans)	3287.16	(3287.16)	-

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

Current Liabilities	11114.04	5197.23	16311.27
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## 8. Earning per share :-

Earning for Shareholders for the period	Rs 3653.59 Lakhs	Rs. 822.97 Lakhs
No. of Equity Share (Weighted)	44827502	11025700
Potential No. of Equity Share Outstanding	NIL	1445111
Earning per share ( Basic)	Rs 8.15	Rs.7.46
Earning per share (Dilutive)	Rs 8.15	Rs.6.60

## 9. Income Tax:-

The Company has provided for Income Tax an amount of Rs. 296.91 Lakhs (Rs. 243.41 Lakhs), which is subject to change (not material in amount) after final computation of income tax.

## 10. Operating Lease :-

Future obligations towards lease rentals	Current Year	Previous Year
Within one year	Rs. 46.20 Lakhs	Rs. 1.20 Lakhs
Later than one year but less than Five years	Rs. 2.40 Lakhs	Rs. 3.60 Lakhs
Later than Five years	NIL	NIL
Total	Rs. 48.60 Lakhs	Rs. 4.80 Lakhs

## 11. 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 30<sup>th</sup> June 2011 has been recognized. Consequently the excess Deferred Tax Liability of Rs 66.02 Lacs has been recognized & credited to Profit & Loss account.

Rs in Lakhs

Particulars	As at 30.06.2011	As at 30.06.2010
<b>Deferred Tax Liabilities:-</b>		
Difference in Accumulated Book Depreciation & Accumulated Depreciation under Income Tax Act.	521.09	579.47
<b>Deferred Tax Assets:</b>		
Unabsorbed Depreciation & disallowance Allowable expenses on payment basis	188.49	52.63
<b>Net Timing Difference</b>	332.60	526.84
Total Deferred Tax Liability to be recognised	113.05	179.07
Deferred Tax Liability previously recognized	179.07	31.09
Net Deferred Tax Liability provided / (Reversed) during the period	(66.02)	147.98



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

13. 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	(4378.00)

14. SHARE CAPITAL AND LISTING OF SHARES

During the year under review, your company issued 32,723,400 & 88,399,980 fully paid up underlying Equity shares of Rs.10 Each at a premium of Rs 4.10 & Rs NIL through 1,090,780 & 2,946,666 Global Depository Receipts on 4th August 2010 & 6th June 2011 respectively. These GDR are listed in Luxembourg Stock Exchange. The securities of the company are listed and traded in compulsory dematerialised form on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited. The details of issue, Funds Raised & its utilisation are as follows:

<b>GDR Issue Launched on</b>	:	4 <sup>th</sup> August 2010 & 6 <sup>th</sup> June 2011
<b>Total No of GDR's</b>	:	1090780 & 2946666
<b>Total Amount Raised</b>	:	Rs 136.72 Crores
<b>No. of Shares underlying each GDR</b>	:	32723400 & 88399980
<b><u>Fund Utilization</u></b>		
<b>Issue Expenses</b>	:	Rs 2.62 Crores
<b>Investment for Mining Operations</b>	:	Rs 9.70 Crores
<b>Investment for Integrated Steel Unit</b>	:	Rs 0.44 Crores
<b>For Expansion</b>	:	Rs 0.67 Crores
<b>Investment/ Advances in Subsidiary</b>	:	Rs 33.06 Crores
<b>Unutilised Money Kept with Foreign Bank</b>	:	Rs 90.23 Crores

Company has incurred a total sum of Rs 5.06 Crores as expenses in connection with issue of GDRs which is shown under the head "Miscellaneous Expenditure" & to be w/off in five equal instalments commencing from the year of commercial operations.

15. SHARE WARRANTS

During the Year, Company has forfeited the share warrant money received against Fifty Lacs Shares of Rs.10 each with a Premium of Rs.5 due to the non receipt of remaining amount. The amount forfeited has been transferred to Reserve & Surplus.

16. 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.

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

17. Company is yet to file various e-forms as required under Companies Act, 1956.
18. All Liabilities payable within 12 months are grouped under current liabilities.
19. **Contingent Liabilities not provided for :-**

Claims against the company not acknowledged as debts:-

	Rs in Lakhs	
	30.06.2011	30.06.2010
Tax demands under Appeal by the Commercial Taxes Department	166.85	349.72
Bank Guarantee to KSEB (against 100% Margin Money Deposit)	51.50	51.50
Security Deposit with Sales Tax	5.20	3.79

20. **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 K. K. Agarwalla, Executive Director
3. Shri E Sankaranarayana, 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. KK Agarwalla HUF

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	10.85	NIL
Rent	NIL	7.00	1.20
Purchase	NIL	NIL	19.81
Loan or Deposit taken	NIL	20.66	NIL
Loan or Advance Given / Repaid	3287.16	2.90	432.00
Investment	18.51	NIL	NIL
Receivable to Company	3287.16	NIL	0.10
Payable by Company	NIL	12.18	NIL

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

1. Remuneration paid to Directors - Rs.10.15 Lakhs (12.90 Lakhs)
2. Payment to Auditors - Rs. 5.00 Lakhs (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)	4651.070 (1949.440)

4. **Material Purchased:**

Item	Quantity	Value (Rs. In Lakhs)
Steel Items	110622.305 (38264.68)	42837.35 (14685.58)

5. **Finished Goods details:**

Item	M S Ingots	
	Qty (MT)	Value (Rs in lacs)
Op. Stock	0.000 (31.295)	0.00 (7.33)
Sales (consumption)	4630.615 (1980.735)	1247.06 (434.67)
Closing Stock	20.455 (0.000)	5.71(0.00)

For Sunil Johri & Associates  
Chartered Accountants  
Frn 005960 C  
Sd/-  
( Sunil Johri)  
Partner  
M.no.074654  
Place : Palakkad  
Date : 21-11-2011

For And On Behalf Of The Board Of  
Directors,  
Sd/-  
Vivek Agarwal  
Chairmen & Managing Director

For Mahdevan & Sivarajan  
Chartered Accountants  
Frn 006388 S  
Sd/-  
( P.sivarajan)  
Partner  
M.no. 200652  
Place : Palakkad  
Date : 21-11-2011

Sd/-  
E Sanakranarayana  
Director  
Place : Palakkad  
Date : 21-11-2011

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

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

### REGISTRATION DETAILS

A	Registration No.	99171
B	State Code No.	10
C	Balance Sheet Date	30-06-2011

### CAPITAL RAISED DURING THE YEAR (Amount in Thousands)

A	Public Issue	1345400
B	Right Issue	NIL
C	Bonus Issue	NIL
D	Private Placement including share premium	NIL

### POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Thousands)

A	Total Liabilities	2094855
B	Total Assets	2094855

### SOURCE OF FUNDS

A	Paid-up capital	1390491
B	Reserve & Surplus	663986
C	Secured Loans	29074
D	Unsecured Loans	NIL
E	Deferred tax liability	11305

### APPLICATION OF FUNDS

A	Net Fixed Assets	103161
B	Investment	5800
C	Net Current Assets	1935331
D	Deferred Tax Assets	NIL
E	Miscellaneous Expenses	50563
F	Accumulated Loss	NIL

### PERFORMANCE OF COMPANY

A	Turnover / Receipt	8058479
B	Total Expenditure	7670031
C	Profit / (Loss) Before Tax	388448
D	Profit / (Loss) After Tax	365359
E	Earning Per Share (basic & Diluted)	8.15
F	Dividend Rate	Nil



## Generic Name Of Principal Product/ services Of The Company

A	Item Code	7206.90	Ingots Of Iron & Steel Other Than High Carbon Steel Bars & Rods, Hot Rolled In Irregularly Wound Coils And Non Alloy Steel
B	Product Description	7213.00	

For Sunil Johri & Associates  
Chartered Accountants  
FRN 005960 C

For and on behalf of the Board of  
Directors,

Sd/-  
(SUNIL JOHRI)  
PARTNER  
M. No. 074654  
Place: Palakkad  
Date: 21-11-2011

Sd/-  
Vivek Agarwal  
Chairmen & Managing Director

For MAHADEVAN & SIVARAJAN  
CHARTERED ACCOUNTANTS  
FRN 0063885

Sd/-  
E Sanakranarayana  
Director

Sd/-  
(P. SIVARAJAN)  
PARTNER  
M. No. 200652  
Place: Palakkad  
Date: 21-11-2011

Place: Palakkad  
Date: 21-11-2011

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

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## 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 2011 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, 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 2011, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 30th June 2011 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 2011.
  - 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 005960 C

Sd/-  
(SUNIL JOHRI)  
PARTNER  
M. No. 074654  
PLACE: PALAKKAD  
DATE: 21/11/2011

For MAHADEVAN & SIVARAJAN  
CHARTERED ACCOUNTANTS  
FRN 006388S

Sd/-  
(P. SIVARAJAN)  
PARTNER  
M. No. 200652  
PLACE: PALAKKAD  
DATE: 21/11/2011

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

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## **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 30-06-2011**

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 between the physical stocks and book records were not material, having regard to the size of the operations of the company.
3. a. In our opinion and according to the information and explanations given to us, the Company has 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 420.56 Lacs and the year end 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. The Company has taken loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the companies act, 1956. Total number of parties is 2 and amount involved (maximum outstanding during the year) is Rs. 15.34 Lacs and year-end balance is Rs 12.18.
- f. In our opinion the rate of interest and other terms and condition on which loan have been taken from the parties listed in the register maintained under section 301 of the companies act, 1956 are not prima facie prejudicial to the interest of the company.



- g. In our opinion and according to the information and explanations given to us, company has been paying principal and interest amount on secured loan. In respect of unsecured loan the terms of repayment have not been stipulated, therefore we have not made any comments.
4. In our opinion and according to the information and explanations given to us, 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 30th June 2011 for a period of more than six months from the date they became payable except Income Tax Rs 97.35 Lacs, Fringe Benefit Tax Rs 0.24 Lacs, TDS Rs 9.27 Lacs, MVAT Rs 2.05 Lacs, Listing Fees Rs 2.95 & MCA Filing Fee Rs 71.03 Lacs.
- b. As at 30th June 2011, 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	Name of the dues	Amount (Rs. In Lacs)	Period to which the amounts release	Forum where pending
Commercial Tax & CST	Commercial Tax & CST	15.66 30.74 120.45	2004-05 2005-06 2006-07	Sales Tax Appellate Tribunal Additional Bench Palakkad Kerala

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

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. Management has disclosed the end use of money raised by way of GDRs registered with Luxemburg Stock Exchange (underlying companies Shares). The details issue and its end use as disclosed by the management is given below:

GDR Issue Launched on	:	4th August 2010 & 6th June 2011
Total No of GDR's	:	1090780 & 2946666
Total Amount Raised	:	Rs 136.72 Crores
No. of Shares underlying each GDR	:	32723400 & 88399980
<u>Fund Utilization</u>		
Issue Expenses	:	Rs 2.62 Crores
Investment for Mining Operations	:	Rs 9.70 Crores
Investment for Integrated Steel Unit	:	Rs 0.44 Crores
For Expansion	:	Rs 0.67 Crores
Investment / Advances in Subsidiary	:	Rs 33.06 Crores
Unutilised Money Kept with Foreign Bank	:	Rs 90.23 Crores



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  
M. No. 074654  
PLACE: PALAKKAD  
DATE: 21/11/2011

For MAHADEVAN & SIVARAJAN  
CHARTERED ACCOUNTANTS  
FRN 006388S

Sd/-  
(P. SIVARAJAN)  
PARTNER  
M. No. 200652  
PLACE: PALAKKAD  
DATE: 21/11/2011

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

## BALANCE SHEET AS AT 30th JUNE 2011

Particulars	Sche-dule No.	As On 30/06/2011	As On 30/06/2010
<b>I. Sources Of Funds</b>			
1 Shareholders Funds			
A. Share Capital	A	1,390,490,800	216,407,000
B. Reserves & Surplus	B	411,702,472	117,076,502
		1,802,193,272	333,483,502
2 Loan Funds			
A. Secured Loans	C	29,073,877	51,252,234
B. Unsecured Loans	D	-	11,490,000
		29,073,877	62,742,234
3 Deferred Tax Liability		11,305,127	17,907,453
Total		1,842,572,276	414,133,188
<b>ii. Application Of Funds</b>			
1 Fixed Assets	E		
A. Gross Block		181,355,928	180,460,831
B. Depreciation		84,894,362	60,840,391
Net Block		96,461,566	119,620,440
Capital Work In Progress		6,700,000	
Total		103,161,566	119,620,440
2 Investments	F	7,651,060	5,800,000
3 Current Assets, Loans & Advances	G		
A. Inventories		8,964,836	11,963,587
B. Sundry Debtors		1,439,707,665	346,434,924
C. Cash & Bank Balances		899,587,297	16,329,869
D. Other Current Assets		26,694,776	23,255,152
E. Loans & Advances		432,936,748	1,786,944
		2,807,891,321	399,770,476
Less: Current Liabilities & Provisions	H		
A. Sundry Creditors		1,052,562,241	76,618,257
B. Provisions & Others		74,132,011	34,439,471
Net Current Assets		1,681,197,069	288,712,748
4 Miscellaneous Expenditure		50,562,581	-
Total		1,842,572,276	414,133,188
Accounting Policies And Notes On Accounts	M-1	In Terms Of Our Report Of Even Date	
For And On Behalf Of The Board Of Directors		For Sunil Johri & Associates Chartered Accountants Frn 005960 C	For Mahdevan & Sivarajan Chartered Accountants Frn 006388 S
Sd/- Chairman & Managing Director Place : Palakkad Date : 21-11-2011	Sd/- Director	Sd/- (Sunil Johri) Partner M.no.074654	Sd/- (P.sivarajan) Partner M.no. 200652



**Profit & Loss Account For The Year Ended 30th June 2011**

Particulars	Sche-dule No.	As On 30/06/2011	As On 30/06/2010
Revenue From Sales & Operations 4,536,755,145	I		
Less: Excise Duty & Cess 12,844,792		4,523,910,353	3,287,274,348
Other Income	J	2,535,803	1,441,564
		4,526,446,156	3,288,715,912
Cost Of Sales	K	4,319,190,081	3,141,680,088
Administrative & Financial Expenses	L	47,610,170	18,030,260
Total		4,366,800,251	3,159,710,348
Profit Before Depreciation & Tax		159,645,905	129,005,564
Less : Depreciation	E	24,053,971	11,919,032
Profit Before Taxes & Statutory Appropriations		135,591,934	117,086,532
Less: Deferred Tax		(6,602,326)	14,798,374
Less : Tax Expenses		29,690,507	19,991,089
Profit / (loss) After Taxes		112,503,753	82,297,069
Add: Profit / (loss) Brought Forward		95,656,832	23,988,299
From Previous Year		208,160,584	106,285,369
Transfer To General Reserves		20,816,058	10,628,537
Balance Carried Over To Balance Sheet		187,344,526	95,656,832
Nominal Value Of Equity Share		10	10
No. Of Equity Shares (weighted)		44,827,502	11,025,700
Eps In Rs. (basic & Diluted)		2.51	7.46
Accounting Policies And Notes On Accounts	M-1	In Terms Of Our Report Of Even Date	
For And On Behalf Of The Board Of Directors		For Sunil Johri & Associates Chartered Accountants Frn 005960 C	For Mahdevan & Sivarajan Chartered Accountants Frn 006388 S
Sd/- Chairman & Managing Director Place : Palakkad Date : 21-11-2011	Sd/- Director	Sd/- ( Sunil Johri ) Partner M.no.074654	Sd/- ( P.sivarajan ) Partner M.no. 200652

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

## Schedule Annexed To And Forming Part Of Balance Sheet As At 30-06-2011

Particulars	30/06/2011	30/06/2010
<b>Schedule "A"</b>		
Share Capital		
Authorised Share Capital	1,600,000,000	780,000,000
160000000 Equity Shares Of Rs.10/- Each (previous Year 780000000 Equity Shares Of Rs.10/- Each)		
Issued, Subscribed & Paid-up Capital		
132149080 Equity Shares Of Rs.10/- Each (11025700 Equity Shares Of Rs. 10/= Each)	1,321,490,800	110,257,000
Share Warrant Application Money(pending For Allotments )	69,000,000	106,150,000
	1,390,490,800	216,407,000
<b>Schedule "B"</b>		
Reserves & Surplus		
A. Capital Reserve		
Against Forfeiture Of 11,69,900 Equity Shares	5,849,500	5,849,500
Against Forfeiture Of 3,45,000 Share Warrants	351,900	351,900
B. Share Warrant / Security Premium	135,196,940	1,031,000
C. Share Warrant Forfeited	26,150,000	-
D. Capital Investment Subsidy From Govt. Of Kerala	1,500,000	1,500,000
E. General Reserves	55,309,606	12,687,270
F. Profit & Loss A/c For The Year	187,344,526	95,656,832
	411,702,472	117,076,502
	1,802,193,272	333,483,502
<b>Schedule 'C'</b>		
Secured Loans		
CC Limits From State Bank Of India	29,073,877	51,252,234
(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)		
	29,073,877	51,252,234
<b>Schedule 'D'</b>		
Unsecured Loan	-	11,490,000
	-	11,490,000



## SCHEDULE "E" - FIXED ASSETS

Particulars	Gross Block as on 01/07/2010	Additions	Deduction	TOTAL as on 30/06/2011	DEPRECIATION				Net Block as on 30/06/2011	Net Block as on 30/06/2010
					Rate of Depreciation	Upto 30/06/2010	01/07/2010 TO 30/06/2011	Total		
Land & Site Development	2,256,740	-		2,256,740		-	-	-	2,256,740	2,256,740
6MT FURNANCE	5,210,884			5,210,884	20.87%	3,797,345	295,006	4,092,351	1,118,533	1,413,539
Air Conditioner	32,000	28,300		60,300	13.91%	24,992	2,496	27,488	32,812	7,008
Building	16,603,067			16,603,067	10.00%	11,619,602	498,347	12,117,949	4,485,118	4,983,465
Computers & Printers	516,013	171,735		687,748	40.00%	467,436	45,427	512,863	174,884	48,576
Drum Container	10,400			10,400	30.00%	9,611	237	9,848	552	789
Electrical Installations	4,436,947			4,436,947	20.87%	4,115,714	67,041	4,182,755	254,192	321,233
EPBAX	43,350			43,350	18.10%	37,530	1,053	38,583	4,767	5,820
Furniture & Fixtures	120,620			120,620	18.10%	102,746	3,235	105,981	14,639	17,874
Miscellaneous Fixed Assets	62,569			62,569	18.10%	51,827	1,944	53,771	8,798	10,742
Office Equipment	83,653	627,512		711,165	18.10%	58,233	56,815	115,048	596,117	25,420
Plant & Machinery	74,337,834	67,550		74,405,384	20.87%	28,720,010	9,521,637	38,241,647	36,163,737	45,617,824
Pollution Control Equipments	73,987,414			73,987,414	20.87%	9,439,445	13,471,161	22,910,606	51,076,808	64,547,969
Tools & Tackles	176,151			176,151	13.91%	143,828	4,496	148,324	27,827	32,323
Vehicles	2,533,191	1,489,977	1,489,977	2,533,191	25.89%	2,210,424	83,564	2,293,988	239,202	322,766
Xerox Machine	50,000			50,000	18.10%	41,648	1,512	43,160	6,840	8,352
<b>TOTAL Assets</b>	<b>180,460,831</b>	<b>2,385,074</b>	<b>1,489,977</b>	<b>181,355,928</b>		<b>60,840,391</b>	<b>24,053,971</b>	<b>84,894,362</b>	<b>96,461,566</b>	<b>119,620,440</b>
Capital Work in Progress		6,700,000		6,700,000				-	6,700,000	
<b>TOTAL</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>103,161,566</b>	<b>119,620,440</b>
PREVIOUS YEARS	87,553,581	92,907,250	-	180,460,831		48,921,359	11,919,032	60,840,391	119,620,440	38,632,222

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

Particulars	30/06/2011	30/06/2010
<b>Schedule 'F'</b> Investments		
5,80,000 (prev Year 5,80,000) Shares Of Special Blast Ltd	5,800,000	5,800,000
Siel Fze (1,50,000 Shares Of 1 Aed - Rs. 12.3404/= Each)	1,851,060	-
	<b>7,651,060</b>	<b>5,800,000</b>
<b>Schedule 'G'</b> Current Assets, Loans & Advances		
A. Inventories (as Certified & Valued By The Management)		
Raw Material	3,767,849	53,995
Finished Goods		
M.s. Ingot	571,033	-
Runner Riser	43,954	-
Green Mould & Mould Box (wip)	3,657,000	11,159,592
Consumables	475,000	400,000
Stores & Spares	450,000	350,000
	<b>8,964,836</b>	<b>11,963,587</b>
B. Sundry Debtors (considered Good)		
Less Than Six Months	1,058,729,518	1,642,645
More Than Six Months	380,978,147	344,792,279
	<b>1,439,707,665</b>	<b>346,434,924</b>
C. Cash & Bank Balances		
Cash In Hand	1,471,254	77,931
Bank Balances	898,116,043	16,251,938
	<b>899,587,297</b>	<b>16,329,869</b>
D. Other Current Assets	26,694,776	23,255,152
E. Loans & Advances	432,936,748	1,786,944
	<b>2,807,891,321</b>	<b>399,770,476</b>
<b>Schedule 'H'</b> Current Liabilities		
A. Sundry Creditors	1,052,562,241	76,618,257
B. Other Current Liabilities & Provisions	74,132,011	34,439,471
	<b>1,126,694,252</b>	<b>111,057,728</b>



Particulars	30/06/2011	30/06/2010
<b>Schedule "I"</b>		
Revenue From Sales & Services		
Sales	4,523,910,353	3,287,274,348
Other Operating Income		-
	<b>4,523,910,353</b>	<b>3,287,274,348</b>
<b>Schedule "J"</b>		
Other Income		
Interest On Fdr	2,535,803	883,081
Income From Job Work	-	179,313
Sundry Balance Written Off / Back	-	379,170
	<b>2,535,803</b>	<b>1,441,564</b>
<b>Schedule "K"</b>		
Cost Of Material		
Opening Stock	11,963,587	39,477,360
Add: Purchases	4,283,758,826	3,085,323,598
Add: Manufacturing Expenses	32,432,504	28,842,717
Less: Closing Stock	8,964,836	11,963,587
	<b>4,319,190,081</b>	<b>3,141,680,088</b>
<b>Schedule "I"</b>		
Administrative Expenses	38,115,140	9,333,331
Financial Charges	9,495,030	8,696,929
	<b>47,610,170</b>	<b>18,030,260</b>

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

## Schedule "M-1"

### Significant Accounting Policies & Notes On Accounts :

(forming Part Of The Accounts For The Financial Year 2010-11

For The Year Ended On 30<sup>th</sup> June 2011)

#### I. Significant Accounting Policies:

##### 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 borrowing 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

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

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

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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 recognized nor disclosed in the financial statements.

## II. NOTES TO ACCOUNTS:-

- 1 The Accounts for the Financial Year 2010-11 have been prepared for the period of 12 Months from 1st July, 2010 to 30th June, 2011. (Previous Year 1st April 2009 to 30th June 2010 for the period of 15 Months)
- 2 During the year company has formed a 100% wholly owned subsidiary in UAE by name



SIEL FZE & has invested Rs. 18.51 Lakhs as equity participation & Rs. 3287.16 Lakhs as interest free advance. As required under section 212 of the Companies Act Statement on Companies interest in the subsidiary is given below :

- i. There is no change in the shareholding interest between the end of the financial year of the subsidiary & the end of the company's financial year.
- ii. No Material changes have occurred between the end of the financial year of the Subsidiary's company & the end of the company's financial year in respect of subsidiary fixed assets, investments, moneys lent by it and moneys borrowed by it for any purpose other than that of meeting current liabilities.
- iii. Subsidiary Company's Brief un audited Financial Information as on 30.06.2011 are as follows :

(Amount in Lacs)

A	Paid-up capital	18.51
B	Reserve & Surplus	2528.56
C	Loans	3287.16
D	Net Current Assets	5834.23
F	Turnover	35320.33
F	Total Expenditure	32791.77
G	Profit	2528.56

- 3. Disclosures as required by accounting standards (As - 19) issued by the ICAI are as follows: - The Company's leasing arrangements are in respect of office premises taken on lease. The arrangements are for 11 months and are usually renewable by mutual consent or mutually agreeable terms. Lease rentals payable are recognised in the profit and loss account for the year and included under rental of office premises. (Disclosed under administration expenses)
- 4. There was no employee at any time during the year drawing Rs.200000/- or more per month.
- 5. Balances of Banks, Debtors, Creditors, Loan & Advances and other Personal Accounts are subject to confirmation.
- 6. FDR's made for bank guarantee in favour of KSEB and Sales Tax Department has substantial amount hence, interest on it has been taken into account but for remaining deposit no interest have been provided.

7. **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 is the context of AS-17 issued by the Institute of Chartered Accountants of India is considered the only two business segments. Other business, include Speculative Trading in Metals

**All the Assets pertaining to the primary business.**

(Rs. In Lakhs)

Particular	Steel items	Metal Trading	Total
Sales / Proceeds (net of Exp.)	43322.83	1941.63	45264.46
Segment Result	(429.61)	1554.65	1125.04
Current Assets	24197.35	3728.66	27926.01
Current Liabilities	10727.06	386.98	11114.04

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

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

## 8. **Earning per share :-**

Earning for Shareholders for the period	Rs 1125.04 Lakhs	Rs. 822.97 Lakhs
No. of Equity Share (Weighted)	44827502	11025700
Potential No. of Equity Share Outstanding	NIL	1445111
Earning per share ( Basic)	Rs 2.51	Rs.7.46
Earning per share ( Dilutive)	Rs 2.51	Rs.6.60

## 9. **Income Tax:-**

The Company has provided for Income Tax an amount of Rs. 296.91 Lakhs (Rs. 243.41 Lakhs), which is subject to change (not material in amount) after final computation of income tax.

## 10. **Operating Lease :-**

Future obligations towards lease rentals	Current Year	Previous Year
Within one year	Rs. 46.20 Lakhs	Rs. 1.20 Lakhs
Later than one year but less than Five years	Rs. 2.40 Lakhs	Rs. 3.60 Lakhs
Later than Five years	NIL	NIL
Total	Rs. 48.60 Lakhs	Rs. 4.80 Lakhs

## 11. **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 30<sup>th</sup> June 2011 has been recognized. Consequently the excess Deferred Tax Liability of Rs 66.02 Lacs has been recognized & credited to Profit & Loss account.

Rs in Lakhs

Particulars	As at 30.06.2011	As at 30.06.2010
<b>Deferred Tax Liabilities:-</b>		
Difference in Accumulated Book Depreciation & Accumulated Depreciation under Income Tax Act.	521.09	579.47
<b>Deferred Tax Assets:</b>		
Unabsorbed Depreciation & disallowance Allowable expenses on payment basis	188.49	52.63
<b>Net Timing Difference</b>	332.60	526.84
Total Deferred Tax Liability to be recognised	113.05	179.07
Deferred Tax Liability previously recognized	179.07	31.09
Net Deferred Tax Liability provided / (Reversed) during the period	(66.02)	147.98

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



## 13. 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	(4378.00)

14. SHARE CAPITAL AND LISTING OF SHARES

During the year under review, your company issued 32,723,400 & 88,399,980 fully paid up underlying Equity shares of Rs.10 Each at a premium of Rs 4.10 & Rs NIL through 1,090,780 & 2,946,666 Global Depository Receipts on 4<sup>th</sup> August 2010 & 6<sup>th</sup> June 2011 respectively. These GDR are listed in Luxembourg Stock Exchange. The securities of the company are listed and traded in compulsory dematerialised form on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited. The details of issue, Funds Raised & its utilisation are as follows:

<b>GDR Issue Launched on</b>	:	4 <sup>th</sup> August 2010 & 6 <sup>th</sup> June 2011
<b>Total No of GDR's</b>	:	1090780 & 2946666
<b>Total Amount Raised</b>	:	Rs 136.72 Crores
<b>No. of Shares underlying each GDR</b>	:	32723400 & 88399980
<b><u>Fund Utilization</u></b>		
<b>Issue Expenses</b>	:	Rs 2.62 Crores
<b>Investment for Mining Operations</b>	:	Rs 9.70 Crores
<b>Investment for Integrated Steel Unit</b>	:	Rs 0.44 Crores
<b>For Expansion</b>	:	Rs 0.67 Crores
<b>Investment/Advances in Subsidiary</b>	:	Rs 33.06 Crores
<b>Unutilised Money Kept with Foreign Bank</b>	:	Rs 90.23 Crores

Company has incurred a total sum of Rs 5.06 Crores as expenses in connection with issue of GDRs which is shown under the head "Miscellaneous Expenditure" & to be w/off in five equal instalments commencing from the year of commercial operations.

15. SHARE WARRANTS

During the Year, Company has forfeited the share warrant money received against Fifty Lacs Shares of Rs.10 each with a Premium of Rs.5 due to the non receipt of remaining amount. The amount forfeited has been transferred to Reserve & Surplus.

## 16. 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.

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

17. Company is yet to file various e-forms as required under Companies Act, 1956.
18. All Liabilities payable within 12 months are grouped under current liabilities.
19. **Contingent Liabilities not provided for :-**

Claims against the company not acknowledged as debts:-

Rs in Lakhs

	30.06.2011	30.06.2010
Tax demands under Appeal by the Commercial Taxes Department	166.85	349.72
Bank Guarantee to KSEB (against 100% Margin Money Deposit)	51.50	51.50
Security Deposit with Sales Tax	5.20	3.79

20. **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 K. K. Agarwalla, Executive Director
  3. Shri E Sankaranarayana, 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 HUF
- 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	10.85	NIL
Rent	NIL	7.00	1.20
Purchase	NIL	NIL	19.81
Loan or Deposit taken	NIL	20.66	NIL
Loan or Advance Given / Repaid	3287.16	2.90	432.00
Investment	18.51	NIL	NIL
Receivable to Company	3287.16	NIL	0.10
Payable by Company	NIL	12.18	NIL

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

1. Remuneration paid to Directors - Rs. 10.15 Lakhs (12.90 Lakhs)
2. Payment to Auditors - Rs. 5.00 Lakhs (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)	4651.070 (1949.440)

4. **Material Purchased:**

Item	Quantity	Value (Rs. In Lakhs)
Steel Items	110622.305 (38264.68)	42837.35 (14685.58)

5. **Finished Goods details:**

Item	M S Ingots	
	Qty (MT)	Value (Rs in lacs)
Op. Stock	0.000 (31.295)	0.00 (7.33)
Sales (consumption)	4630.615 (1980.735)	1247.06 (434.67)
Closing Stock	20.455 (0.000)	5.71 (0.00)

For Sunil Johri & Associates  
Chartered Accountants

Frn 005960 C

Sd/-

( Sunil Johri)

Partner

M.no.074654

Place : Palakkad

Date : 21-11-2011

For And On Behalf Of The Board Of  
Directors,

Sd/-

Vivek Agarwal

Chairmen & Managing Director

For Mahdevan & Sivarajan  
Chartered Accountants

Frn 006388 S

Sd/-

( P.sivarajan)

Partner

M.no. 200652

Place : Palakkad

Date : 21-11-2011

Sd/-

E Sanakranarayana

Director

Place : Palakkad

Date : 21-11-2011

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

## THE COMPANIES ACT (1 OF 1956) SCHEDULE VI - PART IV

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### REGISTRATION DETAILS

A	Registration No.	99171
B	State Code No.	10
C	Balance Sheet Date	30-06-2011

### CAPITAL RAISED DURING THE YEAR (Amount in Thousands)

A	Public Issue	1345400
B	Right Issue	NIL
C	Bonus Issue	NIL
D	Private Placement including share premium	NIL

### POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Thousands)

A	Total Liabilities	1842572
B	Total Assets	1842572

### SOURCE OF FUNDS

A	Paid-up capital	1390491
B	Reserve & Surplus	411702
C	Secured Loans	29074
D	Unsecured Loans	NIL
E	Deferred tax liability	11305

### APPLICATION OF FUNDS

A	Net Fixed Assets	103161
B	Investment	7651
C	Net Current Assets	1681197
D	Deferred Tax Assets	NIL
E	Miscellaneous Expenses	50563
F	Accumulated Loss	NIL

### PERFORMANCE OF COMPANY

A	Turnover / Receipt	4526446
B	Total Expenditure	4390854
C	Profit / (Loss) Before Tax	135592
D	Profit / (Loss) After Tax	112504
E	Earning Per Share (Basic & Diluted )	2.51
F	Dividend Rate	Nil



## Generic Name Of Principal Product/ services Of The Company

A	Item Code	7206.90	Ingots Of Iron & Steel Other Than High Carbon Steel Bars & Rods, Hot Rolled In Irregularly Wound Coils And Non Alloy Steel
B	Product Description	7213.00	

For Sunil Johri & Associates  
Chartered Accountants  
FRN 005960 C

For and on behalf of the Board of  
Directors,

Sd/-  
(SUNIL JOHRI)  
PARTNER  
M. No. 074654  
Place: Palakkad  
Date: 21-11-2011

Sd/-  
Vivek Agarwal  
Chairmen & Managing Director

For MAHADEVAN & SIVARAJAN  
CHARTERED ACCOUNTANTS  
FRN 006388S

Sd/-  
(P. SIVARAJAN)  
PARTNER  
M. No. 200652  
Place: Palakkad  
Date: 21-11-2011

Sd/-  
E Sanakranarayana  
Director  
Place: Palakkad  
Date: 21-11-2011

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

## CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2011

(Amount in Lacs)

	Current Year		Prev Year
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>			
a) Net Profit/(Loss) before Taxes and Exceptional Items	3884.48		1170.87
Adjustments for:-			
Miscellaneous Expenses Written Off during the Year	0.00		1.44
Depreciation	240.54		119.19
Excess Provision written Back	0.00		0.00
	<b>4125.02</b>		<b>1291.50</b>
b) Operating Profit before Working Capital Changes			
Adjustments for:-			
Inventories	(7132.73)		275.14
Trade & Other Receivables	(15852.09)		(2147.07)
Trade Payables	15353.60		625.13
	<b>(7631.22)</b>		<b>(1246.80)</b>
c) Cash generated from Operations	(3506.21)		44.70
Direct Taxes	(66.02)		(243.41)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>(3572.23)</b>	<b>(198.72)</b>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase Sale of Fixed Assets	(8.95)		(929.07)
Payment for misc .fixed Assets			
Increase in Capital Work in Progress	(67.00)		0.00
<b>NET CASH FROM / (USED IN) INVESTING ACTIVITIES</b>		<b>(75.95)</b>	<b>(929.07)</b>
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>			
Monies received towards Share Capital and Premium	13325.45		1061.50
Repayment of Borrowings	(336.68)		0.00
Investment made	0.00		27.00
Capital Issue Exp	(505.63)		
Proceeds from Borrowings	0.00		197.66
<b>NET CASH FROM / (USED IN) FINANCING ACTIVITIES</b>		<b>12483.14</b>	<b>1286.16</b>
<b>D) NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>8834.96</b>	<b>158.38</b>
Cash and Cash Equivalent at beginning of the Year		<b>163.30</b>	<b>4.92</b>
Cash and Cash Equivalent at end of the Year		<b>8998.26</b>	<b>163.30</b>

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

for and on behalf of the Board

Sd/-

VIVEK AGARWAL  
CMD

Sd/-  
DIRECTOR

As per our Report attached

For SUNIL JOHRI & ASSOCIATES  
CHARTERED ACCOUNTANTS

Sd/-

SUNIL JOHRI  
PARTNER  
M.NO. 074654

FOR MAHDEVAN & SIVRAJAN  
CHARTERED ACCOUNTANTS

Sd/-

(P.SIVRAJAN)  
PARTNER  
M.NO. 200652

Place: Palakkad

Dated : 21-11-2011

### AUDITORS' REPORT

We have examined the above Consolidated Cash Flow of Southern Ispat & Energy Limited for the period ended 30th June 2011 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 21/11/2011 to the members of the company.

For SUNIL JOHRI & ASSOCIATES  
CHARTERED ACCOUNTANTS

Sd/-  
SUNIL JOHRI  
PARTNER  
M.NO. 074654

FOR MAHDEVAN & SIVRAJAN  
CHARTERED ACCOUNTANTS

Sd/-  
(P.SIVRAJAN)  
PARTNER  
M.NO. 200652



**CASHFLOW STATEMENT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2011**

(Amount in Lacs)

	Current Year		Prev Year
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>			
a) Net Profit/(Loss) before Taxes and Exceptional Items	1355.92		1170.87
Adjustments for:-			
Miscellaneous Expenses Written Off during the Year	0.00		1.44
Depreciation	240.54		119.19
Excess Provision written Back	0.00		0.00
	<b>1596.46</b>		<b>1291.50</b>
b) Operating Profit before Working Capital Changes			
Adjustments for:-			
Inventories	29.99		275.14
Trade & Other Receivables	(15278.62)		(2147.07)
Trade Payables	10156.37		625.13
	<b>(5092.27)</b>		<b>(1246.80)</b>
c) Cash generated from Operations	(3495.81)		44.70
Direct Taxes	(66.02)		(243.41)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>(3561.83)</b>	<b>(198.72)</b>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase Sale of Fixed Assets	(8.95)		(929.07)
Payment for misc .fixed Assets			
Increase in Capital Work in Progress	(67.00)		0.00
<b>NET CASH FROM / (USED IN) INVESTING ACTIVITIES</b>		<b>(75.95)</b>	<b>(929.07)</b>
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>			
Monies received towards Share Capital and Premium	13331.18		1061.50
Repayment of Borrowings	(336.68)		0.00
Investment made	(18.51)		27.00
Capital Issue Exp	(505.63)		
Proceeds from Borrowings	0.00		197.66
<b>NET CASH FROM / (USED IN) FINANCING ACTIVITIES</b>		<b>12470.36</b>	<b>1286.16</b>
<b>D) NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>8832.58</b>	<b>158.38</b>
Cash and Cash Equivalent at beginning of the Year		<b>163.30</b>	<b>4.92</b>
Cash and Cash Equivalent at end of the Year		<b>8995.88</b>	<b>163.30</b>

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

for and on behalf of the Board

Sd/-

VIVEK AGARWAL  
CMD

Sd/-  
DIRECTOR

As per our Report attached

For SUNIL JOHRI & ASSOCIATES  
CHARTERED ACCOUNTANTS

Sd/-  
SUNIL JOHRI  
PARTNER  
M.NO. 074654

FOR MAHDEVAN & SIVARAJAN  
CHARTERED ACCOUNTANTS

Sd/-  
(P.SIVRAJAN)  
PARTNER  
M.NO. 200652

Place: Palakkad

Dated : 21-11-2011

**AUDITORS' REPORT**

We have examined the above Cash Flow of Southern Ispat & Energy Limited for the period ended 30th June 2011 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 21/11/2011 to the members of the company.

For SUNIL JOHRI & ASSOCIATES  
CHARTERED ACCOUNTANTS

Sd/-  
SUNIL JOHRI  
PARTNER  
M.NO. 074654

FOR MAHDEVAN & SIVARAJAN  
CHARTERED ACCOUNTANTS

Sd/-  
(P.SIVRAJAN)  
PARTNER  
M.NO. 200652

# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

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# Southern Ispat & Energy Limited

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

## ATTENDANCE SLIP

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

Full name of the Member attending .....

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

Name of Proxy .....

I hereby register my presence at the ANNUAL GENERAL MEETING held at 19/629 (1), "SREYAS" Near Yakkara School Bus Stop, West Yakkara, Palakkad-678 001. on the 26<sup>th</sup> December, 2011 at 11.30 A.M.

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



# Southern Ispat & Energy Limited

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

## PROXY FORM

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

As my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 26<sup>th</sup> December, 2011 at 11.30 A.M. and at any adjournment thereof\* in favour/against of the resolutions.

Signed this ..... day of ..... 2011

Registered Folio No.: .....

No. of Shares held: .....

Signature .....

Re. 1
Revenue
Stamp

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

