

# **STEEL EXCHANGE INDIA LIMITED**



**FIFTEENTH ANNUAL REPORT  
2013 - 2014**

## **BOARD OF DIRECTORS**

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

### **CHIEF FINANCIAL OFFICER**

V.S. RAKESH

### **COMPANY SECRETARY**

B. NARAHARI

### **STATUTORY AUDITORS**

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

### **COST AUDITORS**

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

### **BANKERS**

#### **Working Capital Lenders**

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

**Corporate Loan and Term Loan Lenders:**

State Bank of India, Commercial Branch, Visakhapatnam.  
State Bank of Mysore, Industrial Finance Branch, Hyderabad.  
State Bank of Travancore, Visakhapatnam Branch, Visakhapatnam.  
State Bank of Bikaner and Jaipur, Visakhapatnam Branch, Visakhapatnam.  
The Karur Vysya Bank, Daba Gardens Branch, Visakhapatnam.  
The Lakshmi Vilas Bank, Gajuwaka 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.  
Telephone No: +91-40-23403725 Fax No: +91- 40- 23413267  
www.seil.co.in email: cs@seil.co.in CIN: L74100AP1999PC031191

**CORPORATE OFFICE:**

Block A, 4th Floor, Green City, Vadlapudi , Visakhapatnam - 530 046.  
Telephone: +91-891-2587175, 2587573 Fax: +91-891-2749215

**WORKS**

**Power Plant & Steel Ingot Division:**

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

**Rolling Division:**

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

**Bobbili Wire Drawing Division (Galvanised Wire Products):**

S. No. 295 to 300, APIIC Growth Centre, Bobbili- 535 558.

**Wire Drawing Division (HC Wire Products):**

Plot No.17 & 18, E-Block, IDA, Auto Nagar, Visakhapatnam - 530 012, Andhra Pradesh  
Telephone: +91 - 891 - 2587574 Fax: +91 - 891 - 2766437

**Wire Drawing Division :**

S. No. 88/50 to 88/101, R.G. Peta , L.Kota Mandal, Vizianagaram District - 533 301.

**INTEGRATED STEEL PLANT**

**Sponge Iron Division, Rolling Division and SMS Billet Unit:**

Malliveedu, L.Kota Mandal, Vizianagaram District - 533 301.

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## FIFTEENTH ANNUAL GENERAL MEETING

Date : 31<sup>st</sup> December, 2014  
Day : Wednesday  
Time : 11.30 A.M.  
Place : The Plaza, # 6-3-870, Tourism Plaza,  
Greenlands, Begumpet,  
Hyderabad - 500 016  
Phone: 040 - 4949 5959



## NOTICE

Notice is hereby given that the Fifteenth Annual General Meeting of the Members of Steel Exchange India Limited will be held **on Wednesday, the 31st of December, 2014 at 11.30 A.M. at The Plaza, # 6-3-870, Tourism Plaza, Greenlands, Begumpet, Hyderabad - 500 016** to transact the following business:

### **Ordinary Business:**

1. To receive, consider and adopt the Audited Statement of Profit and Loss for the year ended 31st March, 2014 and the Balance Sheet as at that date, the Auditors' Report thereon and the Directors' Report.
2. To appoint a Director in place of Mr. B. Suresh Kumar (DIN: 00206473), who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. V.V. Krishna Rao (DIN: 00206884), who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors of the Company and fix their remuneration.

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

"RESOLVED THAT pursuant to the provisions of section 139 of the Companies Act, 2013 and the Rules made thereunder, M/s. Pavuluri & Co, Chartered Accountants (Firm Registration No. 012194S) be and are hereby appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this 15th Annual General Meeting until the conclusion of 20th Annual General Meeting to be held in the year 2019 (subject to ratification of the appointment by the members at every AGM held after this AGM) on such remuneration as may be determined by the Board of Directors of the Company."

### **Special Business:**

5. To appoint Mr. C. Siva Prasad as Independent Director of the Company.

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

"RESOLVED THAT pursuant to Sections 149, 152, Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014 and Clause 49 of the Listing Agreement (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. C. Siva Prasad (DIN: 01904785), Director of the Company in respect of whom the Company has received notice in writing from a member under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director be and is hereby appointed as an Independent Director on the Board of Directors of the Company with effect 31st December 2014 to 30th December 2019."

**RESOLVED FURTHER THAT** Mr. B. Satish Kumar, Chairman & Managing Director, Mr. B. Suresh Kumar, Joint Managing Director of the Company be and are hereby authorised severally to settle any question, difficulty or doubt, that may arise in giving effect to this resolution and to do all such acts, deeds and things as may be necessary, expedient and desirable for the purpose of giving effect to this resolution".

6. To appoint Mr. K. Krishna Rao as Independent Director of the Company.

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

"RESOLVED THAT pursuant to Sections 149, 152, Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014 and Clause 49 of the Listing Agreement (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. K. Krishna Rao (DIN: 00382726), Director of the Company in respect of whom the Company has received notice in writing from a member under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director be and is hereby appointed as an Independent Director on the Board of Directors of the Company with effect 31st December 2014 to 30th December 2019."



**RESOLVED FURTHER THAT** Mr. B. Satish Kumar, Chairman & Managing Director, Mr. B. Suresh Kumar, Joint Managing Director of the Company be and are hereby authorised severally to settle any question, difficulty or doubt, that may arise in giving effect to this resolution and to do all such acts, deeds and things as may be necessary, expedient and desirable for the purpose of giving effect to this resolution".

7. To appoint Mr. G. Venkatanarayana Reddy as Independent Director of the Company.

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

**"RESOLVED THAT** pursuant to Sections 149, 152, Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014 and Clause 49 of the Listing Agreement (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. G. Venkatanarayana Reddy (DIN: 05358117), Director of the Company in respect of whom the Company has received notice in writing from a member under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director be and is hereby appointed as an Independent Director on the Board of Directors of the Company with effect 31st December 2014 to 30th December 2019."

**RESOLVED FURTHER THAT** Mr. B. Satish Kumar, Chairman & Managing Director, Mr. B. Suresh Kumar, Joint Managing Director of the Company be and are hereby authorised severally to settle any question, difficulty or doubt, that may arise in giving effect to this resolution and to do all such acts, deeds and things as may be necessary, expedient and desirable for the purpose of giving effect to this resolution".

8. To appoint Mr. R. Ramachandra Rao as Independent Director of the Company.

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

**"RESOLVED THAT** pursuant to Sections 149, 152, Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014 and Clause 49 of the Listing Agreement (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. R. Ramachandra Rao (DIN: 00226945), Director of the Company in respect of whom the Company has received notice in writing from a member under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director be and is hereby appointed as an Independent Director on the Board of Directors of the Company with effect 31st December 2014 to 30th December 2019."

**RESOLVED FURTHER THAT** Mr. B. Satish Kumar, Chairman & Managing Director, Mr. B. Suresh Kumar, Joint Managing Director of the Company be and are hereby authorised severally to settle any question, difficulty or doubt, that may arise in giving effect to this resolution and to do all such acts, deeds and things as may be necessary, expedient and desirable for the purpose of giving effect to this resolution".

9. To ratify the remuneration payable to M/s. DZR & Co., of the Cost Auditors of the Company for FY 2014-15.

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

**"RESOLVED THAT** pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014, M/s. DZR & Co., Cost Accountants appointed as Cost Auditors by the Board of Directors of the Company to audit the cost records of the Company for the financial year 2014-15, on a remuneration of ₹ 4.00 lac per annum plus applicable service tax and out of pocket expenses that may be incurred, be and is hereby ratified."

**RESOLVED FURTHER THAT** Mr. B. Satish Kumar, Chairman & Managing Director, Mr. B. Suresh Kumar, Joint Managing Director of the Company be and are hereby authorised severally to settle any question, difficulty or doubt, that may arise in giving effect to this resolution and to do all such acts, deeds and things as may be necessary, expedient and desirable for the purpose of giving effect to this resolution".

By Order of the Board of Directors

Place: Visakhapatnam  
Date: December 03, 2014

**B. Narahari**  
Company Secretary

**Notes:**

1. The Explanatory Statement pursuant pursuant to section 102 of the Companies Act, 2013 (Act), relating to the Special Business under Item Nos. 5 to 9 of the Notice, is annexed hereto. The relevant details as required under clause 49 of the Listing Agreements entered into with the Stock Exchanges, of persons seeking re-appointment/appointment Directors under Item No. 2,3,5,6,7 and 8 of the Notice, are given below as Annexure I.
2. 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 effective must be received by the Company at its Registered Office not later than forty-eight hours before the commencement of the meeting. Proxies submitted on behalf of companies, societies, etc. must be supported by an appropriate resolution/authority, as applicable. A person shall not act as a Proxy for more than 50 members and holding in the aggregate not more than ten percent of the total voting share capital of the Company. However, a single person may act as a proxy for a member holding more than ten percent of the total voting share capital of the Company provided that such person shall not act as a proxy for any other person.
3. Every member entitled to vote at the Annual General Meeting of the Company can inspect the proxies lodged at the Company at any time during the business hours of the Company during the period beginning twenty four hours before the time fixed for the commencement of the Annual General Meeting and ending on the conclusion of the meeting. However, a prior notice of not less than 3 (three) days in writing of the intentions to inspect the proxies lodged shall be required to be provided to the Company.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, the 26th day of December, 2014 to Wednesday, the 31st day of December, 2014 (both days inclusive).
5. 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.
6. 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.
7. Members are requested to bring the Attendance Slip duly filled in and hand over the same at the entrance of AGM venue. Members who hold shares in dematerialised form are requested to bring their depository account Number (Client Id and DP Id No) for easier identification and recording of the attendance at the meeting
8. Members holding shares in physical form can avail of the nomination facility by filing prescribed form under section 72 of the Companies Act, , 2013 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).
9. 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.
10. 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.
11. 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.
12. All Documents referred to in the accompanying notice and the Explanatory Statement is open for inspection at the registered office of the company on all working days between 10.00 A.M. and 12.00 Noon up to the date of the Annual General Meeting. The Register of Director share holding shall be open for inspection during the period beginning 14 days before the Annual General Meeting and ending 3 days after its conclusion.



13. 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 2007-08 and 2008-09 before the respective amounts become due for transfer to the Fund (IEPF).

14. The Ministry of Corporate Affairs (MCA) has taken a 'Green Initiative in the Corporate Governance' by allowing paperless compliances by the companies. Your Company has decided to join the MCA in its environment friendly initiative.

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

15. Members holding shares in the company and who have not registered their mail id with the company or the depository and wish to avail e voting may write to the registrar or the company quoting their client id/folio no and DP id so as to send the password for e voting and hard copy of the ballot paper will be provided at the venue of the AGM for those members who have not exercised their e-voting.

**16. E-Voting**

**Voting through electronic means:**

In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is providing facility to the members to exercise their right to vote at the 15th Annual General Meeting (AGM) by electronic means and the business may be transacted through e-voting platform provided by Karvy Computershare Private Ltd. The instructions for e-voting are as under:

The procedure and instructions for e-voting are as follows:

- i) Open your web browser during the voting period and navigate to '<https://evoting.karvy.com>'
- ii) Enter the login credentials (i.e., user-id & password). Your folio/DP Client ID will be your User-ID.

User - ID	For Members holding shares in Demat Form:- a) For NSDI :- 8 Character DP ID followed by 8 Digits Client ID b) For CDSL :- 16 digits beneficiary ID
Password	Your Unique password is sent via email forwarded through the electronic notice
Captcha	Enter the Verification code i.e., please enter the alphabets and numbers in the exact way as they are displayed for security reasons.

- iii) Please contact our toll free No. **1-800-34-54-001** for any further clarifications.
- iv) Members can cast their vote online from 24th December 2014@ 9.00 AM to 26th December 2014@ 5.00 PM
- v) After entering these details appropriately, click on "LOGIN".
- vi) Members holding shares in Demat/Physical form will now reach Password Change menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z).one lower case (a-z), one numeric value (0-9) and a special character. Kindly note that this password can be used by the Demat holders for voting for resolution of any other Company on which they are eligible to vote, provided that Company opts for e-voting





through **Karvy Computershare Private Limited e-Voting platform**. System will prompt you to change your password and update any contact details like mobile #, email ID etc on 1st login. You may also enter the Secret Question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- vii) You need to login again with the new credentials.
- viii) On successful login, system will prompt to select the 'Event' i.e., **'Steel Exchange India Limited**.
- ix) If you are holding shares in Demat form and had logged on to "<https://evoting.karvy.com>" and casted your vote earlier for any company, then your exiting login id and password are to be used.
- x) On the voting page, you will see Resolution Description and against the same the option 'FOR/AGAINST/ABSTAIN' for voting .Enter the number of shares (which represents number of votes) under 'FOR/AGAINST/ABSTAIN' or alternatively you may partially enter any number in 'FOR' and partially in 'AGAINST', but the total number in 'FOR/AGAINST' taken together should not exceed your total shareholding. If the shareholder do not wants to cast, select 'ABSTAIN'
- xi) After selecting the resolution you have decided to vote on, click on "SUBMIT".A confirmation box will be displayed .If you wish to confirm your vote, click on "OK", else to change your vote, click on " CANCEL "and accordingly modify your vote.
- xii) Once you 'CONFIRM' your vote on the resolution, you will not be allowed to modify your vote.
- xiii) Corporate/Institutional Members (corporate /FIs/FILs/Trust/Mutual Funds/Banks, etc) are required to send scan (PDF format) of the relevant Board resolution to the Scrutinizer through e-mail to [ssrfcs@gmail.com](mailto:ssrfcs@gmail.com) with copy to [evoting@karvy.com](mailto:evoting@karvy.com). The file scanned image of the Board Resolution should be in the naming format "Corporate Name\_ Event no."
- b) Shareholders of the Company holding shares either in physical form or in dematerialized form, as on the cut off date, i.e. 28th November 2014 (End of Day) may cast their vote electronically.
- o) In case of any queries, you may refer the Frequently Asked Questions (FAQs) for shareholders and e-voting User Manual for shareholders available at the download section of [http:// evoting.karvy.com](http://evoting.karvy.com) or contact Karvy Computershare Pvt Ltd at Tel No. 1800 345 4001 (toll free).
- p) The Company has appointed Mr. S. Sarveswara Reddy, Practicing Company Secretary, as the Scrutinizer who will collate the electronic voting process in a fair and transparent manner.
- q) The Scrutinizer shall within a period not exceeding threeworking days from the conclusion of the e-voting period unblock the votes in the presence of at least two witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- r) The results shall be declared on or after the AGM of the Company. The results along with the Scrutinizer's Report shall be placed on the Company's website [www.seil.co.in](http://www.seil.co.in) com and on the website of Karvy.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013:****Item No 5 to 8:**

The Company had, pursuant to the provisions of clause 49 of the Listing Agreements entered with the Stock Exchanges, appointed Mr. C. Siva Prasad, Mr. K. Krishna Rao, Mr. G. Venkatanarayana Reddy and Mr. R. Ramachandra Rao, as Independent Directors at various times, in compliance with the requirements of the said clause.

Pursuant to Sections 149, 152, Schedule IV of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014, it is proposed to appoint Mr. C. Siva Prasad, Mr. K. Krishna Rao, Mr. G. Venkatanarayana Reddy and Mr. R. Ramachandra Rao as Independent Directors of the Company for a period 5 (five) years with effect 31st December 2014 to 30th December 2019. The Company has also received notice pursuant to Section 160 of the Companies Act, 2013 from members proposing the appointment of aforesaid Independent Directors.

The Board of Directors believe that the association of the aforementioned Independent Directors with the Company shall be beneficial to the progress of the Company and hence, the Board recommends the appointment of Mr. C. Siva Prasad, Mr. K. Krishna Rao, Mr. G. Venkatanarayana Reddy and Mr. R. Ramachandra Rao as Independent Directors as set out in Item Nos. 5 to 8 for the approval of the shareholders at the ensuing Annual General Meeting.

In the opinion of the Board, the Independent Directors fulfill the conditions specified in Sections 149, 152 and Schedule IV of the Companies Act, 2013 read with Companies (Appointment and Qualifications of Directors) Rules, 2013 and Clause 49 of the Listing Agreement (including any statutory modification(s) or re-enactment thereof for the time being in force) and such Independent Directors are independent of the management.

Further, all the aforesaid Independent Directors have given a declaration to the Board of Directors to the effect that they meet the criteria of independence as provided in Section 149(6) of the Companies Act, 2013.

Other than the independent Directors of the company, none of the Directors, Key Managerial Personnel or their relatives are concerned or interested in the proposed Ordinary Resolutions as set out in Item Nos. 5 to 8 of this Notice. This explanatory statement may also be regarded as disclosure under Clause 49 of the Listing Agreement.

In compliance of Clause 49 of the Listing Agreement, the particulars of Mr. C. Siva Prasad, Mr. K. Krishna Rao, Mr. G. Venkatanarayana Reddy and Mr. R. Ramachandra Rao seeking appointment as independent directors are provided at Annexure I.

**Item No 9:**

In pursuance of Section 148 of the Companies Act, 2013 and Rule 14 of the Companies (Audit and Auditors) Rules, 2014, the Company is required to appoint a cost auditor to audit the cost records of the applicable products of the Company.

On the recommendation of the Audit Committee, the Board has, considered and approved the appointment of M/s. DZR & Co., Cost Accountants as the cost auditor for the financial year 2014-15 at a remuneration of ₹ 4.00 lac per annum plus applicable service tax and reimbursement of out of pocket expenses.

As per Rule 14 of Companies (Audit and Auditors) Rules 2014, the remuneration payable to the Cost Auditors is to be ratified by the Shareholders. Hence this resolution is put for the consideration of the shareholders.

Certificate dated 11.08.2014 issued by the above firm regarding their eligibility for appointment as Cost Auditors will be available for inspection at the registered office of the Company during 10.00 A.M to 12.00 Noon and shall also available at the meeting.

The Board recommends this resolution for approval of the Members,

None of the Directors/Key Managerial Personnel of the Company/their relatives are in any way, concerned or interested, financially or otherwise, in the resolution.

By Order of the Board of Directors

Place:Visakhapatnam  
Date:December 03, 2014

**B. Narahari**  
Company Secretary

**Annexure I:**

Particulars of Directors seeking re-appointment/appointment at the ensuing Annual General Meeting (in pursuance of Clause 49 of the Listing Agreement):

Name	Mr. B. Suresh Kumar	Mr. V.V. Krishna Rao
Date of Birth	19-04-1964	10.06.1948
Qualification	B.E. (Mechanical)	M.A
Expertise in Specific Functional Area	Rich Experience of more than 15 years in Steel Industry	More than 35 years of experience in Marketing and in Steel Industry
Date of appointment on the Board of the Company	24.02.1999	12.01.2000
Other Directorships	<ol style="list-style-type: none"> <li>1. Vizag Profiles Pvt Ltd</li> <li>2. VPL Projects Pvt Ltd</li> <li>3. Simhadri Power Ltd</li> <li>4. Simhadri Pellets India Ltd</li> <li>5. Simhadri Wires Pvt Ltd</li> <li>6. Vizag Profile Constructions India Pvt Ltd</li> <li>7. VPL Integral CFS Private Limited</li> </ol>	<ol style="list-style-type: none"> <li>1. Vizag Profiles Pvt Ltd</li> <li>2. VPL Projects Pvt Ltd</li> <li>3. Vizag Profile Constructions India Pvt Ltd</li> </ol>
Member of the Committees in other Companies	Nil	Nil
No of Equity Shares held in the Company	1,545,450	6,43,736

Name	C. Siva Prasad	K. Krishna Rao
Date of Birth	25-12-1943	15-07-1946
Qualification	B.com., FCA	B.E. (Electrical)
Expertise in Specific Functional Area	More than 35 years of experience in the fields of Fundraising, Financial closures, Treasury Management, Budget and Budgetary controls.	Rich Experience of more than 30 years in Steel Industry
Date of appointment on the Board of the Company	10.01.2008	31.01.2009
Other Directorships	Velagapudi Steels Limited	Nil
Member of the Committees in other Companies	Nil	Nil
No of Equity Shares held in the Company	1,000	Nil



Name	Mr. G. Venkata Narayana Reddy	Mr. R. Ramachandra Rao
Date of Birth	14.06.1952	18.07.1959
Qualification	M.E (Civil)	MS (Communications Engg), IIT, New Delhi
Expertise in Specific Functional Area	Rich Experience of more than 30 years in Steel Industry	More than 25 years of experience in the areas of Power quality, Communications, Aviation, Microwave, Electronics and Management
Date of appointment on the Board of the Company	30.07.2012	30.01.2006
Other Directorships	Nil	1. Merlinhawk Associates Pvt Ltd 2. Merlinhawk Aerospace Pvt Ltd 3. Terradune Sciences Pvt. Ltd. 4. Browndove Healthcare Pvt. Ltd. 5. Terradune Technologies Pvt Ltd 6. Merlinhawk Engineering Pvt Ltd 7. Madaksira Vineyards Pvt Ltd
Member of the Committees in other Companies	Nil	Nil
No of Equity Shares held in the Company	Nil	Nil



**DIRECTORS' REPORT**

**To the Members,**

Your Directors take pleasure in presenting the Fifteenth Annual Report of the Company together with the Audited Statements of Accounts for the year ended March 31, 2014.

**FINANCIAL RESULTS:**

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

(₹ in Lakhs)

<b>PARTICULARS</b>	<b>Year ended 31.03.2014*</b>	<b>9 Months ended 31.03.2013*</b>
<b>Total Income</b>	<b>125546.95</b>	<b>98150.66</b>
<b>Total Expenditure (excluding Depreciation and Interest)</b>	<b>112092.30</b>	<b>86630.99</b>
Profit before Interest & Depreciation	13454.65	11519.57
Less: Interest and other financial charges	8043.98	6309.16
Depreciation	1500.98	1175.94
<b>Profit before Tax</b>	<b>3909.69</b>	<b>4034.47</b>
Less: Tax Expense		
- Deferred Tax	222.22	354.79
- Tax Expense for prior years / (Excess provision written back)	105.25	(1649.20)
<b>Profit after Tax</b>	<b>3582.20</b>	<b>5328.89</b>
Balance brought forward from previous year	(21149.29)	(26478.18)
<b>Profit /(Loss) available for Appropriation</b>	<b>(17567.09)</b>	<b>(21149.29)</b>
Balance carried forward	(17567.09)	(21149.29)

**\*Note:** The current year's figures are for 12 months period while previous year's figures are for 9 months period only and hence the same are not comparable.

**Review of Operations:**

The Company achieved a turnover of ₹ 1255.46 crores for the year ended 31st March 2014 as against ₹ 981.51 crores in the previous 9 months period ended 31st March 2013. The Company earned a Gross Profit of ₹ 134.54 crores before interest and depreciation as against ₹ 115.20 crores in the previous period. After deducting interest of ₹ 80.44 crores, providing a sum of ₹ 15.01 crores towards depreciation and after adjusting deferred tax and excess income tax written back, the operations resulted in a Net Profit of ₹ 35.82 crores as against ₹ 53.29 crores for the previous 9 months period ended 31st March 2013.

Though the company's manufacturing activity was marginally higher during the year under review, decrease in profit was attributable to decrease in margins in manufacturing activity and trading activity coupled with decrease in steel prices when compared to previous period. Further the net profit also decreased due to increase in the cost of raw materials.

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

**EXTENSION OF ANNUAL GENERAL MEETING & SCHEME OF AMALGAMATION:**

As you are aware, the company has preferred a petition before the Hon'ble High Court of Judicature at Hyderabad for the State of Telangana and the State of Andhra Pradesh for the sanction of the Scheme of Amalgamation of M/s Simhadri Power Limited with the Company with appointed date 01.04.2013.

In view of the above, the company has applied to the Registrar of Companies at Hyderabad for extension of time for a period of three months i.e up to 31st December, 2014 for holding the Annual General Meeting for consolidation of the accounts for the year ended 31st March, 2014 and got the approval .



The Board of Directors pleased to inform that the Hon'ble High Court has approved the Scheme of Amalgamation by orders dated 18th November, 2014. The Company has yet to receive the certified copies of the orders and on filing certified copies with the Registrar of Companies, the Scheme will come into effect from 01.04.2013. Therefore the accounts of M/s Simhadri Power Limited are not included in the accounts of the company

**DIVIDEND:**

To conserve the resources for funding the expansion plans, the Board has deemed it prudent not to recommend any dividend for the year ended 31st March 2014.

**TRANSFER TO RESERVES:**

During the financial year under review, there were no transfers to Reserves.

**CAPITAL STRUCTURE:**

During the period under review there is no change in the Authorised and paid up capital of the Company.

The allotment of equity shares to the shareholders of GSAL, ₹ 59,827,195 continues to be pending awaiting the clearances from statutory bodies and has been shown under Equity Share Capital suspense account in the financial statements.

**DIRECTORS:**

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

In terms of Sections 149, 152, Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014, the Independent Directors can hold office for a term of up to five (5) consecutive years on the Board of Directors of your Company and are not liable to retire by rotation. Accordingly, it is proposed to appoint Mr. C. Siva Prasad, Mr. K. Krishna Rao, Mr. G. Venkatanarayana Reddy and Mr. R. Ramachandra Rao, as Independent Directors of your Company with effect from 31st December 2014 to 30th December 2019.

Appropriate resolutions for the appointment/ re-appointment of Directors are being placed before you for your approval at the ensuing Annual General Meeting. The brief resume of the aforesaid Directors and other information have been detailed in the Notice. Your Directors recommend their appointment/reappointment as Directors of your Company.

**REPORT ON SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL STATEMENTS:**

The Company has no subsidiaries for the year ended 31st March 2014 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.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

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

- (i) in the preparation of the accompanying accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- (ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the year 31st March 2014 and of the profit of the Company for the said year;
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the accompanying accounts on a going concern basis.

**REPORT ON THE CORPORATE GOVERNANCE:**

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

**MANAGEMENT DISCUSSION AND ANALYSIS:**

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

**AUDITORS and AUDITORS' REPORT:**

M/s Pavuluri & Co, Chartered Accountants bearing ICAI Registration No. 012194S are proposed to be appointed as Statutory Auditors of the Company from the conclusion of the ensuing Annual General Meeting till the conclusion of the sixth Annual General Meeting of the Company held thereafter, subject to ratification of the appointment by the members at every AGM held after the ensuing 15th Annual General Meeting

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

**COST AUDITORS:**

The Products classified as "Steel and Electricity" manufactured by the Company are subjected to Cost Audit in terms of Sec. 148 of the Companies Act 2013 read with the rules issued there under by the Central Government on 30th June 2014.

Accordingly M/s.DZR & Co., Cost Accountants have been reappointed as the Cost Auditors for the year ending 31st March 2015.

The Cost Audit Report for 9 months period ended 31st March 2013 was reviewed by the Audit Committee at its meeting held on 12.08.2013 and has been filed on 20.09.2013.

The Cost Audit Report for year ended 31st March 2014 was reviewed by the Audit Committee at its meeting held on 11.08.2014 and has been filed on 27.09.2014.

**PUBLIC DEPOSITS:**

The Company has not accepted any Deposits from the Public during the year under review and, as such, no amount on account of principal or interest on Deposits was outstanding as on 31st March, 2014.

**PARTICULARS OF EMPLOYEES:**

The information required under Section 217(2A) of the Companies Act, 1956 read with Rules thereunder is provided in the Annexure forming part of this report. However, in terms of Section 219(1)(b)(iv) of the Companies Act 1956, the Report and Accounts are being sent to the Members, excluding the aforesaid Annexure. Any shareholder interested in obtaining a copy may write to the Company Secretary at the Registered Office of the Company.

**CORPORATE SOCIAL RESPONSIBILITY:**

The company has taken up a series of a charitable works as part of its Corporate Social Responsibility. It focuses on 4 thrust areas viz, natural resource management, education, health and women empowerment. It seeks to bring corporate sector with an overall aim to create equitable, sustainable, and accessible developmental opportunities for the communities we serve..

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE:**

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

**INDUSTRIAL RELATIONS:**

The Industrial relations have been cordial during the year ended 31st March 2014 and your Directors wish to place on record their sincere appreciation to employees at all levels for their dedication, commitment and teamwork who have been instrumental in enabling your Company to achieve higher growth levels during the period.

**ACKNOWLEDGEMENTS:**

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

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

For and on behalf of the Board of Directors

Place: Visakhapatnam  
Date: December 03, 2014

**B. SATISH KUMAR**  
Chairman & Managing Director  
(DIN: 00163676)



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

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

**Conservation of Energy:**

- (a) Energy Conservation measures taken in :
  1. Installed Hot Charging system to convey direct hot billet form CCM to Rolling Mill. Reheating furnace is avoided .
  2. Installed Variable Frequency Drives (VFD) for Fans/blowers to improve the power factor.
  3. Incorporated double deck screen with shortest length conveyor in RMP to save loss due to fines generation during conveying in the existing long conveyor.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:  
Proposed to invest around ₹10.00 Cr. in the coming financial year
- (c) Impact of the measures at (a) above for reduction of energy consumption and consequent impact on the cost of Production of goods:  
Reheating Furnace is avoided thereby 60MT of fuel (coal) per day is saved. 100KW Auxiliary consumption is reduced. Proportionate cost reduction with direct conveying around 160KW power is saved.
- (d) Total energy consumption and energy consumption per unit of production is as per Form A below:

**FORM A** : [See Rule 2] Form for disclosure of particulars with respect to Conservation of Energy

Sl. No	Description	Year Ended 31 March 2014	9 months period ended 31 March 2013
A	Power and Fuel Consumption		
1	Electricity		
	a. Purchased – Units	<b>124191094</b>	81996218
	Total amount – ₹	<b>668144258</b>	459258320
	Rate per Unit [₹]	<b>5.38</b>	5.6
	b. Own Generation:		
	I. Through Diesel Generator – Units	<b>Nil</b>	Nil
	Units Per ltr of diesel – Cost/Unit		
	II. Through Steam turbine /generator – Units	<b>Nil</b>	Nil
	Units per ltr of fuel Oil/gas – Cost/units		
2	* Coal [Specify quality and where used]	<b>13678</b>	10366
	Quantity [Tonnes]	<b>76596800</b>	82057098
	Total Cost	<b>5600</b>	7916
	Average rate		
3	* Furnace Oil		
	Quantity [ltr]	<b>251410</b>	80280
	Total Amount – [₹]	<b>11853982</b>	3881428
	Average Rate – [₹]	<b>47.15</b>	48.35
4	Others Internal generation [please specify]	<b>Nil</b>	Nil
	Quantity		
	Total Cost	<b>Nil</b>	Nil
	Rate / Unit		
B	**Consumption Per Unit of Production		
1	Electricity - Units	<b>325.74</b>	396.89
2	*Furnace Oil – ltr	<b>1.83</b>	0.9
3	*Coal [Specify Quantity-kgs.)]	<b>99.69</b>	115.45
4	Others [Specify]	<b>Nil</b>	Nil

Note: \* Used in the manufacture of Rolling Division.

\*\* Consumption per unit of production is taken as average of all the divisions.





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

<b>Research and Development (R&amp; D)</b>		
1	Specific areas in which R&D carried out by the Company	NIL
2	Benefits derived as a result of the above R&D	Not Applicable
3	Future Plan of Action	NIL
4	Expenditure on R&D	NIL
<b>Technology Absorption, Adaptation and Innovation</b>		
1	Efforts in brief, made towards technology absorption	NIL
2	Benefits derived as a result above	Not Applicable
3	Particulars of technology imported during last five years	NIL
<b>Foreign Exchange Earnings and Outgo:</b>		
a. Export performance:		
1.	Activities relating to exports:	NIL
2.	Initiatives taken to increase exports:	NIL
3.	Development of new export markets for products and services:	NIL
4.	Export plans:	NIL
b.	Total Foreign Exchange used and earned	
		<b>2013-2014</b>
		2012-2013
	Foreign Exchange earnings - ₹. In lakhs	-
	Foreign Exchange outgo - ₹. In lakhs	<b>5816.70</b>
		94.26

For and on behalf of the Board of Directors

Place: Visakhapatnam  
Date: December 03, 2014

**B. SATISH KUMAR**  
Chairman & Managing Director  
(DIN : 00163676)

**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 two whole-time Directors i.e. a Chairman & Managing Director, a Joint Managing Director and six Non-Executive Directors. Four of the Non-Executive Directors are Independent Directors. 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 2014, Six Meetings of the Board of Directors were held on 27th April 2013, 27th May 2013, 3rd July 2013, 12th August 2013, 11th November 2013 and 14th February 2014.

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 year under review are as follows:

Name of the Director	Category	No. of meetings attended	Whether attended last AGM	No. of outside Directorships	No. of other Board Committees
Mr. B. Satish Kumar (Chairman & Managing Director)	PD, ED	5	YES	5	-
Mr. B. Suresh Kumar (Joint Managing Director)	PD, ED	5	YES	7	-
Mr. V.V. Krishna Rao	PD, NED	4	NO	3	-
Mr. B. Suresh	PD, NED	6	NO	6	-
Mr. R. Ramachandra Rao	ID, NED	4	YES	7	-
Mr. C. Siva Prasad	ID, NED	4	YES	1	-
Mr. K. Krishna Rao	ID, NED	6	YES	-	-
Mr. GVN. Reddy	ID, NED	4	YES	-	-

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

**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	6	4
Mr. R. Ramachandra Rao	Member	ID, NED	6	5
Mr. B. Suresh	Member	PD, ED	3	3
Mr. K. Krishna Rao	Member	ID, NED	3	3

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

Mr. B. Suresh has resigned as the member of the Audit Committee and Mr. K. Krishna Rao was appointed in his place w.e.f. 03.07.2013.

Mr. Siva Prasad has been re-designated as member of the Audit Committee w.e.f 03.07.2013 and appointed as Chairman of the Committee w.e.f 14.02.2014.

Mr. R. Ramachandra Rao has been appointed as Chairman of the Audit Committee w.e.f 03.07.2013 and re-designated as member of the Committee w.e.f 14.02.2014.

The Company Secretary acts as the Secretary of the Committee.

During the year under review, Six meetings of the Audit Committee were held on 27th April 2013, 27th May 2013, 1st July 2013, 12th August 2013, 11th November 2013 and 14th February 2014.

**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 constituted in line with the provisions of Clause 49 of the Listing Agreement and the composition of the Remuneration Committee is as follows:

Name of the Director	Designation	Category
Mr. C. Siva Prasad	Chairman	ID, NED
Mr. R. Ramachandra Rao	Member	ID, NED
Mr. K. Krishna Rao	Member	ID, NED

ID: Independent Director, NED: Non-Executive Director

During the period under review, there was one Remuneration Committee meeting was held on 01.07.2013 and all the members were present at the said meeting.

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 trends etc.

Details of Director's Remuneration for the year ended 31st March, 2014:

Name	Designation	Remuneration (in ₹. )		
		Salary	Allowances/ Perquisites	Total
Mr. B. Satish Kumar	Chairman & Managing Director	6,600,000	98,110	6,698,110
Mr. B. Suresh Kumar	Jt Managing Director	6,000,000	-	6,000,000
	<b>Grand Total</b>	<b>12,600,000</b>	<b>98,110</b>	<b>12,698,110</b>

Mr. B. Satish Kumar has been re-appointed as Managing Director, for a period of three years w.e.f. 01-03-2013, Mr. B. Suresh Kumar has been re-appointed as Joint Managing Director of the Company for a period of three years w.e.f. 27-10-2013. 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 a total sitting fee of ₹ 90,000 is paid to the four Independent Directors for attending the Board meetings.

#### 5. Shareholders/ Investors Grievance Committee

The committee consists of

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

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

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

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

The total number of complaints received and replied to the satisfaction of shareholders during the period under review, was 30. There were no outstanding complaints as on 31st March, 2014 and no share transfers pending at the end of the period under review.

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
2010-11	12th AGM	Hotel Aditya Park, Aditya Trade Centre, Nr Maitrivanam, Ameerpet, Hyderabad - 38	30-09-2011 12.00 Noon	1
2011-12	13th AGM	The Square Hyderabad, # 6-3-870, Green Lands, APTDC Paryatak Bhavan, Begumpet, Hyderabad - 16	29-09-2012 12.00 Noon	2
2012-13	14th AGM	The Square Hyderabad, # 6-3-870, Green Lands, APTDC Paryatak Bhavan, Begumpet, Hyderabad - 16	12-08-2013 12.00 Noon	NIL

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

(iii) No special resolution was put through a Postal ballot in the previous year under review.

(iv) The following special resolutions are proposed to be passed through a Postal ballot:

- a) Approval of the Scheme of Amalgamation of Simhadri Power Limited with Steel Exchange India Limited (proposed to be passed as an Ordinary resolution)
- b) Authorizing the Board of Directors to dispose of the whole or substantially the whole of the undertaking of the Company including by way of mortgage and/or creation of security interests on movable and/or immovable properties of the Company, both present and future, in respect of its borrowings under Section 180 (1) (a) of the Companies Act, 2013.
- c) Authorizing the Board of Directors to borrow up to a maximum limit of ₹ 2000.00 crores under Section 180 (1) (c) of the Companies Act, 2013.

(v) **Procedure for Postal Ballot:** After receiving the approval of the Board of Directors, Notice of Postal Ballot, text of the resolution and explanatory statement, relevant documents, postal ballot forms and self addressed postage pre - paid envelopes are sent to the share holders to enable them to consider and vote for or against the proposal with in a period of 30 days from the date of dispatch. After receipt of the Postal Ballots, the scrutiniser, after due verifications, submits the results to the chairman/Managing Director of the company. Thereafter the Chairman/ Managing Director declares the result of the Postal Ballot. The same will be informed to the Stock Exchanges.

Mr. S. Sarweswara Reddy, M/s. S.S. Reddy & Associates, Practicing Company Secretaries, Hyderabad was appointed as Scrutinizer for conducting the postal ballot process in a fair and transparent manner.

**7. Disclosures:**

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

Related party transactions have been disclosed in Notes to Accounts - Note No.2.32.

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



(iii) The information on Directors seeking re-appointment 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

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 2013 are as under:

1.	Mr. V. V. Krishna Rao	6,43,736
2.	Mr. R. Ramachandra Rao	NIL
3.	Mr. G.Venkata Narayana Reddy	NIL
4.	Mr. C. Siva Prasad	1,000
5.	Mr. K. Krishna Rao	NIL
6.	Mr. B. Suresh	11,35,850

(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 Bhoomi (Telugu).

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

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

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



**9. GENERAL SHAREHOLDER' INFORMATION:**

**i) 15th Annual General Meeting:**

Date : **Wednesday, 31st December, 2014**

Time : **11.30 A.M.**

Venue : **The Plaza, 6-3-870, Tourism Plaza, Greenlands, Begumpet, Hyderabad - 500 016. Phone: 040 - 4949 5959**

**ii) Financial Year**

**Financial Calendar for 2014-15** : The following are tentative dates:

First Quarter results : 11th August, 2014

Second Quarter results : 14th November, 2014

Third Quarter results : 4th week of January, 2015

Annual results for 2014-15 : 4th week of May, 2015

AGM for the year 2014-15 : 2nd week of August, 2015

**iii) Dates of Book Closure**

: 26th December, 2014 to 31st December, 2014 (both days inclusive)

**iv) Dividend Payment Date**

: No dividend is recommended for the year ended on 31st March 2014.

**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

**vi) Stock Code/Symbol**

: BSE : 534748/STEELXIND  
CSE : 26498/PYXIS

**vii) Market Price Data**

:

The Securities of the Company are actively traded in the Bombay Stock Exchange Ltd, Mumbai in B Group. 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 (₹. )	Low (₹. )	High	Low	
Apr -- 13	84.50	70.00	19622.68	18144.22	3,527,284
May -- 13	79.90	67.05	20443.62	19451.26	1,615,367
Jun -- 13	72.50	60.50	19860.19	18467.16	2,232,982
July - 13	77.95	61.00	20351.06	19126.82	1,660,286
August -13	79.00	55.40	19569.2	17448.71	1,337,310
September - 13	67.00	54.00	20739.69	18166.17	1,090,585
October - 13	71.90	52.60	21205.44	19264.72	667,268
November - 13	66.80	52.00	21321.53	20137.67	258,344
December - 13	57.90	35.75	21483.74	20568.7	334,929
January - 14	42.75	34.00	21409.66	20343.78	716,834
February - 14	42.00	33.25	21140.51	19963.12	29,330
March - 14	63.80	37.20	22467.21	20920.98	2,791,698

Source: [www.bseindia.com](http://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 2014:**

No of Shares	Shareholders		Shares	
	Number	% of Total	Number	% of Total
1 - 500	6,281	84.91	1,015,933	1.96
501 - 1,000	547	7.39	460,269	0.89
1,001 - 2,000	226	3.05	353,355	0.68
2,001 - 3,000	98	1.32	250,956	0.48
3,001 - 4,000	28	0.38	103,602	0.20
4,001 - 5,000	41	0.55	199,649	0.38
5,001 - 10,000	47	0.64	350,642	0.67
10,001 & above	130	1.76	49,215,594	94.74
<b>Total</b>	<b>7,398</b>	<b>100.00</b>	<b>51,950,000</b>	<b>100.00</b>

**xi) Category-wise Distribution of Shareholding as on 31st March 2014:**

Category	No. of shares held	Percentage of shareholding
<b>A) PROMOTER'S HOLDING</b>		
Promoters		
- Indian Promoters	9,304,152	17.91
- Foreign Promoters	211,504	0.41
- Bodies Corporate	19,054,590	36.68
<b>Sub-Total</b>	<b>28,570,246</b>	<b>55.00</b>
<b>B) NON-PROMOTER'S HOLDING</b>		
a. Banks, Financial Institutions (APIDC)	300,000	0.58
b. Private Corporate Bodies	8,599,910	16.55
c. Indian Public	13,915,547	26.78
d. NRIs/ Trusts/ Clearing Members	564,297	1.09
<b>Sub-Total</b>	<b>23,379,754</b>	<b>45.00</b>
<b>GRAND TOTAL (A+B)</b>	<b>51,950,000</b>	<b>100.00</b>



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

As on 31st March 2014, 51,109,372 shares representing 98.38% were held in dematerialised form. The balance 840,628 shares representing 1.62% 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). 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 2014, there were no Outstanding GDRs/ ADRs/ Warrants or any Convertible Instruments of the Company.

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

**xiv) Unclaimed Dividend**

The dividend for the years 2007-08 & 2008-09 which remains unclaimed by the shareholders, is requested to claim immediately or contact the Company. The dividend, which remains unclaimed for a period of seven years from the date of declaration, will be transferred to Investor Education & Protection Fund (IEPF).

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

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

Telefax: +91 - 8855 - 244406

**2. Rolling Division**

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

Telephone: +91 - 8924 - 247055

Fax: +91 - 8924 - 247685

**3. Wire Drawing Division**

S. No. 88/50 to 88/101, R.G. Peta, L.Kota Mandal, Vizianagaram District - 533 301.

**4. Bobbili Wire Drawing Division (Galvanised Wire Products):**

S. No. 295 to 300, APIIC Growth Centre, Bobbili- 535 558.

**5. Wire Drawing Division (HC Wire Products):**

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

Telephone: +91 - 891 - 2587574

Fax: +91 - 891 - 2766437

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

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

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

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

Telephone: +91 - 40 - 23818475 / 76

Fax : +91 - 40 - 23868024

Email: info@vccilindia.com

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

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

Telephone: +91 - 40 - 23403725

Fax : +91 - 40 - 23413267

Email: cs@seil.co.in

**DECLARATION**

As stipulated under Clause 49 (I D) (ii) of the Listing Agreement, the Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the year ended 31st March 2014.

Place: Visakhapatnam  
Date: December 03, 2014

**B. Satish Kumar**  
Chairman & Managing Director  
(DIN : 00163676)



**MANAGEMENT DISCUSSION AND ANALYSIS**

**Industry Structure and Developments:**

World crude steel production reached 1,608 million metric tons (mmt) for the year of 2013. This is an increase of 3.5% compared to 2012. The growth came mainly from Asia while crude steel production in almost all other regions decreased in 2013 compared to 2012.

China remained the world's largest Crude Steel producer in 2013 also (779.00 mmt) followed by Japan (110.60 mmt) and India occupied the 4th position (81.20 mmt). The World Steel Association predicted a slower growth rate of around 3% in 2014 for the global steel production.

(Source: World Steel Association)

**Top 10 Steel-producing Countries:**

Rank	Country	Production (mmt)		% Change 2012/2011
		2012	2011	
1	China	779.0	724.7	7.5
2	Japan	110.6	107.2	3.1
3	United States	87.0	88.7	-2.0
4	India	81.2	77.3	5.1
5	Russia	69.4	70.4	-1.5
6	South Korea	66.0	69.1	-1.4
7	Germany	42.6	42.7	0.0
8	Turkey	34.7	35.9	-3.4
9	Brazil	34.2	34.5	-1.0
10	Ukraine	32.8	33.0	-0.5
	<b>World</b>	<b>1607.2</b>	<b>1552.9</b>	<b>3.5</b>
	<b>World - China</b>	<b>828.2</b>	<b>828.2</b>	<b>0.0</b>

(Source: World Steel Association)

China continued to be the leading producer of steel in 2013 showing a 7.5% growth. China's share of world steel production in 2013 is 48% of world total crude steel. The European Union recorded a decrease of 1.8% over 2012, producing 166 Million MTs of crude steel in 2013.

India produced 81.2 mmt of crude steel in 2013, registering a growth of 5.1% over previous year.

The domestic steel industry is going through a downturn due to weak demand from downstream industries and higher cost of production due to weak rupee and higher domestic raw material prices. As per World Steel Association, steel production growth in India has slowed down from 6.9% in 2012 to 5.1% in 2013. Steel demand growth in India is expected to be 3.3% in 2014 and 4.5% in 2015.

**Opportunities & Threats:**

The Government of India plans to give thrust to the infrastructure sector. Opening up of Railways and Defence Sectors for FDI will help in increasing the domestic demand of Steel.

The Indian steel industry is poised for a robust growth over the medium term. There would be opportunities provided by a rapidly expanding domestic market. This presents an attractive opportunity for the industry to expand the existing capacities and create further green field capacities.

India's per capita steel consumption continued to be low at 60 kg compared to global average of 210 kg. 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 because of urbanisation, growth in rural steel consumption and an increasing middle class. These will result in demand for better housing, transport and infrastructure facilities which will result in higher demand for steel.

With the bifurcation of the State of Andhra Pradesh, the new State will focus on infrastructure projects viz. New Capital, industrial Parks and corridors, new ports, airports, government offices and residential buildings and new cities creating



opportunities for enhanced steel consumption. Your Company is strategically located in the new state and is poised to gain from the opportunities in the new State's Steel demand through its strengths of quality, repute, location and logistical advantages.

The downturn in steel has kept some key players away who had otherwise drawn up ambitious plans to set up new and very large capacity units in India. A few of them like POSCO Arcelor Mittal have not concluded their plans to set up new units. This should augur well for the existing companies have gone ahead with their expansion plans and the margins reasonably protected as excess steel capacity in the country could lead to a margin squeeze. However with excess capacity in the global steel industry, there is a threat of dumping cheap steel into India. This is a major threat to the domestic steel industry. 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. Slowing growth in China could potentially increase competition from cheap imports and fall in international steel prices due to decline in raw material prices both for iron ore & coking coal.

**Risks, Concerns and Outlook:**

The Global economy has slowed down, mainly due to lower growth rates in emerging economies such as China and India. This has resulted in weakening of commodity prices. The Indian economy has been going through challenging times with high inflation and high interest rates affecting all sectors and resulting in lower than 5 % GDP growth. India's GDP growth has slowed down in 2013 on account of rising inflation and tight monetary controls.

The Indian Steel Sector has been adversely affected due to high raw material costs and weak product prices. The iron ore production has dropped significantly due to delay in forest clearance and several Iron ore mine closures due Supreme Court judgment.

The over capacity and excess production in China and adverse duty structure domestically has further affected the Steel Business in India. The Steel Plants have also been affected by the stoppage of coal linkage and de-allocation of coal blocks. Main hurdles in Indian Steel Industry are high cost of power and fuel and non availability of coal, which are expected to be addressed by new Government in due course of time.

SEIL's captive Power Plants take care of about 99% of its total power need. The Company will continue to have security in this key input in future as well

Your company is having exposure to forex due to significant imports and the volatility of currency contributes to high risk and to minimize the impact of fluctuating exchange prices, the company hedges by taking forward contract.

Strengthening of rupee against foreign currency may reduce export competitiveness and enhance competitiveness of imported steel.

The infrastructure facilities needs to be upgraded as the majority of the ports, mines and railways have inadequate and low capacity bulk handling facility. The congested road networks connecting steel plants to mines and ports lead to delays in supply and delivery of raw materials.

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.

World Steel usage is expected to grow by 3.1% to 1,527 mmt in 2014. A continued steady recovery in major economies and growth in emerging countries is further expected in 2015.

With stable Government at centre, the steel demand is expected to accelerate further in view of various expected reform measures. Infrastructure development of the country coupled with high targeted spending in core sector as indicated by the new Government will boost the economy and accelerate the domestic demand of steel. The development of infrastructure and housing facilities are expected to accelerate steel demand.

In the Budget for 2014-15, opening up of more sectors for FDI has been announced which is expected to accelerate manufacturing growth and would give a push to the economy. The GDP growth for fiscal 2014-15 has been projected in the range 5.4% to 5.7%, with the subsequent achievement of 7%-8% in the next 3-4 years. The steel using sectors such as construction, infrastructure and manufacturing are expected to revive growth for steel consumption.

The long term outlook of the Steel Industry continues to be promising and challenging. With the formation of the state of Andhra Pradesh, demand is expected to increase with increased thrust on infrastructure development. The new industrial policy (yet to be announced) is also expected to bring in new investment opportunities in the state which augurs well for the overall growth of the economy of the state.

With the amalgamation of the Simhadri Power Limited with the company and increased manufacturing base, your Company expects to better the revenues with improved margins in the ensuing years.

**Division wise Performance:**

**Note:** The current year figures are not comparable with the previous period's figures as the current year figures are for 12 months where as the previous period's figures are for 9 months.

**1) Trading Division**

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

The division reported a turnover of ₹ 606.41 crores which is about 49% of the total turnover for the year ended 31st March 2014 compared to ₹ 519.32 crores in the previous 9 months period ended 31st March 2013. There was decrease in turnover from this division as demand for steel has been sluggish during the year.

**2) Steel Ingot Division - 90,000 TPA**

This division manufactures ingots using sponge iron and scrap / pig iron. The unit also has a power generation unit using natural gas for captive consumption. The company continued with low level of operations for the period under review keeping in view the market conditions and sold the power produced from the Power Plant.

The division reported a turnover of ₹ 21.38 crores which came from sale of power compared to the turnover of ₹ 10.91 crores in the previous period which consisted of ₹ 5.67 crores from sale of power and ₹ 5.24 Crores from sale of steel products. The power sales increased as no manufacturing activity of steel ingots was carried out during the year.

**3) Wire Products Division:**

The unit of this division produces High Carbon steel wire products. The division reported a turnover of ₹. 20.64 crores as against ₹. 65.99 crores in the previous period. The turnover of this Division includes only one unit as the other unit was disposed in the previous period and the Management will continue its efforts to maximise the revenues from this division in the current year.

**4) Integrated Steel Plant:**

The Integrated Steel Plant (ISP) of the Company is located at Srirampram Village, L. Kota Mandal, Vizianagaram District and consists of following units:

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

The total revenue for the period under review from ISP stood at ₹ 605.68 crores as against ₹ 472.37 crores in the previous period. The division reported marginal decrease in turnover on year to year basis. The TMT bars produced are sold under the well established brand name **Simhadri TMT Bars**.

**Financial Performance****1) Share Capital**

The paid up equity share capital of the Company stands at ₹ 519,500,000 comprising of 51,950,000 Equity Shares of ₹ 10/- each and there is no change in the paid up equity share capital compared to the previous period.

**2) Reserves and Surplus**

For the year ended 31st March 2014, the Reserves and Surplus have increased from ₹ 224.22 crores to ₹ 260.04 crores due to the balance transferred from the profit and loss account amounting to ₹ 35.82 crores.

**3) Secured Loans**

There has been decrease in Secured Loans from ₹ 383.45 crores to ₹ 340.90 crores. The decrease was on account of repayment of term loans to banks and financial institutions.

**4) Unsecured Loans**

There has been an increase in Unsecured Loans from ₹ 37.82 crores to ₹ 58.55 crores.

The increase was mainly on account of availing unsecured loans from corporate for business purposes.

**5) Fixed Assets**

During the period under review, there was an increase in the Fixed Assets and the total Fixed Assets (Net Block) stands at ₹ 349.91 crores as against 324.73 crores in the previous period. The increase was mainly on account of payment towards consolidation of lands at Srirampram Village, construction of coal shed and other additions to plant & machinery and miscellaneous assets.

**Operational Performance****1) Income**

The income of the Company was ₹ 1255.46 crores for the year ended 31st March 2014 as against ₹ 981.51 crores in the 9 months period ended 31st March 2013, registering a marginal decrease in turnover on year to year basis. The decrease was due to fluctuating and depressed market conditions resulting in sluggish demand for steel products.

**2) Direct Cost & Other expenses**

The Direct Costs comprising of cost of material consumed and purchase of traded goods was to ₹ 1022.08 crores for the year as against ₹ 794.57 crores in the previous 9 months period ended 31st March 2013.

Other expenses comprises of other manufacturing expenses, staff costs, administration and selling & distribution expenses etc. The same was ₹ 146.79 crores for the year ended 31st March 2014 as against ₹ 108.05 crores in the previous 9 months period ended 31st March 2013. The Company continues its efforts to minimise the costs and overheads.

**3) Interest Cost**

For the year under review, the interest and financial charges were ₹ 80.43 crores representing 6.41 % of the turnover as against ₹ 63.09 crores representing 6.42 % of the turnover in the previous year. The interest cost is marginally lower due to the repayment of term loans and lower usage of credit facilities availed from banks during the year under review.

**4) Depreciation**

The Company has provided a sum of ₹ 15.09 crores towards depreciation representing 1.20 % of the turnover for the year under review as against ₹ 11.76 crores representing 1.20 % of the turnover in the previous period.

**5) Provision for Tax**

The Company has not provided any amount towards income tax as the Company has accumulated losses. The accumulated losses of GSAL (India) Limited were transferred to the company upon its amalgamation with the company. The deferred tax provision for the period under review is ₹ 2.22 crores as against ₹ 3.55 crores in the previous period. The tax expense of ₹ 1.05 crores of prior period was charged to Profit and Loss account during the year under review.

**6) Net Profit**

The operations for the year ended 31st March 2014 have resulted in a Net Profit of ₹ 35.82 crores as against ₹ 53.29 crores in the 9 months period ended 31st March 2013. Decrease in margins in manufacturing activity and trading activity coupled with high raw material costs and decrease in steel prices resulted in lower net profit when compared to previous period. It may be noted that the net profit of the previous period includes ₹ 16.49 crores on account of the write back of excess provision of income tax of earlier years.

**7) Dividend**

No Dividend is recommended on the Equity Shares for the year ended 31st March 2014.

**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 period under review continued to be cordial and your Company is committed to maintain good relations. The Board of Directors and the Management wish to place on record their appreciation of the efforts put in by all employees at all levels. The total number of employees is about 1238 as on 31st March 2014.

**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 31st March 2014, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

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

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

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

Camp: Visakhapatnam  
Date: December 03, 2014



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## **INDEPENDENT AUDITORS' REPORT**

To  
The Members of  
**STEEL EXCHANGE INDIA LIMITED**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Steel Exchange India Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

### **Management's Responsibility for the Financial Statements**

The company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting Standards notified under the Companies Act, 1956 ("the Act") read with the general circular 15/2013, dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Sec 133 of the Companies Act 2013 and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- b) In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) In the case of the Cash Flow Statement, of the cash flows of the company for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, 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 account as required by law have been kept by the Company so far as appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the act read with the general circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Sec 133 of Companies Act 2013.
- e) On the basis of the written representations received from the directors as on March 31, 2014, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of Section 274(1)(g) of the Act.

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

**CA. P.A.RAMAI AH**  
Partner  
M.No.: F-203300

Camp: Visakhapatnam  
Date: 29.05.2014





## **ANNEXURE TO INDEPENDENT AUDITORS' REPORT**

**Referred to in Paragraph 1 under the heading of "report on other legal and regulatory requirements" of our report of even date**

1. In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - (b) As explained to us, all the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its business. No material discrepancies were noticed on such physical verification.
  - (c) According to the information and explanations furnished to us, the Company has not disposed of a substantial part of its fixed assets during the year and the going concern status of the company is not affected.
2. In respect of its inventories:
  - (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. In respect of the loans, secured or unsecured, granted or taken by the Company to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956:
  - (a) The Company has granted loans to two parties covered in the Register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding at any time during the year was ₹10.22 Crores and year end balance is Nil.
  - (b) In our opinion and according to the information and explanation given to us, the rate of interest and other terms and conditions of the loans given by the company, are not prima facie not prejudicial to the interest of the company.
  - (c) The parties have been regular in payment of interest and there is no stipulation for the repayment of principal and interest.
  - (d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
  - (e) According to the information and explanation given to us, the company has not taken any loans during the 9 months period from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, Paragraph 4 (iii)(e)(f)(g) of the Order is not applicable.
4. In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventories, fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct the weaknesses in internal control system.
5. In respect of the contracts or arrangements referred to in Section 301 of the Companies Act, 1956:
  - (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 ₹.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. Therefore, the provisions of Clause (vi) of paragraph 4 of the Order are not applicable to the Company.
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 Cost Records maintained by the Company pursuant to the Company's (Cost Accounting



Records) Rules 2011 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 cost records have been maintained. However, we have not carried out a detailed examination of the cost records with a view to determine whether they are accurate or complete.

9. In respect of Statutory Dues:

- (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, 2014 for a period exceeding six months from the date they became payable.
- (b) The disputed statutory dues that have not been deposited on account of disputed matters pending before appropriate authorities are as under:

Name of the Statute	Nature of Dues	Period to which the amount relates	Amount in ₹.	Deposits/ Paid in (₹.)	Forum where the dispute is pending with
CST Act	Sales Tax	2002-03 2004-05	50,71,067/-	6,33,884/-	Appellate Deputy Commissioner, Visakhapatnam
CST Act	Sales Tax	2005-06 2006-07	52,20,506/-	13,05,126/-	STAT-Visakhapatnam.
AP VAT Act	Sales Tax	2011-12	13,94,858/-	3,48,715/-	The Hon'ble High Court of Andhra Pradesh
AP VAT Act	Sales Tax	2013-14	31,41,694/-	7,85,424/-	Appellate Deputy Commissioner, Visakhapatnam
Customs Act	Customs duty	2003-04	54,35,648/-	NIL	Hon'ble High Court of Andhra Pradesh
Customs Act	Customs duty	2012-13	67,38,452/-	NIL	CESTAT-Bangalore
Central Excise Act	Excise Duty	2007-08 2008-09	88,21,936/-	NIL	CESTAT-Bangalore
Central Excise Act	Excise Duty	2009-10 2010-11 2011-12	2,75,43,892/-	50,00,000/-	Commissioner of Central Excise, Visakhapatnam.
Central Excise Act	Excise Duty	2010-11	14,35,189/-	NIL	Hon'ble High Court of Andhra Pradesh
Buildings and Other Construction Workers Welfare Cess Act, 1996	Cess	2010-11	1,27,98,000/-	NIL	Hon'ble High Court of Andhra Pradesh
AP Registration & Stamps Act	Stamp duty	2008-09	44,99,900/-	NIL	The District Registrar, Vizianagaram.

10. The Company has accumulated losses and has not incurred cash losses in the current financial year and immediately preceding 9 months financial period.

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. Based on audit procedures and according to the information and explanations given to us, 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 given guarantee to ₹ 288 Crores to the associate company for loans taken from banks, and financial institutions. The terms and other conditions, in our opinion are not prima facie prejudicial to the interest of the company.
16. In our opinion, the term loans raised during the year 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, the funds raised on short-term basis have not been used for long-term investments.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. No debentures have been issued by the company and hence, the question of creating securities in respect thereof does not arise.
20. The company has not raised any monies 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 material 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.RAMAIHAH**  
Partner  
M.No.: F-203300

Camp: Visakhapatnam  
Date: 29.05.2014

**BALANCE SHEET AS AT 31ST MARCH 2014**

PARTICULARS	Note No.	As at 31.03.2014 Amount ₹	As at 31.03.2013 Amount ₹
<b>I. EQUITY AND LIABILITIES</b>			
<b>Shareholder's funds:</b>			
a) Share Capital	2.1	519,500,000	519,500,000
b) Reserves and Surplus	2.2	2,600,429,854	2,242,209,147
c) Equity Share Capital Suspense Account	2.3	59,827,195	59,827,195
		<b>3,179,757,049</b>	<b>2,821,536,342</b>
<b>Non-Current liabilities</b>			
a) Long Term Borrowings	2.4	922,877,004	1,132,029,891
b) Deferred Tax Liability	2.5	202,621,525	180,398,725
c) Other Long Term Liabilities	2.6	312,000,000	30,000,000
		<b>1,437,498,529</b>	<b>1,342,428,616</b>
<b>Current Liabilities</b>			
a) Short-term Borrowings	2.7	2,460,038,277	2,434,749,429
b) Trade Payables	2.8	4,966,454,242	4,172,031,850
c) Other Current Liabilities	2.9	1,375,087,229	1,385,583,045
d) Short Term Provisions	2.10	-	17,656,738
		<b>8,801,579,748</b>	<b>8,010,021,062</b>
<b>TOTAL</b>		<b>13,418,835,325</b>	<b>12,173,986,020</b>
<b>II. ASSETS</b>			
<b>Non-current assets</b>			
a) Fixed assets			
(i) Tangible assets	2.11	3,499,117,730	3,247,302,156
(ii) Capital Work in Progress		90,622,262	35,816,236
b) Non Current Investments	2.12	352,870,660	352,870,660
c) Long-term Loans and Advances	2.13	98,629,439	68,396,486
		<b>4,041,240,091</b>	<b>3,704,385,538</b>
<b>Current assets</b>			
a) Inventories	2.14	5,863,258,642	4,171,609,081
b) Trade Receivables	2.15	2,129,548,851	2,613,414,067
c) Cash and Bank Balances	2.16	482,614,150	370,410,155
d) Short term Loans & Advances	2.17	760,840,403	1,195,525,179
e) Other Current Assets	2.18	141,333,188	118,642,001
		<b>9,377,595,234</b>	<b>8,469,600,482</b>
<b>TOTAL</b>		<b>13,418,835,325</b>	<b>12,173,986,020</b>

The Schedules referred to above and Statement on Significant Accounting Policies form an integral part of the Balance Sheet

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

Chartered Accountants  
Firm Reg. No. 012194S

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

Camp: Visakhapatnam  
Date : 29.05.2014

for and on behalf of the Board of Directors

**B. SATISH KUMAR**  
Chairman & Managing Director  
(DIN : 00163676)

Place : Visakhapatnam  
Date : 29.05.2014

**B. SURESH KUMAR**  
Jt. Managing Director  
(DIN : 00206473)

**B.NARAHARI**  
Company Secretary



## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH' 2014

PARTICULARS	Note No.	Year Ended 31.03.2014 Amount ₹	9 Months Period ended 31.03.2013 Amount ₹
<b>INCOME:</b>			
Revenue from operations (Gross)	2.19	13,234,254,087	10,292,051,561
Less: Excise Duty		679,558,830	476,985,465
		<b>12,554,695,257</b>	<b>9,815,066,096</b>
Other Income	2.20	72,776,475	195,050,873
<b>Total Revenue</b>		<b>12,627,471,732</b>	<b>10,010,116,969</b>
<b>EXPENDITURE:</b>			
Cost of Material Consumed	2.21	4,307,066,503	3,023,085,947
Purchase of Traded Goods	2.22	5,913,749,484	4,922,615,640
Changes in Inventories	2.23	(406,700,060)	(168,123,043)
Employee Benefits	2.24	173,100,946	132,999,827
Finance Costs	2.25	804,397,673	630,915,686
Depreciation	2.11	150,098,467	117,594,571
Other Expenses	2.26	1,294,789,429	947,580,624
<b>Total expenses</b>		<b>12,236,502,441</b>	<b>9,606,669,253</b>
<b>Profit before Taxes</b>		<b>390,969,290</b>	<b>403,447,716</b>
Tax expenses:			
(1) Tax expense of Prior Years/ (Excess provision written Back)		10,525,783	(164,920,493)
(2) Deferred Tax		22,222,800	35,479,011
<b>Profit for the period</b>		<b>358,220,707</b>	<b>532,889,198</b>
<b>Earnings per equity share :</b>	2.33		
(1) Basic		6.90	10.26
(2) Diluted		6.18	9.20

The Notes referred to above and Statement on Significant Accounting Policies form an integral part of the Statement of profit and Loss

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

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

Camp: Visakhapatnam  
Date : 29.05.2014

for and on behalf of the Board of Directors

**B. SATISH KUMAR**  
Chairman & Managing Director  
(DIN : 00163676)

Place : Visakhapatnam  
Date : 29.05.2014

**B. SURESH KUMAR**  
Jt. Managing Director  
(DIN : 00206473)

**B.NARAHARI**  
Company Secretary



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2014**

	Year Ended 31.03.2014 Amount (₹)	9 Months Period ended 31.03.2013 Amount ₹
<b>A) CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit before Taxation	390,969,290	403,447,716
<b>Adjustment for:</b>		
a) Depreciation	150,098,467	117,594,571
b) Preliminary Expenses written off	7,288,372	5,545,216
c) Bad Debts Written off	60,892	4,375,496
d) Financial Charges	804,397,673	630,915,686
e) Loss/ (profit ) on Sale of Asset	(13,126)	(75,395)
Operating profit before working capital changes	<u>1,352,801,568</u>	<u>1,161,803,290</u>
Adjustment for change in Working Capital		
a) Decrease/(Increase) in Trade & Other Receivables	738,008,993	252,884,764
b) Decrease/(Increase) in Inventories	(1,691,649,562)	(670,479,909)
c) Increase/ (Decrease) in Trade & Other Payables	1,082,546,710	(140,225,521)
Cash Generated from Operations	<u>1,481,707,710</u>	<u>603,982,624</u>
Less: Direct Taxes Provision	10,525,783	(164,920,493)
<b>Net Cash from Operating Activities</b>	<u><u>1,471,181,927</u></u>	<u><u>768,903,117</u></u>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES:</b>		
a) Purchase of Fixed Assets	(402,045,286)	(89,781,475)
b) Sale of Fixed Assets	144,370	275,001
c) (Increase)/Decrease in Capital Work in Progress	(54,806,026)	(11,143,356)
<b>Net Cash used in Investing Activities</b>	<u><u>(456,706,942)</u></u>	<u><u>(100,649,830)</u></u>
<b>C) CASH FLOW FROM FINANCING ACTIVITIES:</b>		
a) Net Increase in Secured Loans	(435,584,096)	(183,231,636)
b) Net (Decrease)/Increase in Unsecured Loans	217,443,184	158,996,204
c) Payment of Financial Charges	(804,397,673)	(630,915,686)
d) Proposed Dividend and Tax thereon	-	-
<b>Net Cash generated through Finance</b>	<u><u>(1,022,538,586)</u></u>	<u><u>(655,151,118)</u></u>
<b>Net Increase/(Decrease) in Cash and equivalents (A+B+C)</b>	<b>(8,063,601)</b>	<b>13,102,169</b>
<b>Cash &amp; Cash Equivalents -Opening balance</b>	<b>33,047,197</b>	<b>19,945,028</b>
<b>Cash &amp; Cash Equivalents -Closing balance</b>	<b>24,983,597</b>	<b>33,047,197</b>

The notes form an integral part of these financial statements

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

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

Camp: Visakhapatnam  
Date : 29.05.2014

for and on behalf of the Board of Directors

**B. SATISH KUMAR**  
Chairman & Managing Director  
(DIN : 00163676)

Place : Visakhapatnam  
Date : 29.05.2014

**B. SURESH KUMAR**  
Jt. Managing Director  
(DIN : 00206473)

**B.NARAHARI**  
Company Secretary

**NOTES to Financial Statements for the year ended 31st March, 2014****Nature of business:**

Steel Exchange India Limited was incorporated on 24th February 1999. The activities of the company are manufacture of steel products, trading of related products and generation and sale of power.

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

The financial statements are prepared under historical cost convention in accordance with the generally accepted accounting principles in India ("Indian GAAP") and comply in all material respects with the mandatory Accounting Standards ("AS") prescribed in the Companies (Accounting Standard) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified), the Companies Act, 1956 (to the extent applicable), and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting Policies have been consistently applied except where a newly issued accounting standard is initially adopted or revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

**ii) Operating Cycle:**

All assets and liabilities have been classified as Current and Non-Current as per the company's normal operating cycle and other criteria set out in the Schedule VI of the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of Current and Non-Current classification of Assets and Liabilities.

**iii) Revenue Recognition:**

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

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

**iv) Use of estimates:**

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and estimated useful lives of fixed assets. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

**v) Fixed Assets:**

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

**vi) Borrowing costs:**

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

**vii) Capital Work in progress:**

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

**viii) Depreciation:**

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

**NOTES to Financial Statements for the year ended 31st March, 2014**

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

**ix) Inventories:**

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

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

**x) Investments:**

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

**xi) Income Tax:**

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

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

**xii) Retirement and other Employee Benefits:**

- a. **Defined Contribution Plan:** Fixed contributions to Provident Fund are recognized in the accounts at actual cost to the Company.
- b. **Defined Benefit Plan:** The Company makes contribution to a scheme administered by the insurer to discharge gratuity liabilities to the employees. The Company records its gratuity liability based on independent actuarial valuation as at the Balance Sheet date using the Projected Unit Credit Method. Actuarial gains and losses are immediately recognized in the Statement of Profit and Loss.
- c. **Other Employee Benefits:** Other employee benefits are estimated and accounted as per the company's policy and the terms of the employment contract.

**xiii) Foreign Currency Transactions:**

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

**xiv) Cash flow statement:**

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

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





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**NOTES to Financial Statements for the year ended 31st March, 2014**

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**xv) Provisions:**

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

**xvi) Earnings Per Share:**

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

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

**xvii) Segmenting Reporting:**

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

**xviii) Cash and Cash Equivalents**

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

**xix) Prior period items**

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

**xx) Leases**

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

**Where the Company is the lessee**

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

**Where the Company is the Lessor**

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

**xxi) Contingent Liabilities**

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



## NOTES to Financial Statements for the year ended 31st March, 2014

## 2.1 SHARE CAPITAL

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	Amount ₹.	No. of Shares	Amount ₹.
<b>i. Authorised</b>				
Equity shares of ₹.10 each with voting rights	159,000,000	1,590,000,000	159,000,000	1,590,000,000
Redeemable Preference shares of ₹. 10/- each	1,000,000	10,000,000	1,000,000	10,000,000
Redeemable Cumulative Optionally Convertible preference shares of ₹. 10/- each	73,000,000	730,000,000	73,000,000	730,000,000
	<b>233,000,000</b>	<b>2,330,000,000</b>	<b>233,000,000</b>	<b>2,330,000,000</b>
<b>ii. Issued, Subscribed and fully paid up</b>				
Equity shares of ₹.10 each with voting rights	51,950,000	519,500,000	51,950,000	519,500,000
	<b>51,950,000</b>	<b>519,500,000</b>	<b>51,950,000</b>	<b>519,500,000</b>

**Rights, Preferences and restrictions attached to Equity Shares**

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

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

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	Amount ₹.	No. of Shares	Amount ₹.
<b>Equity shares:</b>				
i. Opening Balance	51,950,000	519,500,000	51,950,000	519,500,000
ii. Shares allotted during the year	-	-	-	-
iii. Closing Balance	<b>51,950,000</b>	<b>519,500,000</b>	51,950,000	519,500,000

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

Name of the Shareholder	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	% held	No. of Shares	% held
<b>Equity shares with voting rights:-</b>				
i. Umashiv Garments Private Ltd	15,214,090	29.29	15,214,090	29.29



## NOTES to Financial Statements for the year ended 31st March, 2014

	As at 31.03.2014 Amount ₹.	As at 31.03.2013 Amount ₹.
<b>2.2 RESERVES &amp; SURPLUS</b>		
<b>a) Capital Reserve</b>		
Opening Balance	1,830,034,522	1,830,034,522
Additions during the Year	-	-
Closing Balance (A)	<u>1,830,034,522</u>	<u>1,830,034,522</u>
<b>b) Revaluation Reserve</b>		
Opening Balance	1,025,610,680	1,025,610,680
Addition on Account of revaluation of Land	-	-
Closing Balance (B)	<u>1,025,610,680</u>	<u>1,025,610,680</u>
<b>c) Amalgamation Reserve</b>		
Opening Balance	538,444,755	538,444,755
Addition on amalgamation of GSAL (India) Ltd.,	-	-
Closing Balance (C)	<u>538,444,755</u>	<u>538,444,755</u>
<b>d) Capital Redemption Reserve</b>		
Opening Balance	5,504,000	5,504,000
Transfer from Statement of Profit & Loss	-	-
Closing Balance (D)	<u>5,504,000</u>	<u>5,504,000</u>
<b>e) Subsidy</b>		
Opening Balance	1,500,000	1,500,000
Additions during the Year	-	-
Closing Balance (E)	<u>1,500,000</u>	<u>1,500,000</u>
<b>f) General Reserve</b>		
Opening Balance	56,500,000	56,500,000
Transferred from Statement of Profit and Loss	-	-
Closing Balance (F)	<u>56,500,000</u>	<u>56,500,000</u>
<b>g) Securities Premium Account</b>		
Opening Balance	897,823,960	897,823,960
Premium on shares issued during the year	-	-
Closing Balance (G)	<u>897,823,960</u>	<u>897,823,960</u>
<b>h) Investment Allowance Reserve</b>		
Opening Balance	1,720,306	1,720,306
Additions during the Year	-	-
Closing Balance (H)	<u>1,720,306</u>	<u>1,720,306</u>
<b>i) Surplus in Statement of Profit and Loss</b>		
Opening Balance	(2,114,929,076)	(2,647,818,275)
Add: Profit for the year	358,220,707	532,889,198
Closing Balance (I)	<u>(1,756,708,369)</u>	<u>(2,114,929,076)</u>
<b>Total (A+B+C+D+E+F+G+H+I)</b>	<u>2,600,429,854</u>	<u>2,242,209,147</u>

**2.3 EQUITY SHARE CAPITAL SUSPENSE**

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



**NOTES to Financial Statements for the year ended 31st March, 2014**

**2.4 LONG TERM BORROWINGS**

	As at 31.03.2014		As at 31.03.2013	
	Amount ₹.		Amount ₹.	
	Non Current	Current	Non Current	Current
<b>Secured</b>				
- Term Loans from Banks	404,465,000	544,508,814	783,136,000	443,696,751
- Term Loans from Others	-	-	47,925,071	125,000,000
<b>Unsecured</b>				
- Term Loans from Banks	-	972,405	1,015,289	2,747,008
- Term Loans from others	477,348,276	45,342,724	246,652,163	54,039,709
- Interest free Sales Tax Loan	34,309,512	17,154,756	51,464,268	17,154,756
- Vehicle Hire Purchase Loans	6,754,216	3,702,806	1,837,100	3,320,154
	<b>922,877,004</b>	<b>611,681,505</b>	<b>1,132,029,891</b>	<b>645,958,378</b>

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

**Nature of Security**

Secured Corporate Term Loans availed from Banks are secured by exclusive first charge on specific fixed asset of the company and in other cases on first pari passu charge on the remaining fixed assets of the company (excluding the fixed assets secured in favour of Term Loan lenders) and second pari passu charge on the current assets of the company and personal guarantee of promoter directors of the company

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

**Terms of repayment**

Banker/Financer	Terms of repayment
<b>Corporate Term Loans</b>	
State Bank of Hyderabad outstanding as on 31.03.2014 of ₹ 8,44,69,574 (Previous year: ₹ 14,78,80,357)	Repayable in 48 monthly installments commencing from April 2011. Last installment due in March, 2015. Rate of interest 14.85% p.a. as at year end.
State Bank of India outstanding as on 31.03.2014 of ₹ 29,73,36,610 (Previous year: ₹ 52,98,39,914)	Repayable in 48 monthly installments commencing from April 2011. Last installment due in March, 2015. Rate of interest 14.85% p.a. as at year end.
State Bank of India outstanding as on 31.03.2014 of ₹14,02,85,934 (Previous year: ₹ Nil)	Repayable in 16 quarterly installments commencing from March, 2014. Last installment due in December 2017. Rate of interest 14.85% p.a. as at year end.
<b>Term Loans</b>	
State Bank of Bikaner & Jaipur outstanding as on 31.03.2014 of ₹ 7,97,60,523 (Previous year: ₹ 10,32,32,493)	Repayable in 28 quarterly installments commencing from June, 2011. Last installment due in March 2018. Rate of interest 15.75% p.a. as at year end.
State Bank of Travencore outstanding as on 31.03.2014 of ₹10,68,11,337 (Previous year: ₹13,72,15,654)	Repayable in 28 quarterly installments commencing from June, 2011. Last installment due in March 2018. Rate of interest 14.75% p.a. as at year end.
State Bank of Mysore outstanding as on 31.03.2014 of ₹7,99,80,475 (Previous year: ₹10,28,96,095)	Repayable in 28 quarterly installments commencing from June, 2011. Last installment due in March 2018. Rate of interest 15.75% p.a. as at year end.
State Bank of India outstanding as on 31.03.2014 of ₹16,03,29,361 (Previous year: ₹ 20,57,68,239)	Repayable in 28 quarterly installments commencing from June, 2011. Last installment due in March 2018. Rate of interest 15.00% p.a. as at year end.



## NOTES to Financial Statements for the year ended 31st March, 2014

## Maturity profile for Long term Unsecured Borrowings:

Amount ₹

Borrowings	Principal Repayable in		
	1-2 Years	2-3 Years	Above 3 Years
Term Loans from banks	972,405	-	-
Term Loans from others	45,338,000	274,790,000	202,563,000
Interest Free Sales tax Loan	17,154,756	17,154,756	17,154,756
Hire Purchase Loans	3,702,806	4,353,328	2,400,888

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

	Amount ₹ As at 31.03.2014	Amount ₹ As at 31.03.2013
<b>2.5 DEFERRED TAX LIABILITY</b>		
On difference between book balance and tax balance of fixed assets	201,175,776	176,992,000
On expenditure deferred in the books but allowable for tax purposes	1,445,749	3,406,725
	<b>202,621,525</b>	<b>180,398,725</b>
<b>2.6 OTHER LONG TERM LIABILITIES</b>		
Deposits from Dealers	312,000,000	30,000,000
	<b>312,000,000</b>	<b>30,000,000</b>
<b>2.7 SHORT TERM BORROWINGS</b>		
<b>Secured</b>		
a) Working Capital Loan from Banks (Secured by hypothecation of raw materials, finished goods, stores & spares and book debts and first charge on unencumbered assets and second charge on encumbered assets of the Company)	2,460,038,277	2,434,749,429
	<b>2,460,038,277</b>	<b>2,434,749,429</b>
<b>2.8 TRADE PAYABLES*</b>		
Dues to Micro and Small Scale Enterprises (Note:2.28)	-	-
Dues to other than Micro and Small Scale Enterprises	4,966,454,242	4,172,031,850
	<b>4,966,454,242</b>	<b>4,172,031,850</b>
<b>2.9 OTHER CURRENT LIABILITIES</b>		
Current maturities of long-term debt (Note:2.4)	611,681,505	645,958,378
Payables for Capital goods	20,665,312	14,564,240
Security Deposits	1,193,500	754,218
Advances from Customers	346,029,320	445,771,262
Payables to Employees	12,592,783	11,529,932
Statutory remittances	222,873,717	166,246,707
Unclaimed Dividend (#)	2,001,989	2,253,752
Other Current Liabilities	32,758,508	18,712,270
Payable for Expenses (**)	125,290,596	79,792,285
	<b>1,375,087,229</b>	<b>1,385,583,045</b>

\* Disclosures : The company has no information as to whether any of its vendors constitute as supplier with in the meaning of section 2(n) of the Micro, Small and Medium Enterprises Development Act, 2006 as no declaration were received under the said act from them.

Trade Payables includes an amount of ₹ 10,14,10,306 (Previous Year ₹ 7,63,00,997) due to companies in which Directors are interested.

# There are no amount due for payment to the Investor Education Protection Fund(IEPF) U/s. 205 C of the companies Act,1956 as on reporting date

\*\* Payable for expenses includes an amount of ₹ 75,346,618(Previous year ₹ 94,933,808) due to Companies in which Directors are interested.



	Amount ₹ As at 31.03.2014	Amount ₹ As at 31.03.2013
<b>2.10 SHORT TERM PROVISIONS</b>		
Provision for Tax	-	17,656,738
	-	<b>17,656,738</b>
<b>2.12 NON CURRENT INVESTMENTS</b>		
Trade Investments - (At cost):		
Investment in equity instruments- (Unquoted)		
3,52,87,066 Equity shares of ₹.10 each in Simhadri Power Limited (31.03.2013: 3,52,87,066 Shares)	<b>352,870,660</b>	352,870,660
	<b>352,870,660</b>	<b>352,870,660</b>
<b>2.13 LONG TERM LOANS AND ADVANCES</b>		
Unsecured, considered good		
Capital Advances	<b>16,342,148</b>	15,831,767
Security Deposits	<b>82,287,291</b>	48,108,719
Unamortised Expenses:- (#)		
Preliminary Expenses	-	606,000
Deferred revenue expenditure	-	3,850,000
	<b>98,629,439</b>	<b>68,396,486</b>
# Amount to be written off in the next twelve months have been grouped under "Other Current Assets" (Note 2.18)		
<b>2.14 INVENTORIES</b>		
Raw Material	<b>2,343,022,616</b>	1,218,886,323
Finished Goods	<b>3,081,712,481</b>	2,675,012,420
Consumables	<b>50,889,448</b>	58,598,426
Stores & Spares	<b>76,666,774</b>	76,222,084
Stock in transit of Raw material	<b>310,967,324</b>	142,889,827
	<b>5,863,258,642</b>	<b>4,171,609,081</b>
<b>2.15 TRADE RECEIVABLES*</b>		
Unsecured, considered good		
Outstanding for a period exceeding six months from the date they were due for payment	<b>156,369,558</b>	79,844,800
Other trade receivables	<b>1,973,179,293</b>	2,533,569,267
	<b>2,129,548,851</b>	<b>2,613,414,067</b>

**\* Disclosures:**

The Trade Receivables includes an amount of ₹.30,13,370 (Previous Year ₹. Nil) due from Companies in which Directors are interested.

Periodically, the Company evaluates all customer dues to the Company for collectibility. The need for provisions is assessed based on various factors including collectibility of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could effect the Customer's ability to settle. The Company normally provides for debtors dues outstanding for six months or longer from the invoice date, as at the Balance Sheet date if any. the Company pursues the recovery of the dues, in part or full.

## 2.11 TANGIBLE ASSETS

(in ₹. )

Particulars	Freehold Land and Roads	Freehold Land Buildings	Machinery	Electricals	Equipments	Furniture & Fixtures	Vehicles	Railway Sidings	Total
<b>Gross Block as at 01.04.2013</b>	1,165,491,735	812,462,479	2,958,313,689	204,588,171	41,112,284	15,091,824	71,335,634	67,562,743	5,335,958,758
Additions During the Period	259,291,924	72,634,919	62,967,682	4,773,048	1,966,081	178,614	233,018	-	402,045,286
Less: assets disposed during the Period	-	-	129,382	-	-	-	121,949	-	251,331
<b>Gross Block as at 31.03.2014</b>	1,424,783,659	885,097,398	3,021,151,989	209,361,219	43,078,365	15,270,438	71,446,903	67,562,743	5,737,752,713
Previous period	1,165,491,735	812,462,479	2,958,313,689	204,588,171	41,112,284	15,091,824	71,335,634	67,562,743	5,335,958,758
<b>Accumulated Depreciation as at 01.04.2013</b>	-	197,905,686	1,789,758,219	34,807,387	30,553,366	10,131,226	25,500,717	-	2,088,656,602
Depreciation During the Period	-	27,359,394	103,737,116	9,859,805	1,855,995	688,399	6,597,757	-	150,098,467
less: Depreciation on assets disposed during the Period	-	-	34,010	-	-	-	86,077	-	120,087
<b>Accumulated Depreciation as at 31.03.2014</b>	-	225,265,080	1,893,461,326	44,667,193	32,409,362	10,819,625	32,012,397	-	2,238,634,982
Previous period	-	197,905,686	1,789,758,219	34,807,387	30,553,366	10,131,227	25,500,718	-	2,088,656,602
<b>Net Block as on 31.03.2014</b>	1,424,783,659	659,832,318	1,127,690,663	164,694,027	10,669,004	4,450,812	39,434,505	67,562,743	3,499,117,730
Previous period	1,165,491,735	614,556,793	1,168,555,470	169,780,784	10,558,918	4,960,597	45,835,116	67,562,743	3,247,302,156



	Amount ₹ As at 31.03.2014	Amount ₹ As at 31.03.2013
<b>2.16 CASH AND BANK BALANCES</b>		
<b>(i) Cash and Cash Equivalents</b>		
a) Balances with banks - In Current Accounts	19,815,155	24,735,694
b) Cash on Hand	5,168,442	8,311,503
<b>Total (A)</b>	<b>24,983,597</b>	<b>33,047,198</b>
<b>(ii) Other Bank Balances</b>		
a) In deposit accounts - Held as Margin Money	455,628,563	335,109,206
b) Unpaid dividend accounts	2,001,989	2,253,752
<b>Total (B)</b>	<b>457,630,552</b>	<b>337,362,958</b>
<b>Total (A+B)</b>	<b>482,614,149</b>	<b>370,410,156</b>

**Disclosures:**

Cash and Cash equivalents as of March 31, 2014 and March 31, 2013 includes restricted cash balances of ₹.45,56,28,563 and ₹.33,51,09,206 respectively. The restriction is primarily on account of Cash and Bank balances held as margin money deposits against Letter of Credits sanctioned by banks.

	Amount ₹ As at 31.03.2014	Amount ₹ As at 31.03.2013
<b>2.17 SHORT TERM LOANS AND ADVANCES</b>		
Unsecured, considered good		
Loans and advances to related parties		
Inter Corporate Deposits	-	102,198,716
Loans and advances to others		
Advances For Purchases & Works	309,183,160	327,448,019
Advance Tax and Tax Deducted at Source	14,624,886	129,441,274
Indirect Tax Balances	33,834,232	35,442,905
MAT Credit Entitlement	150,645,995	150,645,995
State Govt incentives receivable (Sales Tax)	98,509,235	87,144,663
Prepaid Expenses	2,979,817	1,299,721
Other Advances	151,063,078	361,903,887
	<b>760,840,403</b>	<b>1,195,525,179</b>

**Disclosures:**

The Company has made provision for tax in the earlier years on basis of provision U/s. 115JB of the Income Tax Act, 1961. The same is taken into books as it can be adjusted against tax normal tax liability during the specified period. In accordance with the guidance note issued by ICAI, the company will review the same at each balance sheet date and write down the carrying amount of MAT Credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income tax during the specified period.

	Amount ₹ As at 31.03.2014	Amount ₹ As at 31.03.2013
<b>2.18 OTHER CURRENT ASSETS</b>		
<u>Unsecured, considered good</u>		
Advance for Expenses	34,953,332	21,794,772
Other Receivables	101,891,483	89,526,484
<u>Unamortised Expenses:- (Note:2.12)</u>		
Preliminary Expenses	638,373	670,745
Deferred revenue expenditure	3,850,000	6,650,000
	<b>141,333,188</b>	<b>118,642,001</b>





	Amount ₹ Year Ended 31.03.2014	Amount ₹ 9 months period ended 31.03.2013
<b>2.19 REVENUE FROM OPERATIONS</b>		
<b>Sale of Products</b>		
Finished Goods	6,935,843,257	4,982,620,043
Energy	213,852,781	56,666,279
<b>Sale of Traded Goods</b>	6,019,329,836	5,193,193,391
<b>Other Operating revenue</b>		
Sales Incentives	52,533,044	50,028,660
<b>Conversion Income</b>	882,596	-
Sales Tax Incentives	11,812,572	9,543,188
	<b>13,234,254,087</b>	<b>10,292,051,561</b>
<b>Details of products Sold</b>		
<b>Finished Goods Sold</b>		
Rebar & Wires	5,277,606,441	4,236,442,456
Billets & Ingots	362,069,503	142,763,884
Sponge iron	116,026,187	20,574
Steel Scrap	26,858,843	1,794,919
Coal fines	1,073,977,483	546,001,945
Pellets	322,608	-
Iron Ore Fines	59,747,104	37,291,818
Mill Scale and Others	19,235,089	18,304,447
	<b>6,935,843,257</b>	<b>4,982,620,043</b>
<b>Energy</b>		
Power	213,852,781	56,666,279
	<b>213,852,781</b>	<b>56,666,279</b>
<b>Trading Goods Sold</b>		
Rebar, Wire & Wire Rod Coils	5,422,511,580	4,176,934,460
Billets & Ingots	288,492,153	174,170,331
Pig Iron & Scrap	176,657,090	552,949,994
Structurals & Others	131,669,013	283,818,539
Nut Coke	-	5,165,922
Coal	-	154,145
	<b>6,019,329,836</b>	<b>5,193,193,391</b>
<b>2.20 OTHER INCOME</b>		
Interest Received	61,616,167	80,116,663
Lease Rental Income	8,349,300	3,530,725
Net Gain on sale of current investments	-	-
Misc. Reciepts	2,811,007	4,023,478
(Loss)/Gain on Exchange Fluctuation	-	107,380,006
	<b>72,776,475</b>	<b>195,050,873</b>



	Amount ₹ Year Ended 31.03.2014	Amount ₹ 9 months period ended 31.03.2013
<b>2.21 COST OF MATERIAL CONSUMED</b>		
<b>Raw Material Consumed</b>		
Opening Balance	1,218,886,323	861,567,996
Purchases	5,431,202,795	3,380,404,275
	6,650,089,119	4,241,972,271
Less: Closing Stock (**)	2,343,022,616	1,218,886,323
Cost of Materials Consumed (#)	4,307,066,503	3,023,085,947
<b># Details of Materials Consumed</b>		
Billets, Blooms & Ingots	918,916,409	573,784,070
Scrap	877,178,925	1,475,019,609
Pig Iron	394,578,078	172,794,273
Sponge iron	-	164,469,820
Wire Rod Coils	189,154,640	170,665,857
Nut Coke	349,909	10,954,049
Coal	514,036,378	167,732,622
Iron ore	483,874,121	284,703,065
Lime Stone	6,555,202	1,677,618
Pellets	781,610,756	-
Others	140,812,086	1,284,963
	4,307,066,503	3,023,085,947
<b>** Details of Closing Stock of Raw Materials:</b>		
Scrap	572,857,568	140,566,145
Iron Ore	33,439,510	356,749,716
Coal/Coal fines	1,456,590,885	470,285,953
Iron Ore Fine	136,149,629	135,805,019
Pig Iron	4,604,600	7,835,516
Iron Ore (Acce)	69,636,080	69,636,080
Lime Stone	189,437	-
Pellets	22,610,850	-
Billets	36,333,920	-
Wire Rod Coils	10,496,654	37,544,502
Sponge Iron	113,484	113,484
Nut Coke	-	349,909
	2,343,022,616	1,218,886,323



		Amount ₹ Year Ended 31.03.2014	Amount ₹ 9 months period ended 31.03.2013	
<b>2.22 PURCHASE OF TRADED GOODS</b>				
Rebar, Wire & Wire Rod Coils		5,381,201,262	4,441,530,677	
Billets, Blooms & ingots		223,743,420	227,127,676	
Pig Iron & Scrap		176,541,824	7,469,822	
Structurals		132,262,978	246,487,465	
Iron Ore		-		
Nut Coke		-		
		<b>5,913,749,484</b>	<b>4,922,615,640</b>	
<b>2.23 CHANGES IN INVENTORIES</b>				
Closing Stock of:				
Finished Goods		2,378,214,240	1,767,201,836	
Traded Goods		703,498,241	907,810,584	
	<b>Total (A)</b>	<b>3,081,712,481</b>	<b>2,675,012,420</b>	
Opening Stock of:				
Finished Goods		1,767,201,836	1,141,201,249	
Traded Goods		907,810,584	1,365,688,128	
	<b>Total (B)</b>	<b>2,675,012,420</b>	<b>2,506,889,378</b>	
<b>(Increase)/Decrease in Stock (A-B)</b>		<b>(406,700,060)</b>	<b>(168,123,043)</b>	
<b>Details of inventory</b>	<b>Manufacturing</b>	<b>Trading</b>	<b>Manufacturing</b>	<b>Trading</b>
Rebar & Wires	489,114,928	553,918,609	215,902,914	479,959,007
Billets & Ingots	243,192,168	4,423,536	64,742,184	87,616,436
Sponge iron	308,429,118	-	51,274,098	-
Pig iron & Scrap	-	139,258,251	-	326,519,353
Steel Scrap	18,043,868	-	6,776,075	-
Structurals	-	5,897,845	-	11,225,538
Coal & Coal Fines	1,298,928,458	-	1,409,617,159	2,490,250
Iron Ore Fines	-	-	-	-
Mill Scale and Others	6,488,330	-	1,389,407	-
Slag	14,017,371	-	17,500,000	-
	<b>2,378,214,240</b>	<b>703,498,241</b>	<b>1,767,201,836</b>	<b>907,810,584</b>



	Amount ₹ Year Ended 31.03.2014	Amount ₹ 9 months period ended 31.03.2013
<b>2.24 EMPLOYEE BENEFITS</b>		
Salaries & Wages	167,461,439	127,769,033
Contributions to provident Fund and other funds	2,551,802	1,847,571
Staff welfare	3,087,705	3,383,223
	<b>173,100,946</b>	<b>132,999,827</b>
<b>2.25 FINANCE COSTS</b>		
Interest Expenses on:		
- Term loans	194,584,399	179,578,047
- Working Capital Loans	369,636,355	264,575,436
- Others	125,783,626	76,566,112
Bank Charges & Comission	114,393,293	110,196,091
	<b>804,397,673</b>	<b>630,915,686</b>
<b>2.26 OTHER EXPENSES</b>		
<b>a) Manufacturing Expenses:</b>		
Stores, Spares & Consumables	253,600,318	173,266,301
Power & Fuel	585,926,904	466,186,783
Gas charges	126,766,031	29,855,615
Repairs & Maintenance	16,526,656	16,302,980
Factory Maintanance	6,363,612	3,902,005
Freight Charges	4,158,835	9,349,314
Loading & Unloading Charges	1,949,173	757,372
Contract Charges	28,517,223	22,299,244
Labour Charges	879,404	1,288,115
Other Manufacturing expenses	11,763,970	7,464,565
<b>b) Other Operational Expenses:</b>		
Legal & professional Charges	15,071,997	13,425,368
Rent	998,800	927,900
Rates & Taxes	68,492,918	76,451,189
Insurance	5,019,981	4,066,571
Payment to Auditors		
As Auditors	2,000,000	2,000,000
For Tax Audit	500,000	500,000
For Tax representation	250,000	250,000
For Certification & Others	750,000	790,000
Discounts & Comissions	39,649,493	29,603,466
CSR Expenses	2,146,488	8,216,448
Selling & Distribution Expenses	5,474,694	3,597,126
General Charges ( #)	84,231,121	75,626,741
Loss on Sale of Assets (Net)	6,392	-
Exchange Fluxuation Loss (Net)	32,780,650	-
Prior period Expenses (Net)	964,769	1,453,522
	<b>1,294,789,429</b>	<b>947,580,624</b>



	<b>Amount ₹ Year Ended 31.03.2014</b>	<b>Amount ₹ 9 months period ended 31.03.2013</b>
#General Charges Includes:		
Office Maintenance	<b>9,117,764</b>	5,845,225
Electricity charges	<b>1,079,543</b>	720,372
Postage & Telephone	<b>1,833,336</b>	1,620,098
Printing & Stationary	<b>1,298,811</b>	1,484,440
Freight & Handling Charges	<b>33,656,338</b>	26,582,852
Yard Expenses	<b>503,696</b>	1,171,381
Generator Maintenance	<b>253,120</b>	319,706
Vehicle Maintenance	<b>8,402,787</b>	5,784,345
Security Charges	<b>7,823,771</b>	6,601,914
Miscl. Expenses	<b>3,785,364</b>	4,620,491
Business Promotion	<b>2,138,760</b>	4,716,028
Donations	<b>270,000</b>	2,100,501
Bad Debts Written Off	<b>60,892</b>	4,375,496
Misc. Exp Written off	<b>638,372</b>	557,716
Deferred revenue expenditure written off	<b>6,650,000</b>	4,987,500
Travelling & Conveyance	<b>6,718,567</b>	4,138,676
	<b>84,231,121</b>	<b>75,626,741</b>



**NOTES to Financial Statements for the year ended 31st March, 2014**

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

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

Particulars	31st March 2014	31st March 2013
o Due to Micro, small enterprises- other Disclosures;	-	-
o Principal amount remaining unpaid as on 31.03.2014 includes	-	-
o Sundry Creditors includes to micro, small and medium enterprises *	-	-
o Interest due thereon as on 31.03.2014 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 31.03.2014	-	-

Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises

- 2.29 Contingent liabilities and commitments to the extent not provided for

i) Contingent Liabilities	Amount ₹. 31st March 2014	Amount ₹. 31st March 2013
a. Claim against the company by GAIL not acknowledged as debt	1,84,07,569	1,84,07,569
b. Claim of APEDCL not acknowledged as debt	9,48,98,100	34,50,846
c. Demands from Sales tax department disputed	1,48,28,125	4,82,93,992
d. Demands from Excise departments disputed	4,99,75,117	1,88,75,244
e. Others	2,02,40,093	1,76,33,964
f. Letters of credit and bank guarantees	1,30,00,000	1,56,24,944
g. Corporate Guarantee given to the Term Loan and Working Capital lenders of M/s Simhadri Power Ltd	288,00,00,000	288,00,00,000

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

**NOTES to Financial Statements for the year ended 31st March, 2014**

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

	31st March 2014 Value in ₹.	31st March 2013 Value in ₹.
Raw Materials	75,82,30,453	NIL
Components and Spares	17,35,723	15,16,715
<b>Total</b>	<b>75,99,66,176</b>	<b>15,16,715</b>

2.31 Expenditure in foreign currency:

	31st March 2014 Value in ₹.	31st March 2013 Value in ₹.
Raw-Material	57,82,95,959	NIL
Components & Spares	17,35,723	15,16,715
Travelling Expenses	11,77,612	NIL
Others	4,60,231	79,09,637
<b>Total</b>	<b>58,16,69,525</b>	<b>94,26,352</b>

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

Names of Related Parties And Description of Relationship:

**A Associate Concerns**

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

**B Key Management Personnel**

- 1) B. Satish Kumar- Chairman and Managing Director
- 2) B. Suresh Kumar - Joint Managing Director
- 3) B. Suresh - Director

**C Relatives of Key Management Personnel**

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

**Particulars of transactions during the period :****Amount (₹. )**

Particulars	Associates	Key Management Personnel	Relative of Key Management Personnel	Total
<b>Income:</b>				
Lease Rentals Received	1,74,300	-	-	1,74,300
Sale of Goods	171,95,54,250	-	-	171,95,54,250
Interest Received	-	-	-	-
<b>Expenses:</b>				
Purchase of goods	72,90,62,963	-	-	72,90,62,963
Services	8,62,51,998	-	-	8,62,51,998
Director's Remuneration & Perquisites	-	1,26,98,110	-	1,26,98,110
Salaries	-	-	30,00,000	30,00,000
Lease Rentals Paid	1,80,000	-	-	1,80,000
<b>Balance Sheet Heads (Closing Balances):</b> Investment in Equity Shares				
Amounts payable on 31.03.2014	17,69,36,925	2,39,186	-	17,71,76,111
Amounts receivable on 31.03.2014	30,13,370	-	-	30,13,370



**NOTES to Financial Statements for the year ended 31st March, 2014**

**Disclosure as per Clause 32 of the Listing Agreement entered with the Stock Exchanges:**

<b>Name of the Company</b>	<b>Relationship</b>	<b>Balance as at 31.03.2014 (Amount ₹. )</b>	<b>Maximum balance Outstanding During the Period (Amount ₹. )</b>
<b>Loans and Advances:</b>			
Vizag Profile Constructions India Private Limited	Associate	Nil <b>(9,96,98,716)</b>	9,96,98,716 (9,96,98,716)
VPL Projects Private Limited	Associate	Nil <b>(25,00,000)</b>	25,00,000 (25,00,000)
<b>Investments:</b>			
Simhadri Power Limited	Associate	<b>35,28,70,660</b> <b>(35,28,70,660)</b>	35,28,70,660 (35,28,70,660)

Note: Figures in brackets relate to the previous period

**2.33 Earnings Per Share:**

	<u><b>31st March 2014</b></u>	<u><b>31st March 2013</b></u>
Net Profit for the Period/Year	<b>35,82,20,707</b>	53,28,89,198
Amount Available for Equity Share Holders	<b>35,82,20,707</b>	53,28,89,198
Weighted Average Number of Shares for Basic EPS	<b>5,19,50,000</b>	5,19,50,000
Add: Adjustment for Share suspense	<b>59,82,720</b>	59,82,720
Weighted Average Number of Shares for Diluted EPS	<b>5,79,32,720</b>	5,79,32,720
Nominal Value per Share (₹)	<b>10.00</b>	10.00
Basic Earnings per Share (₹)	<b>6.90</b>	10.26
Diluted Earnings per Share(₹)	<b>6.18</b>	9.20

- 2.34 Due to change of the accounting year by the company, current period's figures for 12 months are not comparable with the previous period figures for 9 months.
- 2.35 The balance shown in Sundry Debtors, Sundry Creditors, advances are subject to confirmation from the respective parties.
- 2.36 Director Remuneration: ₹.1,26,98,110 (Previous Year ₹. 83,41,628)
- 2.37 Previous period figures have been regrouped / re arranged / re-classified wherever considered necessary to conform to the classification of the current year.

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

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

Camp: Visakhapatnam  
Date : 29.05.2014

for and on behalf of the Board of Directors

**B. SATISH KUMAR**  
Chairman & Managing Director  
(DIN : 00163676)

Place : Visakhapatnam  
Date : 29.05.2014

**B. SURESH KUMAR**  
Jt. Managing Director  
(DIN : 00206473)

**B.NARAHARI**  
Company Secretary



# STEEL EXCHANGE INDIA LIMITED

**Regd.Office:** # 303, My Home Laxmi Nivas, Greenlands, Ameerpet, Hyderabad - 500 016.

Telephone No: +91-40-23403725 Fax No: +91- 40- 23413267

Website: www.seil.co.in email: cs@seil.co.in **CIN: L74100AP1999PC031191**

## ATTENDANCE SLIP

**15th Annual General Meeting - December 31, 2014**

**PLEASE FILL THIS ATTENDANCE SLIP AND HAND IT OVER  
AT THE ENTRANCE OF THE MEETING HALL**

<b>DP ID*</b>	
---------------	--

<b>Folio No</b>	
-----------------	--

<b>Client ID*</b>	
-------------------	--

<b>No.of Shares held</b>	
--------------------------	--

I Certify that I am member /Proxy for the member of the company, I hereby record my presence at the 15th Annual General Meeting of the Company held on Wednesday, December 31, 2014 at 11.30 A.M. at The Plaza Hotel, # 6-3-870, Tourism Plaza, Greenlands, Begumpet, Hyderabad - 500 016.

(Signature of Member / Proxy)

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**Note :** Please fill in the attendance slip and hand it over at the entrance of the meeting .

Persons attending the Annual General Meeting are required to bring their copies of Annual Reports as the practice of distribution of copies of the Report at the meeting has been discontinued.

\* Applicable for Investors holding shares in electronic form

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# STEEL EXCHANGE INDIA LIMITED

Regd. Office: # 303, My Home Laxmi Nivas, Greenlands, Ameerpet, Hyderabad - 500 016.

Telephone No: +91-40-23403725 Fax No: +91- 40- 23413267

Website: www.seil.co.in email: cs@seil.co.in CIN: L74100AP1999PC031191

## PROXY FORM

[Pursuant to Section 105 (6) of the Companies Act, 2013 read with Rule 19 (3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member(s):

Registered address:

E-mail Id:

Folio No. / Client ID:

DP ID:

I/ We being the member(s) of \_\_\_\_\_ shares of the above named Company hereby appoint:

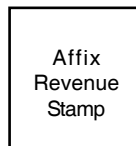
- (1) Name: \_\_\_\_\_ Address: \_\_\_\_\_  
E-mail Id: \_\_\_\_\_ or failing him;
- (2) Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
E-mail Id: \_\_\_\_\_ or failing him;
- (3) Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
E-mail Id: \_\_\_\_\_ or failing him;

as my/ our proxy to attend and vote (on a poll) for me/ us and on my/ behalf at the 15th Annual General Meeting of the Company to be held on Wednesday, 31st December 2014 at 11.30 A.M. p.m at at The Plaza Hotel, # 6-3-870, Tourism Plaza, Greenlands, Begumpet, Hyderabad - 500 016 and at any adjournment thereof in respect of such resolutions as are indicated below:

S.No	Resolutions	FOR	AGAINST
	<b>Ordinary Business</b>		
1	Consider and adopt Financial Statements of the Company for the year ended 31st March, 2014 together with the Reports of the Board of Directors and Auditors' thereon		
2	Appointment of Mr. B. Suresh Kumar as a director retiring by rotation.		
3	Appointment of Mr. V.V. Krishna Rao as a director retiring by rotation.		
4	Appointment of M/s. Pavuluri & Co, Chartered Accountants as Statutory Auditors of the company		
	<b>Special Business</b>		
5	To appoint Mr. C. Siva Prasad as Independent Director of the company		
6	To appoint Mr. K. Krishna Rao as Independent Director of the company		
7	To appoint Mr. V.Harish Kumar as Independent Director of the company		
8	To appoint Mr. R. Ramachandra Rao as Independent Director of the company		
9	To ratify the remuneration payable to M/s. DZR & Co., of the Cost Auditors of the Company for FY 2014-15		

Signed on this \_\_\_\_\_ day of \_\_\_\_\_ 2014.

Signature of the Shareholder \_\_\_\_\_



\_\_\_\_\_  
Signature of First proxy holder

\_\_\_\_\_  
Signature of Second proxy holder

\_\_\_\_\_  
Signature of Third proxy holder

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

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