

STEEL EXCHANGE INDIA LIMITED



ELEVENTH ANNUAL REPORT
2009-2010

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ELEVENTH ANNUAL GENERAL MEETING

Date : 30th September 2010
Day : Thursday
Time : 12.00 PM
Place : Hotel Green Park, Greenlands,
Begumpet, Hyderabad - 500 016
Ph : 040 - 66515151

BOARD OF DIRECTORS

B. SATISH KUMAR	Chairman & Managing Director
B. SURESH KUMAR	Joint Managing Director
V. V. KRISHNA RAO	Director
B. SURESH	Director (Finance)
VINOD KUMAR AGRAWAL, IAS	Director (Nominee of A P I D C)
R. RAMACHANDRA RAO	Director
C. SIVA PRASAD	Director
K. KRISHNA RAO	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

BANKERS

Working Capital Lenders

State Bank of India, Overseas Branch, Visakhapatnam.
State Bank of Hyderabad, VSP Steel Township Branch, Visakhapatnam.
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, Overseas 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.

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



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 Melting 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.

Software Division:

Pyxis Technology Solutions, Unit No - 2, SDF Block No. 1, VSEZ, Visakhapatnam - 530 046, Andhra Pradesh.

INTEGRATED STEEL PLANT

Sponge Iron Division:

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

Rolling Division

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

SMS Billet Unit

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



NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of the Members of Steel Exchange India Limited will be held on **Thursday, the 30th day of September, 2010 at 12.00 P.M. at Hotel Green Park, Greenlands, Begumpet, Hyderabad - 500 016** to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors' and the Auditors' thereon.
2. To declare dividend on 10.25% Preference Shares for the year ended 31st March, 2010.
3. To appoint a Director in place of Mr. V.V. Krishna Rao, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. R. Ramachandra Rao, 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, Hyderabad, the retiring auditors are eligible for appointment as Statutory Auditors and the following resolution may with or without modification be passed as an Ordinary Resolution:

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

By Order of the Board of Directors

Place: Maliveedu, L.Kota (Mandal)
Date: August 07, 2010

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 27th day of September, 2010 to Thursday, the 30th day of September, 2010 (both days inclusive).
3. The additional information on Directors, seeking re-appointment under Item Nos.3 and 4 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).

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 are given below:

Name	Mr. V. V Krishna Rao	R. Ramachandra Rao
Date of Birth	10 - 06 - 1948	18-07-1959
Qualification	M. A.	MS (Communications Engg), IIT, New Delhi
Expertise in Specific Functional Area	More than 30 years of experience in Marketing and in Steel Industry.	More than 20 years of experience in the areas of power quality, Communications, Aviation, Microwave, Electronics and Management
Date of appointment on the Board of the Company	12-01-2000	30 - 01 - 2006
Other Directorships	1. Vizag Profiles Limited 2. V P L Projects Pvt Ltd 3. Vizag Profile Constructions India Pvt Ltd 4. Brahma Chemicals Limited 5. Maa Gayatri Lohh Products Limited.	1. Merlinhawk Associates Pvt Ltd 2. Merlinhawk Aerospace Pvt Ltd 3. Merlinhawk Engineering Pvt. Ltd. 4. Merlinhawk Asia Pacific Sdn BDH 5. Terradune Sciences Pvt Ltd 6. Terradune Technologies Pvt Ltd. 7. Browndove Healthcare Pvt Ltd 8. Madaksira Vineyards Pvt. Ltd
Member of the Committees in other Companies	Nil	Nil
No of Equity Shares held in the Company	6,43,736	10,300



DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the Eleventh Annual Report of the Company together with the Audited Statements of Accounts for the year ended March 31, 2010.

FINANCIAL RESULTS:

The performance of the Company during 2008-2009 is summarised below: (Rs. in Lakhs)

PARTICULARS	2009-2010	2008-2009
Total Income	69697.92	68385.05
Profit before Interest & Depreciation	4655.89	3599.54
Less: Interest	3159.40	2525.22
Depreciation	318.11	282.79
Profit before Prior period items	1178.38	791.53
Less/(Add): Expenditure pertaining to previous year	1.26	(3.73)
Profit before Tax	1177.12	795.26
Less: Provision for Tax		
- Current Tax	176.57	175.00
- Fringe Benefit Tax	-	9.00
- Deferred Tax	504.51	131.89
Profit after Tax	496.04	479.37
Profit brought forward from previous year	2410.60	2347.87
Profit available for Appropriation	2906.64	2827.24
Appropriations:		
Proposed Dividend on Preference Shares	5.64	5.64
Dividend on Equity Shares	-	329.11
Tax on Dividend as above	-	56.89
Transfer to General Reserve	25.00	25.00
Balance carried forward	2876.00	2410.60

Review of Operations:

The Company achieved a turnover of Rs.696.98 crores for the year ended 31st March, 2010 as against Rs. 683.85 crores in the previous year. The Company earned a Gross Profit of Rs. 46.56 crores before interest and depreciation as against Rs. 35.99 crores in the previous year. After deducting interest of Rs. 31.59 crores, providing a sum of Rs. 3.18 crores towards depreciation, tax provision of Rs. 1.76 crores and after adjusting a sum of Rs. 5.04 crores towards deferred tax, the operations resulted in a Net Profit of Rs. 4.96 crores as against Rs. 4.79 crores for the previous year.

Steel prices remained at low levels in the year under review also while the input costs continued to remain high and consequently the increase in profits was only marginal compared to previous year. Higher provision for deferred tax, high interest costs also added to the pressure on the margins.

During the year under review, the company continued with low level of operations at the Steel Melting Division at Kothapeta unit as the input costs remained high throughout the year. The Company has sold the unutilised power produced from the 10 MW Power Plant.

The expansion plans of the Company i.e. setting up of 2,25,000 TPA Rolling Mill and 2,40,000 SMS plant in the premises of GASL (India) Limited are completed and the Rolling mill commenced commercial production in March' 2010. The billet unit is slated for commencement of commercial production in August' 2010.



The Company has promoted Simhadri Power Private Limited (SPPL) as an SPV which will set up the 60 MW waste heat recovery based power generation unit. The Company shall hold not less than 26% equity in SPPL and 51% of the power generated will be captively consumed by the units of the Company. The Company has entered into a memorandum of understanding with SPPL to this effect. The proposed power plant is being set up Maliveedu, L.Kota Mandal, Vizianagaram District, Andhra Pradesh.

The acquisition of GSAL (India) Limited is in progress with DRS being filed with the Hon'ble BIFR for its consideration. Subject to the approval of the Hon'ble BIFR, the proposal inter-alia is for merger with the Company in line with the Scheme of Amalgamation already approved by the members in the Extraordinary General meeting held on 26th February 2010.

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 year ended 31st March, 2010.

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 year ended 31st March, 2010.

Issue of Shares and Shares Warrants:

During the year under review, the Company, on 21st December, 2009 has allotted 29,00,000 equity shares of the Company at a price of Rs. 35/- (Rupees Thirty Five) per share on preferential basis to Others pursuant to the members' approval obtained in the Extraordinary General Meeting held on 30th November, 2009.

The Company, on 23rd December, 2009 has also allotted 34,89,090 equity shares of the Company at a price of Rs. 29/- (Rupees Twenty Nine) per share consequent upon conversion of share warrants which were allotted on 27th March 2009 on preferential basis to M/s Umashiv Garments Private Limited (Promoter Group Company) pursuant to the members' approval obtained in the Extraordinary General Meeting held on 12th March, 2009.

During the current year 2010-11, the Company, on 23rd July, 2010 has allotted 35,50,000 equity shares of Rs. 10/- each at a price of Rs. 37/- (Rupees Thirty Seven) per share and also 40,00,000 share warrants at a price of Rs. 38/- (Rupees Thirty Eight) per warrant on preferential basis to Bodies Corporate belonging to Promoter Group pursuant to the members' approval obtained in the Extraordinary General Meeting held on 9th July, 2010. Each of these warrants will be convertible into 1 (one) Equity Share of par value of Rs.10/- each at the option of the Warrant holder within 18 months from the date of their allotment.

The amount raised through these issues was fully utilised for the proposed and ongoing expansion plans of the Company.

Capital Structure:

During the year under review, the paid up equity share capital of the Company was increased from Rs. 32,91,09,100 to Rs.39,30,00,000 comprising of 3,93,00,000 Equity Shares of Rs. 10/- each with the issue and allotment of 29,00,000 (Twenty Nine Lakhs) Equity Shares of Rs.10/- each of the Company on 21st December, 2009 and 34,89,090 (Thirty Four Lakhs Eighty Nine Thousand Ninety) equity shares of Rs.10/- each consequent upon conversion of share warrants on 23rd December 2009.

During the Current year 2010-11, the paid up equity share capital of the Company was increased from Rs. 39,30,00,000 to Rs. 42,85,00,000 comprising of 4,28,50,000 Equity Shares of Rs. 10/- each with the issue and allotment of 35,50,000 (Thirty Five Lakhs Fifty Thousands) Equity Shares of Rs.10/- each of the Company on 23rd July, 2010.

Directors:

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company, Mr. V.V. Krishna Rao and Mr. R. Ramachandra Rao retire by rotation and being eligible, offer themselves for re-appointment.

Future Outlook:

The long term outlook of the Steel Industry continues to be promising and challenging. With increased manufacturing base, your Company is continuing its efforts on increase in the revenues with better margins.

**Report on Subsidiary Companies and Consolidated Financial Statements:**

The Company has no subsidiaries for the year under review 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.

Auditors and Auditor's 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.

In respect of Item no (f) of the Auditors' Report to the members of the Company, the Directors wish to state that no provision has been made in the accounts for doubtful debts amounting to Rs. 79.15 Lakhs (Previous year Rs. 84.65 Lakhs) as the Management expects it to be recovered in the due course.

Fixed Deposits:

The Company has not accepted any Fixed Deposits from the public during the financial year under review and, as such, no amount on account of principal or interest on Fixed Deposits was outstanding as on 31st March, 2010.

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 annual 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 financial year and of the profit of the Company for that 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 annual accounts on a going concern basis.

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 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 and forms part of this Report.

Conservation of Energy, Technology Absorption and Foreign Exchange:

Information required under 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, forms part of this report. However, as per the provisions of Section 219 (1) (b) (iv), the report and the accounts are being sent to all members of the Company excluding the information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo. Any member interested in obtaining such particulars may inspect the same in the Registered Office of the Company or write to the Company Secretary for a copy.

Industrial Relations:

The Industrial relations have been cordial through out the year under review and your Directors wish to place on record their sincere appreciation for the dedication, commitment and teamwork of employees at all levels, who have been instrumental in enabling your Company to achieve higher growth levels during the year.



Particulars of Employees:

The information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given in the statement annexed hereto forming part of this report.

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: Maliveedu, L.Kota (Mandal)
Date: August 07, 2010

B. SATISH KUMAR
Chairman & Managing Director

ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2010

Name	Designation	Remuneration	Qulaification	Date of Joining	Experience	Age	Previous Employment
B. Satish Kumar	Chairman & Managing Director	25.00 lakhs	B.Tech	24-02-1999	24 Yrs	50Yrs	NIL

Notes:

1. Remuneration shown above includes Salary and the net remuneration is Rs. 18.57 lakhs.
2. The employee has adequate experience to discharge the responsibility assigned to him.
3. Mr. B. Satish Kumar is relative of Mr. B. Suresh Kumar, Jt Managing Director of the Company.

For and on behalf of the Board of Directors

Place: Maliveedu, L.Kota (Mandal)
Date: August 07, 2010

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

The Board of Directors of the Company currently 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 year ended 31st March 2010, Five Meetings of the Board of Directors were held on 23rd April, 2009, 27th June, 2009, 31st July, 2009, 31st October, 2009, 22nd January, 2010.

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 (1) (Chairman & Managing Director)	PD, ED	5	Yes	6	-
Mr. B. Suresh Kumar (Joint Managing Director)	PD, ED	3	Yes	6	-
Mr. V.V. Krishna Rao	PD, NED	3	Yes	5	-
Mr. B. Suresh (Director - Finance)	PD, ED	3	Yes	8	-
Mr.R. Ramachandra Rao	ID, NED	4	Yes	8	-
Mr. Vinod Kumar Agrawal(2) (Nominee of APIDC)	ID, NED	4	No	6	-
Mr. C. Siva Prasad	ID, NED	4	Yes	1	-
Mr. K. Krishna Rao	ID, NED	4	NA	-	-
Mr. S.K.S. Narayan (1) (Chairman)	ID, NED	-	NA	-	-
Mr.M. Venkateswara Rao(2) (Nominee of APIDC)	ID, NED	-	NA	9	-

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

Notes:

- (1) Mr. S.K.S. Narayan resigned as Director and the Chairman of the Company w.e.f. 27th June, 2009 and Mr. B. Satish Kumar has been re-designated as Chairman & the Managing Director of the Company w.e.f. 27th June, 2009.
- (2) Mr. Vinod Kumar Agrawal has been nominated by APIDC as its Nominee Director in place of Mr. M. Venkateswara Rao w.e.f 27th June 2009.

**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.
2. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
3. Reviewing with Management the annual financial statements before submission to the Board, focusing primarily on;
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgement by Management.
 - Qualifications in draft Audit report.
 - Significant adjustments arising out of audit.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Compliance with Stock Exchange and legal requirements concerning financial statements.
 - Any related party transactions as per Accounting Standard - 18.
4. Reviewing with Management the quarterly financial statements before submission to the Board.
5. Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.

The Audit Committee 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	5	5
Mr. R. Ramachandra Rao	Member	ID, NED	5	5
Mr. B. Suresh	Member	PD, ED	5	5

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, 5 meetings of the Audit Committee were held on 23rd April, 2009, 26th June, 2009, 31st July, 2009, 31st October, 2009 and 22nd January, 2010.

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 31st July, 2009 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	No. of meetings during the tenure of Director	
			Held	Attended
Mr. C. Siva Prasad	Chairman	ID, NED	2	2
Mr. R. Ramachandra Rao	Member	ID, NED	2	2
Mr. Vinod Kumar Agrawal (1)	Member	ID, NED	2	2
Mr. V.V. Krishna Rao (1)	Member	PD, NED	NIL	NA

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



- (1) Mr. V. V. Krishna Rao ceased to be a Member of the Committee w.e.f. 31st July 2009, and Mr. Vinod Kumar Agrawal has been appointed as a Member in his place.

During the year under review, two meetings of the Remuneration Committee were held on 31st October, 2009 and 22nd January 2010.

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 year ended 31st March, 2010:

Name	Designation	Remuneration (in Rs.)		
		Salary	Allowances/ Perquisites	Total
Mr. B. Satish Kumar	Chairman & Managing Director	2,500,000	-	2,500,000
Mr. B. Suresh Kumar	Jt Managing Director	1,800,000	-	1,800,000
Mr. B. Suresh	Director (Finance)	1,800,000	-	1,800,000
	Grand Total	6,100,000	-	6,100,000

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 appointed as Joint Managing Director of the Company for a period of three years w.e.f. 27-10-2007 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, 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 year under review, was 27. There were no outstanding complaints as on 31st March, 2010 and no share transfers pending at the end of the financial year.

The Board had also constituted a Share Transfer Committee to attend to the share transfer formalities etc, as and when required.

**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
2006-07	8th AGM	Hotel Green Park, Greenlands, Begumpet, Hyderabad – 500 016	14-12-2007 11.00 A.M.	4
2007-08	9th AGM	Hotel Katriya De Royal, Balayogi Paryatak Bhavan Begumpet, Hyderabad – 500 082	29-09-2008 12.00 P.M.	0
2008-09	10th AGM	Hotel Katriya De Royal, Balayogi Paryatak Bhavan Begumpet, Hyderabad – 500 082	30-09-2009 11.45 P.M.	0

The following special resolutions passed by the members during the above AGMs:

8th AGM:

- Revision of remuneration payable to Mr. B. Satish Kumar, Managing Director of the Company
- Revision of remuneration payable to Mr. B. Suresh, Director (Finance) of the Company
- Appointment of Mr. B. Suresh Kumar as Joint Managing Director of the Company for a period of three years w.e.f. 27th October, 2007.
- Appointment of Mr. B. Ramesh Kumar as Executive Director (Operations) for a period of five years w.e.f. 1st November, 2007 under Section 314 (1B) of the Companies Act, 1956.

9th AGM:

No special resolution was passed.

10th AGM:

No special resolution was passed.

- The shareholders passed all the resolutions set out in the respective notices in the above meetings.
- No special resolution was put through a Postal ballot in the previous year 2009-10.
- No resolution is proposed to be passed through a Postal ballot at the ensuing Annual General Meeting.

7. Disclosures:

- 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 Notes to the Annual Accounts - Schedule 19, note No.5.

- 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 is provided in the notes to the notice of the Annual General Meeting under the heading "Additional information on Directors seeking Re-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 31st March 2010 are as under:

1.	Mr. V. V. Krishna Rao	6,43,736
2.	Mr. R. Ramachandra Rao	10,300
3.	Mr. Vinod Kumar Agrawal	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 Prabha' (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 year 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) 11th Annual General Meeting:**
 - Date : **30th September, 2009**
 - Time : **12.00 P.M**
 - Venue : **Hotel Green Park, Greenlands, Begumpet, Hyderabad – 500 016. 040 – 66515151**
- ii) Financial Calendar for 2009-10** : The following are tentative dates:
 - First Quarter results : 7th August, 2010
 - Second Quarter/ Half yearly results : 4th week of October, 2010
 - Third Quarter results : 4th week of January, 2011
 - Annual results for 2009-10 : 4th week of April, 2011
 - AGM for the year 2009-10 : 4th week of September, 2011
- iii) Dates of Book Closure** : 29th September, 2010 to 30th September, 2010 (both days inclusive)
- iv) Dividend Payment Date** : No dividend is recommended for the financial year ended on 31st March, 2010
- 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
 - The Hyderabad Stock Exchange (HSE)
 - 6-3-654, Somajiguda, Hyderabad - 82
- vi) Stock Code/Symbol** :
 - BSE : 590037/STEELXIND
 - CSE : 26498/PYXIS
 - HSE : 6375/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 - 09	23.50	14.10	11,492.10	9,546.29	735,727
May - 09	34.80	16.85	14,930.54	11,621.30	487,482
June - 09	46.50	31.00	15,600.30	14,016.95	1,375,299
July - 09	38.00	23.35	15,732.81	13,219.99	1,899,216
August - 09	37.40	30.25	16,002.46	14,684.45	430,839
September - 09	42.75	30.55	17,142.52	15,356.72	1,223,916
October - 09	39.90	30.25	17,493.17	15,805.20	391,894
November - 09	33.00	27.50	17,290.48	15,330.56	276,692
December - 09	41.70	30.05	17,530.94	16,577.78	837,273
January - 10	42.35	34.80	17,790.33	15,982.08	682,915
February - 10	39.60	34.55	16,669.25	15,651.99	299,516
March - 10	42.80	34.60	17,793.01	16,438.45	997,110

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 31st March, 2010:

No of Shares	Shareholders		Shares	
	Number	% of Total	Number	% of Total
1 - 500	9,577	83.10	16,87,176	4.29
501 - 1,000	1,011	8.77	8,54,781	2.18
1,001 - 2,000	412	3.58	6,47,827	1.65
2,001 - 3,000	153	1.33	3,88,329	0.99
3,001 - 4,000	64	0.55	2,28,667	0.58
4,001 - 5,000	78	0.68	3,73,987	0.95
5,001 - 10,000	85	0.74	6,55,334	1.67
10,001 & above	144	1.25	3,44,63,899	87.69
Total	11,524	100.00	3,93,00,000	100.00

xi) Category-wise Distribution of Shareholding as on 31st March 2009:

Category	No. of shares held	Percentage of shareholding
A) PROMOTER'S HOLDING		
Promoters		
- Indian Promoters	93,04,152	23.67
- Foreign Promoters	2,12,200	0.54
- Bodies Corporate	61,14,090	15.56
Sub-Total	1,56,30,442	39.77
B) NON-PROMOTER'S HOLDING		
a. Banks, Financial Institutions (APIDC)	3,00,000	0.76
b. Private Corporate Bodies	39,51,006	10.05
c. Indian Public	1,93,04,781	49.13
d. NRIs/OCBs	1,13,771	0.29
Sub-Total	2,36,69,558	60.23
GRAND TOTAL (A+B)	3,93,00,000	100.00

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

As on 31st March, 2010, 1,38,20,903 shares representing 35.17% were held in dematerialised form. The balance 2,54,79,097 shares representing 64.83% 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 31st March 2010, there were no outstanding GDRs/ ADRs/ Warrants or any Convertible Instruments of the Company. However, 4,000,000 Share Warrants of the Company allotted on 23rd July 2010 at a price of Rs. 38/- (including a premium of Rs. 28/- per warrant) of Rs. 10/- each of the Company to Bodies Corporate are yet to be converted into equity shares of Rs.10/- each. The paid up equity capital of the Company will increase to Rs. 468,500,000 consisting of 46,850,000 shares of Rs. 10/- each after the conversion of share warrants into equity shares.

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 under Section 205C of the Companies Act, 1956.

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

Pyxis Technology Solutions, Unit No - 2, SDF Block No. 1, VSEZ, Visakhapatnam - 530 046, Andhra Pradesh.

Telephone: +91 - 891 - 2749142

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

Maliveedu, 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 financial year ended 31st March 2010.

Place: Maliveedu, L.Kota (Mandal)

Date: August 7, 2010

B. Satish Kumar

Chairman & Managing Director

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

World crude steel production reached 1,226.5 million metric tons (mmt) for the year of 2009. This is a decrease of 7.71% compared to 2008 and the decrease was much higher at -20.51% if China's production is excluded. China remained the world's largest Crude Steel producer in 2009 also (567.84 million tons) followed by Japan (87.53 million tons) and India occupied the 3rd position (62.8 million tons) for the first time.

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

Steel production declined in nearly all the major steel producing countries and regions including the EU, North America, South America and the CIS in 2009. However, Asia, in particular China and India, and the Middle East showed positive growth in 2009.

Top 10 Steel-producing Countries:

Country	2009		2008		Change %
	Rank	Production (mmt)	Rank	Production (mmt)	
China	1	567.8	1	500.3	13.5
Japan	2	87.5	2	118.7	-26.3
India	3	62.8	5	57.8	8.7
Russia	4	60.0	4	68.5	-12.4
United States	5	58.2	3	91.4	-36.3
South Korea	6	48.6	6	53.6	-9.3
Germany	7	32.7	7	45.8	-28.6
Ukraine	8	29.9	8	37.3	-19.8
Brazil	9	26.5	9	33.7	-21.4
Turkey	10	25.3	11	26.8	-5.6
World		1226.5		1329	-7.71
World - China		658.7		828.7	-20.51

China became the first country ever to produce more than 500 mmt in one year in 2008 and continued the trend in 2009 also. China's crude steel production in 2009 reached a record high to 567.84 mmt, an increase of 13.5% on 2008. Production volume in China has more than doubled within five years, from 283 mmt in 2004. China's share of world steel production continued to grow in 2009 producing 46.3% of world total crude steel. China remained as the net exporter in 2009 also.

Other BRIC (Brazil, Russia, India and China) countries showed mixed trends as India recording 8.7% growth, Brazil's growth was negative at -21.4% and -12.4% decrease in case of Russia. The BRIC share of world production has been growing rapidly since 2000. It has grown from 31% of total in 2001 to 58.5% in 2009.

India produced 62.8 mmt of crude steel in 2009, a growth of 8.7% over previous year's production of 57.8 mmt. The apparent domestic consumption of finished mild steel during the year was 55.3 mmt as compared to 51.4 mmt during the previous year an increase of 7.6% over the previous year.

The global economic and financial crisis impacted steel consumption - consumption declined 6.7% from 1,201.9 mmt in 2008 to 1,121.2 mmt in 2009. World consumption of finished steel excluding BRIC countries registered a decline of 26.8% in 2009 and the Steel consumption of BRIC countries grew 18% mainly due to the consumption of steel from China to meet domestic demand.



The impact of the global crisis loomed large on global trade of steel which declined about 30% (estimated at 300 mmt). This was largely due to the relatively high dependence of the emerging world on advanced world which collapsed under the pressure of the global meltdown. As a result, the export dependency on the advanced world declined substantially which was compensated by stimulated domestic demand in emerging economies especially China and India.

The long term prospect for the global steel market remains strong. The speed of growth might have slowed down but the industry will continue to grow in different ways. Consolidation in China will accelerate reinforcing its position in the global market. Capacity expansion will continue in emerging markets with a steady growth in steel demand in all sectors. As the market fundamentals return, market prices will re-establish a clear link between steel prices and costs.

India registered a strong come-back in 2009-10 displaying its ability to withstand extreme external adversities, which destabilized major economies. India recorded a GDP growth of 7.2% in 2009-10 against 6.7% in 2008-09. This was largely due to the timely economic stimulus fueling investment and consumption. Indian steel industry stood out in the global steel industry due to its resilience during the downturn. While the steel production in the world dipped by 8% in 2009, it registered a growth of around 8.7% in this period. In India, the production of crude steel in 2009-10 was 62.8 mmt as against 57.8 mmt in 2008-09. This is indeed an achievement in light of overall contraction in steel output at global level.

Opportunities & Threats:

India's per capita steel consumption continued to be low at 48 kg compared to global average of 178 kg in 2009. The National Steel Policy aspires to double the rural per capita steel consumption to 4 kg per person in the next few years. This will present an attractive opportunity for the industry to expand the existing capacities and create further green field capacities, considering that around 70% of the Indian population is rural. 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.

Infrastructure and construction which constitute around 61% of total steel consumption in the country - is expected to register robust growth in the near future. The 11th Five Year Plan has given a major thrust on the infrastructure sector with the total spending planned at around US \$ 500 billion by 2012. Mega projects in the power, energy, ports, railways and surface transportation sectors, plans for rural infrastructure and building over 2 lakh kilometers of National Highways by 2010, present an unprecedented opportunity for the steel industry which is expanding and modernizing day by day to cater to the emerging demand. The water supply and oil & gas sectors are the other segments where there is a large growth potential. Private investment in infrastructure has picked up in recent years and the private sector is now expected to contribute at least half of the over \$1 trillion dollar investment planned in infrastructure in the 12th Five Year Plan (2012-17).

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 the future due to low interest rates and fall in property prices. This will create new demand for steel products.

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 escalating raw material prices during 2009-10 caused immense pressure on cost of production of integrated steel producers as well as secondary steel producers. India is facing deficiency in coking coal and largely depends on import. Coking coal imports into India are growing at a CAGR of around 10% from 2004-05 to 2009-10. India is the 4th largest producer which produced 226 mmt of iron ore during 2009-10 though India occupies as the 8th largest reserve in iron ore worldwide. However iron ore industry in India is small as compared to its global counterparts, although the country has 4% of world reserves. Iron ore exports registered a 6% CAGR over the last five years which constitute 47% of iron ore produced in the country. Various Indian steel companies are scouting to acquire mining concessions for raw material security required for their existing units and for expansion plans. 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.

With significant excess capacity in the global steel industry during 2009 there is a threat of dumping cheap steel into India which is likely to be the only 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.

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

Risks and Concerns:

The availability of quality Scrap, 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.

The year 2009-10 has witnessed high prices for inputs for steel making. Prices of iron ore and coking coal are high while the finished steel price still remain low. The Cost push resulting from higher coking coal and iron ore prices is expected to drive steel prices northwards. The coking coal spot prices have skyrocketed to US\$ 300 per ton. The same trend is noticed in Iron ore prices too as the practice of long term agreements for coal and Iron procurement has now 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.

Inadequate infrastructure and logistics have significantly impacted the steel industry. Steel making is a raw materials intensive process. Each ton of finished steel involves transportation of 4 tons of materials. Infrastructure cost in India is higher than international benchmarks. To have internationally competitive steel industry it is essential that infrastructure cost comes down in future. This requires a huge investment in key infrastructure including railways, ports and highways. In the current scenario, slowdown in demand from construction sector is posing a big concern for the Indian steel industry. Steel capacity developments in India and China, production dynamics in China and the possible slowdown in China's steel consumption leading to a surge of imported steel into the country are other concerns.

Outlook:

India became the 3rd Largest producer of steel in the world for the First Time and it was expected that it will become 2nd largest by 2015 on the back of the capacity addition. India remained as the world's largest producer of direct reduced iron (DRI) or sponge iron with around 21 mmt of production during 2009-10 also and is expected to maintain its lead in the near future. Sponge iron production grew at a rate of CAGR of 11 per cent to reach a level of 20.79 mmt in 2009-10 compared to 12.54 mmt 2004-05. The domestic crude steel production grew at a compounded annual growth rate of 8.6 per cent during 2004- 05 to 2008-09. This growth was driven by both capacity expansion (from 47.99 mmt in 2004-05 to 72.76 mmt to 2009-10) and improved capacity utilisation.

Indian steel industry has just come out of the slowdown that affected its performance during 2008-09. Domestically, 2009 ended on a relatively better and encouraging note, with Central Statistics Office reporting an overall improvement of economic situation through its GDP data, which showed a robust 7.9 per cent growth during July-September 2009-10. IIP too had registered a strong 7.6 per cent growth during April-November 2009-10, further bolstering the idea that the demand side is back on stable footing. For steel, this is of key importance and the growth rates registered for leading end-use segments like manufacturing, consumer durables, construction, the stable growth of the service sector and agriculture sector spell good news. April-December 2009 provisional data released by Joint Plant Committee indicates a 7.8 per cent rise in consumption of total finished steel. Globally also there are signs of improvement in economic conditions and firming up of demand and prices.

The global economic downturn is set to recover at a faster and stronger rate than expected earlier although the pace of recovery is anticipated to vary across geographies and economies. World GDP is expected to grow at 3.5% in 2010. The recovery in most of the economies will result from a turnaround in domestic demand with export momentum picking up for the developing countries and a modest export demand in developed economies. World consumption of steel is expected to be 1.23 billion tons in 2010 registering a growth of 10% over 2009.



Despite the concerns, the outlook of the Indian Steel Industry continues to be promising and challenging. Your Company proposes to continue its efforts to increase revenues, margins and manufacturing base in the current year. The setting up of Rolling Mill and SMS Plant will add proportion of value added rolled steel products with better margins and the company expects to be in an advantageous position to benefit from the growing domestic demand

Segment wise Performance:**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 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 RINL (Vizag Steel), its own manufacturing divisions and other manufacturers for special products.

The division recorded a growth of 8.63% with turnover of Rs.498.27 crores for the year ended 31st March 2010 compared to Rs.458.69 crores in the previous year. The growth rate was lower due to decrease in demand for the steel products and also fall in the prices of various steel products. About 72% of the total turnover of the Company came from this division during the year.

2) Steel Melting Division - 90,000 TPA

This division manufactures ingots using sponge iron and scrap / pig iron. The unit also has a 10 MW power generation capacity using natural gas for captive consumption. The total production was about 7,200 tons in 2009-10 compared to 24,600 tons in the previous year. Due to fall in steel prices, lack of demand due to uncertainties in the market and high input costs, the operations were carried out at very low levels. The company now produces ingots mostly using sponge iron. The Company has sold the unutilised power produced from the 10 MW Power Plant.

The division reported a turnover of Rs. 40.95 crores including Rs. 26.78 crores from the sale of power and sales are net of excise duty of Rs.1.20 crores. The sale for the year was lower as against Rs.57.71 crores including Rs. 17.48 crores from the sale of power and is net of excise duty of Rs.5.81 crores in the previous year.

3) Rolling Division - 2,70,000 TPA

This division of the Company has two Rolling units producing TMT bars and Steel Rebars. The unit located at Parwada, Visakhapatnam has the capacity of 45,000 TPA and the TMT bars produced are sold under the well established brand name Simhadri TMT Bars. The other unit was set up during the year and commenced commercial production in March' 2010 and is located at Maliveedu, L.Kota Mandal, Vizianagaram District and has a capacity of 2,25,000 TPA. The total production from these units was about 32,200 tons compared to about 31,600 tons in the previous year. The production was lower due to lack of demand and high input costs. The Company continued the agreement with SAIL for conversion of their billets into rebars.

The division reported a turnover of Rs. 84.33 crores (net of excise duty of Rs.6.32 crores) as against Rs. 102.86 crores (net of excise duty Rs.11.43 crores) in the previous year.

4) 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.42.37 crores (net of excise duty of Rs. 3.22 crores) as against Rs.58.85 crores (net of excise duty Rs.6.85 crores) in the previous year. The turnover of this Division decreased mainly due to fall in the demand. 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 and also the products of the Company are well received in the market.

5) Pyxis Software Division:

This division of the Company deals with the development of software, software products etc and has reported nil turnover as against Rs. 0.23 crores in the previous year. The company continued its focus on steel manufacturing and trading activity and this division is no longer expected to generate any substantial revenues. The Management is also contemplating to close down this division in the current year.

**6) Sponge Iron Division - 2,25,000 TPA**

This division was taken on lease from GSAL (India) Limited w.e.f 1st October 2008 and manufactures sponge iron. This division is located at Maliveedu, L.Kota Mandal, Vizianagaram District has a capacity of 2,25,000 TPA. The division reported a turnover of Rs. 31.06 crores (net of excise duty of Rs. 1.51 crores) for the year under review as against Rs.5.51 crores (net of excise duty Rs.0.40 crores) in the previous year. Supply constraints and high input costs continued to affect the production levels.

Financial Performance**1) Share Capital**

During the year under review, the paid up equity share capital of the Company was increased from Rs. 32,91,09,100 to Rs.39,30,00,000 comprising of 3,93,00,000 Equity Shares of Rs. 10/- each with the issue and allotment of 29,00,000 (Twenty Nine Lakhs) Equity Shares of Rs.10/- each of the Company on 21st December, 2009 and 34,89,090 (Thirty Four Lakhs Eighty Nine Thousand Ninety) equity shares of Rs.10/- each consequent upon conversion of share warrants on 23rd December 2009.

2) Reserves and Surplus

For the year ended 31st March 2010, the Reserves and Surplus have gone up from Rs. 72.76 crores to Rs. 91.54 crores. Out of the profits after tax of the current year, Rs.25.00 lakhs has been transferred to General Reserve and after providing for preference Dividend, Rs. 28.76 crores has been retained in the Profit and Loss Account.

3) Secured Loans

There has been an increase in Secured Loans from Rs.114.55 crores to Rs.202.45 crores. The increase was mainly due to availing of term loans for the new projects and also higher working capital facilities from the Banks.

4) Unsecured Loans

There has been a decrease in Unsecured Loans from Rs. 47.29 crores to Rs. 32.55 crores because of closure of credit facilities availed from the Banks.

5) Fixed Assets

During the year, there was a net increase of Rs.83.70 crores in Fixed Assets (Gross Block) primarily on account of addition of Plant & Machinery and Building works consequent to the setting up of new rolling mill at Maliveedu, L.Kota (Mandal).

Operational Performance**1) Income**

The income of the Company stood at Rs.696.98 crores for the year ended 31st March 2010 as against Rs. 683.85 crores in the previous year, registering a growth of 1.92%. The Company has achieved marginal increase in the turnover mainly due to sluggish demand and also fall in prices of the steel.

2) Direct Cost & Overheads

The Direct Cost for the year under review works out to Rs. 643.80 crores as against Rs. 643.01 crores in the previous year.

Overheads comprising of staff costs, administration and selling expenses were lower at Rs. 18.79 crores for the year under review as against Rs. 22.78 crores in the previous year. The Company will continue its efforts to minimise the costs and overheads in the current year.

3) Interest Cost

For the year under review, the interest and financial charges were Rs.31.59 crores representing 4.53% of the turnover as against Rs.25.25 crores representing 3.69 % of the turnover in the previous year. The increase in the interest cost is due to availing of various credit facilities by the Company during the year under review.

**4) Depreciation**

The Company has provided a sum of Rs. 3.18 crores towards depreciation representing 0.46 % of the turnover for the current year as against Rs. 2.83 crores representing 0.41 % of the turnover in the previous year.

5) Provision for Tax

The Company has provided a sum of Rs.1.77 crores towards current tax for the year under review and also a sum of Rs.5.04 crores towards deferred tax as against Rs.1.84 crores and Rs.1.32 crores respectively in the previous year.

6) Net Profit

The operations for the year under review have resulted in a Net Profit of Rs.4.96 crores as against Rs.4.79 crores for the previous year, representing an increase of 3.54 % over the previous year. Steel prices remained at low levels in the year under review and consequently the increase in profits was only marginal compared to previous year. Higher provision for deferred tax, high interest costs also affected the net profit.

7) Dividend

For the year under review, the Board of Directors recommended a dividend of 10.25 % on Preference shares, which works out to Rs.0.06 crores. No Dividend is recommended on the Equity Shares for the year ended 31st March, 2010.

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, interalia, 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 year 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 1024 as on 31st March 2010.

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 year ended on 31st March, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance 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.RAMAI AH
Partner
M.No.:203300

Place: Maliveedu, L.Kota (Mandal)
Date: August 07, 2010



AUDITORS' REPORT

To
The Members of
STEEL EXCHANGE INDIA LIMITED

We have audited the attached Balance Sheet of STEEL EXCHANGE INDIA LIMITED as at 31.03.2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

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.

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 and Profit & Loss account dealt with by this report are in agreement with the books of account.
- d) In our opinion, the Balance Sheet and Profit and Loss account 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 31st March '2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March '2010 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 and **subject to Note No.9 of Schedule - 19 regarding non provision of doubtful debts**, 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 31st March'2010;
 - ii) In the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
 - iii) In the case of the cash flow statement, of the cash flows for the year ended on that date.

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

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

Place: Hyderabad
Date: 29.05.2010



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 information and explanations furnished to us the company has disposed off the fixed assets of the Re-Rolling Mill at Ongole during the year.
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 two parties covered in the Register maintained under Section 301 of the Companies Act, 1956. The balance outstanding as on 01.04.2009 is Rs. 13.51 Crores and the yearend balance of loan granted to such parties was Rs.15.91 Crores.
(b) According to the information and explanation given to us, the company has charged interest on the above loans.
(c) The Company has taken loan from two parties covered in the Register maintained under Section 301 of the Companies Act, 1956. The yearend balance of loan taken from such parties was Rs.14.44 Crores.
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.
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 31st March, 2010 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 Point no 13 of Schedule 19.

Name of the Statute	Nature of Dues	Amount in Rs.	Deposits/ Paid	Pending with
CST Act	Sales Tax of 1999-2000	16,61,238	NIL	Sales Tax appellate Tribunal, Hyderabad
APGST Act	Sales Tax of 1999-2000	22,81,823	NIL	Sales Tax appellate Tribunal, Hyderabad
APGST Act	Sales Tax of 2000-2001	75,89,631	NIL	Sales Tax appellate Tribunal, Hyderabad
APGST Act	Sales Tax of 2001-2002	28,48,015	14,24,007	Sales Tax appellate Tribunal, Hyderabad
CST Act	Sales Tax of 2002-2003	22,43,895	2,80,487	Appl. Dy. Commissioner Visakhapatnam
Customs Act	Customs duty pertaining to 2003-04	54,35,648	NIL	Hon'ble High Court of Andhra Pradesh
CST Act	Sales Tax of 2004-05	28,27,172	3,53,397	Appl. Dy. Commissioner Visakhapatnam

10. The Company has no accumulated losses and has not incurred cash losses in the current financial year 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. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks, and financial institutions.
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 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 share to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
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 year.
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 year.

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

CA. P.A.RAMAI AH
Partner
M.No.:203300

Place: Hyderabad
Date: 29.05.2010

**BALANCE SHEET AS AT 31.03.2010**

PARTICULARS	Sch. No.		As at 31.03.10 Rs.	As at 31.03.09 Rs.
SOURCES OF FUNDS:				
1 Share Holders Funds:				
a) Share Capital	1		398,504,000	435,796,710
b) Reserves & Surplus	2		915,449,025	727,616,473
2 Loan Funds:				
a) Secured Loans	3		2,024,465,077	1,145,455,042
b) Unsecured Loans	4		325,527,566	472,936,758
c) Deffered Tax Liability			92,473,915	42,023,070
TOTAL			3,756,419,583	2,823,828,053
APPLICATION OF FUNDS:				
1 Fixed Assets:	5			
a) Gross Block		1,503,628,924		666,613,559
b) Less: Depreciation		176,607,212		152,577,009
c) Net Block			1,327,021,711	514,036,550
d) Capital Work in Progress			183,606,329	313,916,814
2 Current Assets, Loans & Advances:				
a) Inventories	6	1,198,762,312		1,060,144,722
b) Sundry Debtors	7	933,769,394		1,107,206,236
c) Cash & Bank Balances	8	271,757,533		180,218,834
d) Loans & Advances	9	1,863,467,506		1,643,011,236
		4,267,756,746		3,990,581,028
Less: Current Liabilities & Provisions:	10	2,035,127,002		1,998,421,438
Net Current Assets			2,232,629,744	1,992,159,590
3 Misc., Expenditure	11			
(to the extent not written off or adjusted)				
Deferred revenue expenditure			13,161,799	3,715,099
TOTAL			3,756,419,583	2,823,828,053
Notes to Accounts	19			

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.203300

B. SATISH KUMAR
Chairman & Managing Director

B. SURESH KUMAR
Jt. Managing Director

Place : Hyderabad
Date : 29.05.2010

B.NARAHARI
Company Secretary



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010

PARTICULARS	Sch. No.	Year Ended 31.03.10 Rs.	Year Ended 31.03.09 Rs.
INCOME:			
Sales	12	7,092,285,889	7,083,552,016
Less: Excise duty		122,494,304	245,047,634
		6,969,791,585	6,838,504,382
Other income	13	192,902,116	150,859,641
Increase/(Decrease) in Stock	14	(71,160,359)	28,500,424
		7,091,533,342	7,017,864,447
EXPENDITURE:			
Manufacturing Expenses	15	6,437,978,403	6,430,123,830
Payments & Benefits to Employees	16	62,435,613	46,706,487
Administrative Expenses	17	125,530,650	181,080,440
Financial Charges	18	315,939,686	252,521,697
Depreciation	5	31,811,044	28,279,165
		6,973,695,396	6,938,711,619
Profit Before Prior Period Items		117,837,946	79,152,828
Less / (add) : Prior period adjustments		126,360	(373,620)
Profit before tax		117,711,586	79,526,448
Less: Provision For Tax			
a) Current Tax		17,656,738	17,500,000
b) Fringe Benefit Tax		-	900,000
c) Deffered Tax		50,450,845	13,189,490
Profit after Tax		49,604,003	47,936,958
APPROPRIATIONS			
Provision for			
a) Equity Dividend		-	32,910,910
b) Preference Dividend		564,160	564,160
c) Provision for Dividend Tax		-	5,689,088
d) Transfer to General Reserve		2,500,000	2,500,000
Profit after appropriation items		46,539,843	6,272,800
Add: Brought forward profits		241,059,675	234,786,875
Balance profit carried to Balance Sheet		287,599,517	241,059,675
Earning per share (face value Rs.10/-)		1.26	1.46
Earning per share (weighted average)		1.42	2.24
Notes to Accounts	19		

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.203300

B. SATISH KUMAR
Chairman & Managing Director

B. SURESH KUMAR
Jt. Managing Director

Place : Hyderabad
Date : 29.05.2010

B.NARAHARI
Company Secretary

**SCHEDULES TO THE FINANCIAL STATEMENTS**

	As At 31.03.2010 (Rs.)	As At 31.03.2009 (Rs.)
SCHEDULE-1		
SHARE CAPITAL:		
Authorised Capital		
a) 9,90,00,000 (previous year 4,90,00,000) equity shares of Rs.10/- each	990,000,000	490,000,000
b) 10.25% redeemable preference shares 10,00,000 of Rs.10/- each	10,000,000	10,000,000
	<u>1,000,000,000</u>	<u>500,000,000</u>
Issued Subscribed & Paid Up Capital:		
a) 3,93,00,000 (Previous Year 3,29,10,910) equity shares of Rs.10/- each (29,00,000 equity shares of Rs. 10/- each were allotted on 21.12.2009 34,89,090 equity shares of Rs. 10/- each were allotted on 23.12.2009)	393,000,000	329,109,100
b) 10.25% redeemable Preference Shares 5,50,400 of Rs.10 each fully paid	5,504,000	5,504,000
c) Share warrants application money	-	101,183,610
	<u>398,504,000</u>	<u>435,796,710</u>
SCHEDULE-2		
RESERVES & SURPLUS:		
Capital reserve	75,655,242	75,655,242
General Reserve	39,000,000	36,500,000
Share Premium	511,473,960	372,681,250
Investment Allowance Reserve	1,720,306	1,720,306
Balance brought forward from P & L account	287,599,517	241,059,675
	<u>915,449,025</u>	<u>727,616,473</u>
SCHEDULE-3		
SECURED LOANS:		
A) Term Loans from:		
a) SBI OB Visakhapatnam (FCNR term loan)	25,454,298	51,201,474
b) APSFC (Corporate loan)	-	35,000,000
c) APSFC Working Capital Term Loan	-	16,845,000
d) State Bank of Hyderabad	36,067,443	-
e) State Bank of India	235,831,569	-
f) State Bank of Travencore	157,096,541	-
g) State Bank of Mysore	117,822,794	-
h) State Bank of Bikaner & Jaipur	117,819,622	-
B) Working Capital Loans from:		
a) SBI OB Visakhapatnam (Rupee Loan)	594,891,654	638,024,462
b) SBI (Standby line of Credit)	32,435,705	32,000,000
c) Lakshmi Vilas Bank, Visakhapatnam	103,427,505	110,876,442
d) ICICI Bank Limited	-	29,250,197
e) Bank of India	174,811,321	156,809,511
f) IDBI Bank Ltd	71,892,014	44,968,742
g) Dhanalakshmi Bank Ltd	-	30,479,214
h) Karur Vysya Bank Ltd	237,877,063	-
i) State Bank of Hyderabad	119,037,547	-
	<u>2,024,465,077</u>	<u>1,145,455,042</u>
SCHEDULE-4		
UNSECURED LOANS:		
a) Hire Purchase Loans	55,940,034	37,489,028
b) From Others	269,587,532	385,114,180
c) HSBC Channel Finance	-	50,333,550
	<u>325,527,566</u>	<u>472,936,758</u>

**SCHEDULE - 5
FIXED ASSETS AS AT 31.03.2010**

(in Rupees)

Name of the Asset	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2009	Additions During the Year	Deletions / Adjustments	As on 31.03.2010	Upto 01.04.2009	For the Year	Deletions	Upto 31.03.2010	As on 31.03.2010	As on 31.03.2009
TANGIBLE ASSETS:										
Land	83,088,435	1,236,265	1,585,000	82,739,700	-	-	-	-	82,739,700	83,088,435
Buildings	95,597,199	199,621,563	5,995,011	289,223,751	12,566,300	3,292,139	853,797	15,004,642	274,219,109	83,030,899
Plant & Machinery	363,675,052	613,174,668	14,797,986	962,051,735	67,543,349	19,930,383	3,260,893	84,212,839	877,838,896	296,131,704
Electrical Installations	22,581,233	175,349	1,945,446	20,811,136	6,240,333	1,050,822	364,959	6,926,196	13,884,940	16,340,900
Air Conditioner	2,420,322	313,600	40,067	2,693,856	878,952	132,066	19,508	991,510	1,702,346	1,541,370
Furniture	8,140,741	546,984	4,950	8,682,775	3,372,276	463,805	736	3,835,345	4,847,430	4,768,465
EDP Equipment	19,722,600	1,106,795	12,420	20,816,975	17,595,893	1,025,814	19,577	18,602,129	2,214,846	2,126,707
Office Equipment	3,112,984	327,741	82,550	3,358,175	678,993	150,935	10,392	819,536	2,538,640	2,433,991
Lab Equipment	1,920,518	-	-	1,920,518	404,726	91,225	-	495,951	1,424,567	1,515,792
Cranes & trucks	7,805,232	10,137,652	1,077,390	16,865,494	1,904,868	821,768	517,976	2,208,661	14,656,833	5,900,364
Vehicles	22,717,189	11,373,365	6,347,496	27,743,058	6,874,284	2,371,241	2,733,198	6,512,328	21,230,730	15,842,905
Rollers	5,821,251	30,889,700	-	36,710,951	4,506,431	2,480,845	-	6,987,276	29,723,675	1,314,820
INTANGIBLE ASSETS										
Goodwill	30,010,800	-	-	30,010,800	30,010,800	-	-	30,010,800	-	-
Total	666,613,557	868,903,683	31,888,316	1,503,628,924	152,577,206	31,811,044	7,781,037	176,607,212	1,327,021,711	514,036,351
Previous Year Totals	602,808,877	64,983,018	1,178,337	666,613,559	124,787,293	28,279,165	489,450	152,577,008	514,036,550	478,021,584

**SCHEDULES TO THE FINANCIAL STATEMENTS (Contd.)**

	As At 31.03.2010 (Rs.)	As At 31.03.2009 (Rs.)
SCHEDULE-6		
INVENTORIES:		
(As certified and valued by the Management)		
Raw Material	419,109,676	191,843,388
Finished Goods	723,173,791	794,334,150
Consumables	24,635,707	39,458,176
Stores & Spares	31,843,139	34,509,008
	<u>1,198,762,312</u>	<u>1,060,144,722</u>
SCHEDULE-7		
DEBTORS:		
(Unsecured and considered good)		
Outstanding for more than six months	58,801,224	45,696,019
Others	874,968,170	1,061,510,217
	<u>933,769,394</u>	<u>1,107,206,236</u>
SCHEDULE-8		
CASH & BANK BALANCES :		
Cash on hand	17,248,662	4,462,154
Cash at Banks- in current accounts	62,673,253	11,525,750
Margin money deposits	191,835,618	163,245,613
DD's in hand	-	985,317
	<u>271,757,533</u>	<u>180,218,834</u>
SCHEDULE-9		
LOANS & ADVANCES:		
(Unsecured, considered good and Advances recoverable in cash or in kind or for value to be received)		
Advance for Purchases	268,380,587	122,662,803
Advance for capital works	1,151,178,340	934,192,347
Other Advances	288,713,327	450,743,687
Deposits	49,003,825	36,565,218
TDS & Advance tax	106,191,427	98,847,181
	<u>1,863,467,506</u>	<u>1,643,011,236</u>
SCHEDULE-10		
CURRENT LIABILITIES & PROVISIONS :		
Creditors for Capital Goods	40,675,297	116,666,138
Creditors for Purchases	1,244,150,283	1,179,196,876
Other Current liabilities	110,942,387	29,787,483
Advance from Customers	547,438,137	546,906,783
Provision for Tax including FBT	91,356,738	86,700,000
Dividend & Dividend Tax payable	564,160	39,164,158
	<u>2,035,127,002</u>	<u>1,998,421,438</u>
SCHEDULE-11		
MISCELLANEOUS EXPENDITURE:		
(To the extent not written off or adjusted)		
Deferred revenue expenditure		
Opening Balance	3,715,099	4,941,151
Additions	14,000,000	526,248
	<u>17,715,099</u>	<u>5,467,399</u>
less: 1/5th written off	4,553,300	1,752,300
	<u>13,161,799</u>	<u>3,715,099</u>

**SCHEDULES TO THE FINANCIAL STATEMENTS (Contd.)**

	Year Ended 31.03.2010 (Rs.)	Year Ended 31.03.2009 (Rs.)
SCHEDULE-12		
SALES:		
Steel Products	6,651,388,902	6,633,292,008
Steel - Deemed exports	50,029,205	148,492,929
Software -Deemed exports	-	2,267,151
Conversion charges	16,281,138	11,092,342
Sales Incentives Received	106,770,955	113,599,681
Power	267,815,689	174,807,905
	<u>7,092,285,889</u>	<u>7,083,552,016</u>
SCHEDULE-13		
OTHER INCOME:		
Miscellaneous income	9,509,268	19,971,123
Lease Rental Received	1,355,000	6,000,000
Profit on sale of Asset	18,427,622	-
Exchange fluctuation Gain	83,321,924	-
Interest	80,288,302	124,888,518
	<u>192,902,116</u>	<u>150,859,641</u>
SCHEDULE-14		
INCREASE / (DECREASE) IN STOCKS:		
<i>Opening Stock:</i>		
Finished Goods	794,334,150	765,833,726
<i>Closing Stock:</i>		
Finished Goods	723,173,791	794,334,150
Increase / (Decrease) in Inventory	<u>(71,160,359)</u>	<u>28,500,424</u>
SCHEDULE-15		
MANUFACTURING EXPENSES:		
Opening Balance	191,843,388	105,496,451
Add : Purchases	6,320,317,633	6,205,557,065
	6,512,161,021	6,311,053,516
Less : Closing Stock	419,109,676	191,843,388
Raw Material Consumed	6,093,051,345	6,119,210,128
Consumables, Stores & Spares	101,661,961	103,710,585
Power & Fuel	49,183,082	56,990,264
Gas Charges	70,428,194	54,756,999
Repairs & Maintenance	9,481,146	5,461,718
Freight Charges	76,958,130	68,934,130
Loading & Unloading Charges	1,299,000	1,659,532
Contract Charges / labour	33,275,114	18,309,284
Royalty Expenses	240,000	240,000
Transmission charges	1,406,956	-
Purchase commision	993,475	851,190
	<u>6,437,978,403</u>	<u>6,430,123,830</u>
SCHEDULE-16		
PAYMENTS & BENEFITS TO EMPLOYEES:		
Salaries & Wages	54,811,230	42,848,403
Staff & Workers Welfare Expenses	7,624,383	3,858,084
	<u>62,435,613</u>	<u>46,706,487</u>

**SCHEDULES TO THE FINANCIAL STATEMENTS (Cond.)**

	Year Ended 31.03.2010 (Rs.)	Year Ended 31.03.2009 (Rs.)
SCHEDULE-17		
ADMINISTRATION, SELLING & DISTRIBUTION EXPENSES:		
Advertisement charges	1,910,643	1,939,924
Discounts / Sales Commission	52,522,386	42,905,800
Business Promotion	2,966,316	926,006
Directors Remuneration	6,100,000	6,160,868
Electricity Charges	2,082,965	670,087
Freight & Handling Charges	6,236,907	6,304,742
Office Maintenance & Computer Maintenance	835,235	1,320,603
Postage, Telegram & Telephone Charges	2,546,016	2,451,055
Printing & Stationery Expenses	1,619,030	914,428
Gratuity	975,962	938,564
Professional Charges	4,633,304	3,447,961
Travelling & Conveyance	3,249,902	2,702,673
Vehicle Maintenance Expenses	4,965,667	3,135,897
Insurance	3,215,514	3,004,200
Rent	1,331,572	1,105,066
Rates & Taxes	11,940,228	9,763,012
Auditor Remuneration		
a) Statutory Audit fee	1,000,000	700,000
b) Tax Audit Fee	350,000	200,000
c) Other Matters	500,000	530,490
Yard expenses	2,206,769	1,447,167
Security charges	2,700,478	1,575,148
Miscellaneous Expenses	3,838,330	1,728,963
Loss on sale of Assets	-	210,887
Packing Material	908,853	900,393
Exchange fluctuation loss	-	84,344,206
Bad debts written off	2,341,273	-
Deferred revenue expenditure written off	4,553,300	1,752,300
	125,530,650	181,080,440
SCHEDULE-18		
FINANCIAL CHARGES:		
Interest on Bank Term Loan	9,324,064	15,500,890
Interest on Bank Working Capital Loans	142,085,094	106,247,395
Bank Charges & Commission	109,336,701	89,136,934
Other interest	55,193,827	41,636,478
	315,939,686	252,521,697

**SCHEDULE – 19****SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS****A. SIGNIFICANT ACCOUNTING POLICIES:****1. General**

The Accompanying financial statements have been prepared under the historical cost convention, in accordance with Indian Generally Accepted Accounting Principles (GAAP) and the provisions of the Companies Act, 1956.

2. 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.

3. Fixed Assets and Depreciation

Fixed assets are stated at their cost of acquisition or construction less accumulated depreciation. Costs of acquisition comprise all costs incurred to bring the assets to their location and working condition up to the date the assets are put to use. Cost of construction are composed of those costs that relate directly to specific assets and those that are attributable to the construction activity in general and can be allocated to the specific assets up to the date the asset are put to use.

Depreciation on assets is provided, prorata for the period of use, by the straight line method (SLM) at the SLM rates prescribed in Schedule XIV to the Companies Act, 1956.

4. 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 amounting to Rs. 5814699/- 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 year.

5. 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 are dealt with in the Profit & Loss account.

6. Borrowing costs:

Borrowing costs attributable to the acquisition or construction of qualify 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.

7. Employee Benefits:

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 charged as expenses to the profit & Loss Account in the period in which the service is rendered.

**8. Income Tax:**

Income taxes are accounted for in accordance with Accounting Standard 22 on "Accounting for Taxes on Income" Taxes Comprise both current and deferred tax.

Current tax is measured at the amount expected to be paid/recovered from the revenue authorities, using the applicable tax rates and tax laws.

The tax effect of timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. Deferred tax assets and liabilities are recognized for future tax consequences attributable to timing differences.

Tax on distributed profits payable in accordance with the provisions of section 115O of the Income Tax Act, 1961 is in accordance with the guidance note on Accounting for Corporate Dividend Tax regarded as a tax on distribution of profits and is not considered in determination of profits for the year.

9. 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 year attributable to equity share holders by the weighted average number of equity shares outstanding during the year.

10. Operating Lease:

Operating lease payments are recognized as expense in the profit and loss account on a straight line basis over the lease term.

11. Cash Flow Statement:

The Cash flow statement is prepared by the "Indirect Method" set out in Accounting Standard 3 on "Cash flow Statement" and presents the cash flows by operating, investing and financing activities of the Company.

Cash and Cash equivalents presented in the cash flow statement consist of cash on hand and demand deposits with banks.

12. Contingent Liabilities:

Contingent liabilities as defined in Accounting Standard 28 on "provisions, Contingent Liabilities and Contingent Assets" are disclosed by way of notes to the accounts. Disclosure is not made if the possibility of an outflow of future economic benefits will be required to settle the obligation.

13. Segmenting Reporting:

The Company is primarily engaged in the business of manufacture and sale of iron and steel products. The primary business segment of the company is steel which in the context of Accounting Standard 17 on "Segment Reporting" constitutes 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.

B. NOTES TO ACCOUNTS

1. During the Year the company has allotted 34,89,090 shares of Rs. 10/- each at a premium of Rs.19/- per share against the convertible share warrants issued in the previous year resulting in increase in paid up equity share capital of the company. Further the company has allotted 29,00,000 shares of Rs. 10/ each fully paid up at a premium of Rs. 25/ per share resulting in increase in paid up equity share capital of the company.

2. DEFERRED TAX:

The company has adopted Accounting Standard -22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, mandatory with effect from accounting period commencing from 1st April 2002. During the year Rs.5,04,50,845/- arising deferred tax liability has been shown in the current year's Profit & Loss Account



3. SECURED LOANS:

The term loans (including those availed during the year) and working capital loans availed from State Bank of India, Overseas branch, State Bank of Travancore, State Bank of Bikaner & Jaipur, State Bank of Mysore, The Lakshmi Vilas Bank Gajuwaka Branch, Visakhapatnam, Bank of India Suryabagh Branch Visakhapatnam, State Bank of Hyderabad Steel Plant Branch Visakhapatnam, IDBI Bank Ltd Visakhapatnam, Karur Vysya Bank Ltd, Dabagarden Branch, Visakhapatnam and Working Capital term Loan and corporate Loan from State Bank of Hyderabad Steel Plant Branch are secured by mortgage / hypothecation of all fixed assets both present and future including land, building, plant and machinery, other equipments, stocks and book debts and personal guarantees of the Directors, B. Suresh Kumar, V.V. Krishna Rao, B. Suresh and B. Satish Kumar in their personal capacities.

4. DEFERRED REVENUE EXPENDITURE

During the year the company incurred an expenditure of Rs.1,40,00,000 towards brand promotion of Simhadri TMT by way of sponsorship of the sports event (Afro Asia T20 cup) conducted by World Future League Private limited. The same has been booked under deferred revenue expenditure to be written off over a period of five years.

5. NAMES OF RELATED PARTIES AND DESCRIPTION OF RELATIONSHIP:

- i. Associate Concerns :
 - 1. VPL Projects Pvt. Ltd
 - 2. Vizag Profile Constructions India Pvt. Ltd.
 - 3. Vizag Profiles Ltd
 - 4. Uma Shiv Garments Pvt Ltd
 - 5. World Future League Pvt Ltd.
 - 6. Vizag Steel Profiles (Hyd) Pvt Ltd
 - 7. Simhadri Power Pvt Ltd
 - 8. Gulmohar Advisors Pvt Ltd
 - 9. Maa Gayatri Lohh Products Ltd
 - 10. Brahma Chemicals Ltd

- ii. Key Management Personnel :
 - 1. B. Satish Kumar- Chairman & Managing Director
 - 2. B. Suresh Kumar-Jt. Managing Director
 - 3. B. Suresh - Director (Finance)

- iii. Relatives of key Management Personnel :
 - 1. B. Ramesh Kumar
 - 2. B. Aruna Kanthi

	Associates	Key Management Personnel	Relative of Key Management Personnel	Total
Rent Paid	1,27,000		36,000	1,63,000
Director's Remuneration & perquisites		6,100,000	-	6,100,000
Sale of Goods	7,03,53,252	-	-	7,03,53,252
Services	4,11,92,861	-	-	4,11,92,861
Interest Received	1,86,96,357	-	-	1,86,96,357
Amounts payable on 31.03.10	55,918,913.35	-	-	55,918,913.35
Amounts receivable on 31.03.10	247,441,599.11	-	-	247,441,599.11


6. Additional Information Pursuant To The Provisions Of Paragraph 3, 4C And 4 D Of Part II Of Schedule VI Of The Companies Act, 1956

	FY 2009-10		FY 2008-09	
	Licenced	Installed (MT's)	Licenced	Installed (MT's)
A) Capacity				
Rebars		270,000		65,000
Ingots		90,000		90,000
GI Wires		6,000		6,000
High Carbon & Galvanizing Steel		24,000		24,000
Captive Power (MW)		9.71MW		7.76MW
B) Production Sales & Stock	Rs. (000)	Mts	Rs. (000)	Mts
Opening stock				
i) Rebars	10233.00	332.47	16,444.00	353.85
ii) Ingots	6179.00	248.45	75,568.00	2,242.92
iii) GI & Binding wires	8189.00	164.33	16,253.00	637.83
Production				
i) RE bars / Scrap		32,295.51		31,583.31
ii) Ingots & Scrap		7,198.46		24,618.79
iii) Scrap generated (ingot unit)		16.08		
iv) GI & Binding wires		14,275.94		15,472.57
v) Power (Units)		66,349,800		27,598,200
Sales				
i) Re bars/scrap	922,483	31,685.53	1,030,547.00	31,604.69
ii) Ingots	145,991	7,445.08	763,628.00	26,613.26
iii) GI & Binding wires	546,220	14,268.14	753,073.00	15,946.07
iv) Power Sale	267,815.69	57,101,000	174,808.00	27,598,200.00
v) Power (Units) Captive consumption		9,248,800		24,229,017.00
Closing Stock				
i) Re bars/scrap	34,474	942.45	10,233.00	332.47
ii) Ingots	59	1.83	6,179.00	248.45
iii) GI & Binding wires	7,229	172.129	8,189.00	164.33
C) Traded goods (Iron & Steel, Scrap, Coal, Pig iron etc)				
Opening Stock	717627.00	23375.35	547,061.00	22,158.72
Purchases	5,015,263.00	256288.38	4,722,570.00	225,807.29
Sales	5,175,119.00	254729.53	4,781,891.00	224,590.66
Closing Stock	660,502.70	24934.20	717,627.00	23375.35
Lubricants (Qty in Ltrs)				
Opeining Stock	532.00	4263.00		
Purchases	2,926.32	18194.00	3,078.00	21011.00
Sales	3,540.19	20230.00	2,792.00	16748.00
Closing Stock	402.00	2227.00	532.00	4263.00
D) Raw material Consumption				
i) Billets/ Ingots - Raw materials	757,832	33,853.60	875,068.00	33,159.22
ii) Scrap	67,027	3,534.89	30,462.00	1,820.15
iii) Sponge Iron	56,264	4,999.16	367,591.00	23,396.16
iv) Pig Iron	19,886	1,173.22	190,161.00	7,614.81
v) Imported Scrap	606	21.63	8,695.00	521.71
vi) Silico Manganese & Ferro silicon		99.53	23,767.00	310.00
vii) Sale of Raw Material - Billets/ Ingots	1,049	47.66	4,589.00	170.29
Sale of Raw Material - Pig Iron	69.67	3.91	444.00	24.70
Sale of Raw Material - Sponge Iron	3225.67	221.04	-	-
Sale of Raw Material - Imported Scrap			87.00	5.14
Sale of Raw Material - Scrap	802.62	42.21	61.00	3.39
Sale of Raw Material - Sillico Manganese			507.00	13.42
Sale of Raw Material - Wire rod coils	54	1660.44		
viii) Wire rod coils	467,826	14,454.70	692,371.00	18,594.53



** Sales and Purchases are inclusive of inter division transfers				
Purchases:				
Melting Division	78,409.27	5,252.64	143,041.00	6,866.29
Rolling Division	138,178.12	5,595.19	399,931.00	14,056.27
Trading Division	12,998.93	391.80	59,521.00	1,518.34
Unit-1	128,312.18	4,296.14	169,596.00	5,009.79
Unit-2	51,100.82	1,724.61	84,765.00	2,225.80
Sponge Iron	18,281.19	4406.14		-
New Rolling Mill	6,909.42	271.49		
Total	434,189.94	21,938.00	856,854.00	29,676.49
Sales:				
Melting Division	4,317.00	223.95	362,443.00	12,962.37
Rolling Division	15,979.91	925.57	17,644.00	1,052.54
Trading Division	302,016.92	15,939.24	309,121.00	10,536.18
Unit-1	13,300.11	413.905	23,466.00	586.94
Unit-2	81,220.96	2,716.78	141,061.00	4,065.76
Sponge Iron	17,355.04	1718.56	3,119.00	472.70
New Rolling Mill				-
Total	434,189.94	21,938.00	856,854.00	29,676.49
Sponge Iron Division		FY 2009-10		FY 2008-09
A) Capacity		225,000		225,000
B) Production Sales & Stock	Rs. (000)	Mts	Rs. (000)	Mts
OPENING STOCK				
i) Sponge Iron Fines	8854.92	655.92		-
ii) Sponge Iron Lumps	39798.72	2,487.42		-
iii) Sponge Iron Bricquets	2920.77	253.98		-
PRODUCTION				
i) Sponge Iron Fines		2,537.00		1,377.00
ii) Sponge Iron Lumps		16,417.32		5,675.08
iii) Sponge Iron Bricquets		1266.32		542.92
SALES : **				
i) Sponge Iron Fines	9177.47	2190.44	2193.596	261.08
ii) Sponge Iron Lumps	244807.17	18,573.06	39857.523	3,187.66
iii) Sponge Iron Bricquets	8177.53	1133.36	1922.95	288.94
iv) Issued to Production Sponge Iron Fines				460.00
Closing Stock				
i) Sponge Iron Fines	10024.80	1002.48	8854.92	655.92
ii) Sponge Iron Lumps	4643.28	331.68	39798.72	2,487.42
iii) Sponge Iron Bricquets	5837.57	386.94	2920.77	253.98
C) Raw material Consumption				
i) Iron Ore	97308.90	64,564.04	32,590.00	14,596.48
ii) Coal	21274.47	78,621.19	25,780.00	27,751.22
iii) Lime Stone	431.43	943.96	1.00	381.60
iv) Imported coal	7596.85	1833.66		
				Rs. (000)
Foreign currency Transactions:		2009-10		2008-09
a) Earnings in foreign Exchange		nil		2,267
b) Foreign Currency Expenditure:				
i) Purchase of Raw Material				4,386
ii) Purchase of Finished Goods		1020207		819,200
iii) Capital Goods		13406		48,459
iv) Purchase of spares				468
v) Foreign Traveling		197		348



7. Payment To Auditors:

	2009-2010	2008-2009
a) Statutory Audit	10,00,000	7,00,000
b) Tax Audit	3,50,000	2,00,000
c) Other Services	5,00,000	5,30,490

8. Managerial Remuneration:

	2009-2010	2008-2009
Salary	61,00,000	60,00,000
Perquisites	-	1,60,868

9. Sundry Debtors includes Rs.79.15 lakhs (previous year Rs. 84.65 lakhs), the recovery of which is doubtful. However the management is of the opinion that no provision is required during the year as the Company is pursuing the matter and the amount may be recovered.

10. Details of Earnings Per Share:

	2009-2010	2008-2009
a) No. of Equity Shares of Rs.10/- each	3,93,00,000	3,29,10,910
b) No. of Preference Shares Rs.10/-each	5,50,400	5,50,400
c) Net Profit after tax	4,96,04,003	4,79,36,958
d) Basic and diluted earnings per share (Simple)	1.26	1.46
e) Basic and diluted earnings per share (Weighted Average)	1.42	2.24

11. GRATUITY

As per the accounting policy on retirement benefits(AS-15) the Gratuity liability is provided for the employees covering upto Rs.3,50,000 (Previous year Rs. 3,50,000) amounts to Rs.9,75,962 (previous Year Rs 9,38,564)

As per the accounting policy on retirement benefits(AS-15) the Gratuity liability is provided for the employees covering upto Rs.3,50,000 (Previous year Rs.3,50,000) based on the actuarial valuation to the extent of total accrued Gratuity amounts to Rs.41,74,681 (previous Year Rs.31,98,719)

12. Sundry Creditors - suppliers

	<u>2009-2010</u>	<u>2008-2009</u>
o Due to Micro, small enterprises- other Disclosures;	-	-
o Principal amount remaining unpaid as on 31.03.2010 includes	-	-
o Sundry Creditors includes to micro, small and medium enterprises*	-	-
o Interest due thereon as on 31.03.2010	-	-
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 31.03.2010	-	-
o 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.	-	-

• * the company has not received information from vendor regarding the statutes under micro act and hence disclosure relating to amounts unpaid at the end of the year together with interest paid/payable under the act has not been given.

**13. Contingent Liability not provided for:**

- a. Claims from Sales Tax Authorities contested by the company for the F.Ys 1999-2000 and 2000-01 amounting to Rs.115,32,692/-(previous year Rs. 11,532,692/-)
- b. Demand by Sales Tax Authority for the F.Y 2001-02 amounting to Rs.28,48,015/-(previous year Rs. 28,48,015/-) pending in appeal. A sum of Rs. 14,24,007/- has been paid under protest during the year 2005-06 and is included in Loans and Advances.
- c. Demand by Sales Tax Authority for the F.Y 2002-03 amounting to Rs. 22,43,895/-(previous year 22,43,895) towards CST is pending in appeal. A sum of Rs. 2,80,487/- was deposited towards admit charges and is included in Loans and Advances.
- d. Demand by Central Excise and Customs Authorities towards customs duty amount refunded in respect of exports amounting to Rs.54,35,648. The Company has filed an appeal with the Honorable High Court against the demand.
- e. A case has been filed against the Company by Rashtriya Ispat Nigam Limited (RINL) for infringement of Trade Mark and the final orders were passed by the trail Court at Vishakapatnam not granting any damages to RINL. However the Company appealed before the Hon'ble High Court of Andhra Pradesh and a cross appeal was also filed by RINL. The Hon'ble High Court of Andhra Pradesh had suspended the orders of the trail Court and aggrieved by the same, RINL preferred an appeal before the Hon'ble Supreme Court of India and no orders are passed in favour of RINL and the case is pending for adjudication.
- f. Demand by Sales Tax Authority for the F.Y 2004-05 amounting to Rs.28,27,172/- (previous year Rs. 28,27,172/-) pending in appeal. A sum of Rs. 3,53,397/- has been paid under protest during the year 2008-09 and is included in Loans and Advances.
- g. Letters of credit for purchases -- Nil (previous year Rs. nil lakhs)
- h. Export obligation under EPCG Scheme amounting to USD 36,00,964.40 to be fulfilled before 2012-13. However the company has fulfilled the Export obligation by making deemed exports to SEZ units.
- i. The company has given guarantee of Rs.25.00 Crores to Pridhvi Asset Reconstruction and Securitisation Company Limited, Hyderabad for the debt of GSAL (India) Limited, a BIFR referred company in which the company has invested as a strategic investor cum new promoter for revival.

14. Previous Years figures have been regrouped or re arranged wherever necessary.

15. Debit and credit balances are subject to confirmation

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.203300

B. SATISH KUMAR
Chairman & Managing Director

B. SURESH KUMAR
Jt. Managing Director

Place : Hyderabad
Date : 29.05.2010

B.NARAHARI
Company Secretary



CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2010

	31.03.2010 Amount (Rs)	31.03.2009 Amount (Rs)
A) CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before Taxation	117,711,586	79,526,448
Adjustment for:		
a) Depreciation	31,811,044	28,279,165
b) Preliminary Expenses written off	4,553,300	1,752,300
c) Bad Debts Written off		-
c) Financial Charges	315,939,686	252,521,697
d) Loss/ (profit) on Sale of Asset	<u>(18,427,622)</u>	<u>210,887</u>
	333,876,408	282,764,049
Operating profit before working capital changes	451,587,994	362,290,497
Adjustment for change in Working Capital		
a) Decrease/(Increase) in Loans & Advances	(220,456,270)	(1,030,193,172)
b) Increase/ (Decrease) in Current Liabilities	36,705,564	594,095,046
c) Decrease/(Increase) in Inventories	(138,617,590)	(103,057,880)
d) Decrease/(Increase) in Sundry Debtors	<u>173,436,842</u>	<u>(489,181,883)</u>
	(148,931,455)	(1,028,337,889)
Cash Generated from Operations	302,656,539	(666,047,392)
Less: Direct Taxes Provision	<u>(17,656,738)</u>	<u>(18,400,000)</u>
Net Cash from Operating Activities	284,999,801	(684,447,392)
B) CASH FLOW FROM INVESTING ACTIVITIES:		
a) Purchase of Fixed Assets	(868,903,488)	(64,983,018)
b) (Increase) in Preliminary Expenses	(14,000,000)	(526,248)
c) (Increase)/Decrease in Investments	-	-
d) Sale of Fixed Assets	42,534,901	478,000
f) (Increase)/Decrease in Capital Work in Progress	<u>130,310,485</u>	<u>(217,139,345)</u>
Net Cash used in Investing Activities	(710,058,102)	(282,170,612)
C) CASH FLOW FROM FINANCING ACTIVITIES:		
a) Increase in Equity Share Capital	63,890,900	128,750,000
b) Increase/(Decrease) in Equity Share Suspense	-	-
c) Increase/(Decrease) in Share Application money	(101,183,610)	60,485,610
d) Increase in Share premium account	138,792,710	244,625,000
e) Increase in Capital Reserve	-	40,698,000
f) Net Increase in Secured Loans	879,010,035	452,759,855
g) Net Decrease/Increase in Unsecured Loans	(147,409,192)	362,129,498
h) Payment of Financial Charges	(315,939,686)	(252,521,697)
i) Proposed Dividend and Tax thereon	<u>(564,160)</u>	<u>(39,164,158)</u>
Net Cash generated through Finance	516,596,997	997,762,108
Net Increase/(Decrease) in Cash and equivalents (A+B+C)	91,538,696	31,144,105
Cash & Cash Equivalents -Opening balance	180,218,838	149,074,733
Cash & Cash Equivalents -Closing balance	271,757,534	180,218,834

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

Chartered Accountants
Firm Reg. No. 012194S

CA. P. A. RAMAIAH
Partner

M.No.203300

Place : Hyderabad

Date : 29.05.2010

for and on behalf of the Board of Directors

B. SATISH KUMAR
Chairman & Managing Director

B. SURESH KUMAR
Jt. Managing Director

B.NARAHARI
Company Secretary

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****Registration Details**

Registration No	31191
State Code	01
CIN	L74100AP1999PLC031191
Balance Sheet Date	31-03-2010

Capital raised during the year**(in Rupees)**

Public Issue	Nil
Rights Issue	Nil
Bonus issue	Nil
Private Placement/Preferential Allotment	29,000,000
Conversion of Share Warrants	34,890,900

Position of Mobilization and Deployment of Funds (Amount in Rupees)

Total Liabilities	3,756,419,583
Total Assets	3,756,419,583

Sources of Funds

Paid - up- Capital	398,504,000
Reserves and Surplus	915,449,025
Secured Loans	2,024,465,077
Unsecured Loans	325,527,566
Deferred Tax	92,473,915

Application of Funds

Net Fixed Assets	1,327,021,711
Capital work in progress	183,606,329
Investments	Nil
Net Current Assets	2,232,629,744
Miscellaneous Expenditure	13,161,799
Accumulated Losses	Nil

Performance of the Company

Turnover	7,091,533,342
Total Expenditure	6,973,695,396
Profit/(Loss) before tax	117,711,586
Profit/(Loss) after tax	49,604,003
Earning per Share (Rs)	1.26
Earning per Share (Rs) (Weighted Average)	1.42
Dividend Rate (%)	NIL

Generic Names of Principal Products/Services of the Company

Item Code No.(ITC Code)	72045000
Product Description	Scrap melting & Ingots manufacturing
Item Code No.(ITC Code)	72069091
Product Description	TMT re bars

for and on behalf of the Board

B. SATISH KUMAR
Chairman & Managing Director**B.SURESH KUMAR**
Jt. Managing DirectorPlace : Hyderabad
Date : May 29, 2010**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 Eleventh Annual General Meeting of the Company held on Thursday, the 30th day of September, 2010 at 12.00 P.M. at Hotel Green Park, Greenlands, 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 Eleventh Annual General Meeting of the Company to be held on Thursday, the 30th day of September, 2010 at 12.00 P.M. at Hotel Green Park, Greenlands, Begumpet, Hyderabad - 500 016 and at any adjournment thereof.

Signed on this _____ day of _____ 2010.



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 DISTRIBUTED 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.