

STEEL EXCHANGE INDIA LIMITED



**THIRTEENTH ANNUAL REPORT
2011-2012**

BOARD OF DIRECTORS

B. SATISH KUMAR	Chairman & Managing Director
B. SURESH KUMAR	Joint Managing Director
V. V. KRISHNA RAO	Director
B. SURESH	Director (Finance)
R. RAMACHANDRA RAO	Director
C. SIVA PRASAD	Director
K. KRISHNA RAO	Director
G VENKATA NARAYANA REDDY	Director

COMPANY SECRETARY

B. NARAHARI

STATUTORY AUDITORS

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

COST AUDITORS

M/s. DZR & Co.,
Cost and Management Accountants,
Hyderabad.

BANKERS and FINANCIAL INSTITUTIONS

Working Capital Lenders

State Bank of India, Commercial Branch, Visakhapatnam.
State Bank of Hyderabad, VSP Steel Township Branch, Visakhapatnam.
Punjab National Bank, Banjara Hills, Hyderabad
The Lakshmi Vilas Bank, Gajuwaka Branch, Visakhapatnam.
Bank of India, Suryabagh Branch, Visakhapatnam.
IDBI Bank, MCG Branch, Visakhapatnam.
The Karur Vysya Bank, Daba Gardens Branch, Visakhapatnam.

Term Loan Lenders

State Bank of India, Commercial Branch, Visakhapatnam.
State Bank of Mysore, Industrial Finance Branch, Hyderabad.
State Bank of Hyderabad, VSP Steel Township Branch, Visakhapatnam.
State Bank of Travancore, Visakhapatnam Branch, Visakhapatnam.
State Bank of Bikaner and Jaipur, Visakhapatnam Branch, Visakhapatnam.
Pridhvi Asset Reconstruction and Securitisation Company Limited, Hyderabad

REGISTRARS & SHARE TRANSFER AGENTS

Venture Capital and Corporate Investments Private Limited,
12-10-167, Bharatnagar, Hyderabad - 500 018.
Telephone: +91 - 40 - 23818475 / 76 Fax: +91 - 40 - 23868024

REGISTERED OFFICE

303, My Home Laxmi Nivas, Greenlands, Ameerpet, Hyderabad - 500 016, Andhra Pradesh.
Telephone No: +91-40-23403725 Fax No: +91- 40- 23413267
www.seil.co.in

CORPORATE OFFICE

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

WORKS

Power Plant & Steel Ingot Division:

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

Rolling Division:

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

Wire Drawing Division - Unit-1:

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

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

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

INTEGRATED STEEL PLANT

Sponge Iron Division:

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

Rolling Division :

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

SMS Billet Unit :

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

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THIRTEENTH ANNUAL GENERAL MEETING

Date : 29th September 2012
Day : Saturday
Time : 12.00 Noon
Place : The Square Hyderabad,
6-3-870, Green Lands,
APTDC Paryatak Bhavan,
Begumpet, Hyderabad - 500 016
Phone: 040 - 4949 5959



NOTICE

Notice is hereby given that the Thirteenth Annual General Meeting of the Members of Steel Exchange India Limited will be held on **Saturday, the 29th day of September, 2012 at 12.00 Noon at The Square Hyderabad, 6-3-870, Green Lands, APTDC Paryatak Bhavan, Begumpet, Hyderabad - 500 016** to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Statements of Profit and Loss Account for the 15 months period ended 30th June 2012 and the Balance Sheet as at that date together with the Reports of the Directors' and the Auditors' thereon.
2. To declare dividend on 10.25% Preference Shares for the period 1st April 2011 to 30th January 2012.
3. To appoint a Director in place of Mr. B. Suresh Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. B. Suresh, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Statutory Auditors of the Company and fix their remuneration. M/s. Pavuluri & Co, Chartered Accountants, the retiring auditors are eligible for appointment as Statutory Auditors.

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

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

Special Business:

6. Appointment of Mr. G. Venkata Narayana Reddy as a Director of the Company.

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. G. Venkata Narayana Reddy, who was appointed by the Board of Directors as an Additional Director of the Company and who holds office up to the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 and in respect of whom a notice in writing under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. G. Venkata Narayana Reddy as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

7. Revision of remuneration payable to Mr. B. Satish Kumar, Chairman & Managing Director of the Company.

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 309, 310 and read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and subject to such other approvals as may be necessary, the consent of the Company be and is hereby accorded to the revision of remuneration payable to Mr. B. Satish Kumar, Chairman & Managing Director of the Company with effect from 1st September 2012, for the remaining period of his tenure as specified and set out in the annexed Explanatory Statement in respect of this resolution."

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



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

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

8. Revision of remuneration payable to Mr. B. Suresh Kumar, Joint Managing Director of the Company.

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 309, 310 and read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and subject to such other approvals as may be necessary, the consent of the Company be and is hereby accorded to the revision of remuneration payable to Mr. B. Suresh Kumar, Joint Managing Director of the Company with effect from 1st September 2012, for the remaining period of his tenure as specified and set out in the annexed Explanatory Statement in respect of this resolution.

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

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

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

By Order of the Board of Directors

Place: Visakhapatnam
Date: August 27, 2012

B. Narahari
Company Secretary

**Notes:**

1. **A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member of the Company.** Proxies, in order to be valid and effective, must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, the 24th day of September, 2012 to Saturday, the 29th day of September, 2012 (both days inclusive).
3. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business is annexed hereto. The additional information on Directors, seeking re-appointment/appointment under Item Nos. 3, 4 and 6 above, as required by Clause 49 of the Listing Agreement is given below.
4. Members/Proxies are requested to bring their copies of Annual Report to the meeting. As an austerity measure, copies of Annual Report will not be distributed at the meeting.
5. Members desirous of seeking any information on the accounts or operations of the Company are requested to write to the Company at least 10 days prior to the Meeting so that the required information can be made available at the Meeting.
6. Members holding shares in physical form can avail of the nomination facility by filing the Form 2B (in duplicate) as prescribed under the Companies Act, 1956 with the Company or its Registrar & Share Transfer Agents and in case of shares held in demat form, the nomination has to be lodged with their respective Depository Participants (DPs).
7. Members holding shares in physical form are requested to advise any change of address immediately to the Company's R T A, M/s Venture Capital and Corporate Investments Pvt Limited. Members holding shares in electronic form must send the advice about the change of address to their respective Depository Participants (DPs) and not to the Company. Non-resident Indian shareholders are requested to inform us immediately the change in the residential status on return to India for permanent settlement.
8. In order to service the Members effectively, members are requested to consolidate their holdings if the shares are held in the same name or in the same order of names but in several folios.
9. The equity shares of the Company have been notified for compulsory trading in demat form and are available for trading in demat form both on National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited and the Members are requested to avail this facility and get their shareholding converted into dematerialised form.
10. The amount of dividend which remains unclaimed or unpaid for a period of seven years from the date of transfer to Unpaid Dividend Account shall be transferred to Investor Education & Protection Fund (IEPF) under Section 205C of the Companies Act, 1956 and no claims shall lie against the Fund or the Company in respect of individual amounts thereafter. The members therefore requested to check up and send their claims to the Company, if any for the years 2004-05, 2005-06, 2006-07, 2007-08 and 2008-09 before the respective amounts become due for transfer to the Fund (IEPF).
11. The Ministry of Corporate Affairs (MCA) has taken a 'Green Initiative in the Corporate Governance' by allowing paperless compliances by the companies. Your Company has decided to join the MCA in its environment friendly initiative.

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



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

Item No. 6:

Mr. G. Venkata Narayana Reddy has been appointed by the Board of Directors as an Additional Director of the Company with effective from 30th July 2012. As per the provisions of Section 260 of the Companies Act, 1956, he holds office only up to the date of this Annual General Meeting of the Company. The Company has received notice in writing from a member signifying his intention to propose the candidature of Mr. G. Venkata Narayana Reddy as a Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Your Directors feel that the appointment of Mr. G. Venkata Narayana Reddy would be in the best interest of the Company and accordingly recommend the resolution for the approval of the members.

None of the Directors, other than Mr. G. Venkata Narayana Reddy, is in any way concerned or interested in the said resolution.

Item No. 7:

Mr. B. Satish Kumar had been re-appointed as Managing Director of the Company for a further period of three years with effect from 1st March 2010 by the members in their Extraordinary General Meeting held on 26th February 2010. As per the approved terms and conditions, the Managing Director is entitled to a remuneration of Rs. 3,00,000/- p.m. and other perquisites /allowances whose value should not exceed Rs. 1,00,000/- p.m., which is low compared to the present industry standards.

In view his vast expertise in the Steel Industry and also increased complexities in the business after the amalgamation of GSAL (India) Ltd with the Company, the Board of Directors revised the remuneration, payable to Mr. B. Satish Kumar, as recommended by the Remuneration Committee with effect from 1st September 2012 for the reaming period of his tenure.

The remuneration payable is as under:

1. Salary : Rs. 5,50,000/- Per Month

2. Commission : Nil

3. Perquisites/ Allowances :

i) Medical Reimbursement:

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

ii) Leave Travel Concession:

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

Explanation:

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

iii) Motor Car and Telephone:

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

iv) Other Perquisites:

Subject to the over all ceiling on remuneration the Chairman & Managing Director may be given any other allowances, benefits and perquisites as the Board of Directors from time to time, decide, which together with the perquisites mentioned above, should not be exceed 10 % of the salary per month.

**Additional Information as required under Schedule XIII of the Companies Act, 1956:****I. General information:**

- (1) Nature of Industry: Steel Manufacturing and Trading
- (2) Date of commencement of production: All the manufacturing units of the Company are in commercial operation.
- (3) Financial performance on given indicators:

For the period ended 30th June 2012-Revenue from Operations: Rs. 1702.09 Crores, Profit before Tax: Rs. 37.81 Crores, Profit after Tax: Rs. 26.87 Crores and Dividend: Nil

- (4) Export performance: Rs. 31.36 crores (Deemed export sales)
- (5) Foreign investments or collaborations, if any: Nil

II. Information about the Appointee:

- (1) Background Details: Mr. B. Satish Kumar aged about 51 years is a B.Tech from Regional Engineering College, Kurukshetra, India. He has done his Masters in Business Administration from the University of Queensland, Australia. He has been associated with the Steel industry for over two decades.
- (2) Past Remuneration: Mr. B. Satish Kumar was entitled to a remuneration of Rs. 300,000/- p.m. and other perquisites /allowances if any, not exceeding Rs. 100,000/- per month as the Managing Director of M/s Steel Exchange India Limited as per the last appointment.
- (3) Job profile and his suitability: The Managing Director is responsible for all the management activities of the Company. Mr. Satish Kumar has over 25 years of industry experience and worked in senior positions in the White Goods & Engineering Goods manufacturing Sector, Oil Rig and Transport business, handling field level projects in Logistics, Value chain management, Functional applications of ERP solutions in the Engineering industry and Oil Industry segments and operating these as a profit center. He has rich experience in project management and International Business Development and is widely travelled and brings a wealth of experience in change management, negotiations, strategic leadership and planning. Mr. Satish Kumar is the visionary founder of www.steelexchangeindia.com a B2B portal and one of India's pioneering portals for the steel industry.
- (4) Remuneration proposed: The proposed remuneration is as set out above in the explanatory statement.
- (5) Comparative remuneration: The proposed remuneration is comparable with its peers in the steel industry.
- (6) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any: Mr. B. Satish Kumar is a relative of Mr. B. Suresh Kumar, Joint Managing Director of the Company.

III. Other information: Not Applicable**IV. Disclosures:**

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

The resolution set out in item No. 7 together with this explanatory statement constitutes the memorandum of interest of the Chairman & Managing Director under Section 302 of the Companies Act, 1956.

As per the applicable provisions of the Companies Act, the revised remuneration payable to Chairman & Managing Director has to be approved by the members by way of Special Resolution and hence the above resolution is proposed.

The Board recommends the resolution for adoption by the members.

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

**Item No. 8:**

Mr. B. Suresh Kumar had been re-appointed as Joint Managing Director of the Company for a further period of three years with effect from 27th October 2010 by the members in their Annual General Meeting held on 30th September 2011. As per the approved terms and conditions, the Joint Managing Director is entitled to a remuneration of Rs. 150,000/- p.m. and other perquisites /allowances whose value should not exceed Rs. 75,000/- p.m., which is low compared to the present industry standards.

In view his vast expertise in the Steel Industry and also increased complexities in the business after the amalgamation of GSAL (India) Ltd with the Company, the Board of Directors revised the remuneration, payable to Mr. B. Suresh Kumar, as recommended by the Remuneration Committee with effect from 1st September 2012 for the reaming period of his tenure.

The remuneration payable is as under:

1. Salary : Rs. 5,00,000/- Per Month
2. Commission : Nil
3. Perquisites/ Allowances :
- i) Medical Reimbursement:

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

- ii) Leave Travel Concession:

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

Explanation:

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

- iii) Motor Car and Telephone:

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

- iv) Other Perquisites:

Subject to the over all ceiling on remuneration the Joint Managing Director may be given any other allowances, benefits and perquisites as the Board of Directors from time to time, decide, which together with the perquisites mentioned above, should not be exceed 10 % of the salary per month.

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

- I. General information:

- (1) Nature of Industry: Steel Manufacturing and Trading
- (2) Date of commencement of production: All the manufacturing units of the Company are in commercial operation.
- (3) Financial performance on given indicators:

For the period ended 30th June 2012-Revenue from Operations: Rs. 1702.09 Crores, Profit before Tax: Rs. 37.81 Crores, Profit after Tax: Rs. 26.87 Crores and Dividend: Nil

- (4) Export performance: Rs. 31.36 Crores (Deemed export sales)
- (5) Foreign investments or collaborations, if any: Nil

- II. Information about the Appointee:



- (1) Background Details: Mr. B. Suresh Kumar aged about 48 years holds a BE degree in Mechanical Engineering, is the visionary founder of Vizag Profiles Group.
 - (2) Past Remuneration: Mr. B. Suresh Kumar was entitled to a remuneration of Rs. 150,000/- p.m. and other perquisites /allowances if any, not exceeding Rs. 75,000/- per month as the Joint Managing Director of M/s Steel Exchange India Limited as per the last appointment.
 - (3) Job profile and his suitability: The Joint Managing Director is responsible for day to day management activities of the Company. Under his management the Vizag Profiles Limited emerged as one of leading Steel trading companies in Andhra Pradesh. He is the promoter director of Steel Exchange India Limited and has been guiding force in the overall growth of the company to become one of the leading steel companies of Andhra Pradesh. Mr. B. Suresh Kumar has got the orientation to develop and sustain development of dealership-network and relationship management. His success in trading and logistics is largely due to his innovative marketing strategies and sustained client relationship management through user-defined choice availability and flexible pricing.
 - (4) Remuneration proposed: The proposed remuneration is as set out above in the explanatory statement.
 - (5) Comparative remuneration: The proposed remuneration is comparable with its peers in the steel industry.
 - (6) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any: Mr. B. Suresh Kumar is a relative of Mr. B. Satish Kumar, Chairman & Managing Director of the Company.
- III. Other information: Not Applicable
- IV. Disclosures:

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

The resolution set out in item No. 8 together with this explanatory statement constitutes the memorandum of interest of the Joint Managing Director under Section 302 of the Companies Act, 1956.

As per the applicable provisions of the Companies Act, the revised remuneration payable to Joint Managing Director has to be approved by the members by way of Special Resolution and hence the above resolution is proposed.

The Board recommends the resolution for adoption by the members.

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

By Order of the Board of Directors

Place: Visakhapatnam
Date: August 27, 2012

B. Narahari
Company Secretary

**Additional Information on Directors seeking re-appointment at the ensuing Annual General Meeting (in pursuance of Clause 49 of the Listing Agreement):**

As required under the Listing Agreement, the particulars of Directors proposed to be re-appointed/ appointed are given below:

Name	Mr. B. Suresh Kumar	Mr. B. Suresh	Mr. G. Venkata Narayana Reddy
Date of Birth	19-04-1964	30-08-1968	14-06-1952
Qualification	B.E. (Mechanical)	B. Tech, M.B.A.	M.E (Civil)
Expertise in Specific Functional Area	Rich Experience of more than 15 years in Steel Industry	Rich Experience of more than 10 years in Finance and Steel Industries	Rich Experience of more than 30 years in Steel Industry
Date of appointment on the Board of the Company	24-02-1999	28-02-2000	30-07-2012
Other Directorships	<ol style="list-style-type: none"> 1. Vizag Profiles Pvt Ltd 2. VPL Projects Pvt Ltd 3. Simhadri Power Ltd 4. Simhadri Pellets India Ltd 5. Simhadri Wires Pvt Ltd 6. Simhadri Infrastructure Developers Pvt Ltd 7. Vizag Profile Constructions India Pvt Ltd 	<ol style="list-style-type: none"> 1. Vizag Profiles Pvt Ltd. 2. VPL Projects Pvt Ltd. 3. Umashiv Garments Pvt Ltd. 4. Simhadri Power Ltd 5. Simhadri Wires Pvt Ltd 6. Vizag Profile Constructions India Pvt Ltd. 7. Satyatej Vyapaar Pvt. Ltd. 	Nil
Member of the Committees in other Companies	Nil	Nil	Nil
No of Equity Shares held in the Company	1,495,450	1,135,850	Nil

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

Your Directors take pleasure in presenting the Thirteenth Annual Report of the Company together with the Audited Statements of Accounts for the 15 months period ended June 30, 2012.

FINANCIAL RESULTS:

The performance of the Company during period under review is summarised below:

(Rs. in Lakhs)

PARTICULARS	15 Months ended 30.06.2012*	Year ended 31.03.2011
Total Income	170209.42	115749.02
Total Expenditure (excluding Depreciation and Interest)	153931.27	107107.63
Profit before Interest & Depreciation	16278.15	8641.39
Less: Interest and other financial charges	10781.06	4792.16
Depreciation	1716.46	1114.09
Profit before Tax	3780.63	2735.14
Less: Provision for Tax		
- Current and earlier year Taxes	1062.50	897.38
- Deferred Tax	989.05	616.71
- Tax Expense for prior years	69.80	-
- MAT Credit Entitlement	(1027.85)	(478.61)
Profit after Tax	2687.13	1699.66
Profit brought forward from previous year	4469.17	2876.00
Profit available for Appropriation	7156.30	4575.66
Appropriations:		
Transfer to General Reserve	75.00	100.00
Proposed Dividend on Preference Shares	4.70	5.64
Tax on Dividend as above	0.76	0.85
Transfer to Capital Redemption Reserve	55.04	-
Balance	7020.80	4469.17
Balance of GSAL (India) Ltd on amalgamation	(33498.98)	-
Balance carried forward	(26478.18)	4469.17

***Note:** The current period's figures are not comparable with the previous year's figures on account of:

1. Extension of the accounting year by the Company. The current period's figures are for 15 months where as the previous year's figures are for 12 months.
2. The current period's figures include the accounts of GSAL (India) Limited consequent to the amalgamation as per the approval of BIFR, where as the previous year's figures relate to the company only.

Review of Operations:

The Company achieved a turnover of Rs. 1702.09 crores for the 15 months period ended 30th June, 2012 as against Rs. 1157.49 crores in the previous year ended 31st March 2011. The Company earned a Gross Profit of Rs. 162.78 crores before interest and depreciation as against Rs. 86.41 crores in the previous year. After deducting interest of Rs. 107.81 crores, providing a sum of Rs. 17.16 crores towards depreciation, tax provision of Rs. 11.32 crores and after adjusting deferred tax and MAT Credit, the operations resulted in a Net Profit of Rs. 26.87 crores as against Rs. 16.99 crores for the previous year.



The company's manufacturing activity was higher during the period under review and coupled with the increase in prices of steel products resulted in higher turnover and higher net profit when compared to previous year. However the margins were largely effected on account of volatility in the exchange rate and frequent and long power cuts imposed in the state.

During the period under review, the company continued with low level of operations at the Steel Melting Division at Kothapeta unit. The Company sold the unutilised power produced from the Power Plant.

As informed in the last Annual report, the Company has promoted Simhadri Power Limited (SPL) as a Special Purpose Vehicle (SPV) which will set up the 60 MW Power Plant based on waste heat recovery, coal char, fines and fresh coal in which the Company shall hold not less than 26% equity and 51% of the power generated will be captively consumed by the units of the Company.

The proposed power plant is being set up at Malliveedu, L.Kota Mandal, Vizianagaram District, Andhra Pradesh. The works are in advanced stage of completion and the commercial production is expected as per schedule in October 2012. During the period under review, the Company has invested Rs. 18.60 crores in SPL by subscribing to 18,600,000 Equity shares of Rs. 10/- each fully paid and the total investments in SPL as on 30th June 2012 is Rs. 35.29 crores .

With the setting up of the power project, the Company expects to improve its manufacturing levels on the back of regular and continuous power supply. The waste heat recovery, and utilisation of coal fines and char will also contribute to the margins of the company.

During the period under review, the company has disposed the 6000 TPA Wire drawing unit -1 situated at Autonagar, Vishakapatnam. Pending the approval of the working capital lenders, the same is continues to be shown under fixed assets.

CHANGE OF ACCOUNTING YEAR:

The Board of Directors approved the extension of the financial year 2011-12 by 3 months to take the effect of hearing scheduled on 08.05.2012 before the Hon'ble Board for Industrial and Financial Reconstruction for the proposed merger of GSAL (India) Limited with the Company. Accordingly, the current accounting period of the Company is for 15 months starting from 1 April 2011 and up to 30 June 2012.

In order to align the accounting year of the Company with the practices followed in India, it was decided that the accounting year of the Company for financial year 2012-13 will be for 9 months. Accordingly, the accounting period of the Company for the ensuing period will be up to 31 March 2013.

SCHEME OF MERGER OF GSAL (INDIA) LIMITED (GSAL) WITH THE COMPANY:

Your Directors pleased to inform you that The Hon'ble Board for Industrial and Financial Reconstruction, New Delhi (BIFR) vide its order dated 06.08.2012 approved the Scheme of Merger of M/s GSAL (India) Limited with the Company (SEIL).

GSAL was engaged in the business of manufacture and sale of sponge iron and has been declared as a sick industrial company within the meaning of Section 3 (1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985 by BIFR.

The members of the Company approved the revised Scheme of Merger through Postal Ballot on 23rd March 2011. As per the Scheme of Merger, all the assets and liabilities pertaining to GSAL (India) Limited stood transferred to the Company w.e.f 1st April, 2010.

As per the Scheme of Merger:

---With effect from the appointed date i.e. 1st April 2010, the transfer of and vesting of the Undertaking and the Liabilities of the GSAL including all its movable and immovable properties such as land, buildings, plant & machinery and other assets of whatsoever nature but subject to all mortgages and charges and hypothecation and guarantees, if any, and all other rights whatsoever affecting the properties of GSAL shall without any further act or deed be transferred to and be vested in SEIL.

---With effect from the appointed date all liabilities, debts, duties and obligations of whatsoever nature of GSAL shall without any further Act or Deed be transferred to and taken over by SEIL.

---In consideration of the transfer of and vesting of the Undertaking and the Liabilities of GSAL to SEIL, the Company shall allot 59,82,720 equity shares of Rs. 10/- each in the ration of 1 (One) equity share of Rs. 10/- each fully paid up for every 10 (Ten) equity shares of Rs. 10/- each held by such members in "GSAL". And the Paid up Equity share capital of the Company will be Rs. 57.93 Crores as against Rs. 51.95 Crores before the merger.

**Effects of Merger on the financial statements of the Company:**

The accumulated losses of GSAL amounting to Rs.334.98 crores were set off against the surplus in profit & loss account and the balance loss has been carried forward in the financial statements. However the company will benefit from the carry forward of losses of GSAL and expects lower tax outflows in the ensuing years.

The additions to capital and other reserves are on account of the implementation of the Draft Rehabilitation Scheme of GSAL as approved by the Board of Industrial and Financial Reconstruction (BIFR).

The management has revalued the land of GSAL (India) Limited at fair market value of as valued by a certified valuer and the difference in value of Rs. 102.56 crores has been reflected under the revaluation reserve in the financial statements.

The Scheme of Merger has strengthened the manufacturing activity of the Company with the addition of the manufacturing capacities of the GSAL and also added huge asset base to the Company.

TRANSFER TO RESERVES:

The Company transferred Rs. 75.00 Lakhs to the General Reserve out of the amount available for appropriation for the 15 months period ended 30th June, 2012 as against Rs. 100.00 Lakhs in the previous year ended 31st March 2011.

DIVIDEND:

The Board has, subject to the approval of the Members at the ensuing Annual General Meeting, recommended a dividend at the stipulated rate of 10.25 % on 5,50,400 Preference Shares of Rs. 10/- each of the Company for the period 01.04.2011 to 30.01.2012 on pro rata basis (the said preference shares were redeemed on 30.01.2012).

To conserve the resources for funding the expansion plans, the Board has deemed it prudent not to recommend any dividend on the Equity Shares of the Company for the 15 months period ended 30th June, 2012.

ISSUE OF SHARES AND SHARE WARRANTS:

During the period under review, the Company, on 8th April, 2011 has allotted 40,00,000 equity shares of the Company at a price of Rs. 38/- (Rupees Thirty Eight) per share upon conversion of share warrants which were allotted on 23rd July 2010 on preferential basis to M/s Umashiv Garments Private Limited (Promoter Group Company).

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

Accordingly, the Company, on 2nd April, 2012 has allotted 51,00,000 equity shares of the Company at a price of Rs. 45/- (Rupees Forty Five) per share upon conversion of share warrants which were allotted on 8th April, 2011 on preferential basis to M/s Umashiv Garments Private Limited (Promoter Group Company).

The amount raised through the issue was fully utilised for the purpose for which it was raised.

CAPITAL STRUCTURE:

During the period under review, the Authorised Equity share capital of the Company has increased from Rs. 990,000,000 to Rs. 1,590,000,000 and the Authorised Preference share capital of the Company has increased from Rs. 10,000,000 to Rs. 740,000,000 respectively with the addition of Authorised Capitals of GSAL (India) Limited.

During the period under review, the paid up equity share capital of the Company has increased from Rs. 428,500,000 to Rs. 519,500,000 comprising of 51,950,000 Equity Shares of Rs. 10/- each with the allotment of 4,000,000 (Forty Lakhs) Equity Shares of Rs. 10/- each upon conversion of the share warrants on 8th April, 2011 and with the allotment of 5,100,000 (Fifty one Lakhs) Equity Shares of Rs. 10/- each upon conversion of the share warrants on 2nd April, 2012 respectively.

Pending the allotment of equity shares to the shareholders of GSAL, Rs. 59,827,195 has been shown under Equity Share Capital suspense account in the financial statements.

**PREFERENCE SHARES:**

The Company had issued 5,50,400 10.25 % Redeemable Preference Shares of Rs. 10/- each in the year 2005 redeemable at the end of seven years .

During the period under review, your Board of Directors in its meeting held on 1st February 2012 approved the redemption of 5,50,400 10.25% Redeemable preference shares of Rs. 10 each along with pro-rata dividend till the date of redemption. The Preference shares were fully redeemed and payment was made on 27th June 2012 to the shareholder.

DIRECTORS:

Mr. B. Suresh was re-appointed as Director (Finance) by the members of the Company in their Extraordinary General Meeting held on 30th November 2009 for a period of three years with effect from 1st September 2009 and his tenure will be completed on 31st August 2012. Mr. B. Suresh informed of his inability to continue as Whole Time Director owing to his other occupations and will continue to hold the office of the Director of the Company effective from 1st September 2012, who shall be liable to retire by rotation. The Board placed on record its appreciation for the services rendered by Mr. B. Suresh as Director (Finance) of the Company.

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company, Mr. B. Suresh Kumar and Mr. B. Suresh retire by rotation and being eligible, offer themselves for re-appointment.

Mr. G. Venkata Narayana Reddy has been appointed as Additional Director of the Company by the Board of Directors with effect from 30th July, 2012 in their meeting held on the even date and now Mr. G. Venkata Narayana Reddy is being proposed to be appointed as Director of the Company, liable to retire by rotation, in the ensuing Annual General Meeting of the Company. The Company has received a notice from the shareholder proposing his candidature.

During the period under review, Mrs. Nilam Sawhney, IAS nominee director of M/s Andhra Pradesh Industrial Development Corporation (APIDC) has resigned and the same was approved in the Board meeting held on 30th July, 2012. The Board placed on record its appreciation for the services rendered by Mrs. Nilam Sawhney as a Director.

FUTURE OUTLOOK:

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

REPORT ON SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL STATEMENTS:

The Company has no subsidiaries for the 15 months period ended 30th June 2012 and hence the report on subsidiaries and consolidated financial statements and the statement pursuant to Section 212 of the Companies Act, 1956 are not applicable to the Company.

As on the date of reporting, the company holds 41,152,566 shares of Rs. 10/- each in M/s Simhadri Power Limited (SPL) (SPV promoted by the Company), by virtue of which SPL has become the subsidiary of the Company as informed by SPL.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- (i) in the preparation of the accompanying accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- (ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the 15 months period ended 30th June 2012 and of the profit of the Company for the said period;
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the accompanying accounts on a going concern basis.

REPORT ON THE CORPORATE GOVERNANCE:

Your Company continues to follow the principles of good Corporate Governance. In pursuance of Clause 49 of the Listing Agreement entered into with the Stock Exchanges, a separate report on Corporate Governance along with a certificate from the Auditors of the Company regarding its compliance is annexed herewith and forms part of this Report.

**MANAGEMENT DISCUSSION AND ANALYSIS:**

The Management Discussion and Analysis report as required under the Listing agreement entered into with the Stock Exchanges is annexed herewith and forms part of this Report.

AUDITORS and AUDITORS' REPORT:

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

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

COST AUDITORS:

During the period under review, in terms of Section 233B of the Companies Act, 1956 and as per the directives of the Central Government vide circular F. NO. 52/26/CAB-2010; dated the 3rd May, 2011, M/s DZR & Co., Cost and Management Accountants, Hyderabad are appointed as the Cost Auditors of the Company on 12.08.2011 to conduct cost audit of Steel and Power divisions of the Company for the financial year 2011-12 ending 30th June 2012 and the same was approved by the Central Government.

The due date to submit Cost Audit Reports to the Central Government for the period under review is 27th December 2012 i.e. 180 days from the close of the financial year.

FIXED DEPOSITS:

The Company has not accepted any Fixed Deposits from the Public within the meaning of Section 58-A, of the Companies Act, 1956 and the rules made there under during the 15 months period ended 30th June 2012 and, as such, no amount on account of principal or interest on Fixed Deposits was outstanding as on 30th June, 2012.

PARTICULARS OF EMPLOYEES:

None of the employees of the Company is in receipt of remuneration for whole/ part of the 15 months period ended 30th June 2012 exceeding the limits as prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE:

Details of energy conservation along with the information required in accordance with the provisions of Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, as amended from time to time, are given in Annexure 'A' to the Directors' Report and forms part of this report.

INDUSTRIAL RELATIONS:

The Industrial relations have been cordial during the 15 months period ended 30th June 2012 and your Directors wish to place on record their sincere appreciation to employees at all levels for their dedication, commitment and teamwork, who have been instrumental in enabling your Company to achieve higher growth levels during the period.

ACKNOWLEDGEMENTS:

Your Directors take this opportunity to express their appreciation for the continued support and assistance received from the Company's Bankers. The Directors also thank the Business Associates, Financial Institutions and various Central and State Government Departments and Government Authorities for their continued co-operation and support.

The Directors also wish to place on record their gratitude for the continued support and cooperation received from the valued Customers, Vendors, Members, and Investors of the Company and look forward to the same in greater measure in the coming years.

For and on behalf of the Board of Directors

Place: Visakhapatnam
Date: August 27, 2012

B. SATISH KUMAR
Chairman & Managing Director

**ANNEXURE 'A' TO THE DIRECTORS' REPORT**

Particulars required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988:

Conservation of Energy:

- (a) Energy Conservation measures taken:
1. Installed 40T Wasted Recovery Boilers-2 nos to utilize the waste heat from the sponge Iron kilns for Generation of power.
 2. Added around 2500 KVA capacitors to improve power factor.
 3. Installed Variable Frequency Drives (VFD) for Fans/blowers to improve the power factor.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy: NIL
- (c) Impact of the measures at (a) above for reduction of energy consumption and consequent impact on the cost of Production of goods: The general energy consumption was decreased.
- (d) Total energy consumption and energy consumption per unit of production is as per Form A below:

FORM A : Form for disclosure of particulars with respect to Conservation of Energy

Sl. No	Description	15 months period ended 30 June 2012	Year ended 31 March 2011
A	Power and Fuel Consumption		
1	Electricity		
	Purchased - Units	172239095	76208749
	Total amount - Rs.	644174215	291879508
	Rate per Unit - Rs	3.74	3.83
2	Coal*		
	Quantity - Tonnes	34200	18400
	Total Amount - Rs	222300000	110400000
	Average rate - Rs	6500	6000
3	Furnace Oil		
	Quantity - ltr	331780	1462750
	Total Amount - Rs	16257220	62898250
	Average Rate - Rs	49.00	43.00
B	Consumption Per Unit of Production**		
1	Electricity - Units	369.55	330.99
2	Furnace Oil - ltr	1.85	14.84
3	Coal -Kgs	255.06	302.07

*Note: Used in the manufacture of Sponge Iron and rolling division. ** Consumption per unit of production is taken as average of all the divisions.

Technology Absorption: FORM B : Form for disclosure of particulars with respect to absorption

Research and Development (R& D)		
1	Specific areas in which R&D carried out by the Company	NIL
2	Benefits derived as a result of the above R&D	Not Applicable
3	Future Plan of Action	NIL
4	Expenditure on R&D	NIL
Technology Absorption, Adaptation and Innovation		
1	Efforts in brief, made towards technology absorption	NIL
2	Benefits derived as a result above	Not Applicable
3	Particulars of technology imported during last five years	NIL

Foreign Exchange Earnings and Outgo:

a. Export performance:

1. Activities relating to exports: NIL
2. Initiatives taken to increase exports: NIL
3. Development of new export markets for products and services: NIL
4. Export plans: NIL

b. Total foreign exchange used and earned:

Foreign Exchange earnings - Rs. In lakhs	-	-
Foreign Exchange outgo - Rs. In lakhs	449.58	271.43

For and on behalf of the Board of Directors

Place: Visakhapatnam

Date: August 27, 2012

B. SATISH KUMAR
Chairman & Managing Director



REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on Corporate Governance

The Company firmly believes in and has consistently been practising good Corporate Governance. The Company's philosophy of Corporate Governance is aimed at maximising the shareholder's interest and protection of the interest of the other stakeholders. The Company aims to achieve this through proper and full disclosure of material facts and achievement of the highest levels of transparency, accountability and equity in all facets of its operations.

2. Board of Directors

a) Composition of the Board

For the 15 months period ended 30th June 2012, the Board of Directors of the Company consists of eight Directors headed by an Executive Director as Chairman. The Board consists of three whole-time Directors i.e. a Chairman & Managing Director, a Joint Managing Director and a Director (Finance) and five Non-Executive Directors. Four of the Non-Executive Directors are Independent Directors including a nominee Director from Andhra Pradesh Industrial Development Corporation (APIDC). The composition of the Board is in conformity with clause 49 of the Listing Agreement entered with the Stock Exchanges.

b) Number of Board Meetings

During the 15 months period ended 30th June, 2012, Seven Meetings of the Board of Directors were held on 8th April, 2011, 14th May 2011, 12th August 2011, 27th August 2011, 14th November 2011, 1st February 2012 and 2nd April 2012.

c) The details of the composition, attendance of the Directors at the Board Meetings & the last Annual General Meeting and also the number of other Directorships held by the Directors for the financial year under review are as follows:

Name of the Director	Category	No. of meetings attended	Whether attended last AGM	No. of outside Directorships	No. of other Board Committees
Mr. B. Satish Kumar (Chairman & Managing Director)	PD, ED	6	YES	5	-
Mr. B. Suresh Kumar (Joint Managing Director)	PD, ED	6	YES	7	-
Mr. V.V. Krishna Rao	PD, NED	6	YES	3	-
Mr. B. Suresh (Director - Finance)	PD, ED	7	YES	6	-
Mr. R. Ramachandra Rao	ID, NED	7	No	8	-
Mrs. Nilam Sawhney * (Nominee of APIDC)	ID, NED	-	No	6	-
Mr. V. Nagi Reddy * (Nominee of APIDC)	ID, NED	-	No	6	-
Mr. C. Siva Prasad	ID, NED	7	YES	1	-
Mr. K. Krishna Rao	ID, NED	7	YES	-	-

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

* Mrs. Nilam Sawhney has been nominated by APIDC as its Nominee Director in place of Mr. V. Nagi Reddy w.e.f 7th July 2011 in the Board meeting held on 12th August 2011.

**3. Audit Committee**

The terms of reference of the Audit Committee covers the areas mentioned in Clause 49 of the Listing Agreement entered with the Stock Exchange, besides other terms as may be referred by the Board of Directors from time to time, which broadly include:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by them.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of section 217 (2AA) of the Companies Act, 1956
 - b. Changes, if any, in accounting policies and practices and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by management
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with listing and other legal requirements relating to financial statements
 - f. Disclosure of any related party transactions
 - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board.
6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.

The Audit Committee of the Company currently consists of three Directors headed by a Non-Executive Independent Director as Chairman. The details of the composition, attendance at the Meetings of the Audit Committee are as follows:

Name of the Director	Designation	Category	No. of meetings during the tenure of Director	
			Held	Attended
Mr. C. Siva Prasad	Chairman	ID, NED	6	6
Mr. R. Ramachandra Rao	Member	ID, NED	6	6
Mr. B. Suresh	Member	PD, ED	6	6

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

The Company Secretary acts as the Secretary of the Committee.

During the year under review, Six meetings of the Audit Committee were held on 14th May, 2011, 12th August 2011, 27th August 2011, 14th November 2011, 31st January 2012 and 2nd April 2012.

4. Remuneration Committee:

The Board has constituted the Remuneration Committee to recommend/review the remuneration package of the Executive Directors apart from deciding other matters referred to it from time to time.



The Remuneration Committee of the Company was reconstituted on 12th August, 2011 in line with the provisions of Clause 49 of the Listing Agreement and the composition of the Remuneration Committee is as follows:

Name of the Director	Designation	Category
Mr. C. Siva Prasad	Chairman	ID, NED
Mr. R. Ramachandra Rao	Member	ID, NED
Mrs. Nilam Sawhney *	Member	ID, NED

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

* Mrs. Nilam Sawhney has been appointed as a member in place of Mr. V. Nagi Reddy w.e.f. 12th August 2011.

During the period under review, there was no Remuneration Committee meetings were held.

As a policy, the Remuneration Committee considers the financial position and profitability of the Company apart from other usual aspects like job responsibilities, key performance areas of the directors, industry trend etc.

Details of Director's Remuneration for the 15 months period ended 30th June, 2012:

Name	Designation	Remuneration (in Rs.)		
		Salary	Allowances/ Perquisites	Total
Mr. B. Satish Kumar	Chairman & Managing Director	4,500,000	246,022	4,746,022
Mr. B. Suresh Kumar	Jt Managing Director	2,250,000	-	2,250,000
Mr. B. Suresh	Director (Finance)	2,250,000	-	2,250,000
	Grand Total	9,000,000	246,022	9,246,022

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

The Company has not paid any fixed component and performance linked incentives to any Director. The Company does not have any stock option scheme.

No remuneration is paid to Non-executive Directors and also no sitting fee is paid to the Directors for attending the Board or Committee meetings.

5. Shareholders/ Investors Grievance Committee

The committee consists of

Name of the Director	Designation	Category
Mr. R. Ramachandra Rao	Chairman	ID, NED
Mr. B. Satish Kumar	Member	PD, ED
Mr. C. Siva Prasad	Member	ID, NED

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

The Committee would look into redressal of the shareholder and investors' complaints such as transfer of shares, non-receipt of dividend, non-receipt of Annual Report, dematerialisation of shares etc.

The Board has designated Mr. B. Narahari, Company Secretary as the Compliance Officer.

The total number of complaints received and replied to the satisfaction of shareholders during the period under review, was 21. There were no outstanding complaints as on 30th June, 2012 and no share transfers pending at the end of the financial period.



6. General Body Meetings:

(i) The details of last three Annual General Meetings are as under.

Year	Description of the Meeting	Location	Date & Time	Special Resolutions Passed
2008-09	10th AGM	Hotel Katriya De Royal, Balayogi Paryatak Bhavan Begumpet, Hyderabad – 500 082	30-09-2009 11.45 P.M.	Nil
2009-10	11th AGM	Hotel Green Park, Greenlands, Begumpet, Hyderabad - 500 016	30-09-2010 12.00 Noon	Nil
2010-11	12th AGM	Hotel Aditya Park, Aditya Trade Centre, Nr Maitrivanam, Ameerpet, Hyderabad - 38	30-09-2011 12.00 Noon	1

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

(iii) Two special resolution was put through a Postal ballot in the previous period under review and the details of voting pattern is as given below:

Sl. No	Description of the Resolution	Votes	
		In favour	Against
1	Special Resolution as per Section 372A to invest up to Rs. 60 Crores by the Company in M/s Simhadri Power Limited.	18,931,561	Nil
2	Special Resolution as per Section 293 (1)(a) for sale of Wire Drawing Unit-1 of the Company situated at Plot No. 27, E-Block, IDA, Auto Nagar, Visakhapatnam - 530 012, Andhra Pradesh for a consideration of not less than Rs. 5.04 Crores.	18,931,161	200

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

(v) No resolution is proposed to be passed through a Postal ballot at the ensuing Annual General Meeting.

7. Disclosures:

(i) There are no significant related party transactions with the Company's Promoters, Directors, the Management or relatives that may have potential conflict with the interest of the Company at large.

Related party transactions have been disclosed in Note no 2.31 in Notes to Financial Statements.

(ii) There has neither been any non-compliance by the Company nor penalties, strictures imposed on the Company by the Stock Exchanges, SEBI or any other statutory authority, on any matter relating to the capital markets, during the last three years.

(iii) The information on Directors seeking re-appointment/appointment is provided in the notes to the notice of the Annual General Meeting under the heading "Additional information on Directors seeking re-appointment/appointment at the ensuing Annual General Meeting".



(iv) The Board has also constituted a committee named as "Management Committee" for strategic management of the Company's business within the Board approved direction/framework. The following are the members of the Committee:

1.	Mr. B. Suresh Kumar	Chairman
2.	Mr. B. Satish Kumar	Member
3.	Mr. B. Suresh	Member
4.	Mr. V. V. Krishna Rao	Member
5.	Mr. C. Siva Prasad	Member

The minutes of the Committee meetings are placed before the Board for its approval/ confirmation.

(v) The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement.

(vi) The Company has not adopted any of the non-mandatory requirements except the remuneration committee as mentioned in Annexure I D of Clause 49 of the Listing Agreement.

(vii) The shareholding of the Non -Executive Directors in the Company as on 30th June 2012 are as under:

1.	Mr. V. V. Krishna Rao	6,43,736
2.	Mr. R. Ramachandra Rao	10,300
3.	Mrs. Nilam Sawhney	NIL
4.	Mr. C. Siva Prasad	1,000
5.	Mr. K. Krishna Rao	NIL

(viii) As required under Clause 49 of the Listing Agreement, the Auditors' certificate is given as an annexure to the Directors' Report.

(ix) As required under Clause 49 of the Listing Agreement, the certificate issued by the Managing Director is provided elsewhere in the Annual Report.

8. Means of Communication:

(i) The Company does not send the quarterly results to each household of shareholders as the quarterly results are intimated to the Stock Exchanges.

(ii) The Company's quarterly, half yearly and annual results are published in prominent daily newspapers such as 'The Business Standard' & 'The Economic Times (English) and 'Eenadu' & 'Andhra Jyothi (Telugu).

(iii) The Company posts all the vital information relating to the Company and its performance on the web site www.seil.co.in for the benefit of the shareholders and public at large.

(iv) During the period under review, no presentations were made to any institutional investors or to the analysts.

(v) The Management Discussion and Analysis Report is attached and forms part of the Annual Report.



9. GENERAL SHAREHOLDER' INFORMATION:

- i) 13th Annual General Meeting:**
 - Date : **Saturday 29th September, 2012**
 - Time : **12.00 Noon**
 - Venue : **The Square Hyderabad, 6-3-870, Green Lands, APTDC Paryatak Bhavan, Begumpet, Hyderabad - 500 016. Phone: 040 - 4949 5959**
- ii) Financial Year** : **1st July to 31st March**
Financial Calendar for 2012-13 : The following are tentative dates:
 - First Quarter results : 4th week of October, 2012
 - Second Quarter results : 4th week of January, 2013
 - Financial results for 2012-13 : 4th week of April, 2013
 - AGM for the year 2012-13 : 4th week of September, 2013
- iii) Dates of Book Closure** : 24th September, 2012 to 29th September, 2012 (both days inclusive)
- iv) Dividend Payment Date** : No dividend is recommended for the 15 months period ended on 30th June, 2012.
- v) Listing on Stock Exchanges** : Bombay Stock Exchange Ltd, (BSE)
P.J Towers, Dalal Street, Mumbai - 1
The Calcutta Stock Exchange (CSE)
7, Lyons Range, Kolkata - 1
Listing Fees as applicable has been paid.
- vi) Stock Code/Symbol** : BSE : 590037/STEELXIND
CSE : 26498/PYXIS
- vii) Market Price Data** :

The Securities of the Company are actively traded in the Bombay Stock Exchange Ltd, Mumbai in the IndoNext Segment. The monthly high/low prices of share of the Company and number of shares traded during each month on the Stock Exchange, Mumbai are given below:

Month & Year	Price BSE – IndoNext		Index BSE SENSEX		Total No of Shares Traded
	High (Rs.)	Low (Rs.)	High	Low	
April - 11	47.00	36.10	19811.14	18976.19	12346141
May - 11	46.75	41.00	19253.87	17786.13	9520205
June - 11	44.95	39.00	18873.39	17314.38	11763121
July - 11	42.70	38.85	19131.70	18131.86	6263109
August - 11	42.95	34.05	18440.07	15765.53	6007673
September - 11	65.90	36.60	17211.80	15801.01	128956055
October - 11	54.90	44.10	17908.13	15745.43	4735795
November - 11	48.95	39.90	17702.26	15478.69	55561207
December - 11	52.00	42.70	17003.71	15135.86	45294480
January - 12	53.65	44.15	17258.97	15358.02	36426298
February - 12	65.80	50.65	18523.78	17061.55	20290588
March - 12	70.90	59.00	18040.69	16920.61	172704957
April - 12	66.75	53.10	17664.10	17010.16	95927698
May - 12	65.00	54.00	17432.33	15809.71	103295869
June - 12	65.00	59.10	17448.48	15748.98	69219184

Source: www.bseindia.com

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

The Company has engaged the services of M/s Venture Capital and Corporate Investments Private Limited, Hyderabad, a SEBI registered Registrar, as their Share Transfer Agents (RTA) for both physical and electronic segment and can be contacted by the Investors at the following address:

M/s Venture Capital and Corporate Investments Private Limited,

12-10-167, Bharatnagar, Hyderabad - 500 018.

Telephone: +91 - 40 - 23818475 / 76

Fax: +91 - 40 - 23868024

Email: info@vccilindia.com

ix) Share Transfer System:

The Company's shares are traded in the Stock Exchanges compulsorily in demat form. The Share Transfer Committee approves the transfer of shares in the physical form and the share transfers are registered and returned within the stipulated time, if the documents are clear in all respects.

x) Distribution of Shareholding as on 30th June, 2012:

No of Shares	Shareholders		Shares	
	Number	% of Total	Number	% of Total
1 - 500	7352	83.77	1,237,831	2.38
501 - 1,000	683	7.78	574,671	1.11
1,001 - 2,000	287	3.27	450,681	0.87
2,001 - 3,000	118	1.35	301,467	0.58
3,001 - 4,000	49	0.56	178,756	0.34
4,001 - 5,000	73	0.83	353,810	0.68
5,001 - 10,000	69	0.79	543,403	1.05
10,001 & above	145	1.65	48,309,381	92.99
Total	8,776	100.00	51,950,000	100.00

xi) Category-wise Distribution of Shareholding as on 30th June, 2012:

Category	No. of shares held	Percentage of shareholding
A) PROMOTER'S HOLDING		
Promoters		
- Indian Promoters	9,304,152	17.91
- Foreign Promoters	207,000	0.40
- Bodies Corporate	18,764,090	36.12
Sub-Total	28,275,242	54.43
B) NON-PROMOTER'S HOLDING		
a. Banks, Financial Institutions (APIDC)	300,000	0.58
b. Private Corporate Bodies	7,179,475	13.82
c. Indian Public	15,547,821	29.93
d. NRIs/ Trusts/ Clearing Members	647,462	1.24
Sub-Total	23,674,758	45.57
GRAND TOTAL (A+B)	51,950,000	100.00

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

As on 30th June 2012, 51,098,072 shares representing 98.36% were held in dematerialised form. The balance 851,928 shares representing 1.64% were in physical form.

The Company's shares are compulsorily traded in dematerialised form and the shares are regularly traded on Bombay Stock Exchange Limited, Mumbai (BSE) in the IndoNext segment. The ISIN Number allotted for the Equity shares is **INE503B01013**.

xiii) Outstanding GDRs/ ADRs/ Warrants or any Convertible Instruments, conversion date and likely impact on equity:

As on 30th June 2012, there were no Outstanding GDRs/ ADRs/ Warrants or any Convertible Instruments of the Company.

However, as per the approved Scheme of Merger of GSAL (India) Limited with the Company, the Company shall allot 59,82,720 equity shares of Rs. 10/- each in the ratio of 1 (One) equity share of Rs. 10/- each fully paid up for every 10 (Ten) equity shares of Rs. 10/- each held by such members in "GSAL". After the said allotment, the Paid up Equity capital of the Company will be Rs. 57.93 Crores as against Rs. 51.95 Crores before the merger.

xiv) Unclaimed Dividend

The dividend for the years 2004-05, 2005-06, 2006-07, 2007-08, & 2008-09 which remains unclaimed by the shareholders, is requested to claim immediately or contact the Company. The dividend, which remains unclaimed for a period of seven years from the date of declaration, will be transferred to Investor Education & Protection Fund (IEPF) under Section 205C of the Companies Act, 1956. Accordingly the dividend for the year 2004-05 will be transferred IEPF with in the due date.

xv) Plant Locations:**1. Power Plant & Steel Ingot Division**

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

Telefax: +91 - 8855 - 244406

2. Rolling Division

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

Telephone: +91 - 8924 - 247055

Fax: +91 - 8924 - 247685

3. Wire Drawing Division - Unit - 1

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

Telephone: +91 - 891 - 2587574

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

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

Telephone: +91 - 891 - 2587574

Fax: +91 - 891 - 2766437

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

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

xvi) Address for Correspondence: Investor correspondence may be addressed to:**Registrars and Share Transfer Agents:****M/s Venture Capital and Corporate Investments Pvt Limited,**

12-10-167, Bharatnagar, Hyderabad - 500 018.

Telephone: +91 - 40 - 23818475 / 76

Fax : +91 - 40 - 23868024

Email: info@vccilindia.com

Company:**The Company Secretary, Steel Exchange India Limited,**

303, My Home Laxmi Nivas, Green lands, Ameerpet, Hyderabad - 500 016

Telephone: +91 - 40 - 23403725

Fax : +91 - 40 - 23413267

Email: cs@seil.co.in

DECLARATION

As stipulated under Clause 49 (I D) (ii) of the Listing Agreement, the Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the 15 months period ended 30th June 2012.

Place: Visakhapatnam

Date: August 27, 2012

B. Satish Kumar

Chairman & Managing Director

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

World crude steel production reached 1,518 million metric tons (mmt) for the year of 2011. This is an increase of 6.2% compared to 2010. China remained the world's largest Crude Steel producer in 2011 also (683.90 million tons) followed by Japan (107.60 million tons) and India occupied the 4th position (71.30 million tons).

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

Except Japan, the Steel production increased in nearly all the major steel producing countries and regions including the EU, North America, South America and the CIS in 2011. China's growth was average at 7% increase in output in 2011.

Top 10 Steel-producing Countries:

Rank	Country	Production (mmt)		% Change 2011/2010
		2011	2010	
1	China	683.9	637.4	7.3
2	Japan	107.6	109.6	-1.8
3	US	86.5	80.5	7.5
4	India	71.3	68.3	4.4
5	Russia	68.9	66.8	3.1
6	South Korea	68.5	58.9	16.3
7	Germany	44.3	43.8	1.1
8	Ukraine	35.3	33.4	5.7
9	Brazil	35.2	32.9	7.0
10	Turkey	34.1	29.1	17.2
	World	1518	1429	6.2
	World - China	834	792	5.3

(Source: IISI)

China became the first country ever to produce more than 500 mmt in one year in 2008 and continued the trend in 2011 also. China's crude steel production in 2011 reached a record high to 683.40 mmt, an increase of 7.3% on 2010. China's share of world steel production in 2011 is 45% of world total crude steel. China remained as the net exporter in 2011 also with 31.6 mmt.

Other BRIC (Brazil, Russia, India and China) countries also recorded positive growth rates. The BRIC share of world production has been growing rapidly since 2000. It has grown from 56.2% of total in 2001 to 57.7% in 2011.

India produced 71.3 mmt of crude steel in 2011, a growth of 4.4% over previous year's production of 68.3 mmt. The apparent domestic consumption of finished mild steel during the year was 67.8 mmt as compared to 64.9 mmt during the previous year an increase of 4.5% over the previous year.

Opportunities & Threats:

India's per capita steel consumption continued to be low at 57 kg compared to global average of 214 kg in 2011. This presents an attractive opportunity for the industry to expand the existing capacities and create further green field capacities. Steel consumption in India is growing at a rate of more than 10%, a trend that is likely to persist as the nation enters into a steel intensive phase of development.

The target of 110 million tons of steel by 2020 is now expected to be reached much before 2020. Government's emphasis on infrastructure spending in order to stimulate economic growth would keep demand healthy. Further, real estate activity is also expected to pick up in the near future due to fall in property prices. This will create new demand for steel products.

The government had also imposed restriction on export of iron ore which is largely lying unutilized and this will ease the iron ore supply in the domestic market. The iron ore pellets improve production in terms of quality as well as offer excellent scope for export as a value added product. The Steel PSUs are in the midst of the capacity expansion plans.



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

The threats for your Company would come from adverse fluctuations in input and capital costs, foreign exchange variations and taxes and duties and lack of initiative from the government. The buoyancy in the Iron & Steel Sector has attracted many players, resulting in reduced availability of skilled manpower and contractual workforce.

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

With significant excess capacity in the global steel industry during 2011 there is a threat of dumping cheap steel into India which is likely to be the major steel consuming nation with a positive growth. Clearance and renewal of mining lease, which involve multiple agencies at the State and Central levels, are an area of concern. Delay in opening new mines, and / or expanding existing mines may constrain raw material availability, thereby impacting growth in saleable steel production, and overall economics of operation. Law and order situation in mining areas in some of the states is also a cause of concern for smooth operations in remote areas.

Risks, Concerns and Outlook:

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

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

The availability of TMT Bars, Wire Rods and other steel products in which the Company deals has increased as numerous small players have entered the sector. This could affect the realisation from these products.

Availability of iron ore and coal at competitive prices will be a challenge for steel Companies in India. Recent developments in connection with allotment of natural resources like mines and decisions by the Supreme Court may lead to policy shift by the Government. Power is also one of the main inputs for steel making and its supply and pricing will decide the production and pricing of steel in the country.

The capacity expansion by the public sector giants and other large and established steel companies in the private sector could affect the growth plans of the company unless it is able to have in place regular raw material sourcing. The practice of long term agreements for coal and Iron procurement has been altered to quarterly contracts bringing more uncertainty and volatility. High cost of industrial raw materials will increase the marginal cost of production of steel and, therefore, the price of the metal in the market. At these prices steel may come under threat of substitution as end users look for cheaper options.

Infrastructure and logistics continue to impact the industry in terms of transportation of inputs as well as finished goods. The pace of infrastructure growth has come down due to the recent recessionary trend. It is imperative that the same is again accorded the high priority for sustained growth.

India has also made a mark globally in the production of sponge iron/direct reduced iron (DRI) because of growth of coal-based sponge iron units in key mineral-rich pockets of the country, domestic production of sponge iron increased rapidly, enabling the country to achieve and maintain the number one position in the global market.

In the current global uncertain economic environment certain risks may gain more prominence either on a standalone basis or when taken together. Your Company has already initiated in this direction by resorting to man power review, cutting unnecessary costs, etc

The substantial additions to capacity are expected to yield higher margins for the company. With the setting up of the power project, the Company expects to improve its manufacturing levels on the back of regular and continuous power supply. The waste heat recovery, and utilisation of coal fines and char will also contribute to the margins of the company.

**Division wise Performance:**

Note: The current period's figures are not comparable with the previous year's figures on account of:

1. Extension of the accounting year by the Company. The current period's figures are for 15 months where as the previous year's figures are for 12 months.
2. The current period's figures include the accounts of GSAL (India) Limited consequent to the amalgamation as per the approval of BIFR, where as the previous year's figures relate to the company only.

1) Trading Division

The Trading division deals with a wide range of products from Sponge Iron to semi and finished steel products and related items like coal, scrap etc. The division has been primarily responsible for developing the marketing base for the company throughout the coastal region of Andhra Pradesh, and establishing stock yards in Bangalore, Chennai & Cochin. The division deals with the products manufactured by the Company, RINL (Vizag Steel), and other manufacturers for special products.

The division reported a turnover of Rs. 822.73 crores for the 15 months period ended 30th June 2012 compared to 689.95 crores in the previous year. The growth was achieved with a better of mix of steel and related products as well as higher rates of steel. About 48% of the total turnover of the Company came from this division during the period under review.

2) Steel Ingot Division - 90,000 TPA

This division manufactures ingots using sponge iron and scrap / pig iron. The unit also has a power generation unit using natural gas for captive consumption. The Company has sold the unutilised power produced from the Power Plant.

The division reported a turnover of Rs. 33.03 crores against the turnover of Rs. 27.71 crores in the previous year. The sales include Rs. 21.53 crores from sale of power as against previous year sales from power of Rs. 25.93 crores.

3) Wire Drawing and HC Wire Products Division

The two units of this division produce MS wire products and High Carbon steel wire products. This division reported a turnover of Rs. 65.99 crores as against Rs. 55.64 crores in the previous year. The turnover of this Division increased marginally and the Management will continue its efforts to maximise the revenues from this division in the current year as the demand for these products is good.

4) Integrated Steel Plant

Integrated Steel Plant of the Company is located at Malliveedu, L. Kota Mandal, Vizianagaram District and consists of following units:

1. Sponge Iron Unit - 220,000 TPA
2. SMS Billet Unit - 240,000 TPA
3. Rolling Unit - 225,000 TPA

The total revenue for the period under review from ISP stood at Rs. 854.39 crores as against Rs. 407.71 crores in the previous year (including the revenue of Rs. 193.41 crores from 45,000 TPA Rolling unit located at Parawada, Visakhapatnam). The TMT bars produced are sold under the well established brand name "**Simhadri TMT Bars.**"

Financial Performance**1) Share Capital**

During the period under review, the paid up equity share capital of the Company has increased from Rs. 428,500,000 to Rs. 519,500,000 comprising of 51,950,000 Equity Shares of Rs. 10/- each with the allotment of 4,000,000 (Forty Lakhs) Equity Shares of Rs. 10/- each upon conversion of the share warrants on 8th April, 2011 and with the allotment of 5,100,000 (Fifty one Lakhs) Equity Shares of Rs. 10/- each upon conversion of the share warrants on 2nd April, 2012 respectively.

During the period under review, your Board of Directors in its meeting held on 1st February 2012 approved the redemption of 5,50,400 10.25% Redeemable preference shares of Rs. 10 each and with this redemption there were no outstanding preference shares of the Company.

2) Reserves and Surplus

For the 15 moths period ended 30th June 2012, the Reserves and Surplus have gone up from Rs. 118.06 crores to Rs. 170.93 crores including a revaluation reserve of Rs. 102.56 crores. Out of the profits after tax of the current period, Rs. 75.00 lakhs has been transferred to General Reserve and after providing for preference Dividend, Rs. 70.20 crores has been retained in the Profit and Loss Account and the same was used to setoff against the accumulated losses of GSAL (India) Limited.

**3) Secured Loans**

There has been an increase in Secured Loans from Rs. 334.66 crores to Rs. 410.90 crores. The increase was mainly on account of enhancement of working capital limits and the term loan of Pridhvi Asset Reconstruction and Securitisation Company Limited added upon amalgamation of GSAL (India) Limited.

4) Unsecured Loans

There has been an increase in Unsecured Loans from Rs. 5.02 crores to Rs. 21.79 crores.

The increase was on account of availing Corporate loan from financial institutions, banks and others and the addition of Interest free sales tax loan of GSAL (India) Limited upon its amalgamation with the company.

5) Fixed Assets

During the period under review, there was a net increase of Rs. 144.86 crores in Fixed Assets (Net Block) primarily on account of addition of assets of GSAL (India) Limited upon its amalgamation with the Company and additions to Plant & Machinery and Buildings at the units of the Company.

Operational Performance**1) Income**

The income of the Company was Rs. 1702.09 crores for the 15 months period ended 30th June 2012 as against Rs. 1157.49 crores in the previous year, registering a growth of 37.64% on year to year basis. The Company's manufacturing activity and trading activity was higher during the period under review coupled with the increase in prices of steel products resulted in higher turnover.

2) Direct Cost & Other expenses

The Direct Costs comprising of cost of material consumed and purchase of traded goods for the period under review works out to Rs. 1426.05 crores as against Rs. 988.59 crores in the previous year.

Other expenses comprises of other manufacturing expenses, staff costs, administration and selling & distribution expenses, loss on foreign exchange fluctuation etc. The same was higher at Rs. 257.65 crores for the 15 month period under review as against Rs. 135.16 crores in the previous year with the addition of new units and increase in the manufacturing activity. The Company will continue its efforts to minimise the costs and overheads in the current year.

3) Interest Cost

For the period under review, the interest and financial charges were Rs. 107.81 crores representing 6.33 % of the turnover as against Rs. 47.92 crores representing 4.14 % of the turnover in the previous year. The interest cost is higher due to availing of new term loans, higher credit facilities from banks as well as increase in interest rates during the period under review.

4) Depreciation

The Company has provided a sum of Rs. 17.16 crores towards depreciation representing 1.01 % of the turnover for the period under review as against Rs. 11.14 crores representing 0.96 % of the turnover in the previous year.

5) Provision for Tax

The Company has provided a sum of Rs. 11.32 crores towards income tax which includes tax for earlier years. The deferred tax provision for the period under review is Rs. 9.89 crores as against and Rs. 6.17 crores in the previous year. The MAT credit entitlement recognised in Profit and Loss account was Rs. 10.28 crores for the period under review.

6) Net Profit

The operations for the 15 months period ended 30th June 2012 have resulted in a Net Profit of Rs. 26.87 crores as against Rs. 16.99 crores in the previous year. Increase in manufacturing and trading activity coupled with increase in steel prices resulted in higher net profit when compared to previous year.

7) Dividend

For the period under review, the Board of Directors recommended a dividend of 10.25 % on Preference shares, which works out to Rs. 4.70 Lakhs. No Dividend is recommended on the Equity Shares for the 15 months period ended 30th June 2012.

Internal Controls & Their Adequacy

The Company has in place adequate systems of internal control commensurate with its size and nature of its business. These have been designed to provide reasonable assurance that all assets are safeguarded and protected against loss from unauthorised use or disposition and that all transactions are authorised, recorded and reported correctly.



The internal control systems are reviewed at regular intervals by the Audit Committee and corrective actions are initiated whenever deemed necessary. The Committee also meets the Company's Internal Auditors as well as Statutory Auditors to ascertain, inter alia, their views on the adequacy of internal control systems of the Company and keeps the management informed of its major observations.

Human Resources Development and Industrial Relations

In this era of globalisation, the industrial scenario is changing frequently, forcing the organisation to develop its human resources and enable them to adapt to contemporary technological advancements to achieve the goals of the Organisation. To sustain in this competitive and challenging environment, the Company believes that the quality of its employees is the key to its success and is committed to provide necessary human resource development and training opportunities to develop themselves. The Management firmly believes that business cannot grow without utilising the potential of its human resources. The Company is committed to provide conducive working environment to its employees, fully utilising their potential and enhancing their skills through cross functional exposure, training and development, sharing information and experiences.

Employee relations during the period under review continued to be cordial and your Company is committed to maintain good relations. The Board of Directors and the Management wish to place on record their appreciation of the efforts put in by all employees at all levels. The total number of employees is about 1291 as on 30th June 2012.

Cautionary Statement

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

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of
STEEL EXCHANGE INDIA LIMITED

We have examined the compliance of conditions of Corporate Governance by Steel Exchange India Limited ("the Company") for the 15 months period ended 30th June, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

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

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

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

Camp: Visakhapatnam
Date: August 27, 2012



AUDITORS' REPORT

To
The Members of
STEEL EXCHANGE INDIA LIMITED

1. We have audited the attached Balance Sheet of **STEEL EXCHANGE INDIA LIMITED** as at 30.06.2012 and also the Statement of Profit and Loss for the 15 months period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies' (Auditor's Report) Order, 2003, issued by the Central Government of India, in terms of Section 227(4A) of the Companies Act'1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 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 purpose of our audit.
 - b) In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of those books.
 - c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred to in Sub-Section 3(C) of Section 211 of the Companies Act' 1956.
 - e) On the basis of the written representations received from the directors, as on 30th June' 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th June 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act'1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the schedule annexed therewith give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 30th June 2012;
 - ii) In the case of the Statement of Profit and Loss, of the Profit of the Company for the 15 months period ended on that date; and
 - iii) In the case of the cash flow statement, of the cash flows for the 15 months period ended on that date.

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

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

Camp: Visakhapatnam
Date: August 27, 2012

**ANNEXURE TO AUDITORS' REPORT****STEEL EXCHANGE INDIA LIMITED****Referred to in paragraph 3 of our report of even date,**

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
(b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its business. No material discrepancies were noticed on such physical verification.
(c) According to the information and explanations furnished to us, the Company has not disposed of a substantial part of its fixed assets during the financial period except for the disposal of Wire drawing unit 1 located at Auto Nagar, Visakhapatnam as per the note refer to at 2.10 of the Notes to Financial Statements.
2. (a) The inventories have been physically verified by the management during the year at reasonable intervals.
(b) The procedures of physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The company has maintained proper records of inventories and discrepancies noticed on physical verification of inventories as compared to book records were not material.
3. (a) The Company has granted loans to one party covered in the Register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the period is Rs. 9.09 Crores and the balance of loan granted to such parties as at 30.06.2012 was Rs. 5.21 Crores.
(b) In our opinion the rate of interest and other terms and conditions on which loans have been granted to companies, firms or other parties listed in the registers maintained under Section 301 are not, prima facie, prejudicial to the interest of the company.
(c) The parties have been regular in the payment of interest and there is no stipulation for the repayment of Principal and Interest.
(d) There is no overdue amount of loans granted to companies, firms or other parties listed in the registers maintained under section 301 of the Companies Act, 1956.
(e) According to the information and explanation given to us, the Company has, during the financial period, not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraph 4 (iii) (e)(f)(g) of the Order is not applicable.
4. In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventories, fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control.
5. (a) According to the information and explanation given to us we are of the opinion, that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
(b) In our opinion and according to the information and explanation given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 aggregating during the year to Rs.5,00,000/- or more in respect of any party have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanation given to us, the Company has not accepted any deposits as defined under section 58A of the Companies Act'1956.
7. In our opinion, the Company has an adequate internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the Books of Account maintained by the Company as prescribed by the Central Government for maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not carried out a detailed examination of the accounts and records.
9. (a) According to the books and records of the company, the company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Customs Duty, Excise Duty, Cess and other statutory dues with appropriate authorities. According to the information and explanations given to us, there are no undisputed amounts payable in respect of such statutory dues which have remained outstanding as at 30th June, 2012 for a period exceeding six months from the date they became payable.



(b) Disputed Statutory dues such as sales Tax income tax has been disclosed in Note no:2.28 of notes to accounts

Name of the Statute	Nature of Dues	Period to which the amount relates	Amount in Rs.	Deposits/ Paid	Forum where the dispute is pending
CST Act	Sales Tax	2002-03, 2004-05	50,71,067	633,884	Appl. Dy. Commissioner Visakhapatnam
APVAT Act	Sales tax	2011-12	13,94,858	NIL	Appl. Dy. Commissioner Visakhapatnam
Customs Act	Customs duty	2003-04	54,35,648	NIL	Hon'ble High Court of Andhra Pradesh
Central Excise Act	Excise duty	2008-09	1,91,708	NIL	Appeal to CESTAT, Bangalore
Central Excise Act	Excise duty	2009-10, 2011-12	123,075	NIL	Commissioner of Central Excise Visakhapatnam
Central Excise Act	Excise duty	2010-11	14,35,189	NIL	Hon'ble High Court of Andhra Pradesh
Central Excise Act	Excise duty	2007-08	86,30,228	NIL	Appeal to CESTAT, Bangalore
Building and Other Construction Workers' Welfare Cess Act, 1996	Cess	2010-11	1,27,98,000	NIL	Hon'ble High Court of Andhra Pradesh

10. The Company has accumulated losses at the end of the financial period consequent to the absorption of accumulated losses of GSAL (India) Limited upon its amalgamation with the Company and has not incurred cash losses in the current financial period and immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of its dues to banks and financial institutions.
12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
13. In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) order, 2003 are not applicable to the company.
14. In our opinion, the Company is not dealing or trading in shares, securities, debentures or other investments and hence, the requirements of clause 4(xiv) of the Companies (Auditor's Report) order, 2003 are not applicable to the Company.
15. In our opinion and according to the information and explanations given to us, the terms and conditions which the Company has given a Guarantee for loan taken others from banks, and financial institutions are not, prima facie, prejudicial to the interest of the company.
16. In our opinion, the term loans have been applied for the purpose for which they were raised.
17. In our opinion and according to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that funds raised on short-term basis have not been used for long-term investments. No long-term funds have been used to finance short-term assets.
18. The company has made a preferential allotment of shares to a company covered in the register maintained under Section 301 of the Companies Act, 1956 during the 15 months period and the price at which the shares are allotted is not, prima facie, prejudicial to the interest of the company.
19. No debentures have been issued by the company and hence, the question of creating securities in respect there of does not arise.
20. The company has not raised any money by way of public issues during the 15 months period.
21. On the basis of our examination and according to the information and explanations given to us, no fraud, on or by the Company, has been noticed or reported during the 15 months period.

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

CA. P.A.RAMAIHAH
Partner
M.No.: F-203300

Camp: Visakhapatnam
Date: August 27, 2012



BALANCE SHEET AS AT 30TH JUNE, 2012

PARTICULARS	Note No.	As at 30.06.2012 Amount Rs.	As at 31.03.2011 Amount Rs.
I. EQUITY AND LIABILITIES			
Shareholder's funds:			
a) Share Capital	2.1	519,500,000	434,004,000
b) Reserves and Surplus	2.2	1,709,319,950	1,180,616,594
c) Equity Share Capital Suspense Account	2.3	59,827,195	-
d) Money received against Share Warrants		-	381,500,000
		2,288,647,145	1,996,120,594
Non-Current liabilities			
a) Long Term Borrowings	2.4	1,395,454,225	1,565,318,342
b) Deferred Tax Liability	2.5	144,919,714	154,144,636
		1,540,373,939	1,719,462,978
Current Liabilities			
a) Short-term Borrowings	2.6	2,281,421,506	1,448,472,994
b) Trade Payables	2.7	4,306,947,394	2,153,910,292
c) Other Current Liabilities	2.8	1,168,700,330	1,144,050,621
d) Short Term Provisions	2.9	183,988,451	81,016,818
		7,941,057,681	4,827,450,725
TOTAL		11,770,078,765	8,543,034,297
II. ASSETS			
Non-current assets			
a) Fixed assets			
(i) Tangible assets	2.10	3,275,314,859	1,826,691,896
(ii) Capital Work in Progress		24,672,880	96,985,945
b) Non Current Investments	2.11	352,870,660	166,870,660
c) Long-term Loans and Advances	2.12	106,687,003	1,155,662,414
		3,759,545,402	3,246,210,915
Current assets			
a) Inventories	2.13	3,501,129,172	2,085,148,176
b) Trade Receivables	2.14	2,628,129,670	1,698,830,591
c) Cash and Bank Balances	2.15	486,696,283	268,039,426
d) Short term Loans and Advances	2.16	1,362,707,373	1,232,799,299
e) Other Current Assets	2.17	31,870,864	12,005,890
		8,010,533,363	5,296,823,383
TOTAL		11,770,078,765	8,543,034,297
Significant account policies and notes to Financial Statements	1 & 2		

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

for and on behalf of the Board of Directors

CA. P. A. RAMAIAH
Partner
M.No. : F- 203300

B. SATISH KUMAR
Chairman & Managing Director

B. SURESH KUMAR
Jt. Managing Director

Camp: Visakhapatnam
Date : August 27, 2012

Place : Visakhapatnam
Date : August 27, 2012

B.NARAHARI
Company Secretary

**STATEMENT OF PROFIT AND LOSS FOR THE 15 MONTHS ENDED 30TH JUNE 2012**

PARTICULARS	Note No.	15 Months Ended 30.06.2012 Amount Rs.	Year Ended 31.03.2011 Amount Rs.
INCOME:			
Revenue from Operations	2.18	17,890,854,655	11,962,816,788
Less: Excise Duty		869,913,043	387,914,656
		17,020,941,611	11,574,902,132
Other Income	2.19	143,503,392	43,500,370
Total Revenue		17,164,445,004	11,618,402,502
EXPENDITURE:			
Cost of Material Consumed	2.20	6,775,327,250	2,685,305,988
Purchase of Traded Goods	2.21	7,485,188,733	7,200,600,361
Changes in Inventories	2.22	(1,300,448,423)	(483,267,163)
Employee Benefits	2.23	171,632,008	105,077,240
Finance Costs	2.24	1,078,106,561	479,216,532
Depreciation	2.10	171,646,185	111,408,675
Other Expenses	2.25	2,404,929,146	1,246,546,299
Total Expenses		16,786,381,459	11,344,887,932
Profit before Taxes		378,063,545	273,514,570
Tax expenses:			
(1) Tax expense for current year		106,250,000	89,738,198
(2) Tax expense of Prior Years		6,980,386	-
(3) MAT Credit Utilisation/(Entitlement)		(102,785,293)	(47,860,702)
(4) Deferred Tax		98,905,502	61,670,721
Profit for the period		268,712,950	169,966,353
Earnings per equity share (of Rs. 10/- each) :	2.32		
(1) Basic		5.61	4.06
(2) Diluted		4.99	3.81
Significant account policies and notes to Financial Statements	1 & 2		

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

for and on behalf of the Board of Directors

CA. P. A. RAMAIAH
Partner
M.No. : F- 203300

B. SATISH KUMAR
Chairman & Managing Director

B. SURESH KUMAR
Jt. Managing Director

Camp: Visakhapatnam
Date : August 27, 2012

Place : Visakhapatnam
Date : August 27, 2012

B.NARAHARI
Company Secretary



CASH FLOW STATEMENT FOR THE 15 MONTHS ENDED 30TH JUNE 2012

	30.06.2012 Amount Rs.	31.03.2011 Amount Rs.
A) CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before Taxation	378,063,545	273,514,569
Adjustment for:		
a) Depreciation	171,646,185	111,408,675
b) Preliminary Expenses written off	9,242,027	9,039,673
c) Bad Debts Written off	5,067,764	7,978,620
d) Financial Charges	1,078,106,561	479,216,532
e) Loss/ (profit) Sale of Investments	(8,168,488)	-
f) Loss/ (profit) on Sale of Asset	489,414	320,312
Operating profit before working capital changes	1,634,447,008	881,478,381
Adjustment for change in Working Capital		
a) Decrease/(Increase) in Receivables, Loans & Advances	(305,979,242)	(1,494,186,467)
b) Decrease/(Increase) in Inventories	(1,415,980,996)	(886,385,864)
c) Increase/ (Decrease) in Current Liabilities	2,103,574,515	973,126,421
Cash Generated from Operations	2,016,061,284	(525,967,529)
Less: Direct Taxes Provision	113,230,386	89,738,198
MAT credit entitlement	(102,785,293)	(47,860,702)
Net Cash from Operating Activities	2,005,616,191	(567,845,026)
B) CASH FLOW FROM INVESTING ACTIVITIES:		
a) Purchase of Fixed Assets	(590,375,094)	(612,246,675)
b) (Increase) in Preliminary Expenses	-	(22,441,862)
c) (Increase)/Decrease in Investments	(186,000,000)	(166,870,660)
d) Sale of Fixed Assets	712,798	847,500
e) Investment in GSAL (India) Limited on Amalgamation	(1,169,189,884)	-
f) (Increase)/Decrease in Capital Work in Progress	72,313,065	86,620,384
g) Gain on sale of Mutual Funds	8,168,488	-
Net Cash used in Investing Activities	(1,864,370,628)	(714,091,314)
C) CASH FLOW FROM FINANCING ACTIVITIES:		
a) Increase in Equity Share Capital	91,000,000	35,500,000
b) Increase/(Decrease) in Preference Share Capital	(5,504,000)	-
c) Increase/(Decrease) in Equity Share Suspense	59,827,195	-
d) Increase/(Decrease) in Share Application money	(381,500,000)	381,500,000
e) Increase in Share premium account	290,500,000	95,850,000
f) Net Increase in Secured Loans	672,398,490	1,309,347,537
g) Net Increase/(Decrease) in Unsecured Loans	167,769,835	(269,292,510)
h) Payment of Financial Charges	(1,078,106,561)	(479,216,532)
i) Proposed Dividend and Tax thereon	(546,400)	(648,784)
Net Cash generated through Finance	(184,161,441)	1,073,039,711
Net Increase/(Decrease) in Cash and Cash equivalents (A+B+C)	(42,915,877)	(208,896,628)
Cash and Cash Equivalents -Opening balance	62,860,905	271,757,533
Cash and Cash Equivalents -Closing balance (Note No. 2.15)	19,945,027	62,860,905

As per our report of even date
for **PAVULURI & Co.**

Chartered Accountants
Firm Reg. No. 012194S

CA. P. A. RAMAIAH
Partner
M.No. : F- 203300

Camp: Visakhapatnam
Date : August 27, 2012

for and on behalf of the Board of Directors

B. SATISH KUMAR
Chairman & Managing Director

Place : Visakhapatnam
Date : August 27, 2012

B. SURESH KUMAR
Jt. Managing Director

B.NARAHARI
Company Secretary

**NOTES to Financial Statements for the 15 months period ended 30th June 2012****Nature of business:**

Steel Exchange India Limited was incorporated on 24th February 1999. The activities of the company are manufacturing of steel products and trading of steel and steel related products.

1. SIGNIFICANT ACCOUNTING POLICIES:**i) Basis of Preparation:**

The financial statements are prepared under historical cost convention in accordance with the generally accepted accounting principles in India ("Indian GAAP") and comply in all material respects with the mandatory Accounting Standards ("AS") prescribed in the Companies (Accounting Standard) Rules, 2006 as amended by the Companies (Accounting Standard) Amendment Rules, 2009 ("the Rules") and with the relevant provisions of the Act, pronouncements of The Institute of Chartered Accountants of India ('ICAI'), other relevant provisions of the Act. The financial statements have been prepared under the historical cost convention on an accrual basis and the accounting policies applied by the Company are consistent with those used in the previous year.

ii) Change in accounting policy:

Presentation and disclosure of financial statements

During the 15 month period ended 30th June 2012, the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current period.

iii) Revenue Recognition:

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

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

iv) Use of estimates:

The preparation of financial statements 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 at the date of the financial statements and estimated useful lives of fixed assets. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

v) Fixed Assets:

Fixed Assets are stated at cost less accumulated depreciation inclusive of freight, duties, taxes and incidental expenses relating to the cost of acquisition and finance cost.

vi) Borrowing costs:

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

vii) Capital Work in progress:

Projects under which assets are not ready for their intended use and other capital work-in- progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

viii) Depreciation:

Depreciation on Fixed Assets is charged under Straight Line Method (SLM)/ Written Down Value Method (WDV) in accordance with Schedule XIV of the Companies Act, 1956.

**NOTES to Financial Statements for the 15 months period ended 30th June 2012*****Change in Accounting Policy:***

Depreciation on assets of sponge iron unit acquired on account of amalgamation of GSAL (India) Limited as per the DRS approved by BIFR vide order dated 6.8.2012 are provided under written down value method (WDV). Additions to the sponge iron unit are provided on written down value method (WDV).

ix) Inventories:

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

The liability towards excise duty on finished goods lying in excise godown is provided in the books and therefore the stock is valued inclusive of excise duty payable thereon in accordance with the provisions of AS-2 "Valuation of Inventories". However this has no impact on the profit of the period.

x) Investments:

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

xi) Income Tax:

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

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

xii) Retirement and other Employee Benefits:

Gratuity liability is defined benefit obligation and is provided for and on behalf of an actuarial valuation on projected unit credit method made at the end of each financial year.

Provident Fund is a defined contribution scheme and the contributions are charged to the statement of profit and loss of the year when the contributions to the respective funds are due. There are no other obligations other than contribution payable to the respective trusts.

Actuarial gains or losses are recognized immediately in the statement of profit and loss.

Employee Benefits such as salaries, allowances, Non-monetary benefits and employee benefits under defined contribution plans such as provident fund, which fall due for payment within a period of twelve months after rendering services are accounted as pre operative expenditure in the period in which the service is rendered.

xiii) Foreign Currency Transactions:

Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction. Monetary foreign currency assets and liabilities are reported at the exchange rate prevailing on the balance sheet date. Exchange differences relating to long term monetary items, arising during the year, as so far as they relate to the acquisition of the depreciable capital asset are added to/deducted from the cost of the asset and depreciated over the balance life of the asset after the commencement of actual production.

xiv) Cash flow statement:

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments.

Cash and cash equivalents presented in the cash flow statement consist of cash on hand and unencumbered highly liquid cash bank balances.

**NOTES to Financial Statements for the 15 months period ended 30th June 2012****xv) Provisions:**

A provision is recognized when the Company has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

xvi) Earnings Per Share:

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

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

xvii) Segmenting Reporting:

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

xviii) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

xix) Prior period items

All items of income/expenditure pertaining to prior period, which are material, are accounted through "prior period adjustments".

xx) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases.

Where the Company is the lessee

Operating lease payments are recognized as an expense in the Statement of profit and loss on straight-line basis over the lease term.

Where the Company is the Lessor

Assets subject to operating Leases are included in fixed assets. Lease income is recognized in the Statement of profit and loss. Costs including depreciation are recognized as an expense in the Statement of profit and loss.

xxi) Contingent Liabilities

A contingent Liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize contingent liability but discloses its existence in the financial statements.



NOTES to Financial Statements for the 15 months period ended 30th June 2012

2.1 SHARE CAPITAL

	As at 30.06.2012		As at 31.03.2011	
	No. of Shares	Amount Rs.	No. of Shares	Amount Rs.
i. Authorised				
Equity shares of Rs. 10/- each with voting rights ^{***}	159,000,000	1,590,000,000	99,000,000	990,000,000
Redeemable Preference shares of Rs. 10/- each	1,000,000	10,000,000	1,000,000	10,000,000
Redeemable Cumulative Optionally Convertible preference shares of Rs. 10/- each ^{'\$'}	73,000,000	730,000,000	-	-
ii. Issued, Subscribed and fully paid up				
Equity shares of Rs. 10/- each with voting rights	51,950,000	519,500,000	42,850,000	428,500,000
10.25% redeemable Preference Shares of Rs. 10/- each fully paid	-	-	550,400	5,504,000
	51,950,000	519,500,000	43,400,400	434,004,000

Rights, Preferences and restrictions attached to Equity Shares

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each Shareholder is eligible for one vote per share. The dividend proposed by the Board of Directors is subject to the approval of shareholders, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company, after distribution of all preferential amounts, in proportion of their shareholding.

* The Authorised equity share capital of the company was increased by Rs. 60,00,00,000 on amalgamation of GSAL (India) Limited as per the Draft Rehabilitation Scheme (DRS) approved by the Hon'ble Board of Industrial and Financial Reconstruction and (BIFR) vide order dated 06th August' 2012.

\$ The Authorised preference share capital of the company was increased by Rs. 73,00,00,000 on amalgamation of GSAL (India) Limited as per the Draft Rehabilitation Scheme (DRS) approved by the Hon'ble Board of Industrial and Financial Reconstruction and (BIFR) vide order dated 06th August' 2012.

a) The Movement in subscribed and paid up capital is set out below:-

	As at 30.06.2012		As at 31.03.2011	
	No. of Shares	Amount Rs.	No. of Shares	Amount Rs.
Equity shares:				
i. Opening Balance	42,850,000	428,500,000	39,300,000	393,000,000
ii. Shares Allotted during the year	-	-	3,550,000	35,500,000
iii. Shares Issued on Conversion of Share Warrants	9,100,000	91,000,000	-	-
iv. Closing Balance	51,950,000	519,500,000	42,850,000	428,500,000
Preference Shares:				
i. Opening Balance	550,400	5,504,000	550,400	5,504,000
ii. Less: Redemption During the Year	550,400	5,504,000	-	-
iii. Closing Balance	-	-	550,400	5,504,000

b) Details of shares held by each shareholder holding more than 5% shares:

	As at 30.06.2012		As at 31.03.2011	
	No. of Shares	% held	No. of Shares	% held
Equity shares with voting rights:-				
i. Umashiv Garments Private Ltd	15,214,090	29.29	6,114,090	14.27

40,00,000 Equity shares of face value of Rs. 10 per share were allotted on 08.04.2011 to Umashiv Garments Private Limited on preferential basis on conversion of warrants at a price of Rs. 38 per share.

@ 51,00,000 Equity shares of face value of Rs. 10 per share were allotted on 02.04.2012 to Umashiv Garments Private Limited on preferential basis on conversion of warrants at a price of Rs. 45 per share.

5,50,400 10.25% Redeemable Preference Shares Rs. 10/- each were redeemed during the accounting period.



	As at 30.06.2012 Amount Rs.	As at 31.03.2011 Amount Rs.
2.2 RESERVES & SURPLUS		
a) Capital Reserve		
Opening Balance	75,655,242	75,655,242
Balance of GSAL (India) Ltd on amalgamation	961,140,533	-
Adj. on A/c of DRS Scheme approved by BIFR (*)	793,238,747	-
Closing Balance (A)	1,830,034,522	75,655,242
b) Revaluation Reserve		
Opening Balance	-	-
Addition on Account of revaluation of Land (#)	1,025,610,680	-
Closing Balance (B)	1,025,610,680	-
c) Amalgamation Reserve		
Opening Balance	-	-
Addition on amalgamation of GSAL (India) Ltd., (@)	538,444,755	-
Closing Balance (C)	538,444,755	-
d) Capital Redemption Reserve		
Opening Balance	-	-
Transfer from Statement of Profit & Loss	5,504,000	-
Closing Balance (D)	5,504,000	-
e) Subsidy		
Opening Balance	-	-
Balance of GSAL (India) Ltd on amalgamation	1,500,000	-
Closing Balance (E)	1,500,000	-
f) General Reserve		
Opening Balance	49,000,000	39,000,000
Transferred from Statement of Profit and Loss	-	10,000,000
Closing Balance (F)	49,000,000	49,000,000
g) Securities Premium Account		
Opening Balance	607,323,960	511,473,960
Premium on shares issued during the year	290,500,000	95,850,000
Closing Balance (G)	897,823,960	607,323,960
h) Investment Allowance Reserve		
Opening Balance	1,720,306	1,720,306
Additions during the Year	-	-
Closing Balance (H)	1,720,306	1,720,306
i) Surplus in Statement of Profit and Loss		
Opening Balance	446,917,086	287,599,517
Add: Profit for the year	268,712,950	169,966,353
	715,630,036	457,565,870
Less: Appropriations		
Transfer to General Reserve	7,500,000	10,000,000
Transfer to Capital Redemption Reserve	5,504,000	-
Dividends proposed to be distributed to preference shareholders	470,133	564,160
Corporate Dividend Tax	76,267	84,624
	702,079,636	446,917,086
Balance of GSAL (India) Ltd on amalgamation	(3,349,897,909)	-
Closing Balance (I)	(2,647,818,273)	446,917,086
Total (A+B+C+D+E+F+G+H+I)	1,709,319,950	1,180,616,594

* write back of term loan liabilities, and Optionally Convertible Cumulative Preference Shares of GSAL (India) Limited as per DRS approved by BIFR
Land value of GSAL (India) Limited revalued at market price as certified by an Approved Valuer
@ Amalgamation reserve on account of swap ratio to the share holders of GSAL (India) Limited as per DRS approved by BIFR



NOTES to Financial Statements for the 15 months period ended 30th June 2012

2.3 EQUITY SHARE CAPITAL SUSPENSE

59,82,720 Equity Shares are pending for allotment to sharholders of GSAL (INDIA) Limited as per the Draft rehabilitation Scheme (DRS) approved by the Hon'ble Board of Industrial and Finanacial Reconstruction and (BIFR) vide order dated 06th August' 2012.

2.4 LONG TERM BORROWINGS

	As at 30.06.2012 Amount Rs.		As at 31.03.2011 Amount Rs.	
	Non Current	Current	Non Current	Current
Secured				
- Rupee Term Loans from Banks	1,133,327,105	390,400,000	1,537,329,643	360,851,988
- Rupee Term Loans from Others	120,154,504	93,750,000	-	-
Unsecured				
- Rupee Term Loans From Banks	3,198,580	2,329,275	-	1,826,316
- Rupee Term Loans From others	85,062,161	27,055,901	5,261,304	3,996,989
- Interest Free Sales Tax Loan	51,464,268	34,309,512	-	-
- Vehicle Hire Purchase Loans	2,247,607	12,252,712	22,727,395	16,338,177
	1,395,454,225	560,097,400	1,565,318,342	383,013,470

Details of terms of repayment for long-term borrowings and security provided in respect there of:

Nature of Security

Secured Corporate Term Loans are secured by first pari passu charge on all stocks, book debts and other current assets of the company along with other working capital lenders under consortium, second charge on company's fixed assets both present and future on pari passu basis, and personal guarantee of promotar directors of the company.

Secured Term Loans from consortium of banks lead by State Bank of India, Commercial Br., Visakhapatnam are secured by first charge on lease hold rights on the factory land, and assets created out of the funds raised plant and machinery, spares, tools and accessories both present and future and personal guarantee of promotar directors of the company.

Term Loan from Pridhvi Asset Reconstruction and Securitisation Company Limited (PARAS) was secured by first charge on fixed assets of Sponge iron division.

Terms of repayment

Banker/Financer	Terms of repayment
Corporate Term Loans	
State Bank of Hyderabad outstanding as on 30.06.2012 of Rs.19,89,61,877 (Previous year: Rs.25,27,98,658)	Repayable in 48 monthly installments commencing from April 2011. Last installment due in March, 2015. Rate of interest 14.65% p.a. as at the end of the period.
State Bank of India outstanding as on 30.06.2012 of Rs.67,92,41,012 (Previous year: Rs.85,96,01,208)	Repayable in 48 monthly installments commencing from April 2011. Last installment due in March, 2015. Rate of interest 14.65% p.a. as at the end of the period.
Term Loans	
State Bank of Bikaner & Jaipur outstanding as on 30.06.2012 of Rs.12,19,15,818 (Previous year: Rs.14,27,38,575)	Repayable in quarterly installments commencing from June, 2011. Last installment due in March 2018. Rate of interest 15.75% p.a. as at the end of the period.
State Bank of Travencore outstanding as on 30.06.2012 of Rs.16,20,92,603 (Previous year: Rs.19,43,29,234)	Repayable in quarterly installments commencing from June, 2011. Last installment due in March 2018. Rate of interest 15% p.a. as at the end of the period.
State Bank of Mysore outstanding as on 30.06.2012 of Rs.12,16,62,887(Previous year: Rs.14,57,28,996)	Repayable in quarterly installments commencing from June, 2011. Last installment due in March 2018. Rate of interest 15.75% p.a. as at the end of the period.
State Bank of India outstanding as on 30.06.2012 of Rs.23,98,52,907 (Previous year: Rs.28,51,36,099)	Repayable in quarterly installments commencing from June, 2011. Last installment due in March 2018. Rate of interest 14.45% p.a. as at the end of the period.
PARAS outstanding as on 30.06.2012 of Rs.21,39,04,504 (Previous year: Rs.Nil)	Repayable in quarterly installments commencing from June, 2011. Last installment due in March 2015. Rate of interest 18% p.a. as at the end of the period.


NOTES to Financial Statements for the 15 months period ended 30th June 2012
Maturity profile for Long term Unsecured Borrowings:
Amount Rs.

Borrowings	Principal Repayable in		
	1-2 Years	2-3 Years	Above 3 Years
Rupee Term Loans from banks	5,257,329	270,526	-
Rupee Term Loans from others	81,368,062	30,750,000	-
Interest Free Sales tax Loan	51,464,268	17,154,756	17,154,756
Hire Purchase Loans	14,229,689	270,630	-

Note : Installments falling due in respect of all the above Loans for a period of 12 months have been grouped under "Current maturities of long-term debt" (Refer Note 2.8).

	As at 30.06.2012 Amount Rs.	As at 31.03.2011 Amount Rs.
2.5 DEFERRED TAX LIABILITY		
On difference between book balance and tax balance of fixed assets	139,355,396	150,674,146
On expenditure deferred in the books but allowable for tax purposes	5,564,318	3,470,490
	144,919,714	154,144,636
2.6 SHORT TERM BORROWINGS		
Secured		
a) Working Capital Loan from Banks (Secured by hypothecation of raw materials, finished goods, stores & spares and book debts and first charge on unencumbered assets and second charge on encumbered assets of the Company)	2,281,421,506	1,448,472,994
	2,281,421,506	1,448,472,994
2.7 TRADE PAYABLES		
Dues to Micro and Small Scale Enterprises (Note:2.27)	-	-
Dues to other than Micro and Small Scale Enterprises	4,306,947,394	2,153,910,292
	4,306,947,394	2,153,910,292
2.8 OTHER CURRENT LIABILITIES		
Current maturities of long-term debt (Note:2.4)	560,097,400	383,013,470
Payables for Capital goods	19,178,283	25,704,259
Security Deposits	505,563	128,825
Advances from Customers	284,897,200	583,557,243
Payables to Employees	10,944,361	5,966,944
Statutory remittances	114,792,192	34,284,271
Unclaimed Dividend	2,253,752	2,259,197
Other Current Liabilities (#)	176,031,579	109,136,412
	1,168,700,330	1,144,050,621
2.9 SHORT TERM PROVISIONS		
Provision for Gratuity	-	2,311,296
Provision for Tax	183,442,051	78,056,738
Provision for proposed preference dividend	470,133	564,160
Provision for tax on proposed dividends	76,267	84,624
	183,988,451	81,016,818

Includes ₹.3 Crores received towards disposal of Wire Drawing Unit-I

2.10 TANGIBLE ASSETS

(in Rupees)

Particulars	Freehold Land and Roads	Freehold Land Buildings	Machinery	Electricals	Equipments	Furniture & Fixtures	Vehicles	Railway Sidings	Total
Gross Block as at 01.04.2011	83,234,031	514,409,293	1,180,659,858	201,373,733	30,314,168	9,338,018	70,255,366	-	2,089,584,467
Assets acquired on amalgamation	20,733,320	181,701,333	1,582,471,352	320,411	6,217,370	4,527,837	500,000	67,562,743	1,864,034,365
Additions During the Period	24,675,370	92,447,193	145,992,854	3,087,377	1,620,846	1,109,440	2,464,580	-	271,397,661
Revaluation during the Period *	1,025,610,680	-	-	-	-	-	-	-	1,025,610,680
Less: assets disposed during the Period	-	-	69,020	-	-	-	3,570,390	-	3,639,410
Gross Block as at 30.06.2012	1,154,253,401	788,557,820	2,909,055,044	204,781,521	38,152,384	14,975,295	69,649,556	67,562,743	5,246,987,763
<i>Previous Year</i>	83,234,031	508,923,704	1,361,108,698	20,924,892	30,314,168	9,338,018	70,255,366	-	2,084,098,877
Accumulated Depreciation as at 01.04.2011	-	28,317,932	173,341,209	16,466,827	20,886,813	4,343,300	14,050,904	-	257,406,985
Assets acquired on amalgamation	-	118,828,800	1,416,094,362	308,565	4,842,755	4,502,450	480,000	-	1,545,056,932
Depreciation During the Period	-	31,240,939	117,045,230	12,273,342	2,103,609	777,239	8,205,825	-	171,646,185
less: Depreciation on assets disposed during the Period	-	-	-	-	925,613	-	1,511,585	-	2,437,198
Accumulated Depreciation as at 30.06.2012	-	178,387,671	1,706,480,800	29,048,735	26,907,564	9,622,989	21,225,145	-	1,971,672,904
<i>Previous Year</i>	-	28,317,932	180,708,696	7,917,915	22,068,235	4,343,297	14,050,906	-	257,406,981
Net Block as on 30.06.2012	1,154,253,401	610,170,148	1,202,574,244	175,732,787	11,244,820	5,352,306	48,424,411	67,562,743	3,275,314,859
<i>Previous Year</i>	83,234,031	480,605,772	1,180,400,002	13,006,977	8,245,933	4,994,721	56,204,460	-	1,826,691,896

Notes:

* During the period, the company has revalued the land situated at Sirrampuram village, L Kota Mandal, Vizianagaram District Andhra Pradesh belonging to the erstwhile GSAL (India) Limited and acquired under the amalgamation approved by the BIFR

During the period, the Company's land, Plant and Machinery situated at plot no.27, IDA Block E Auto Nagar, Vishakapatnam has been given possession to Shri Bhavani Wire Industries.

The sale price is yet to be adjusted pending approval of Banks for which the company has taken the approval of share holders through postal ballot.



	As at 30.06.2012 Amount Rs.	As at 31.03.2011 Amount Rs.
2.11 NON CURRENT INVESTMENTS		
Trade Investments - (At cost):		
Investment in equity instruments- (Unquoted)		
3,52,87,066 Equity shares of Rs.10 each in Simhadri Power Ltd. (Previous Year:1,66,87,066 Equity Shares of Rs. 10/- each)	352,870,660	166,870,660
	352,870,660	166,870,660
2.12 LONG TERM LOANS AND ADVANCES		
<u>Unsecured, considered good</u>		
Capital Advances	12,894,096	1,074,248,256
Security Deposits	83,726,946	62,106,170
<u>Unamortised Expenses:- (#)</u>		
Preliminary Expenses	1,228,461	1,818,000
Deferred revenue expenditure	8,837,500	17,489,988
	106,687,003	1,155,662,414
# Amount to be written off in the next twelve months have been grouped under "Other Current Assets" (Note 2.17)		
2.13 INVENTORIES		
Raw Material	861,567,996	781,937,444
Finished Goods	2,506,889,377	1,206,440,954
Consumables	77,052,245	64,426,989
Stores and Spares	44,612,675	31,613,138
Stock in transit of Raw material	11,006,879	729,652
	3,501,129,172	2,085,148,176
2.14 TRADE RECEIVABLES		
<u>Unsecured, considered good</u>		
Outstanding for a period exceeding six months from the date they were due for payment	54,789,600	84,718,922
Other trade receivables	2,573,340,070	1,614,111,669
	2,628,129,670	1,698,830,591



	As at 30.06.2012 Amount Rs.	As at 31.03.2011 Amount Rs.
2.15 CASH AND BANK BALANCES		
(i) Cash and Cash Equivalents		
a) Balances with banks - In Current Accounts	8,983,914	55,661,085
b) Cash on Hand	10,961,114	7,199,820
Total (A)	19,945,028	62,860,905
(ii) Other Bank Balances		
a) In deposit accounts - Held as Margin Money	464,497,503	202,919,324
b) Unpaid dividend accounts	2,253,752	2,259,197
Total (B)	466,751,255	205,178,522
Total (A+B)	486,696,283	268,039,426
2.16 SHORT TERM LOANS AND ADVANCES		
<u>Unsecured, considered good</u>		
<u>Loans and advances to related parties</u>		
Inter Corporate Deposits (Note : 2.31)	52,109,169	77,850,856
<u>Loans and advances to others</u>		
Advances For Purchases & Works	542,971,722	694,181,525
Advance Tax and Tax Deducted at Source	162,113,600	42,888,193
Indirect Tax Balances	27,799,948	49,611,022
MAT Credit Entitlement	150,645,995	47,860,702
State Govt incentives receivable (Sales Tax)	76,929,475	13,429,657
Prepaid Expenses	4,266,091	557,610
Other Advances	345,871,375	306,419,734
	1,362,707,373	1,232,799,299
2.17 OTHER CURRENT ASSETS		
<u>Unsecured, considered good</u>		
Advance for Expenses	21,450,119	1,322,128
Other Receivables	3,164,745	3,427,762
<u>Unamortised Expenses:- (Note:2.12)</u>		
Preliminary Expenses	606,000	606,000
Deferred revenue expenditure	6,650,000	6,650,000
	31,870,864	12,005,890



	15 Months Ended 30.06.2012 Amount Rs.	Year Ended 31.03.2011 Amount Rs.
2.18 REVENUE FROM OPERATIONS		
Sale of Products		
Finished Goods	9,318,882,297	4,633,540,703
Energy	215,308,698	259,305,082
Sale of Traded Goods	8,227,347,599	6,899,517,928
Other Operating revenue		
Conversion charges	-	415,296
Sales Incentives	66,378,585	156,045,780
Sales Tax Incentives	62,937,476	13,991,999
	17,890,854,655	11,962,816,788
<u>Details of products Sold</u>		
Finished Goods Sold		
Rebar & Wires	7,722,647,046	3,934,550,092
Billets & Ingots	1,089,439,187	467,488,230
Sponge iron	33,543,378	65,481,000
Steel Scrap	71,621,118	-
Coal Fines	123,270,430	60,159,000
Iron Ore Fines	257,758,571	93,217,000
Mill Scale and Others	20,602,568	12,645,382
	9,318,882,297	4,633,540,703
Energy		
Power	215,308,698	259,305,082
Trading Goods Sold		
Rebar, Wire & Wire Rod Coils	4,655,065,162	4,827,443,973
Billets & Ingots	161,226,434	440,142,770
Pig Iron	851,894,654	1,299,142,129
Structurals	325,065,290	269,502,729
Nut Coke	128,199,951	-
Coal	13,336,928	-
Scrap	2,105,896,109	49,949,399
	8,227,347,599	6,899,517,928



	15 Months Ended 30.06.2012 Amount Rs.	Year Ended 31.03.2011 Amount Rs.
2.19 OTHER INCOME		
Interest Received	127,613,355	38,169,931
Rent earned	217,875	-
Net Gain on sale of current investments	8,168,488	-
Misc. Receipts	7,503,674	5,330,439
	143,503,392	43,500,370
2.20 COST OF MATERIAL CONSUMED		
Raw Material Consumed		
Opening Stock	781,937,444	419,109,677
Add : Purchases	6,854,957,802	3,048,133,755
	7,636,895,246	3,467,243,432
Less: Closing Stock	861,567,996	781,937,444
Cost of Materials Consumed (#)	6,775,327,250	2,685,305,988
# Details of Materials Consumed		
Billets, Blooms & Ingots	1,741,008,732	1,020,770,951
Scrap	2,066,719,597	31,193,768
Pig Iron	465,162,195	242,126,717
Sponge iron	8,495,537	8,629,480
Wire Rod Coils	533,097,426	430,605,229
Nut Coke	21,817,851	-
Coal	630,922,264	272,449,748
Iron ore	1,177,210,412	679,530,095
Lime Stone	1,608,516	-
Pellets	122,889,473	-
Others	6,395,248	-
	6,775,327,250	2,685,305,988



	15 Months Ended 30.06.2012 Amount Rs.		Year Ended 31.03.2011 Amount Rs.	
2.21 PURCHASE OF TRADED GOODS				
Rebar, Wire & Wire Rod Coils	3,991,985,848		3,975,513,822	
Billets,Blooms & ingots	35,519,363		585,353,067	
Pig Iron	871,990,106		1,207,808,057	
Structurals	312,343,875		244,439,784	
Iron Ore	28,889,778		-	
Nut Coke	128,253,951		-	
Scrap	2,116,205,812		1,187,485,631	
	7,485,188,733		7,200,600,361	
2.22 CHANGES IN INVENTORIES				
Closing Stock of:				
Finished Goods	1,141,201,249		289,594,870	
Traded Goods	1,365,688,128		916,846,084	
	Total (A)		1,206,440,954	
Opening Stock of:				
Finished Goods	289,594,870		62,268,087	
Traded Goods	916,846,084		660,905,704	
	Total (B)		1,206,440,954	
(Increase)/Decrease in Stock (A-B)		(1,300,448,423)		(483,267,163)
Details of inventory				
	15 Months Ended 30.06.2012 Amount Rs.		Year Ended 31.03.2011 Amount Rs.	
	Finished Goods	Traded Goods	Finished Goods	Traded Goods
Rebar & Wires	318,674,863	356,842,414	150,914,387	737,764,650
Billets & Ingots	117,708,519	2,941,314	53,340,588	1,351,777
Sponge iron	135,923,097	-	43,494,230	-
Pig iron	-	47,163,225	-	27,556,019
Steel Scrap	2,146,680	-	31,412,640	-
Structurals	-	18,779,776	6,685,245	6,667,714
Scrap	-	937,471,150	-	142,029,562
Coal	565,031,746	2,490,250	-	1,476,363
Mill Scale and Others	1,716,345	-	3,747,780	-
	1,141,201,249	1,365,688,128	289,594,870	916,846,084



	15 Months Ended 30.06.2012 Amount Rs.	Year Ended 31.03.2011 Amount Rs.
2.23 EMPLOYEE BENEFITS		
Salaries and Wages	164,336,115	98,316,270
Contributions to provident Fund and other funds	3,548,037	2,899,026
Staff welfare	3,747,856	3,861,944
	171,632,008	105,077,240
2.24 FINANCE COSTS		
Interest Expenses on:		
- Term loans	380,747,195	90,906,117
- Working Capital Loans	338,863,582	198,121,966
- Others	68,683,608	65,347,768
Bank Charges & Comission	289,812,175	124,840,681
	1,078,106,561	479,216,532
2.25 OTHER EXPENSES		
Consumables	315,171,628	169,153,940
Stores and Spares	76,447,004	35,748,792
Power and Fuel	651,730,175	296,081,142
Gas charges	161,954,724	124,859,318
Transmission Charges	2,160,482	4,794,458
Repairs and Maintenance	49,935,601	34,960,639
Factory Maintanance	5,075,889	2,150,039
Freight Charges	361,408,888	281,663,151
Loading and Unloading Charges	1,252,518	22,967,068
Contract Charges	53,270,755	30,907,675
Labour Charges	718,989	3,110,685
Other Manufacturing expenses	17,289,012	14,999,209
Legal and professional Charges	14,160,924	5,615,205
Rent	1,096,492	1,160,000
Rates and Taxes	97,358,583	48,636,768
Insurance	6,035,541	4,745,682
Payment to Auditors		
As Auditors	2,000,000	1,500,000
For Tax Audit	500,000	400,000
For Certification	750,000	500,000
For Tax representation	250,000	100,000
Discounts & Comissions	146,055,882	81,546,773
Selling and Distribution Expenses	3,767,555	3,383,142
General Charges	98,890,608	71,940,414
Loss on Sale of Assets (Net)	489,414	320,312
Exchange Fluxuation Loss (Net)	336,096,024	819,222
Prior period Expenses (Net)	1,062,459	4,482,666
	2,404,929,146	1,246,546,299



- 2.26. In the opinion of the management, the Current Assets, Loans and Advances are expected to realise at least the amount at which they are stated, if realised in the ordinary course of business and provision for all known liabilities have been adequately made in the accounts.
- 2.27 Disclosure of Sundry creditors under trade payables has been determined to the extent such parties could be identified on the basis of the information available with the Company regarding the status of suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 and relied upon by the Auditors.

Details of total outstanding dues to Micro, Small and Medium Enterprises Development Act, 2006

Particulars	15 Months Ended 30.06.2012 Amount Rs.	Year Ended 31.03.2011 Amount Rs.
o Due to Micro, small enterprises- other Disclosures;	-	-
o Principal amount remaining unpaid as on 30.06.2012 includes.	-	-
o Sundry Creditors includes to micro, small and medium enterprises*	-	-
o Interest due thereon as on 30.06.2012.	-	-
o Interest paid by the company in terms of Sec 16 of Micro, small and medium enterprises development Act 2006 along with the amount of payment made to the supplier beyond the appointed day during the year.	-	-
o Interest due on payable for the period of delay in making payment (which have been paid beyond the appointed day during the year) but without adding the interest specified under micro, small and medium enterprises development act 2006.	-	-
o Interest Accrued and remaining unpaid as on 30.06.2012. Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises.	-	-

- 2.28 Contingent liabilities to the extent not provided for

	15 Months Ended 30.06.2012 Amount Rs.	Year Ended 31.03.2011 Amount Rs.
a. Claim against the company by GAIL not acknowledged as debt	1,84,07,569	-
b. Claim of APEDCL not acknowledged as debt	34,50,846	-
c. Demands from Sales tax department disputed	64,65,925	50,71,067
d. Demands from Excise departments disputed	1,58,15,848	54,35,648
e. Others	1,72,97,900	-
f. Letters of credit	62,00,000	-
g. In the event of non payment of dues of PARAS as per DRS, amounts claimable against the company as per the debts of IDBI and ICICI of GSAL (India) limited assigned in favour of PARAS along with interest there on as per the assignment Deed amount not ascertained.		
h. Corporate Guarantee given to the term Loan lenders of M/s Simhadri Power Ltd	230,00,00,000	-

Contingent liabilities represents show cause notices received or pending for final consideration and the Company has already submitted its objections in writing against the demands.



2.29 Value of imports calculated on C.I.F. basis in respect of:

	30th June 2012 Value in Rs.	31st March 2011 Value in Rs.
Raw Materials	378,16,92,022	101,79,07,812
Components and Spares	72,73,063	21,97,644
Capital goods	-	21,51,860
Total	378,89,65,085	102,22,57,316

2.30 Expenditure in foreign currency:

	30th June 2012 Value in Rs.	31st March 2011 Value in Rs.
Raw-Material	3,60,84,680	-
Components & Spares	45,81,208	48,84,000
Travelling Expenses	3,97,537	3,98,000
Advisory & Consulting Charges	2,12,345	-
Capital Goods	-	2,18,61,000
Others	36,82,604	-
Total	4,49,58,374	2,71,43,000

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

Names of Related Parties And Description of Relationship:

A Associate Concerns

- | | |
|--|--|
| 1) VPL Projects Private Limited | 2) Vizag Profile Constructions (India) Private Limited |
| 3) Vizag Profiles Private Limited | 4) Umashiv Garments Private Limited |
| 5) World Future League Private Limited | 6) Simhadri Power Limited |
| 7) Simhadri Wires Private Limited | 8) Simhadri Pellets India limited |
| 9) Satyatej Vyaapar Private Limited | 10) Simhadri Infrastructure Developers Pvt Ltd |

B Key Management Personnel

- 1) B. Satish Kumar- Chairman cum Managing Director
- 2) B. Suresh Kumar - Jt. Managing Director
- 3) B. Suresh - Director (Finance)

C Relatives of Key Management Personnel

- 1) B. Rajesh - Vice President (Finance)

Particulars of transactions during the period :

Amount (Rs.)

Particulars	Associates	Key Management Personnel	Relative of Key Management Personnel	Total
Income:				
Lease Rentals Received	2,17,875	NIL`	NIL	2,17,875
Sale of Goods	185,58,79,659	-	-	185,58,79,659
Interest Received	3,62,75,093	-	-	3,62,75,093
Expenses:				
Services	43,41,05,034	-	-	43,41,05,034
Director's Remuneration & Perquisites	-	92,46,022	-	92,46,022
Salaries	-	-	18,00,000	18,00,000
Balance Sheet Heads (Closing Balances):				
Investment in Equity Shares	35,28,70,660	-	-	35,28,70,660
Amounts payable on 30.06.12	23,28,191	6,12,984	-	29,41,175
Amounts receivable on 30.06.12	30,23,39,984	-	-	30,23,39,984



Disclosure as per Clause 32 of the Listing Agreements with the Stock Exchanges:

Name of the Company	Relationship	Balance as at 30.06.2012 (Amount Rs.)	Maximum balance Outstanding During the Year (Amount Rs.)
Loans and Advances: Vizag Profile Constructions (India) Private Limited	Associate	5,21,09,169 (7,78,50,856)	9,09,51,876 (7,78,50,856)
Investments: Simhadri Power Limited	Associate	35,28,70,660 (16,68,70,660)	35,28,70,660 (16,68,70,660)

Note: Figures in brackets relate to the previous year

2.32 Earnings Per Share:

	30th June 2012	31st March 2011
Net Profit for the Period/Year	26,87,12,950	16,99,66,353
Less: Preference Dividend (Including Dividend Tax)	5,46,400	6,48,784
Amount Available for Equity Share Holders	26,81,66,550	16,93,17,569
Weighted Average Number of Shares for Basic EPS	4,77,73,195	4,17,41,233
Add: Adjustment for Share Warrants	-	27,50,685
Adjustment for Equity Share Capital Suspense A/c	59,82,720	-
Weighted Average Number of Shares for Diluted EPS	5,37,55,915	4,44,91,918
Nominal Value per Share (Rs.)	10.00	10.00
Basic Earnings per Share (Rs.)	5.61	4.06
Diluted Earnings per Share (Rs.)	4.99	3.81

- 2.33 The financial Statements of 2011-12 include the financial statements of GSAL (India) Limited the merger of which has been approved by BIFR vide its order dated 6th August 2012. The merger has been approved w.e.f 1.4.2010 and the effect has been incorporated during the financial period of 2011-12. As such the statements of 2011-12 are not comparable with that of previous year figures.
- 2.34 The financial statements for the period ended 31st March, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification under the Companies Act, 1956, the financial statements for the period ended 30th June, 2012 are prepared under revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this period's classification.
- 2.35 Due to change of the accounting year by the company, current period's figures being for 15 months are not comparable with the previous year figures of 12 months.
- 2.36 Directors Remuneration and Perquisites : Rs.92,46,022 (Previous Year: Rs.72,61,998)
- 2.37 In the opinion of the Board of Directors the Current Assets, Loans & Advances are approximately of the value stated in the accounts, if realized in the ordinary course of business.
- 2.38 The balance shown in Sundry Debtors, Sundry Creditors, advances are subject to confirmation from the respective parties.

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

for and on behalf of the Board of Directors

CA. P. A. RAMAIAH
Partner
M.No. : F- 203300

B. SATISH KUMAR
Chairman & Managing Director

B. SURESH KUMAR
Jt. Managing Director

Camp: Visakhapatnam
Date : August 27, 2012

Place : Visakhapatnam
Date : August 27, 2012

B.NARAHARI
Company Secretary

STEEL EXCHANGE INDIA LIMITED

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

ATTENDANCE SLIP

Name and address : No. of Shares :
of the shareholder : Regd. Folio No. :
DP ID :
Client ID :

Name of the Proxy (if applicable):

I/We hereby record my/our presence at the Thirteenth Annual General Meeting of the Company held on Saturday, the 29th day of September, 2012 at 12.00 Noon at The Square Hyderabad, 6-3-870, Green Lands, APTDC Paryatak Bhavan, Begumpet, Hyderabad - 500 016.

Member's/Proxy's Signature.

NOTE: Shareholders attending the Meeting in person or by proxy should complete the attendance slip and hand it over at the registration counter.

STEEL EXCHANGE INDIA LIMITED

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

PROXY FORM

DPID : Regd. Folio No. :
Client ID :

I/We.....ofbeing a Member/Members of Steel Exchange India Limited, hereby appoint.....ofor failing himofas my/our proxy to attend and vote for me/us on my/our behalf at the Thirteenth Annual General Meeting of the Company to be held on Saturday, the 29th day of September, 2012 at 12.00 Noon at The Square Hyderabad, 6-3-870, Green Lands, APTDC Paryatak Bhavan, Begumpet, Hyderabad - 500 016 and at any adjournment thereof.

Signed on this _____ day of _____ 2012.



This form is to be used _____ *in favour of _____ the resolutions. Unless otherwise instructed, the Proxy
* against

will act as he thinks fit. * Strike out whichever is not desired.

The proxy form duly stamped & signed should be deposited at the Registered Office of the Company at least 48 hours before the time of the meeting. A proxy need not be a member of the company.

NO GIFTS WILL BE PROVIDED BY THE COMPANY AT THE AGM

BOOK POST

To

If undelivered please return to:

STEEL EXCHANGE INDIA LIMITED

303, My Home Laxmi Nivas,

Greenlands, Ameerpet,

Hyderabad – 500 016.