



## 8<sup>TH</sup> ANNUAL REPORT

### BOARD OF DIRECTORS

Shri Rajendra V. Shah  
 Shri K. C. Thatoi  
 Shri Sujal A. Shah  
 Shri Babulal M. Singhal  
 Shri Anilkumar S. Pandya  
 Shri Piyush R. Chandarana  
 Shri Ambalal C. Patel  
 Shri Harshad M. Shah  
 Shri Jethabhai M. Shah  
 Shri Tejpal S. Shah  
 Shri Shrikant N. Jhaveri (w.e.f. 11-05-2011)  
 Shri Bhaskar Ghosh (w.e.f. 04-07-2011)

Chairman  
 Managing Director

### REGISTERED OFFICE

5/1, Shreeji House,  
 B/h. M.J. Library, Ashram Road,  
 Ahmedabad-380 006

### ADMINISTRATIVE OFFICE

Block-2221/2222,  
 Shah Industrial Estate,  
 Sola-Kalol Road, Santej,  
 Dist-Gandhinagar-382043

### PLANT

Survey No. 245,  
 Village Bharapar,  
 Tal. Gandhidham  
 Dist: Kutch, Gujarat.

### AUDITORS

M/s Talati & Talati  
 Chartered Accountants  
 Ambica Chambers  
 Nr. Old High Court  
 Navrangpura  
 Ahmedabad – 380 009

### BANKERS TO THE COMPANY

1. Union Bank of India
2. State Bank of India
3. State Bank of Hyderabad

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Shareholders are requested to bring their copies of Annual Report at the Annual General Meeting as the same will not be distributed in the Meeting Hall.





## NOTICE

The Eighth Annual General Meeting of Members of S.A.L. STEEL LTD. will be held on Saturday, the 24<sup>th</sup> September 2011 at 10:00 A.M. at SAL Institute & Engineering Research, Opp. Science City, Ahmedabad 380 060, to transact the following business(s):

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2011, Profit & Loss Account for the year ended on that date and the Reports of Board of Directors and the Auditors thereon.
2. To appoint Director in place of Shri Jethabhai M Shah, who retires by rotation and is eligible for re-appointment.
3. To appoint Director in place of Shri K C Thatoi, who retires by rotation and is eligible for re-appointment.
4. To appoint Director in place of Shri Anilkumar Pandya, who retires by rotation and is eligible for re-appointment.
5. To appoint Statutory Auditors, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

M/s Talati & Talati, Chartered Accountants, Ahmedabad, retiring Auditors of the Company are eligible for re-appointment.

### SPECIAL BUSINESS

#### 6. APPOINTMENT OF SHRI SHRIKANT N. JHAVERI AS DIRECTOR.

To consider and if thought fit, to pass, with or without modification(s) following resolution as an **ORDINARY RESOLUTION**:

**"RESOLVED THAT** Shri Shrikant N. Jhaveri who was appointed by the Board as an Additional Director under provisions of section 260 of the Companies Act, 1956 on 11<sup>th</sup> May 2011 and who holds office up to the date of this Annual General Meeting of the Company be and is hereby appointed as a Director of the Company liable to retire by rotation".

#### 7. APPOINTMENT OF SHRI BHASKAR GHOSH AS DIRECTOR.

To consider and if thought fit, to pass, with or without modification(s) following resolution as an **ORDINARY RESOLUTION**:

**"RESOLVED THAT** Shri Bhaskar Ghosh who was appointed by the Board as an Additional Director under provisions of section 260 of the Companies Act, 1956 on 4<sup>th</sup> July 2011 and who holds office up to the date of this Annual General Meeting of the Company be and is hereby appointed as a Director of the Company liable to retire by rotation".

#### 8. RE-APPOINTMENT OF SHRI SUJAL A SHAH AS 'DIRECTOR-PURCHASE'.

To consider and, if though fit, to pass, with or without modification(s), following resolution as an **ORDINARY RESOLUTION**;

**"RESOLVED THAT** in accordance with the provisions of Sections 198, 269, 309 and 311 read with Schedule XIII and all other applicable provisions, if any of the Companies Act 1956 (including any statutory modification(s) or re-enactment thereof), and subject to such approval as may be necessary, consent of the Company be and is hereby accorded to the re-appointment of Shri Sujal A. Shah, as 'Director Purchase' of the Company, for a period of 5 (Five) years with effect from 26<sup>th</sup> April 2011, on the terms and conditions including remunera-



tion as are set out in agreement entered into between the Company and Shri Sujal A. Shah, as approved by Board of Directors in their meeting.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to alter and vary the terms and conditions of the said re-appointment and remuneration and/or agreement subject to the limit specified in Schedule XIII of the Companies Act, 1956 including any statutory modification and re-enactment thereof for the time being in force as may be agreed to between the Company and Shri Sujal A. Shah."

**9. RE-APPOINTMENT OF SHRI BABULAL M SINGHAL AS 'DIRECTOR-COMMERCIAL'.**

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

**"RESOLVED THAT** in accordance with the provisions of Sections 198, 269, 309 and 311 read with Schedule XIII and all other applicable provisions, if any of the Companies Act 1956 (including any statutory modification(s) or re-enactment thereof), and subject to such approval as may be necessary, consent of the Company be and is hereby accorded to the re-appointment of Shri Babulal M Singhal, as 'Director-Commercial' of the Company, for a period of 5 (Five) years with effect from 16<sup>th</sup> May 2011, on the terms and conditions including remuneration as are set out in agreement entered into between the Company and Shri Babulal M Singhal, as approved by Board of Directors in their meeting.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to alter and vary the terms and conditions of the said re-appointment and remuneration and/or agreement subject to the limit specified in Schedule XIII of the Companies Act, 1956 including any statutory modification and re-enactment thereof for the time being in force as may be agreed to between the Company and Shri Babulal M. Singhal".

**10. COMMENCEMENT OF NEW BUSINESS AS STATED UNDER 'OTHER OBJECTS' OF MEMORANDUM OF ASSOCIATION**

To consider and if thought fit, to pass, with or without modification(s) the following resolution as **SPECIAL RESOLUTION**:

**"RESOLVED THAT** pursuant to provisions of section 149(2A) of Companies Act, 1956, consent of the Company be and is hereby accorded for commencing and undertaking business activity as covered under the "Other Objects - Clause No. 25" of the Memorandum of Association of the Company".

**NOTES**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIM/HER SELF AND PROXY NEED NOT BE A MEMBER.  
The proxies to be effective should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the special business(s) to be transacted at the meeting is annexed hereto.
3. Shareholders are requested to bring their copy of Annual Report to the meeting.
4. Members/Proxies should fill the Attendance Slip for attending the meeting.
5. All documents referred to in the accompanying Notice are open for inspection at the Administrative Office of the Company on all working days, except Saturday and Sunday between 11.00 A.M. and 4.00 P.M. up to the date of Annual General Meeting.



6. Members seeking any information or clarification on the Accounts are requested to send in written queries to the Company, at least one week before the date of the meeting. Replies will be provided in respect of such written queries received only at the meeting.
7. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 17<sup>th</sup> September 2011 to Saturday, 24<sup>th</sup> September 2011 (both days inclusive).
8. Corporate Members intending to send their authorised representatives are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.

**By Order of the Board of Directors**

Sd/-

Saurabh Madaan

**Company Secretary**

**Place:** Santej

**Date:** 23<sup>rd</sup> July 2011

**Registered Office:**

5/1 Shreeji House,  
B/h M.J. Library,  
Ashram Road,  
Ahmedabad - 380006



## ANNEXURE TO THE NOTICE

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

#### ITEM NO.6

The Board of Directors of the Company pursuant to the provisions of section 260 of the Companies Act, 1956 read with Article 122 of Article of Association of the Company, have appointed Shri Shrikant N. Jhaveri as Additional Director of the Company w.e.f 11<sup>th</sup> May 2011. Shri Jhaveri holds office up to the date of Annual General Meeting. Company has received notice in writing from a member alongwith the deposit of Rs. 500/- proposing the candidature of Shri Jhaveri for the office of Director under the provisions of section 257 of the Companies Act, 1956. On appointment, Shri Jhaveri will be liable to retire by rotation under provisions of Companies Act, 1956 and will be termed as 'Independent Non-Executive Director'.

None of the Directors is concerned or interested in the resolution.

Your Director recommends his appointment for your approval.

#### ITEM NO. 7

The Board of Directors of the Company pursuant to the provisions of section 260 of the Companies Act, 1956 read with Article 122 of Article of Association of the Company, have appointed Shri Bhaskar Ghosh as Additional Director of the Company w.e.f 4<sup>th</sup> July 2011. Shri Ghosh holds office up to the date of Annual General Meeting. Company has received notice in writing from a member alongwith the deposit of Rs. 500/- proposing the candidature of Shri Ghosh for the office of Director under the provisions of section 257 of the Companies Act, 1956. On appointment, Shri Ghosh will be liable to retire by rotation under provisions of Companies Act, 1956 and will be termed as 'Independent Non-Executive Director'.

None of the Directors is concerned or interested in the resolution.

Your Director recommends his appointment for your approval.

#### ITEM NO. 8

Shri Sujal A. Shah was appointed as 'Director-Purchase' of the Company for a term of 5 years from 26<sup>th</sup> April, 2006 to 25<sup>th</sup> April, 2011. He is having more than 21 years of experience in the areas of Purchase and Administration. During his tenure, Company has been benefited a lot under his effective leadership and supervision. Management feels that his headship and experience will further help in augmenting commercial activities. Therefore, Board of Directors of the Company at its meeting held on 4<sup>th</sup> July, 2011, reappointed Mr. Sujal A. Shah as 'Director-Purchase' of the Company for a further period of 5 years commencing from 26<sup>th</sup> April, 2011 on the following terms and conditions, subject to the approval of the shareholders.

- |                                     |   |   |
|-------------------------------------|---|---|
| <b>a) Period of Appointment</b>     | : | Five years commencing from 26 <sup>th</sup> April 2011 and ending on 25 <sup>th</sup> April 2016.   |
| <b>b) Remuneration Details</b>      | : |   |
| <i>Monthly Salary</i>               |   | Rs. 36000/- (Rs. Thirty Six Thousand Only) including cash allowances and Incentives.  |
| <i>Perquisites &amp; Facilities</i> |   | It includes: Medical Reimbursement for himself, spouse and dependent children as per Company's policy. A Company maintained Car with option of driver's facility. |
| Other facilities                    |   | It includes Provision for Gratuity, Encashment of Leave Salary, as per the rules of the Company. These shall not be   |



included in computation of limits of remuneration.

***Minimum Remuneration***

Notwithstanding anything herein above stated, wherein any financial year, the Company incurs loss or its profits are inadequate, the Company shall pay to Shri Sujal A. Shah, the remuneration by way of Salary, Bonus and Other Allowances not exceeding the limits specified under Section II of Part II of Schedule XIII to the Companies Act, 1956 (including any statutory modifications or re-enactment(s) thereof, for the time being in force), or such other limits as may be prescribed the Government from time to time.

- c) **Termination of Agreement** : The agreement executed between Company and Shri Sujal A. Shah, can be terminated by either party giving 3 months notice in writing of such termination.
- d) **Duties and Responsibilities** : Shri Sujal A. Shah shall be in charge for all purchases and procurement function of the company and shall perform such duties from time to time as may be entrusted to him, subject to superintendence, control and guidance of Board of Directors.

The above terms of appointment of Shri Sujal A. Shah, as stated in this notice, may be treated as abstract under section 302 of the Companies Act, 1956.

The draft agreement of re-appointment of Shri Sujal A. Shah is available for inspection at the Registered Office of the Company between 11:00 A.M. and 1:00 P.M. on all working days of the Company.

The re-appointment and payment of remuneration of Shri Sujal A. Shah is subject to approval of the shareholders under Sections 198, 269 and 309 and other applicable provisions, including schedule XIII of the Companies Act, 1956.

The Board recommends the resolution.

None of the Directors except Shri Sujal A. Shah is interested in the resolution.

**ITEM NO.9**

Shri Babulal M Singhal, aged 54 years, was appointed as "Director-Commercial" for a term of 5 years w.e.f. 16.5.2006 and his term of office expired on 15.05.2011. He is proposed to be reappointed with effect from 16.05.2011 for a period of five years. Shri Singhal is a Chartered Accountant and has more than 32 years of experience in his career. Shri Singhal also possesses good expertise in dealing with matters involving accounts, taxation, banking, finance etc. Shri Singhal has been nourishing Company very well with his judicious decision making, sound planning and effective liasioning. Board recommends his appointment on the following material terms & conditions:

- a) **Period of Appointment** : Five years commencing from 16<sup>th</sup> May 2011 and ending on 15<sup>th</sup> May 2016.
- b) **Remuneration Details** :
- Monthly Salary*** 41000/- (Rs. Forty One Thousand Only) including Bonus, cash allowances and Incentives.



### ***Perquisites and Facilities***

Housing	Rent free accommodation including provision for electricity, gas and water, as per Company's Policy.
Medical Reimbursement	For himself, spouse and dependent children as per Company's Policy.
Car facility	Company maintained Car with option of driver as per Company's policy.
Other facilities, if any	It includes Company's Contribution to Provident Fund, Provision for Gratuity, Encashment of Leave Salary, as per the rules of the Company. These shall not be included in computation of limits of remuneration.

### ***Minimum Remuneration***

Notwithstanding anything herein above stated, wherein any financial year, the Company incurs loss or its profits are inadequate, the Company shall pay to Shri Babulal M. Singhal, the remuneration by way of Salary, Bonus and Other Allowances not exceeding the limits specified under Section II of Part II of Schedule XIII to the Companies Act, 1956 (including any statutory modifications or re-enactment(s) thereof, for the time being in force), or such other limits as may be prescribed the Government from time to time.

- c) Termination of Agreement** : The agreement executed between Company and Shri Babulal M. Singhal, can be terminated by either party giving 3 months notice in writing of such termination.
- d) Duties and Responsibilities** : Shri Babulal M. Singhal shall be responsible for entire commercial assignments as applicable under various statutes and shall perform such duties which may be entrusted to him, subject to superintendence, control and guidance of Board of Directors.

The above terms of appointment of Shri Babulal M. Singhal, as stated in this notice, may be treated as abstract under section 302 of the Companies Act, 1956.

The draft agreement of re-appointment of Shri Babulal M. Singhal is available for inspection at the Registered Office of the Company between 11:00 A.M. and 1:00 P.M. on all working days of the Company.

The re-appointment and payment of remuneration of Shri Babulal M. Singhal is subject to approval of the shareholders under Sections 198, 269 and 309 and other applicable provisions, including schedule XIII of the Companies Act, 1956.

The Board recommends the resolution.

None of the Directors except Shri Babulal M. Singhal is interested in the resolution.

### **ITEM NO.10**

In the 5<sup>th</sup> Global Investors Summit of biennially held renowned event "Vibrant Gujarat 2011", organised by Government of Gujarat, Company, has entered into a "Memorandum of Understanding (MOU)" with Government of Gujarat for proposed investment of Rs. 1000 crores in the Cement Business in Dist. Kutch, Gujarat.





The activities relating to "Cement" business is covered under "Other Objects" of Memorandum of Association (MOA) of the Company. Pursuant to the requirements of section 149 (2A) of Companies Act, 1956, approval of members is required by way of special resolution passed in general meeting authorising the Company to carry on its business(s) mentioned under "Other Objects".

It is proposed to carry out resolution as mentioned under Item No. 10 of the Meeting.

**By Order of the Board of Directors**

Sd/-

Saurabh Madaan

**Company Secretary**

**Place:** Santej

**Date:** 23<sup>rd</sup> July 2011

**Registered Office:**

5/1 Shreeji House,  
B/h M.J. Library,  
Ashram Road,  
Ahmedabad - 380006



**DETAILS OF THE DIRECTORS SEEKING RE-APPOINTMENT IN THE EIGHTH ANNUAL GENERAL MEETING OF THE COMPANY PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT**

Name of Director	Jethabhai M. Shah	K.C. Thatoi	Anilkumar S. Pandya	Shrikant N. Jhaveri	Bhaskar Ghosh
Date of Birth	11.08.1932	05.01.1957	02.05.1955	20.12.1943	22.01.1968
Relationship with other Directors Inter se	None	None	None	None	None
Profile & Expertise in Specific functional Areas	He has vast business understanding and experience in his career and has contributed a lot with his acumen and decision making.	Has 32 years of rich experience of working on varied senior-most positions in various Steel Plants.	He has 33 years experience of working in industries. He is handling HR & Administration.	He has rich experience of serving government company for more than 27 overs.	He has more than 15 years experience in industries.
Qualification	B.Com	M. Tech, Ph.D (in Sponge Iron Technology)	M. Sc, LL.B, PGDBM	M. S (Electrical), USA	M. Tech
No. of Equity Shares held in the Company	Nil	Nil	Nil	Nil	Nil
List of other Companies in which Directorships are held	Nil	Nil	Nil	Sports Club of Gujarat Limited.	Shah Alloys Ltd.
List of committees of Board of Directors (across all other Companies) in which Chairmanship /Membership is held	Nil	Nil	Nil	Nil	Nil



## DIRECTOR'S REPORT

Dear Members,

Your Directors present 8<sup>th</sup> Annual Report on the operations and performance together with the Audited Financial Statements for the year ended on 31<sup>st</sup> March 2011.

### FINANCIAL HIGHLIGHTS

(Amount in Rs. Lacs)

Particulars	2010-11	2009-10
Net Turnover	32009.10	29848.24
Other Income	237.79	574.13
<b>Gross Revenue</b>	<b>32246.89</b>	<b>30422.37</b>
<i>Less: Cost of Sales</i>	27946.19	25557.81
<b>Profit before depreciation, Interest &amp; Tax (PBDIT) / Operating Profits</b>	<b>4300.70</b>	<b>4864.56</b>
<i>Less: Depreciation &amp; Amortisation</i>	1890.72	1960.26
<i>Less: Interest and Financial Expenses</i>	2213.81	2687.72
<b>Profit before Taxes</b>	<b>196.17</b>	<b>216.58</b>
<i>Less: Provision for Taxes</i>	147.32	89.14
<b>Net Profit after Tax but before Extraordinary Items</b>	<b>48.85</b>	<b>127.44</b>
<i>Less: Prior-Period Adjustments</i>	21.59	44.63
<b>Net Profit after Tax</b>	<b>27.26</b>	<b>82.81</b>
<i>Add: Balance brought forward from previous year</i>	1157.64	1074.83
<b>Total Profits available for Appropriations</b>	<b>1184.90</b>	<b>1157.64</b>
<b>Less: Appropriations</b>		
General Reserve	Nil	Nil
<b>Balance to be carried forward</b>	<b>1184.90</b>	<b>1157.64</b>

### OPERATIONAL OVERVIEW

During the year under review Net Turnover of the Company has been increased to Rs. 320.09 Crores as compared to previous year's turnover which was Rs. 298.48 Crores, an increase of around 7.24%. However, Company's profits after tax has declined a bit mainly due to the factors like lower prevailing selling price of sponge Iron, increase in price of basic raw materials like Coal and Iron ore, inflationary conditions, cost burdens and shortage of working capital etc.

### DIVIDEND

Due to inadequacy of profits, your Directors have not recommended dividend for the financial year 2010-11.

### DIRECTORS

Shri Shri Jethabhai M. Shah, K.C Thatoi and Shri Anilkumar Pandya will be the Directors retiring by rotation and being eligible offer themselves for re-appointment at the ensuing Annual General Meeting.



Shri Shrikant N. Jhaveri has been appointed as Additional Director by the Board on 11<sup>th</sup> May 2011 and he will cease to hold office at the ensuing Annual General Meeting. Shri Jhaveri has consented to act as Director, if reappointed. Your Directors recommend his appointment and request members to consider the resolution for his reappointment as stated in Notice of the Annual General Meeting.

Shri Bhaskar Ghosh has been appointed as Additional Director by the Board on 4<sup>th</sup> July 2011 and he will cease to hold office at the ensuing Annual General Meeting. Shri Ghosh has consented to act as Director, if reappointed. Your Directors recommends his appointment and request members to consider the resolution for his reappointment as stated in Notice of the Annual General Meeting.

#### **WHOLE-TIME DIRECTORS**

Your Directors propose re-appointment of Whole Time Directors viz. Shri Sujal A Shah, Director – Purchase and Shri Babulal M Singhal, Director-Commercial, whose tenure have expired on 25<sup>th</sup> April 2011 and 15<sup>th</sup> May 2011 respectively, for a further term of 5 years. The material terms & conditions of their reappointment have been provided in explanatory statement attached to the Notice of the meeting. Members are requested to consider their reappointment at the ensuing Annual General Meeting.

#### **MOU SIGNED WITH GOVT OF GUJARAT**

Your Directors are pleased to inform that in the 5<sup>th</sup> Global Investors Summit of biennially held renowned event “Vibrant Gujarat 2011”, organised by Government of Gujarat, your Company has evinced its interest in economic development of Country and has entered into a “Memorandum of Understanding (MOU)” with Government of Gujarat for proposed investment of Rs. 1000 crores in the Cement Business in Dist. Kutch, Gujarat.

The activities relating to “Cement” business is covered under “**Other Objects**” of Memorandum of Association (MOA) of the Company. Pursuant to the requirement of section 149 (2A) of Companies Act, 1956 approval of members is sought to pass special resolution as mentioned in “Item No. 10” in Notice of Meeting.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

As required under section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, particulars relating to conservation of Energy, R & D, Technology absorption and foreign Exchange earnings / outgo are separately provided in the annexure to this report.

#### **PARTICULARS OF THE EMPLOYEES**

Particulars of the employees as required under provisions of section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, are not attached with this report since there was no employee who was in receipt of remuneration in excess of limits prescribed under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particular of Employees), Rules 1975.

#### **DIRECTORS’ RESPONSIBILITY STATEMENT**

Pursuant to the requirement of section 217 (2AA) of the Companies Act, 1956, it is hereby confirmed that:

- a) In the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March 2011, the applicable accounting standards have been followed along with proper explanation relating to material departure;



- b) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and profit and loss account of the Company for that period;
- c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) The Directors have prepared the annual accounts on a going concern basis.

#### **AUDITORS**

M/s Talati & Talati, Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment. Your Directors recommends their re-appointment.

Pursuant to Central Government's Order dated 3<sup>rd</sup> May 2011 Ref No. 52/26/CAB-2010, mandating appointment of Cost Auditor, your directors have appointed M/s Ashish S. Bhavsar & Co. as Cost Auditor, for auditing cost accounting records of the Company for financial year 2011-12.

#### **EXPLANATION TO THE AUDITOR'S REMARKS**

The Directors submit their explanation to the qualifications made by the Auditors in their report for the year 2010-11. The Para nos. of Auditors' Report and reply are as under:

##### **Para ix (a)**

Payments of Statutory dues were marginally delayed on account of slow recovery/collection. However, the same have been paid.

##### **Para xi**

On account of financial problem, company defaulted in payment of interest. Company has made proposal to its bankers for working capital requirements. Once the working capital is sanctioned and disbursed, Company will be regular in payment of dues to its bankers.

Besides, other qualification, the notes to the Accounts are self explanatory and give suitable explanation to qualifications in Auditors' report.

#### **FIXED DEPOSIT**

The Company has not accepted any public deposit during the year under review and no amount against the same was outstanding at the end of the year.

#### **FURTHER ISSUE OF SHARES BY PREFERENTIAL ALLOTMENT**

Members in its adjourned meeting held on 25<sup>th</sup> April 2011 approved preferential allotment of equity shares and convertible warrants to strategic investors and authorized the Board in this regard. However, the same was abandoned by the Board in its meeting held on 4<sup>th</sup> July 2011.

#### **REGULATORY STATEMENT**

In conformity with provision of Clause 32 in the Listing Agreement(s) the Cash Flow Statement for the year ended 31.03.2011 is annexed hereto.

The equity shares of your company are listed on the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE)

The Company has paid the listing fees for the year 2011-12 to above stock exchanges.

**APPRECIATION**

Your Directors place on record their sincere appreciation yet again for the valuable support and co-operation as received from government authorities, Financial Institutions and Banks during the year. The Directors are also thankful for the support extended by Customers, Suppliers and contribution made by the employees at all level. The Directors would also like to acknowledge continued patronage extended by Company's shareholders in its entire endeavor.

**For and on behalf of the Board**

Sd/-

Rajendra V. Shah

**CHAIRMAN**

**Date:** 23<sup>rd</sup> July 2011

**Place:** Santej



## ANNEXURE TO DIRECTORS' REPORT

### A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken

Your company gives priority to Energy conservation. It regularly reviews measures to be taken for Energy Conservation/Consumption and its effective utilization.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy: -

Your Company is highly power intensive industry and power is the basic requirements of manufacturing process. In order to reduce the cost per unit for power consumption, the Company has installed 40 MW Captive Power Plant.

(c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

The company is operating 40 MW Captive Power Plant in parallel with GETCO Grid and with the consumption of own power, your Company saves substantial amount from the same.

Total energy consumption and energy consumption per unit of production:

(I) POWER AND FUEL CONSUMPTION	2010-11	2009-10
<b>1. ELECTRICITY</b>		
<b>(a) Purchase</b>		
Unit (Kwh)	909600	2068920
Total Amount (Rs.)	13258095	18697104
Rate / Unit (Rs)	14.58	9.04
<b>(b) Own Generation</b>		
(i) <i>Through Diesel Generator Unit (Kwh)</i>	NIL	NIL
Unit Per Ltr of Diesel Oil	NIL	NIL
Cost / Unit (Rs)	NIL	NIL
(ii) <i>Through Steam Turbine / Generator Unit (Kwh)</i>	156302	156849
Unit Per Kg of Lignite	1.24	1.00
Cost Lignite / Unit (Rs)	1726	1905
<b>2 COAL (Including Coal Fines)</b>		
Quantity (MT)	64825	20881
Total Cost (Rs)	191013028	69345177
Average Rate (Rs)	2947	3321
<b>3 FURNACE OIL</b> (used in the generation of power)		
Quantity (K Ltr)	NIL	NIL
Total Cost (Rs)	NIL	NIL
Average Rate (Rs)	NIL	NIL
<b>4 OTHERS - LIGNITE</b> (used in the generation of steam)		
Quantity (K Tonns)	125709	157580
Total Cost (Rs)	269791681	298800612
Average Rate (Rs)	2146	1896
<b>II. CONSUMTION PER M.T. OF PRODUCTION</b>		
<b>Particulars of Product</b>		
Electricity (in Unit)	NIL	NIL
Furnace Oil	NIL	NIL
Coal (Specify quantity)	NIL	NIL
Others	NIL	NIL

**B. TECHNOLOGY ABSORPTION**

		2010-11	2009-10
<b>(I)</b>	<b>Research and Development (R &amp; D)</b>		
	1. Specific areas in which R&D carried out by the company.	NIL	NIL
	2. Benefits derived as a result of the above R&D	NIL	NIL
	3. Future plan of action:		
	a) Capital		
	b) Recurring		
	c) Total		
	d) Total R&D expenditure as a percentage of total turnover	NIL	NIL
<b>(II)</b>	<b>Technology absorption, adaptation</b>		
	Company has not carried out research, development & innovation activities.		
	1. Efforts, in brief, made towards technology absorption, adaptation and innovation.	NIL	NIL
	2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.	NIL	NIL
	3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:		
	a) Technology imported		
	b) Year of import		
	c) Has technology has been fully absorbed		
	d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.	NIL	NIL

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO***(Amount in Rs. Lacs)*

Particulars	2010-11	2009-10
Earnings	Nil	Nil
Outgo	1261.64	742.08

**For and on behalf of the Board**

Sd/-

Rajendra V. Shah

**CHAIRMAN****Date:** 23<sup>rd</sup> July 2011**Place:** Santej





## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY STRUCTURE AND DEVELOPMENTS

India has been able to maintain its leading position as world largest producer of Sponge Iron. Production Capacity in Sponge iron making has also increased over the years. Indian Steel Industry has just come out of recent global economic slowdown. Growth in leading end-use segments like manufacturing, consumer durables, construction, service sector and agriculture sector have provided good news to Steel Sector. As such, India is expected to maintain its leading position of largest sponge iron producer in the near future also.

On the other hand, Indian Ferro alloys Industry, as a part of the core sector, is engaged in supplying crucial intermediates to steel industry. Ferro alloys are used in production of mild steel, carbon steel, special alloy steel and stainless steel in the country. As India's steel production is increasing year over year; consumption of ferro alloys is also increasing alongwith it. The industry has already started importing manganese ore in large volumes. In the face of upward growth trend in Steel Industry, scope of growth in above Industries can be said to be very good in the coming years.

### DISCUSSION ON COMPANY'S PERFORMANCE

During the year under review, Company's net revenue has increased from Rs. 29848 lacs to Rs. 32009 lacs. However, the net profits of the company have declined from Rs. 83 lacs to Rs. 27 lacs. This decline in profits is attributed mainly on account of high cost of raw material and low price realization owing to slack market conditions.

Company is basically manufacturing Sponge Iron, Ferro Alloys, MS & SS Angle and Power and the same are being sold in the domestic market. Because of the Captive Power Generation Company has advantage of low power cost per unit of manufacturing.

Company is also generating 40 MW Power from Waste Heat Recovery Boiler & Fluidized Bed Combustion Boiler with economic price. Power generated is used for captive consumption and surplus power is sold resulting profit. Around 15MWH Power is being generated from the Kiln waste gases as well which helps in running the plant economically.

### SWOT ANALYSIS OF COMPANY

#### Strength

- ✘ Good Industry experience & knowledge of Promoters.
- ✘ Good quality standards.
- ✘ Cost competitiveness.
- ✘ Diverse Supplier Base.
- ✘ Long-standing contracts for purchase of raw materials.
- ✘ Strong product design and development.
- ✘ Skilled, qualified and motivated employees.
- ✘ Captive Power Consumption.

#### Weaknesses

- ✘ Exposure to raw material price fluctuations.
- ✘ Under-utilization of plant capacity.
- ✘ Dependency on third party for raw material.

#### Opportunities

- ✘ Unexplored Markets.
- ✘ Ever-growing demand in Steel Industry.
- ✘ Strengthened manufacturing base and the existence of product development and marketing teams.



### Threats

- ✘ Rising raw material prices.
- ✘ High Cost of Capital.
- ✘ Constraint of Raw Material availability.
- ✘ Global economic slowdown.
- ✘ Unremunerative Prices.
- ✘ Unforeseen general macro-economic factors and political turmoil.

### RISKS AND CONCERNS

Some of the major risks and concerns identified by the Company are:

- Working Capital risks.
- Raw Materials Availability risk.
- Raw Material Price Fluctuation risks.
- Government Policy and Political Structure risk.
- Competition risk.
- Economic Slowdown risk.

In its process of Risk Management, Company takes proactive steps in identifying inherent business and operational risks and accordingly takes appropriate steps to guard against these identified risks.

### INTERNAL CONTROL SYSTEM

The Company has adequate internal control procedures commensurate with its size and nature of its business. The objectives of these procedures are to ensure efficient use and protection of the Company's resources, accuracy in financial statements and due compliance of statutes and Company's policies and procedures.

### HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Company maintained healthy, cordial and harmonious industrial relations at all levels. The Board of Directors and management wish to place on record their appreciation of the efforts put in by all employees to achieve good performance.

### FUTURE OUTLOOK

To avoid volatility and to ensure consistent supplies of good quality raw materials, Company is focusing on establishing long term tie-ups with renowned leading suppliers of the country like NMDC, Orissa (for Iron Ore), MOIL (for Manganese Ore), OMCL (for Chrome Ore) etc. Efforts are also being made to set up arrangements with GMDC, Gujarat for meeting basic raw material requirements.

Also, Company is deciding to set up its own pelletising plant to manufacture Iron Ore pellets to be used in Sponge Iron production. This can result into better yield and will save the costs as well. Furthermore, sponge iron pellets can be profitably exported as well with nil export duty. With effective use of Power plants to its fullest capacity, maximum capacity utilisation of Ferro Alloys plant is being targeted.

### CAUTIONARY NOTE

The statements forming part of this Report may contain certain forward looking remarks within the meaning of applicable laws and regulations. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performances or achievements. Significant factors which could make a difference to the Company's operations include domestic and international economic conditions, changes in Government regulations, tax regime and other statutes. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements on the basis of any subsequent developments, information or events.



## CORPORATE GOVERNANCE REPORT

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance is a set of systems and practices to ensure that the affairs of the Company are being managed in a way which ensures accountability, transparency, fairness in all its transactions in the widest sense and meet its stakeholders aspirations and expectations. The Company will continue to focus its resources, strengths and strategies for enhancement of the long term shareholders' value while at the same time protecting the interest of other stakeholders.

### 2. BOARD OF DIRECTORS

#### COMPOSITION AND CATEGORY

The composition of the Board of Directors of the Company represents an appropriate mix of executive and non-executive directors to ensure the independence of the Board and to separate the board functions of governance and management

The Board currently comprises of Five Executive Directors (including Managing Director) and Seven Non-Executive Directors including the Chairman of the Board.

None of the Directors on the Board is a member of more than ten Committees and Chairman of more than five Committees across all companies in which they are Directors.

#### BOARD PROCEDURE

The Board meets atleast once a quarter to review the quarterly performance and the financial results. The Board meetings are generally scheduled well in advance and the notice of each Board Meeting is given in writing to each Director.

To enable the Board to discharge its responsibilities effectively, the members of the Board are briefed at every Board Meeting on the overall performance of the company.

The Minutes of the Board meetings are circulated in advance to all Directors and confirmed at subsequent Meeting. The Minutes of Audit Committee and other Committees of the Board are regularly placed before the Board.

During the financial year ended March 31, 2011, Seven Board Meetings were held respectively on 15/05/2010, 22/07/2010, 31/07/2010, 30/10/2010, 29/01/2011, 01/03/2011 and 02/03/2011. The gap between two Board Meetings did not exceed four months.

The composition of the Board of Directors, the number of other Directorship and Committee positions held by the Director, of which the Director is a Member/Chairman, are as under:



Name of Directors	Category	No. of Board Meetings attended during the year	Whether Attended Last AGM	No. of other Directorship held	Committee* Membership held in other Companies	
					As Member	As Chair-Person
Shri Rajendra V.Shah	Non Executive Promoter	7	Yes	1	1	Nil
Shri K.C.Thatoi	Managing Director	7	No	Nil	Nil	Nil
Shri Sujal A. Shah	Non Promoter Executive Director	6	Yes	Nil	Nil	Nil
Shri Babulal M. Singhal	Non Promoter Executive Director	7	No	Nil	Nil	Nil
Shri Anilkumar Pandya	Non Promoter Executive Director	7	No	Nil	Nil	Nil
Shri Piyush R. Chandarana	Non Promoter Executive Director	5	No	Nil	Nil	Nil
Shri Ambalal C. Patel	Independent & Non Executive Director	7	Yes	11	6	2
Shri Tejpal S. Shah	Independent & Non Executive Director	2	No	1	Nil	Nil
Shri Harshad M. Shah	Independent & Non Executive Director	2	No	1	Nil	Nil
Shri Jethalal M. Shah	Independent & Non Executive Director	7	Yes	Nil	Nil	Nil
Shri Shrikant N. Jhaveri**	Independent & Non Executive Director	N.A	N.A.	1	Nil	Nil
Shri Bhaskar Ghosh***	Independent & Non Executive Director	N.A	N.A	1	Nil	Nil

\*Committees includes Audit Committees and Shareholder's/Investors Grievance Committees only.

\*\*Appointed as Additional Director of the Company w.e.f 11.05.2011.

\*\*\* Appointed as Additional Director of the Company w.e.f 04.07.2011.

### 3. COMMITTEES OF THE BOARD

#### AUDIT COMMITTEE

The terms of reference of the Audit Committee are wide enough to cover matters specified for Audit Committees under Clause 49 of the Listing Agreements as well as in Section 292A of the Companies Act, 1956 besides other terms as may be referred to by Board of Directors from time to time.

The Audit Committee comprises of three non-executive Directors all of whom are Independent Directors.

During the period under review, five Audit Committee meetings were held respectively on 15/5/2010, 22/07/2010, 31/07/2010, 30/10/2010 and 29/01/2011.



Name of Director	Position	No. of Meetings	Meetings attended
Shri Jethabhai M. Shah	Chairman	5	5
Shri Ambalal C. Patel	Member	5	5
Shri Harshad M. Shah	Member	5	2

The Chairman of the Audit Committee was present at the last Annual General Meeting of the Company.

#### REMUNERATION COMMITTEE

The Remuneration Committee comprises of three independent Non-executive directors viz. Shri Shri Ambalal C Patel - Chairman, Jethabhai M Shah and Shri Harshad M Shah.

The remuneration committee has been constituted to recommend/review the remuneration package of the Managing/ Whole Time Directors based on performance and defined criteria.

#### Details of Remuneration paid to Directors during 2010-11

(Amount in Rs.)

NAME OF DIRECTOR	REMU- NERATION	SITTING FEES	TOTAL
Shri Rajendra V.Shah	Nil	Nil	Nil
Shri K.C.Thatoi	3032294	Nil	3032294
Shri Sujal A. Shah	399594	Nil	399594
Shri Babulal M. Singhal	426484	Nil	426484
Shri Anilkumar Pandya	442974	Nil	442974
Shri Piyush R. Chandarana	569581	Nil	569581
Shri Ambalal C. Patel	Nil	9000	9000
Shri Tejpal S. Shah	Nil	1500	1500
Shri Harshad M. Shah	Nil	3000	3000
Shri Jethalal M. Shah	Nil	9000	9000

#### SHAREHOLDER'S/INVESTOR'S GRIEVANCE COMMITTEE

Shri Shri Ambalal C Patel – Chairman, Shri Jethabhai M Shah and Shri Harshad M Shah are members of the Committee. The Committee is empowered to oversee the redressal of Investors' complaints and other miscellaneous complaints. The Company as a matter of policy disposes of investor complaints within a span of five working days.

During the year under review, all shareholders complaint received either by Registrar & Share Transfer Agent or the Company were satisfactorily replied and resolved. There were no outstanding complaints as on 31<sup>st</sup> March, 2011.



#### 4. GENERAL BODY MEETING

- **Date, time and venue of the last three Annual General Meetings**

YEAR	DATE	TIME	VENUE
2009-10	September 24 <sup>th</sup> , 2010.	10.00 A.M	SAL Institute & Engineering Research, Opp. Science City, Ahmedabad 380 060
2008-09	September 24 <sup>th</sup> , 2009.	10.00 A.M	Rajpath Club Limited, S.G Highway, Ahmedabad – 380 054
2007-08	September 24 <sup>th</sup> , 2008.	9.30 A.M.	Rajpath Club Limited, S.G Highway, Ahmedabad – 380 054

- **No Extra-ordinary General Meeting of the Company was held during the year 2010-11.**

During the year ended 31<sup>st</sup> March, 2011, no resolution was passed by the Company's shareholders through Postal Ballot pursuant to provisions of section 192A of the Companies Act, 1956.

#### 5. DISCLOSURES

##### RELATED PARTY TRANSACTIONS

No materially significant related party transaction that may have potential conflict with the interests of the Company at large have been entered into.

##### NON COMPLIANCE BY THE COMPANY, PENALTIES, STRICTURES

The Company has complied with the requirements of the Stock Exchange/SEBI/any statutory authorities on all matters related to capital markets. There are no penalties or strictures imposed on the Company by Stock Exchange or SEBI. However, during the year company had applied to Hon'ble Company Law Board for condonation of delay and extension of time under Section 141 of the Companies Act, 1956. Condonation was granted with cost on the company. Further, Hon'ble Company Law Board on the applications of the company for condonation/compounding of offences under various sections of the Companies Act, 1956 had imposed penalty on Company and concern directors. The same has been paid.

#### 6. CODE OF CONDUCT

The Company has its Code of Conduct which is applicable to Board of Directors as well as designated senior management personnel. The Code is circulated to all the members of the Board and management personnel and the compliance of the same is affirmed by them annually. An annual declaration of Managing Director, as to compliance of Code of Conduct has been provided in the Annual Report.

#### 7. AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

As required under Clause 49 of Listing Agreement, Auditors Certificate is provided in the Annual Report.

#### 8. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

This is given as a separate section in this Annual Report.

#### 9. CERTIFICATION

As required by clause 49 of the Listing Agreement, certification on financial statements is provided in the Annual Report.



## 10. COMPLIANCE WITH CLAUSE 49

Company is fully committed to the compliance of applicable mandatory requirement of Clause 49 of the Listing Agreement as amended from time to time. The company submits quarterly Compliance Report to BSE & NSE in respect of compliance of Clause 49 of the Listing Agreement

## 11. MEANS OF COMMUNICATION

- a) All financial results are immediately sent to stock exchanges after being taken on record by the Board.
- b) As per the requirements of Listing Agreement, Results are also published in leading daily local & English National newspapers namely Indian Express and Financial Express. The said results are also displayed at Company's web site
- c) Press releases, if any, are published at leading newspapers and displayed at Company's website.

## 12. GENERAL INFORMATION FOR SHAREHOLDERS AND INVESTORS

The Company is registered in the State of Gujarat having Corporate Identification Number (CIN) as allotted by Ministry of Corporate Affairs (MCA) as L29199GJ2003PLC043148.

- a) **Annual General Meeting.**  
**Date** : 24<sup>th</sup> September, 2011  
**Time** : 10.00 A.M.  
**Venue**: SAL Institute & Engineering Research, Opp. Science City, Ahmedabad 380 060.
- b) **Financial Calendar for 2011-12 (Tentative)**  
 For accounting and financial reporting purpose, Company follows Financial Year which starts from 1<sup>st</sup> April each year and ends on 31<sup>st</sup> March of every succeeding year.  
 The Quarterly Results for the financial year 2011-12 will be taken on record by the Board of Directors as per the following schedule:
 

Quarter ending 30 <sup>th</sup> June 2011	:	By 14 <sup>th</sup> August 2011.
Quarter ending 30 <sup>th</sup> September 2011	:	By 14 <sup>th</sup> November 2011.
Quarter ending 31 <sup>st</sup> December 2011	:	By 14 <sup>th</sup> February 2012.
Quarter ending 31 <sup>st</sup> March 2012	:	By 14 <sup>th</sup> May' 2012 / End of May' 2012.
- c) **Date of Book Closure / Record Date** : 17-09-2011 to 24-09-2011  
(Both days inclusive)
- d) **Dividend Payment Date** : Not Applicable
- e) **Listing on Stock Exchange** : **Bombay Stock Exchange Ltd. (BSE)**  
 Phiroze Jeejeebhoy Towers Dalal Street,  
 Mumbai – 400001  
*Scrip Code: 532604*  
 : **National Stock Exchange of India Ltd (NSE)**  
 "Exchange Plaza", Bandra Kurla Complex,  
 Bandra (E), Mumbai – 400051  
*NSE SYMBOL: SALSTEEL*  
*Demat ISIN No. for NSDL and CDSL* : INE658G01014



**f) Listing Fees to Stock Exchanges**

Company has paid listing fees in respect of financial year 2011-2012 to the Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

**g) Custodial Fees to Depositories**

Company has paid Custodian Fees for the financial year 2011-12 to both depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

**h) Share Price Data**

(Amt. in Rs. per share)

Month	SSL Price at BSE		SSL Price at NSE	
	Month's High Price	Month's Low Price	Month's High Price	Month's Low Price
April' 10	13.39	11.30	13.35	11.35
May' 10	11.90	9.58	11.95	9.55
June' 10	12.25	9.65	12.45	9.65
July' 10	11.80	10.20	11.90	10.20
August' 10	11.30	9.83	11.40	9.80
September' 10	11.29	9.11	11.30	9.90
October' 10	10.90	9.30	10.80	9.30
November' 10	11.00	7.50	10.55	7.50
December' 10	9.28	7.62	9.35	7.05
January' 11	10.99	8.00	12.15	8.05
February' 11	9.89	6.52	9.85	6.05
March' 11	8.55	7.20	8.85	7.20

**i) Shareholding pattern as on 31<sup>st</sup> March, 2011**

Sr. No.	Particulars	No. of Shares of Rs. 10/- each	% holding
1	INDIAN PROMOTERS	42959889	50.56%
2	RESIDENT INDIVIDUALS	29000739	34.13%
3	BODIES CORPORATES	11115462	13.08%
4	HUF	1558745	1.83%
5	NON RESIDENT INDIANS	260057	0.31%
6	CLEARING MEMBERS	71808	0.08%
<b>Total</b>		<b>84966700</b>	<b>100.00%</b>





**j) Distribution of shareholding as on 31<sup>st</sup> March, 2011**

Shareholding (Range)	No. of Shares	%	No. of Members	%
Upto 5000	6620886	7.79	25681	71.99
5001 - 10000	4789564	5.64	5357	15.02
10001 - 20000	3819756	4.50	2338	6.55
20001 - 30000	2108010	2.48	797	2.23
30001 - 40000	1296271	1.53	351	0.98
40001 - 50000	1774151	2.09	369	1.03
50001 - 100000	3318282	3.91	439	1.23
100001 & ABOVE	61239780	72.08	342	0.96
<b>Total</b>	<b>84966700</b>	<b>100.00</b>	<b>35674</b>	<b>100.00</b>

**k) Dematerialisation of Shares and Liquidity**

On March 31<sup>st</sup> 2011, nearly 99.94% of the shareholders of Company were holding Company's shares in demat form. In the same way, Promoters & Promoters-group shareholding was also fully dematerialized. Also, the aggregate dematerialized shareholding of the Company stood at 99.72% of the total no. of shares. Brief position of Company's dematerialized shares is given below:

S. No.	Description	No. of Holders	Shares	% holding
1	NSDL	24138	71115036	83.70
2	CDSL	11514	13613931	16.02
3	PHYSICAL	22	237733	0.28
<b>Total</b>		<b>35674</b>	<b>84966700</b>	<b>100%</b>

**l) Share Transfer System**

All transfers of shares held in physical form are dealt by our Registrar and Share Transfer Agents. Presently the share transfers received in physical form are processed and registered within 25 days from the date of receipt subject to the documents being valid and complete in all respects. Depositories control share transfers in Demat Mode. The Company obtains from a Company Secretary in Practice half yearly certificate of compliance in respect of compliance with share transfer formalities as required under Clause 47(c) of the Listing Agreement with Stock Exchanges and files a copy of the certificate with the stock exchanges.

**m) Reconciliation of Share Capital Audit Report**

As stipulated by Securities and Exchange Board of India, Company is required to carry out Reconciliation of Share Capital Audit (RSCA) from a practicing Company Secretary.



This audit is carried out every quarter and the report thereon of Practicing Company Secretary is submitted to the stock exchanges. The audit, inter alia, confirms that the total listed and paid-up capital of the company is in agreement with the aggregate of the total number of shares in dematerialized form (held with NSDL and CDSL) and total number of shares in physical form.

**n) Plant Location**

The Company's plant is located at:

Survey No. 245; Village Bharapar,  
Tal. Gandhidham,  
District: Kutch, Gujarat

**o) Registered & Administrative Offices**

**Registered Office**

5/1, Shreeji House,  
Behind M. J. Library, Ashram Road  
Ahmedabad - 380006  
Gujarat.

**Administrative Office**

Block No. 2221 – 2222,  
Shah Industrial Estate,  
Shah Alloys Corporate House,  
Sola-Kalol Road, Village Santej,  
District: Gandhinagar,  
Gujarat - 382721.

**p) Address for Investor Correspondence**

Shri Saurabh Madaan, Company Secretary, heads the Corporate Secretarial Department of the Company. In case any problem or query shareholders can contact at:

**Address** : Shah Alloys Corporate House, Sola-Kalol Road, Santej, Dist. Gandhinagar, Gujarat.

**Phone** : 91-02764-661100/11

**Fax** : 91-02764-286615

**Email** : sal.investor@salsteel.co.in

Shareholders may also contact Company's Registrar & Share Transfer Agent at:

**Name** : Karvy Computershare Private Limited

**Address** : Plot no.17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad, - 500 081.

**Phone** : 91-040-44655000

**Fax** : 91-040-23420859

**Email** : mailmanager@karvy.com

**Website** : www.karvycomputershare.com

**Annexure to Corporate Governance Report****DECLARATION REGARDING COMPLIANCE WITH THE COMPANY'S CODE OF CONDUCT BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL**

I hereby declare that the Directors and Senior Officer of the Company have exercised their authorities and power and discharged their duties and functions in accordance with requirement of the Code of Conduct as prescribed by the Company and have adhered to the provisions of the same.

**Place :** Santej  
**Date :** 23-07-2011

**K. C. Thatoi**  
**Managing Director**

**AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE**

To  
Members  
**S.A.L. Steel Limited**

We have examined the compliance of the conditions of Corporate Governance by S.A.L. Steel Limited for the year ended 31<sup>st</sup> March, 2011 as stipulated in clause 49 of the listing agreement of the Company with stock exchanges in India.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an 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, the Company has complied with the conditions of Corporate Governance as stipulated in the above listing agreement.

We state that in respect of investor grievances received during the year ended 31<sup>st</sup> March, 2011 no investor grievances are pending against the company for the period exceeding one month, as per the records maintained by the Company and presented to the Investors/Shareholders Grievance Committee. 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, TALATI & TALATI**  
**CHARTERED ACCOUNTANTS**

**Place :** Ahmedabad  
**Date :** 23-07-2011

**PARTNER**

**CERTIFICATION**

*(Pursuant to Clause 49 V of Listing Agreement)*

To  
The Board of Directors

**I hereby certify that:**

- a.** I have reviewed Financial Statements and the Cash Flow Statement for the year ended **31<sup>st</sup> March 2011** and that to the best of my knowledge and belief :
- i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b.** There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c.** I accept responsibility for establishing and maintaining internal controls for financial reporting and that I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which I am aware and the steps they have taken or propose to take to rectify these deficiencies.
- d.** I have indicated to the auditors and the Audit committee
- i. significant changes in internal control over financial reporting during the year;
  - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

**For S.A.L Steel Limited**

Sd/-

K.C Thatoi

**Managing Director**

**Place:** Santej

**Date:** 23.07.2011

**AUDITORS' REPORT**

To  
The Members  
M/s S.A.L. Steel Limited,  
AHMEDABAD

- 1) We have audited the attached Balance Sheet of **M/s S.A.L. STEEL LTD.** as at 31st March 2011, and the Profit and Loss Account and also the Cash-flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditors Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') we annex hereto a statement on the matters specified in paragraphs 4 & 5 of the said order to the extent applicable.
- 4) Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by Law have been kept by the Company so far as appears from our examination of the books;
  - (c) The Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Act;  
*Subject to Note No.4 of Schedule 19 for Non disclosure of Reportable Segments as required under Accounting Standard – 17 'Segment Reporting' issued by the Institute of Chartered Accountants of India. There is no impact on Profit and Loss Account due to non disclosure.*
  - (e) On the basis of the written representations received from the directors, as on March 31, 2011 and taken on record by the Board of Directors, we report that none of the directors of the company are disqualified as on March 31, 2011 from being appointed as director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with significant accounting policies and notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
    - ii) In the case of the Profit and Loss Account, of the profit of the company for the year ended on that date; and
    - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**Place :** Ahmedabad  
**Date :** 23<sup>rd</sup> July 2011

**For TALATI & TALATI**  
**Chartered Accountants**  
**(Firm Reg. No. : 110758W)**

**Umesh Talati**  
**Partner**  
**Membership No: 034834**



## ANNEXURE TO AUDITOR'S REPORT

### Referred to in Paragraph 3 of our report of even date

- i) a) The company has maintained proper records showing full particulars including quantitative details and situation of the fixed assets.
- b) As explained to us, a major portion of the fixed assets has been physically verified by the management during the year in accordance with a phased program of verification adopted by the Company. In our opinion, the frequency of verification is reasonable having regard to the size of the company and nature of its assets. As informed to us, no material discrepancies were noticed on such physical verification.
- c) According to the information and explanations given to us, Fixed Assets disposed off during the year were not substantial & therefore do not affect the Going Concern assumption.
- ii) a) As explained to us, inventories (excluding Goods in Transit and Goods lying at Port) were physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of verification is reasonable.
- b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
- c) In our opinion and according to the information and explanations given to us, the company has maintained proper records of inventories. As explained to us, there was no material discrepancies noticed on Physical Verification of Inventories as compared with the book records.
- iii) In respect of Loans, Secured or Unsecured,, granted or taken by company to/from companies, firms or other parties covered in the register maintained under section 301 of the Act:
- a) According to information and explanations given to us and on the basis of the records produced before us, the company has not granted any Loan, Secured or Unsecured to the companies or firms or other parties covered in the register maintained under section 301 of the Companies Act 1956 and hence sub-clause b, c & d are not applicable.
- b) According to information and explanation given to us and on the basis of records produced before us the company has taken loan from a company in earlier years, covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 80 Crores and year end balance of loans taken from such party is Rs. 80 Crores.
- c) In our opinion, the rate of interest and other terms and conditions on which loan has been taken from company listed in the register maintained under section 301 of the Act are prima facie not prejudicial to the interest of the company.
- d) On the basis of records produced before us and on the basis of information and explanation given to us and as per the schedule stipulated for the terms and condition in respect of loans taken by the company, the repayment of the said loan is not due for repayment during the year 2010-11.
- iv) In our opinion & according to the information & explanations given to us, there are adequate internal control systems which commensurate with the size of the company & nature of its business for the purchase of inventory, fixed assets & also for the sales of goods and services.



During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls systems.

- v) a) In our opinion and according to the information & explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under section 301 of the Companies Act, 1956.
- b) In our opinion, and according to information and explanation given to us, the transactions of Purchase of goods, and materials and Sale of goods, materials, Fixed Assets and Services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rupees Five lacs or more in respect of each party, have been made at prices which are reasonable, having regard to the prevailing market prices for such Goods, Materials, Fixed assets and Services or the prices at which the transactions for similar Goods, Materials, Fixed Assets and Services have been made with other parties.
- vi) The Company has not accepted any deposit from the public during the year.
- vii) The Company has appointed internal auditors and has carried out internal audit during the year. In our opinion based on the size, nature and extent of the business the internal audit system of the company is commensurate with the size and nature of the business.
- viii) The Central Government has prescribed maintenance of cost records under section 209 (1) (d) of the Act. We have broadly reviewed the accounts and records of the company in this connection and are of the opinion, that prima facie, the prescribed accounts and records have been made and maintained. We have however not made a detailed examination of the same.
- ix) a) *According to the records of the company, undisputed Statutory dues including provident fund, employees State Insurance, Income-tax, Wealth-tax, Service Tax, Sales-tax Customs duties, excise duty, cess and other statutory dues have not been generally regularly deposited during the year with the appropriate authorities. On the basis of records produced before us for our verification and according to the information & explanation given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2011 for a period of more than six months from the date of becoming payable. Amount due and outstanding for a period exceeding six months as at 31st March, 2011 is of Rs 48.99 lacs in respect of Service Tax and of Rs 22.24 lacs in respect of Tax deducted at source.*
- b) On the basis of records produced before us for our verification and according to the information and explanations given to us, *the details of disputed VAT dues of Rs 365.63 lacs have not been deposited as on 31st March, 2011 on account of matters pending before the appropriate authorities. The details of which are as under:*

Sr No.	Nature of Dues	Financial Year to which the matter relates	Forum where the matter is pending	Amount Rs. (in Lacs) Net of Payment
1	Value Added Tax	2006-07	Jt. Value Added Tax Commissioner (Appeal)	365.63

- x) On the basis of information and explanations given to us and on the basis of records produced before us the company does not have any accumulated loss at the end of the year and has not incurred cash losses in the relevant financial year and in the immediately preceding financial year.





- xi)** *On the basis of information and explanation given to us and on the basis of records produced the company has delayed the payment in respect of interest to the banks and institutions during the year. As per the information given to us, payments have been delayed generally in a range of 1 day to 89 days from the due date. The total delayed interest payment made by the company is Rs. 1719.42 Lacs during the year.*
- xii)** In our opinion & according to the information & explanation given to us, no loans & advances have been granted by the company on the basis of security by way of pledge of shares, debentures & other securities.
- xiii)** In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund/ society etc.
- xiv)** According to the information & explanations given to us, the company is not dealing or trading in shares, securities debentures & other investments.
- xv)** The company has given corporate guarantee for Rs. 80 Crores in the earlier years for loans taken from Shah Alloys Limited, in our opinion, the terms and conditions on which the company has given guarantee for loans taken by Shah Alloys Limited from banks or financial institutions are prime facie, not prejudicial to the interest of the company.
- xvi)** According to the information & explanations given to us, the term loans have been applied for the purpose for which they have been raised.
- xvii)** According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company and after placing reliance on the reasonable assumptions made by the company, there are no funds raised on short term basis that have been used for long term basis.
- xviii)** During the period covered under audit report the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- xix)** During the period covered under audit report the company has not issued any debentures. Accordingly the provisions of clause (xix) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- xx)** During the period covered under audit report the company has not raised any money by way of public issue during the year.
- xxi)** According to the information & explanations given to us and based on management representation, no fraud on or by the company has been noticed or reported during the course of our Audit.

**Place :** Ahmedabad  
**Date :** 23<sup>rd</sup> July 2011

**For TALATI & TALATI**  
**Chartered Accountants**  
**(Firm Reg. No. : 110758W)**

**Umesh Talati**  
**Partner**  
**Membership No: 034834**





BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2011

Sch.	As at 31-3-2011 Rupees	As at 31-3-2011 Rupees	As at 31-3-2010 Rupees	As at 31-3-2010 Rupees
<b>(A) SOURCES OF FUNDS</b>				
<b>1. Shareholder's Funds</b>				
a) Share Capital	1	84 96 67 000	84 96 67 000	
b) Reserves and Surplus	2	40 68 21 742	40 40 94 987	1 25 37 61 987
<b>2. Loan Funds</b>				
a) Secured Loans	3	1 59 34 13 563	1 39 43 15 040	
b) Unsecured Loans	4	89 18 97 576	81 96 05 111	2 21 39 20 151
<b>3. Deferred Tax Liability (Net)</b> (Refer note No 6 of Sch 19)				
		9 00 22 718		8 52 74 637
<b>TOTAL</b>		<b>3 83 18 22 599</b>		<b>3 55 29 56 775</b>
<b>(B) APPLICATION OF FUNDS</b>				
<b>1. Fixed Assets</b>				
a) Gross Block	5	2 68 63 13 952	2 67 88 45 356	
b) Less : Depreciation		99 55 64 139	80 64 92 337	
c) Net Block		1 69 07 49 813	1 87 23 53 019	
d) Capital Work-in-Progress		1 69 31 42 876	1 37 67 65 665	3 24 91 18 684
<b>2. Investments</b>				
<b>3. Current Assets, Loans &amp; Advances</b>				
a) Inventories	6	52 85 28 548	71 91 85 056	
b) Sundry Debtors	7	12 50 88 982	10 68 55 504	
c) Cash & Bank Balances	8	6 34 16 591	8 58 78 904	
d) Loans & Advances	9	32 54 67 517	25 02 80 714	
		1 04 25 01 638	1 16 22 00 178	
<b>Less: Current Liabilities &amp; Provisions</b>				
a) Current Liabilities	10	58 50 38 799	85 96 04 933	
b) Provisions	11	95 32 929	40 89 907	
		59 45 71 728	86 36 94 840	
<b>Net Current Assets</b>				
		44 79 29 910		29 85 05 338
<b>4. Miscellaneous Expenditures</b>				
[to the extent not written off or adjusted]	12	-	-	53 32 753
<b>TOTAL</b>		<b>3 83 18 22 599</b>		<b>3 55 29 56 775</b>
<b>Significant Accounting Policies and Notes forming part of Accounts</b>				
	19			

Schedules refer to hereinabove form an integral part of Financial Statement  
As per our report of even date

For, Talati & Talati  
Chartered Accountants  
(Firm Reg. No. : 110758W)  
Umesh Talati  
Partner  
M. No 034834

Place: Ahmedabad  
Date : 23/07/2011

Saurabh Madaan  
Company Secretary

For and on behalf of the Board of Directors

Rajendra V. Shah	Chairman
K. C. Thatoi	Managing Director
Sujal A. Shah	Director
B. M. Singhal	Director
Anilkumar Pandya	Director
Piyush Chandarana	Director

Place: Santej  
Date : 23/07/2011





**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2011**  
(Pursuant to the Listing Agreement with Stock Exchanges)

Particulars	2010-11		2009-2010	
	Rupees	Rupees	Rupees	Rupees
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>NET PROFIT BEFORE TAX &amp; EXTRA-ORDINARY ITEMS</b>		19617683		21657620
<i>Add:</i>				
Depreciation	189071802		196026610	
Debit / Credit Balance written off	-15699917		-6120641	
Unrealised Foreign Exchange (Gain) / Loss	-335809		-4730217	
Financial Cost	221380899		268772245	
Preliminary Expenses written off	5332753		10176100	
Profit on sale of Fixed Assets	-316490		324568	
Interest Income	-3300427		-5598940	
		396132812		458849725
		415750494		480507345
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>				
<i>Adjustments for:</i>				
Trade and Other Receivables	-93420282		-65327180	
Inventories	190656508		45689523	
Trade Payables and other liabilities	-257945325		114322698	
		-160709099		94685041
<b>CASH GENERATED FROM OPERATIONS</b>		255041396		575192386
<i>Less: Income Tax Paid</i>		5125690		2328347
<b>CASH FLOW BEFORE EXTRA ORDINARY ITEMS</b>		249915706		572864039
<i>Add: / (Less): Extraordinary Items</i>		-2159218		-4462982
<b>CASH FLOW FROM OPERATING ACTIVITIES (A)</b>		<b>247756488</b>		<b>568401057</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES</b>				
Sale Proceeds of Fixed Assets and investments	486000		1859550	
Interest, Rent, Dividend Received	3300427		5598940	
Purchase of Fixed Assets	-7638104		-7211485	
Investment in Capital Work in Progress	-316377211		-105936820	
		-320228888		-105689815
<b>CASH FLOW FROM INVESTING ACTIVITIES (B)</b>		<b>-320228888</b>		<b>-105689815</b>



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2011**  
(Pursuant to the Listing Agreement with Stock Exchanges)

Particulars	2010-11		2009-2010	
	Rupees	Rupees	Rupees	Rupees
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>				
1) Proceeds from Working Capital Loans	-225673732		-130301786	
2) Proceeds from Long Term Loans	433760405		-136822802	
3) Financial Expense	-221380899		-268772246	
4) Proceeds from Vehicles Loans	-8988151		-13034509	
5) Increase / Decrease in Unsecured Loan	72292465		3593016	
		50010088		-545338326
<b>CASH FLOW FROM FINANCING ACTIVITIES (C)</b>		<b>50010088</b>		<b>-545338326</b>
<b>NET INCREASE / DECREASE IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>		<b>-22462313</b>		<b>-82627084</b>
Cash & Cash Equivalents in the Beginning of the year		85878904		168505988
Cash & Cash Equivalents in the Closing of the year		63416591		85878904

Schedules refer to hereinabove form an integral part of Financial Statement  
As per our report of even date

**For, Talati & Talati**  
**Chartered Accountants**  
(Firm Reg. No. : 110758W)  
**Umesh Talati**  
**Partner**  
**M. No 034834**

**Place:** Ahmedabad  
**Date :** 23/07/2011

**Saurabh Madaan**  
Company Secretary

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

<b>Rajendra V. Shah</b>	Chairman
<b>K. C. Thatoi</b>	Managing Director
<b>Sujal A. Shah</b>	Director
<b>B. M. Singhal</b>	Director
<b>Anilkumar Pandya</b>	Director
<b>Piyush Chandarana</b>	Director

**Place:** Santej  
**Date :** 23/07/2011



**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	As at 31.03.2011 (Rupees)	As at 31.03.2010 (Rupees)
<b>SCHEDULE 1: SHARE CAPITAL</b>		
<b>Authorised Capital</b>	1 10 00 00 000	95 00 00 000
11,00,00,000 Equity Shares of Rs/- 10 each (P.Y. 9,50,00,000 Equity Shares of Rs. 10/- each)		
<b>Issued, subscribed &amp; paid-up Capital</b>		
8,49,66,700 Equity Shares of Rs 10/- each fully paid up (P.Y. 8,49,66,700 Equity Shares of Rs.10/- each fully paid up)	84 96 67 000	84 96 67 000
<b>TOTAL</b>	<b>84 96 67 000</b>	<b>84 96 67 000</b>
<b>SCHEDULE 2: RESERVES &amp; SURPLUS</b>		
(a) Security Premium	28 78 20 080	28 78 20 080
(b) General Reserve	5 11 096	5 11 096
(c) Surplus in Profit and Loss account	11 84 90 566	11 57 63 811
<b>TOTAL</b>	<b>40 68 21 742</b>	<b>40 40 94 987</b>
<b>SCHEDULE 3: SECURED LOANS</b>		
a) <b>Loan From Banks</b>		
Working Capital Facilities	34 39 06 229	56 95 79 958
Term Loans ( <i>Refer Note 11 of Schedule 19</i> ) 1 23 36 40 692	79 98 80 288	
Installment repayable within one year Rs 622 Lacs (PY Rs 89.37 Lacs)		
b) <b>Vehicle Loan</b>		
From Banks and Financial Institutions	1 58 66 642	2 48 54 793
(Loan acquired under the hire purchase scheme are secured against vehicles.) [Installment repayable within one year Rs 95 Lacs (PY Rs 89.88 Lacs)]		
<b>TOTAL</b>	<b>1 59 34 13 563</b>	<b>1 39 43 15 040</b>
<b>SCHEDULE 4: UNSECURED LOANS</b>		
From Directors	83 19 081	24 33 600
Inter-Corporate Loans (From the Company under the same Management)	80 00 00 000	80 00 00 000
From Others	7 00 00 000	-
Deferred Payment Liability in respect of Sales Tax.	1 35 78 495	1 35 78 495
Short Term Loan from Bank	-	35 93 016
<b>TOTAL</b>	<b>89 18 97 576</b>	<b>81 96 05 111</b>
<b>SCHEDULE 6: INVENTORIES</b>		
<i>(As taken, valued &amp; certified by management) (Cost or Net Realisable value whichever is less)</i>		
Stores & Spares	14 06 80 773	14 49 93 208
Raw Materials [Including Goods in Transit and Stock Lying at Port of Rs 6,82,93,691 /- (P.Y Rs 21,45,26,137 /-)]	15 57 49 510	30 48 56 272
Finished Goods	11 61 23 537	4 14 50 299
Semi-finished Goods	39 44 904	5 00 92 036
By-Products	11 20 29 824	17 77 93 241
<b>TOTAL</b>	<b>52 85 28 548</b>	<b>71 91 85 056</b>



## SCHEDULES FORMING PART OF THE BALANCE SHEET

## SCHEDULE 5: FIXED ASSETS

Sr. No.	Particular of Assets	GROSS BLOCK (At Cost)				DEPRECIATION				NET BLOCK	
		Opening Balance as at 01-04-2010 Rs.	Additions during the year Rs.	Sales/ Adjustments during the year Rs.	Total as at 31-03-2011 Rs.	Upto 31-03-2010 Rs.	For the Year Rs.	Sales/ Adjustments during the year Rs.	Total as at 31-03-2011 Rs.	As at 31-03-2011 Rs.	As at 31-3-2010 Rs.
<b>Tangible Assets</b>											
1	Freehold Land	52264112	0	169510	52094602	0	0	0	0	52094602	52264112
2	Factory Building	443132186	0	0	443132186	54277473	14799525	0	69076998	374055188	388854713
3	Plant and Machinery	2082369465	0	0	2082369465	726028563	162028810	0	888057373	1194312092	1356340902
4	Computers	9174380	153621	0	9328001	2457859	1501730	0	3959589	5368412	6716521
5	Office Equipments	3138172	200591	0	3338763	559663	155792	0	715455	2623308	2578509
6	Furniture and Fixtures	6196300	0	0	6196300	1677505	392225	0	2069730	4126570	4518795
7	Vehicles	71040743	7283892	0	78324635	18838927	7887720	0	26726647	51597988	52201816
<b>Intangible Assets</b>											
1	Software (SAP)	11530000	0	0	11530000	2652347	2306000	0	4958347	6571653	8877653
<b>SUB-TOTAL</b>		<b>2678845358</b>	<b>7638104</b>	<b>169510</b>	<b>2686313952</b>	<b>806492337</b>	<b>189071802</b>	<b>0</b>	<b>995564139</b>	<b>1690749813</b>	<b>1872353021</b>
PREVIOUS YEAR		2674208907	7211485	2575034	2678845358	610856643	196026610	390916	806492337	1872353021	2063352262
CAPITAL WORK-IN-PROGRESS										1693142876	1376765665
									<b>TOTAL</b>	<b>3383892689</b>	<b>3249118686</b>

**Note:** Capital Work In Progress includes Rs 4865.70 Lacs ( PY Rs 3066.32 Lacs) on account of Capital Advances



## SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31.03.2011 (Rupees)	As at 31.03.2010 (Rupees)
<b>SCHEDULE 7: SUNDRY DEBTORS</b>		
<i>(Unsecured considered good)</i>		
Debts due for a period exceeding six months	6 93 57 391	3 33 64 617
Other Debts	5 57 31 591	7 34 90 887
<i>(Refer Note 10 of Schedule 19)</i>		
<b>TOTAL</b>	<b>12 50 88 982</b>	<b>10 68 55 504</b>
<b>SCHEDULE 8: CASH AND BANK BALANCES</b>		
<b>A) Cash on Hand</b>	9 18 425	34 99 674
<b>B) Balance With Schedule Banks</b>		
In Current Account	28 02 516	48 70 878
In Deposit Account (Margin Money)	5 96 95 650	7 75 08 352
<b>TOTAL</b>	<b>6 34 16 591</b>	<b>8 58 78 904</b>
<b>SCHEDULE 9: LOANS AND ADVANCES</b>		
<i>(Unsecured considered good)</i>		
Advances recoverable in cash or in kind or for value to be received	3 85 16 810	5 94 30 488
Deposits	1 87 76 552	1 70 08 052
Advances to Suppliers	6 36 80 124	9 28 77 317
Balance with Excise Authorities	16 11 45 582	3 27 28 822
Balance with VAT Authorities	4 33 48 449	4 82 36 035
<i>(Refer Note 18 of Schedule 19)</i>		
<b>TOTAL</b>	<b>32 54 67 517</b>	<b>25 02 80 714</b>
<b>SCHEDULE 10: CURRENT LIABILITIES</b>		
Sundry Creditors		
Micro Small and Medium Enterprises	-	-
Others	53 35 71 230	55 59 26 023
Advances from Customers	77 40 670	25 73 29 783
Statutory Liabilities	2 34 27 689	1 71 70 928
Other Liabilities	2 02 99 210	1 95 83 205
Credit Balance in Current Account with Banks	-	95 94 994
<b>TOTAL</b>	<b>58 50 38 799</b>	<b>85 96 04 933</b>
<b>SCHEDULE 11: PROVISIONS</b>		
For Taxation (Net of Advance Tax)	59 45 031	16 09 661
For Gratuity	27 26 075	20 82 822
For Leave Encashment	7 98 644	3 63 424
For Wealth tax	63 179	34 000
<b>TOTAL</b>	<b>95 32 929</b>	<b>40 89 907</b>
<b>SCHEDULE 12: MISCELLANEOUS EXPENDITURE</b>		
<i>[To the extent not written off or adjusted]</i>		
Preliminary Expenditure		
Opening Balance	53 32 753	1 55 08 853
Less: Written off during the year	53 32 753	1 01 76 100
<b>TOTAL</b>	<b>-</b>	<b>53 32 753</b>


**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT**

	For the Year Ended on 31-03-2011 (Rupees)	For the Year Ended on 31-03-2010 (Rupees)
<b>SCHEDULE 13: GROSS INCOME FROM OPERATIONS</b>		
a) Manufacturing Sales	2 53 66 75 865	2 33 79 47 817
Less: Excise Duty	21 11 64 617	16 87 30 039
	<u>2 32 55 11 248</u>	<u>2 16 92 17 778</u>
b) Electricity Distribution Income	58 48 86 915	60 03 25 596
c) Trading Sales	-	9 54 96 565
d) Excise Duty Claim Received	29 05 12 017	11 97 83 964
<b>TOTAL</b>	<b><u>3 20 09 10 180</u></b>	<b><u>2 98 48 23 902</u></b>
<b>SCHEDULE 14: INCREASE / (DECREASE) IN STOCKS</b>		
<b>A) Closing Stocks</b>		
Finished Goods	11 61 23 537	4 14 50 299
Semi-Finished Goods	39 44 904	5 00 92 036
By-Products	11 20 29 824	17 77 93 241
<b>Sub Total (A)</b>	<b><u>23 20 98 265</u></b>	<b><u>26 93 35 576</u></b>
<b>B) Less : Opening Stocks</b>		
Finished Goods	4 14 50 299	12 60 84 758
Semi-Finished Goods	5 00 92 036	4 76 67 651
By-Products	17 77 93 241	15 79 72 237
<b>Sub Total (B)</b>	<b><u>26 93 35 576</u></b>	<b><u>33 17 24 646</u></b>
<b>TOTAL (A-B)</b>	<b><u>(3 72 37 311)</u></b>	<b><u>(6 23 89 070)</u></b>
<b>SCHEDULE 15: OTHER INCOME</b>		
Interest on FDR [TDS Rs. 3,27,873/- (P.Y. Rs 8,78,835/-)]	33 00 427	55 98 940
Job Work Income [ TDS of Rs Nil - (P.Y. Rs 7,68,000)]	-	3 84 00 000
Miscellaneous Receipts	12 57 624	10 45 701
Profit Due to Sale of Assets	3 16 490	-
Credit /Debit Balance Written Back /Written Off	1 56 99 917	61 20 641
Interest Income (Others) [TDS Rs 1,01,320/- (P.Y. Rs 8,13,094/-)]	13 59 170	15 44 645
Foreign Exchange Fluctuation Gain (Net)	18 45 176	47 03 217
<b>TOTAL</b>	<b><u>2 37 78 804</u></b>	<b><u>5 74 13 144</u></b>
<b>SCHEDULE 16: MATERIAL CONSUMED</b>		
<b>A) Raw Material</b>		
Opening Stock	29 86 31 112	24 32 22 986
Add: Purchases	1 81 35 52 277	1 73 37 64 891
Less: Closing Stock	8 66 94 594	29 86 31 112
<b>Sub Total (A)</b>	<b><u>2 02 54 88 795</u></b>	<b><u>1 67 83 56 765</u></b>
<b>B) Trading Goods</b>		
Opening Stock	-	-
Add: Purchases	-	9 47 85 393
Less: Closing Stock	-	-
<b>Sub Total (B)</b>	<b><u>-</u></b>	<b><u>9 47 85 393</u></b>
<b>TOTAL (A + B)</b>	<b><u>2 02 54 88 795</u></b>	<b><u>1 77 31 42 158</u></b>
<b>SCHEDULE 17: MANUFACTURING &amp; OTHER EXPENSES</b>		
<b>A) Stores &amp; Spares Consumed</b>		
Opening Stocks	14 49 93 208	17 69 72 136
Add: Purchases	5 59 55 127	5 26 16 636
Less: Closing Stock	14 06 80 773	14 49 93 208
<b>Sub Total (A)</b>	<b><u>6 02 67 562</u></b>	<b><u>8 45 95 564</u></b>





SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	For the Year Ended on 31-03-2011 (Rupees)	For the Year Ended on 31-03-2010 (Rupees)
<b>B) Employee's Emoluments</b>		
Salaries, Wages & Bonus	6 90 56 814	7 29 59 599
Contribution to Provident & other Funds	28 46 483	26 69 742
Workman & Staff Welfare Expenses	33 33 308	58 24 082
<b>Sub Total (B)</b>	<b>7 52 36 605</b>	<b>8 14 53 423</b>
<b>C) Other Manufacturing Expenses</b>		
Manufacturing Expenses	3 08 26 157	3 41 32 257
Power & Fuel (Including Cost of Power Generation)	44 95 97 808	41 45 60 705
Factory Expenses	20 36 301	18 35 787
Repairs		
Factory Building	6 16 636	27 20 926
Plant & Machinery	4 85 838	10 34 146
Others	65 18 201	97 92 910
Excise Duty*	62 88 753	(65 18 684)
<b>Sub Total (C)</b>	<b>49 63 69 694</b>	<b>45 75 58 047</b>
<b>D) Other Expenses</b>		
Auditor's Remuneration	4 40 000	4 40 000
Freight Outward	2 92 52 709	3 18 40 274
Rates & Taxes	35 07 108	14 80 708
Selling & Distribution Expenses	3 40 52 019	2 85 61 859
Stationary & Printing Charges	4 24 724	4 30 739
Traveling, Conveyance & Vehicle Expenses	40 47 247	35 24 303
General Expenses	29 77 673	12 39 699
Insurance Premium Charges	12 84 377	14 25 716
Legal & Professional Charges	39 54 313	41 62 984
Postage & Telephone Expenses	12 57 291	9 22 123
Preliminary Expenditure Written off	53 32 753	1 01 76 100
Loss on sale of Fixed Assets	-	3 24 568
Vat / Sales Tax Expenses	1 19 22 189	94 94 472
Service Tax	12 49 354	15 63 202
Subscription & Membership Fess	3 16 876	10 55 562
<b>Sub Total (D)</b>	<b>10 00 18 633</b>	<b>9 66 42 309</b>
<b>TOTAL (A To D)</b>	<b>73 18 92 494</b>	<b>72 02 49 343</b>
<p>*Excise Duty represents the aggregate of excise duty borne by the Company and difference between excise duty on opening and closing stock of finished goods.</p>		
<b>SCHEDULE : 18 : INTEREST &amp; FINANCE CHARGES</b>		
<i>(Net of Amount transferred to Capital Expenses)</i>		
<b>To Bank</b>		
Interest on Term Loans	11 54 86 766	10 90 44 975
Interest on Working Capital	7 27 07 242	10 79 67 266
Other Interest & Finance Charges	2 52 64 222	3 42 26 132
<b>To Others</b>		
Interest & Finance Charges	79 22 669	1 75 33 872
<b>TOTAL</b>	<b>22 13 80 899</b>	<b>26 87 72 245</b>



## SCHEDULE 19 : NOTES FORMING PART OF ACCOUNTS

### 1. (a) Significant Accounting Policies

#### I. a) METHOD OF ACCOUNTING

The Financial Statements are prepared as per historical cost convention and in accordance with the Generally Accepted Accounting Principles in India, the provisions of the Companies Act 1956, and the applicable Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006. All Income and Expenditures having material bearing on the Financial Statements are recognized on accrual basis.

#### b) USE OF ESTIMATES

The presentation of the Financial Statements in conformity with the Generally Accepted Accounting policies requires, the management to make estimates and assumptions that affect the reported amount of Assets and Liabilities, Revenues and Expenses and disclosure of contingent liabilities. Such estimation and assumptions are based on management's evaluation of relevant facts and circumstances as on date of Financial Statements. Difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

#### II. REVENUE RECOGNITION

The Company recognizes Sales at the point of transfer of significant risks and rewards of ownership to the customers. Sales are inclusive of Excise Duty and Sales Tax and net of returns.

Revenue in respect of excise duty refund is recognized on accrual basis.

Sales tax / Value added tax paid is charged to Profit and Loss Accounts. Dividend income is recognized when right to receive is established. Interest income is recognized on time proportion basis taking into account, the amount outstanding and rate applicable.

#### III. EXCISE DUTY

Excise Duty recovered are included in sales. Excise Duty in respect of increase / decrease in Finished Goods are shown separately as an item of Manufacturing & Other Expenses and included in Valuation of Finished goods.

#### IV. FIXED ASSETS

- (a) Fixed assets are stated at cost (net of Cenvat), less accumulated depreciation [other than "freehold land" where no depreciation is charged].
- (b) Capital Work in progress including capital advances are stated at cost.
- (c) Cost of Trial run Production incurred during the initial period of production has been capitalized amongst the various heads of fixed assets.
- (d) Pre-operative expenditure incurred on projects has been / will be capitalized amongst the various heads of fixed assets on the commencement of the projects.
- (e) All costs including financing costs, till commencement of commercial production are capitalized
- (f) Intangible assets are stated at cost of acquisition less accumulated amortization.

#### V. VALUATION OF INVENTORIES

Raw Materials, Trading Goods, Stores & Spares & Semi Finished Goods	- At Lower of Cost or Net Realizable Value after considering credit of Vat and Cenvat.
Finished goods & By-Product	- At Lower of the Cost or Net realizable value. finished (Including excise duty in respect of goods)

Cost of Finished Goods is determined using the absorption costing principle. Cost includes cost of material consumed, labour and systematic allocation of variable and fixed production overheads, including Excise Duty at applicable rates.

#### VI. CASH FLOW STATEMENT

The Cash Flow Statement is prepared by the "indirect method" set out in Accounting Standard 3 on "Cash Flow Statements" and presents the cash flows by operating, investing and financing activities of the Company.



Cash and Cash equivalents presented in the Cash Flow Statement consist of cash on hand and deposits with banks.

#### VII. INVESTMENTS

Investments are classified as Long Term & Current Investments. Long Term Investments are valued at cost less provision for diminution other than temporary, in value, if any. Current Investments are valued at cost or fair value whichever is lower.

#### VIII. EMPLOYEE BENEFITS

##### (a) Short Term

Short Term employee benefits are recognized as an expense at the undiscounted amount expected to be paid over the period of services rendered by the employees to the company.

##### (b) Long Term

The Company has both defined contribution and defined benefit plans.

##### (c) Defined Contribution Plans

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to Employees Provident Fund. The Company's payments to the defined contribution plans are reported as expenses during the period in which the employee performs the services that the payment covers.

##### (d) Defined Benefit Plans

Expenses for defined benefit gratuity payment plans are calculated as at the balance sheet date by independent actuaries in the manner that distributes expenses over the employees working life. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using a discounted rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on Government Bonds with a remaining term i.e. almost equivalent to the average balance working period of employees.

##### (e) Other Employee Benefit

Compensated absences which accrue to employees and which can be carried to future periods but are expected to be encashed or availed in twelve months immediately following the year end are reported as expenses during the year in which the employees perform the services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefits after deducting amounts already paid.

#### IX. TAXATION

Income tax expenses comprise current tax and Deferred Tax charge or credit. Provision for current tax is made on the basis of the assessable income at the tax rate applicable to the relevant assessment year. The Deferred Tax Assets and Deferred Tax Liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred Tax Assets arising mainly on account of brought forward losses and unabsorbed depreciation under tax laws, are recognized, only if there is a virtual certainty of its realization, supported by convincing evidence. Deferred Tax Assets on account of other timing differences are recognized only to the extent there is a reasonable certainty of its realization. At each Balance Sheet date, the carrying amounts of Deferred Tax Assets are reviewed to reassure realization.

#### X. METHOD OF DEPRECIATION

- A. Depreciation on fixed assets [other than land where no depreciation is provided] has been provided on straight-line method in accordance with the provisions of section 205(2)(b) of the Companies Act, 1956, at the rates specified in Schedule XIV to the Companies Act, 1956.
- B. Depreciation in respect of plant and machineries has been provided on the basis of triple shift working (except for Plant and Machineries of Sponge Iron & Ferro Alloys Project on which depreciation has been provided on continuous process plant working and depreciation on Rolling Mill Plant has been provided on single shift working on the basis of certificate received from management). Depreciation in respect of fixed assets acquired / put to use during the years is charged on pro-rata basis with reference to the date of installation of fixed assets.



C. No Depreciation has been provided in respect of Capital Work in Progress.

D. Intangible assets (Software) are amortized for a period of 5 years.

#### XI. FOREIGN CURRENCY TRANSACTIONS

Transactions in the foreign currency, which are covered by forward contracts, are accounted for at the contracted rate; the difference between the forward rate and the exchange rate at the date of transaction is recognized in the Profit and Loss Accounts over the life of the contract. Transactions in the foreign currency other than those covered by forward contract rates are recorded at rate of exchange in force at the time of occurrence of transactions. Gain or Loss due to fluctuation in exchange rates is dealt with through Profit and Loss Account. Monetary Assets and Liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at the year-end rate. The difference in transactions of monetary liabilities and related gains or losses on foreign exchange transactions is recognized in the Profit and Loss Account.

#### XII. BORROWING COST

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset are capitalized as part of cost of such asset. Other borrowing costs are recognized as an expense in the period in which they are incurred

#### XIII. EARNING PER SHARE

Basic earning per share is calculated by dividing the net profit after tax for the year attributable to Equity Shareholders of the Company by the weighted average number of Equity Shares in issue during the year. Diluted earning per Share is calculated by dividing net profit attributable to equity Shareholders (after adjustment for diluted earnings) by average number of weighted equity shares outstanding during the year.

#### XIV. IMPAIRMENT OF ASSETS

The carrying value of assets of the Company's cash generating units are reviewed for impairment annually or more often if there is an indication of decline in value based on internal/external factors. If any indication of such impairment exists, the recoverable amounts of those assets are estimated and impairment loss is recognized, if the carrying amount of those assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the estimated future cash flows to their present value based on appropriate discount factor.

#### XV. PROVISIONS, CONTINGENT LIABILITY AND CONTINGENT ASSETS

(a) Provision involving substantial degree of estimation in measurement is recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.

(b) Contingent liabilities are not recognized but are disclosed in the notes.

(c) Contingent Assets are neither recognized nor disclosed in the financial statements.

#### XVI. MISCELLANEOUS EXPENDITURE

Preliminary & Public Issue expenses are amortized to Profit and Loss Account over a period of 5 years in equal installments.

#### 2. Contingent Liabilities

i. Estimated amount of contracts remaining to be executed on capital account [net of advances] and not provided for Rs. 4969.12 Lacs [P.Y. 4338.04 Lacs].

ii. Contingent Liability not Provided for in respect of :-

[Rs. in Lacs]

Particulars	As at 31-03-2011	As at 31-03-2010
Letter of Credit	493.75	1223.69
Bank Guarantee Given	26.27	265.65
Corporate Guarantees Given to Banks for Shah Alloys Ltd.	8,000.00	8,000.00
Claim lodged by party not acknowledge by us	500.07	234.90
Disputed Value Added Tax Demand	365.63	-



**3. Foreign currency exposure at the year end not hedged by derivative instruments.**

- a) The Company has not entered into any forward contracts to offset foreign currency risks arising from the amounts denominated in currencies other than the Indian Rupee.
- b) Foreign currency exposure at the year-end not hedged by derivative instruments.

Particulars	As at 31-03-2011
<b>Payables against import of goods and services</b>	
Rupees (in Lacs)	6,19,67,435
US Dollar	13,88,000

**4. Segment Reporting**

The Company is manufacturing Ferro Alloys & Sponge Iron, which is basically used in Iron & Steel Industry. Further power generated in the company in its power plant is used for captive as well as trading purpose. In view of this, the company has to consider "Iron & Steel" and "Power" as Primary Reportable business segment, as per Accounting Standard -17, Segment Reporting issued by The Institute of Chartered Accountants of India. However, due to substantial competition, risk, on-going position of Company and largely in the interest of the Company as well as interest of the stock holders involved, therefore, management has not made disclosure of Primary Reportable segment as per Accounting Standard -17. Further, the Company has its business within the geographical territory of India Therefore, Company has considered "INDIAN GEOGRAPHY" as the only secondary reportable business segment, as per the Accounting Standard 17 issued by the Institute of Chartered Accountants of India.

**5. Related Party Disclosures**

Associates : Shah Alloys Ltd., Adarsh Foundation (Charitable Trust)

Key Management Personnel : Rajendra V. Shah, Dr. K. C Thatoi, Sujal A. Shah (KMP)

[Rs. in Lacs]

Nature of Transactions	Shah Alloys Ltd. (Associates)	Rajendra V. Shah (KMP)	Dr. K.C. Thatoi (KMP)	Sujal Shah (KMP)	Balance as on 31 <sup>st</sup> March, 2011
Purchase of Raw Material	1,69,22,172	0	0	0	
P.Y. (2009-10)	(3,90,53,407)	(0)	(0)	(0)	(0)
Purchase Of Stores	53,64,399	0	0	0	-
P.Y. (2009-10)	(2,25,50,660)	(0)	(0)	(0)	-
Sales (Including Power)	2,23,20,67,052	0	0	0	2,98,88,134
P.Y. (2009-10)	(1,83,73,87,981)	(0)	(0)	(0)	(1,56,35,074)
Rent Income	9,60,000	0	0	0	0
P.Y. (2009-10)	(9,60,000)	(0)	(0)	(0)	-
Loan Taken / (Given )	0	58,85,481	0	0	80,83,19,081
P.Y. (2009-10)	(0)	(0)	(0)	(0)	(80,00,00,000)
Remuneration to Directors	0	0	38,00,000	4,32,000	0
P.Y. (2009-10)	(0)	(0)	(18,00,000)	(1,20,000)	(0)



6. Breakup of Deferred Tax Assets / Liabilities as at 31.03.2011 is as under

[Amount in Rs.]

PARTICULARS		As at 31-03-2011	As at 31-03-2010
<b>A. DEFERRED TAX ASSETS</b>			
Unabsorbed Business Loss		18,26,06,922	21,30,16,585
On account of disallowances under the Income Tax Act ,1961		20,51,108	28,09,028
	<b>[A]</b>	<b>18,46,58,030</b>	<b>21,58,25,613</b>
<b>B. DEFERRED TAX LIABILITIES</b>			
On account of Depreciation	<b>[B]</b>	<b>27,46,80,748</b>	<b>30,11,00,249</b>
<b>NET DEFERRED TAX ASSETS / (LIABILITIES)</b>	<b>[A-B]</b>	<b>(9,00,22,718)</b>	<b>(8,52,74,637)</b>

7. Earning Per Share

Particulars	As at 31-03-2011	As at 31-03-2010
Net Profit attributable to Equity Shareholders (Rs.)	27,26,755	82,81,025
Basic and Weighted Average No. of Equity Share	8,49,66,700	8,49,66,700
Basic & Diluted Earning per Share (Rs.)	0.03	0.10

8. As informed to us, the Company has not received information from the Suppliers regarding their status under The Micro, Small & Medium Enterprises Development Act, 2006. Hence, disclosures, if any, relating to amounts unpaid as at the Balance Sheet date together with interest paid or payable as per the requirement under the said Act, have not been made.
9. As per Accounting Standard - 15 "Employee Benefits", the disclosures of Employee benefits as defined in the Accounting Standard are given below:

**Defined Contribution Plan**

Contribution to Defined Contribution Plan, recognized as expense for the year is as under:

[Amount in Rs.]

Particulars	2010-11	2009-10
Employer's Contribution to Provident Fund	16,69,990	20,99,894

**Defined Benefit Plan**

The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognized in the same manner as gratuity.



**i. Reconciliation of Opening and Closing Balances of Defined Benefit Obligation**

(Amount in Rs.)

	Gratuity (Un Funded) 2010-2011	Gratuity (Un Funded) 2009-2010	Leave Encashment (Un Funded) 2010-2011	Leave Encashment (Un Funded) 2009-2010
Defined Benefit obligation at beginning of the year	20,82,822	14,44,084	3,63,424	5,74,625
Current Service Cost	10,65,430	9,27,973	3,31,995	1,37,306
Interest Cost	1,71,833	1,19,137	29,983	47,407
Actuarial (gain) / Loss	(4,95,989)	(4,08,372)	73,242	(3,95,914)
Benefits paid	(98,020)	-	-	-
Defined Benefit obligation at year end	27,26,075	20,82,822	7,98,644	3,63,424

**ii. Reconciliation of Opening and Closing Balances of Fair Value of Plan Assets**

	Gratuity (Un Funded) 2010-2011	Gratuity (Un Funded) 2009-2010	Leave Encashment (Un Funded) 2010-2011	Leave Encashment (Un Funded) 2009-2010
Fair value of plan assets at beginning of the year	-	-	-	-
Expected return on plan assets	-	-	-	-
Actuarial gain / (loss)	-	-	-	-
Employer contribution	-	-	-	-
Benefits paid	-	-	-	-
Fair Value of plan assets at year end	-	-	-	-
Actual Return on Plan Assets	-	-	-	-

**iii. Reconciliation of Fair Value of Assets and Obligations**

(Amount in Rs.)

	Gratuity (Un Funded) As at 31-03-2011	Gratuity (Un Funded) As at 31-03-2010	Leave Encashment (Un Funded) As at 31-03-2011	Leave Encashment (Un Funded) As at 31-03-2010
Fair value of plan assets	-	-	-	-
Present value of obligation	27,26,075	20,82,822	7,98,644	3,63,424
Amount recognized in Balance Sheet	27,26,075	20,82,822	7,98,644	3,63,424

**iv. Expense recognized during the year**

(Amount in Rs.)

	Gratuity (Un Funded) 2010-2011	Gratuity (Un Funded) 2009-2010	Leave Encashment (Un Funded) 2010-2011	Leave Encashment (Un Funded) 2009-2010
Current Service Cost	10,65,430	9,27,973	3,31,995	1,37,306
Interest Cost	1,71,833	1,19,137	29,983	47,407
Expected return on plan assets	-	-	-	-
Actuarial gain / (loss)	4,95,989	4,08,372	73,242	3,95,914
<b>Net Cost</b>	<b>7,41,273</b>	<b>6,38,738</b>	<b>4,35,220</b>	<b>(2,11,201)</b>





## v. Investment Details

	Gratuity (Un Funded) As at 31-03-2011	Gratuity (Un Funded) As at 31-03-2010	Leave Encashment (Un Funded) As at 31-03-2011	Leave Encashment (Un Funded) As at 31-03-2010
GOI Securities	-	-	-	-
Public Securities	-	-	-	-
Special Deposit Schemes	-	-	-	-
State Govt. Securities	-	-	-	-
Others (including bank balances)	-	-	-	-

## vi. Actuarial assumptions

	Gratuity (Un Funded) 2010-2011	Gratuity (Un Funded) 2009-2010	Leave Encashment (Un Funded) 2010-2011	Leave Encashment (Un Funded) 2009-2010
Mortality Table (LIC)	LIC 1994-96	LIC 1994-96	LIC 1994-96	LIC 1994-96
Discount rate (per annum)	8.25%	8.25%	8.25%	8.25%
Expected rate of return on plan assets (p.a.)	-	-	-	-
Rate of escalation in salary (per annum)	6.00%	6.00%	6.00%	6.00%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary. The expected rate of return on plan assets is determined considering several applicable factors, mainly the composition of plan assets held, assessed risks, historical results of return on plan assets and the Company's policy for plan assets management.

10. Certain Balance of Debtors, Creditors, Loans & Advances for capital Expenditures are non-moving / sticky since last 3 years. However in view of management, the same is recoverable / payable. Hence no provision for the same is made in the books of accounts.

## 11. SECURED LOANS

(Amount in Rs.)

Particulars	As at 31-03-2011	As at 31-03-2010
<b>1 Term Loan From Financial Institution / Banks</b>	1,23,36,40,692	79,98,80,288
Secured by First Mortgage and Hypothecation on all the Immovable & Movable Assets both present & future by way of First Charge ranking pari passu with charges created / to be created in favour of other institution / banks subject to prior charge on current assets in favour of the company's bankers for working capital borrowings. The loan is further secured by personal guarantee of i) Shri R. V. Shah ii) Smt. R. R. Shah iii) Shri J. V. Shah and iv) and Corporate Guarantee of M/s Shah Alloys Ltd.		





(Amount in Rs.)

	Particulars	As at 31-03-2011	As at 31-03-2010
2	<b>Working Capital Facility From Banks</b> Secured by Hypothecation of entire current assets of the company on pari-passu basis with consortium member banks & second charge on fixed assets of the company on Pari-passu basis with consortium member banks subject to first charge on pari-passu basis with Union Bank Of India, State Bank Of India, State Bank of Saurashtra and State Bank Of Hyderabad for their respective term loans. The loan is further secured by personal guarantee of i) Shri R. V. Shah ii) Smt. R. R. Shah iii) Shri J. V. Shah and iv) and Corporate Guarantee of M/s Shah Alloys Ltd.	34,39,06,229	56,95,79,958

(Amount in Rs.)

	As at 31-03-2011	As at 31-03-2010
<b>12. Sundry debtors include dues from Associate Concerns in which directors of the company are interested</b> Shah Alloys Ltd.	2,98,88,134	1,56,35,074
<b>13. Unsecured Inter corporate Loan include dues to Associate Concerns in which Directors of the Company are interested</b> Shah Alloys Ltd.	80,00,00,000	80,00,00,000
<b>14. Sundry Creditors Include dues to Associate Concerns in which directors of the company are interested.</b> Shah Alloys Ltd.	Nil	Nil
<b>15. Loans and Advances dues to Associate Concerns in which directors of the companies are interested</b> Shah Alloys Ltd.	Nil	24,97,97,104
<b>16. Prior Period Adjustments represents</b>		
a) Debit relating to earlier years	49,07,068	46,58,326
b) Credit relating to earlier years	27,47,850	1,95,344
<b>Total</b>	<b>21,59,218</b>	<b>44,62,982</b>
<b>17.</b> Expenses have been capitalized and transferred to pre-operative expenses on the basis of bifurcation made by the management. This being technical matter, auditors have accepted the same as correct.		
<b>18.</b> The company has opted for Tax Remission Scheme in place of original composite scheme of Sales Tax. Due to this change, the VAT collected by the Company becomes Income of the Company and accordingly credited to Profit and Loss Account.		
<b>19.</b> In the opinion of the Board of Directors, the current assets, loans and advances are approximately of the value stated, if realized in the ordinary course of business and the provisions for depreciation and all known and ascertained liabilities are adequate and not in excess of the amounts reasonably necessary.		
<b>20.</b> Inventories are as taken, valued and certified by the Management.		
<b>21.</b> Balances of Unsecured Loans, Sundry debtors, Creditors and Loans and advances are subject to confirmation from respective parties.		



22. Additional information pursuant to the provisions of paragraphs 3 and 4 of Part II of Schedule VI to the Companies Act, 1956.

	2010-2011 (Rupees)	2009-2010 (Rupees)
<b>[A] REMUNERATION TO DIRECTORS</b>		
(a) Salaries, Allowances and Other Perquisites	57,88,027	34,88,524
<b>[B] AUDITOR'S REMUNERATION</b>		
(a) Audit Fees	4,00,000	4,00,000
(b) Other Charges	40,000	40,000
<b>Total</b>	<b><u>4,40,000</u></b>	<b><u>4,40,000</u></b>
<b>[C] CAPACITY</b>		

Class of Product	Annual Licensed Capacity [P.A.]		Annual Installed Capacity [P.A.]	
	2010-2011	2009-2010	2010-2011	2009-2010
Sponge Iron	N.A.	N.A.	1,80,000 MT	1,80,000 MT
Ferro Alloys	N.A.	N.A.	61,890 MT	61,890 MT
Rolling Mill	N.A.	N.A.	25,000 MT	25,000 MT
Power Plant	N.A.	N.A.	40 MW P Hour	40 MW P Hour

**Note:**

Installed capacity is as certified by the Management and being a technical matter, accepted by the Auditors as correct.

**[D] PRODUCTION (Net Saleable Production)**

Class of Product	2010-11 Qty (in M.T.)	2009-10 Qty (in M.T.)
<b>1. FINISHED GOODS</b>		
<b>a) Sponge Iron</b>		
Sponge Iron	71,738.000	69,069.000
<b>b) Ferro Alloys</b>		
Ferro Chrome	9,483.000	11,973.184
Silicon Manganese	2,570.000	2,933.685
Others	122.000	0.000
<b>c) Rolling Mill</b>		
M S Angle, S S Angle, Round Bar etc	1,016.960	3,782.150
<b>2. BY PRODUCTS</b>		
a) Iron Ore Fines	31,820.987	25,433.735
b) Coal Fine and Others	10,677.720	26,834.001
<b>3 SEMI-FINISHED GOODS</b>		
a) Iron Ore Pelletes	0.000	3506.000
b) Others	0.000	Nil
<b>4. Power MWH</b>	95,836.990	99,545.930

**Note:** Iron Ore Pellet Captively consumed 7441.354 Mts.



[E] TURNOVER (Gross) (Net of Return)

Class of Goods	2010-11		2009-10	
	QTY (in MT)	Value (Rupees)	QTY (in MT)	Value (Rupees)
<b>FINISHED GOODS</b>				
<b>1 Sponge Iron</b>				
Sponge Iron	70,444.510	1,44,86,72,082	75,826.250	1,20,45,47,032
<b>2 Ferro Alloys</b>				
Ferro Chrome	9,467.485	70,58,70,548	11,866.046	78,97,48,600
Sillico Manganese	1,892.020	11,84,16,580	2,992.106	15,40,87,683
Others	153.215	1,18,66,088	0.000	Nil
<b>3 Rolling Mill</b>				
M S Angle, S S Angle, Round Bar etc	1,446.260	5,96,33,848	3,339.770	10,85,78,752
<b>BY-PRODUCT</b>				
Iron Ore Fines	50,786.560	19,20,42,172	22,419.090	7,46,15,772
Coal fine and Others	90.980	1,74,547	2,880.090	63,69,978
<b>SEMI-FINISHED GOODS</b>				
Iron Ore Pellets	0.000	Nil	0.000	Nil
Others	0.000	Nil	0.000	Nil
<b>TOTAL</b>	<b>1,34,281.030</b>	<b>2,53,66,75,865</b>	<b>1,19,323.352</b>	<b>2,33,79,47,817</b>
<b>Power Units MWH</b>	<b>95,836.990</b>	<b>58,48,86,915</b>	<b>99,545.930</b>	<b>60,03,25,596</b>

[F] OPENING AND CLOSING STOCKS

Class of Goods	Opening Stock				Closing Stock			
	As at 01.04.2010		As at 01.04.2009		As at 31.03.2011		As at 31.03.2010	
	QTY[MT]	Value(Rs)	QTY[MT]	Value(Rs)	QTY[MT]	Value(Rs)	QTY[MT]	Value(Rs)
<b>1) Finished Goods</b>								
a) Sponge Iron	148.532	26,09,169	6,905.780	9,66,80,948	1,442.022	2,75,19,695	148.532	26,09,169
b) Ferro Alloys								
<i>Ferro Chrome</i>	235.654	1,66,97,929	128.516	57,83,220	251.169	1,97,06,309	235.654	1,66,97,929
<i>Silico Manganese</i>	22.564	14,69,940	80.985	36,44,325	700.544	5,12,91,216	22.564	14,69,940
<i>Others</i>	31.955	17,51,533	31.955	14,37,975	0.740	64,185	31.955	17,51,533
c) Rolling Mill								
<i>M S Angle, S.S Angle Round Bar etc</i>	473.091	1,89,21,727	30.711	8,29,197	43.791	21,30,022	473.091	1,89,21,727
<b>2) By-Products</b>								
Iron Ore Fines	45,636.985	17,47,24,483	42,622.340	13,46,22,235	26,671.412	11,20,23,852	45,636.985	17,47,24,483
Coal fine and Others	2,073.117	30,68,758	15,362.229	2,33,50,003	12,659.858	1,54,18,082	2,073.117	30,68,758
<b>3) Semi-Finished Goods</b>								
Iron Ore Pellets	7,441.354	4,30,63,116	3,935.354	1,77,09,092	0.000	0	7,441.354	4,30,63,116
Others	-	70,28,920	-	4,76,67,651	0.000	39,44,904	-	70,28,920
<b>TOTAL</b>	<b>56,063.252</b>	<b>26,93,35,575</b>	<b>69,097.870</b>	<b>33,17,24,646</b>	<b>41,769.536</b>	<b>23,20,98,265</b>	<b>56,063.252</b>	<b>26,93,35,575</b>

**[G] RAW MATERIAL CONSUMED (Excluding trading goods & Captive used)**

Class of Goods	2010-11		2009-10	
	QTY[MT]	Value(Rupees)	QTY[MT]	Value(Rupees)
<b>A) Sponge Iron</b>				
Iron Ore	1,54,054.870	97,17,55,950	1,36,389.000	77,84,97,113
Steam Coal	67,495.885	48,02,30,997	71,533.920	33,22,31,225
Others	70,395.000	50,94,315	6,75,919.00	53,77,722
<b>B) Rolling Mill</b>				
M S Billets, M S Ingots & Others	1,091.650	3,36,63,529	3,972.000	8,94,39,105
<b>D) Ferro Alloys</b>				
Chrome Ore	19,823.352	29,16,28,459	26,602.250	17,12,71,199
Manganese Ore	6,757.440	7,06,44,928	7,535.910	7,92,57,888
Others	69,067.680	17,24,70,617	94,554.550	22,22,82,514
<b>TOTAL</b>	<b>3,88,685.877</b>	<b>2,02,54,88,795</b>	<b>10,16,506.630</b>	<b>1,67,83,56,766</b>

**[H] PARTICULARS OF TRADING GOODS**

Particulars	Unit	Opening Stock		Purchase		Turnover		Closing Stock	
		QTY	Value (Rs.)	QTY	Value (Rs.)	QTY	Value (Rs.)	QTY	Value (Rs.)
2010-2011	MW	0.000	0	0.000	0	0.000	0	0.000	0
2009-2010	MW	0.000	0	8,003.900	9,47,85,393	8003.900	9,54,96,565	0.000	0



**[I] VALUE OF IMPORTED AND INDIGENOUS - MATERIALS, STORES AND SPARE PARTS CONSUMED AND PERCENTAGE THEREOF.**

**i) MANUFACTURING ACTIVITY**

Raw Materials	2010-11		2009-10	
	Value (Rupees)	(%)	Value (Rupees)	(%)
a) Imported	12,61,64,500	6.23	7,42,80,916	4.43
b) Indigenous	1,89,93,24,295	93.77	1,60,40,75,849	95.57
<b>TOTAL</b>	<b>2,02,54,88,795</b>	<b>100.00</b>	<b>1,67,83,56,765</b>	<b>100.00</b>

**ii) TRADING ACTIVITY**

Value of Imported and Indigenous Trading goods Purchased & their Percentage of total Consumption.

Particulars	2010-2011		2009-10	
	Value(Rupees)	(%)	Value(Rupees)	(%)
a) Imported	-	-	-	-
b) Indigenous	-	-	9,47,85,393	100.00
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>9,47,85,393</b>	<b>100.00</b>

**iii) STORES CONSUMED**

Stores & Spare parts.	2010-11		2009-10	
	Value(Rupees)	(%)	Value(Rupees)	(%)
a) Imported	-	-	-	-
b) Indigenous	6,02,67,562	100.00	8,45,95,564	100.00
<b>TOTAL</b>	<b>6,02,67,562</b>	<b>100.00</b>	<b>8,45,95,564</b>	<b>100.00</b>

**[J] CIF VALUE OF IMPORTS**

Particulars	2010-11	2009-10
Raw Materials	12,61,64,500	7,42,80,916
Capital Goods	-	-
Stores & Spares	-	-

	2010-11	2009-10
<b>[K] EXPENDITURE IN FOREIGN CURRENCY</b>	-	-
<b>[L] EARNING IN FOREIGN EXCHANGE</b>	-	-
<b>[M] AMOUNT REMITTED DURING THE YEAR IN FOREIGN CURRENCY IN RESPECT OF DIVIDEND</b>	-	-

23. Previous year's figures have been re-grouped / rearranged wherever necessary so as to confirm to current year's groupings.

24. Information required in terms of Part IV to Schedule VI to the Companies Act, 1956 is attached.

**Signature to Schedule 1 to 19**

Schedules refer to hereinabove form an integral part of Financial Statement  
As per our report of even date

**For, Talati & Talati**  
**Chartered Accountants**  
(Firm Reg. No. : 110758W)  
**Umesh Talati**  
**Partner**  
**M. No 034834**

**Place:** Ahmedabad  
**Date :** 23/07/2011

**Saurabh Madaan**  
Company Secretary

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

<b>Rajendra V. Shah</b>	Chairman
<b>K. C. Thatoi</b>	Managing Director
<b>Sujal A. Shah</b>	Director
<b>B. M. Singhal</b>	Director
<b>Anilkumar Pandya</b>	Director
<b>Piyush Chandarana</b>	Director

**Place:** Santej  
**Date :** 23/07/2011



**INFORMATION REFERRED TO IN NOTE 24 OF  
SCHEDULE 19 TO THE NOTE ON ACCOUNTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2011.**

**PART - IV TO SCHEDULE - VI TO THE COMPANIES ACT, 1956 (AS AMENDED)  
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details**

Registration No **U 2 9 1 9 9 G J 2 0 0 3 P L C 0 4 3 1 4 8**

State Code **0 4**

Balance Sheet Date **3 1 - 0 3 - 2 0 1 1**

**II. Capital raised during the year (Amount Rs. in Thousands)**

Public Issue	<b>N I L</b>	Right Issue	<b>N I L</b>
Bonus Issue	<b>N I L</b>	Private Placement	<b>N I L</b>

**III. Position of Mobilization and Deployment of Funds (Amount Rs. in Thousands)**

Total Liabilities	<b>4 4 2 6 3 9 4</b>	Total Assets	<b>4 4 2 6 3 9 4</b>
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**Sources of Funds**

Paid Up Capital **8 4 9 6 6 7**

Reserves & Surplus **4 0 6 8 2 2**

Secured Loans **1 5 9 3 4 1 4**

Unsecured Loans **8 9 1 8 9 8**

Deferred Tax Liability **9 0 0 2 3**

**Application of Funds**

Net Fixed Assets **3 3 8 3 8 9 3**

Investments **N I L**

Net Current Assets **4 4 7 9 3 0**

Mis. Expenditure **N I L**

**IV. Performance of Company (Amount Rs. in Thousands)**

Turnover (Incl. Other Income)	<b>3 2 2 4 6 8 9</b>	Total Expenditure	<b>3 1 6 7 8 3 4</b>
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Profit / (Loss) before Tax	<b>1 9 6 1 8</b>	Profit / (Loss) after Tax	<b>4 8 8 6</b>
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Earning Per Share in Rs.	<b>0 . 0 3</b>	Dividend Rate (%)	<b>N I L</b>
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**V. Generic Names of Principal Products/Services of Company (as per monetary terms)**

Item Code No (ITC CODE)	<b>3 3 0 3</b>	Product	<b>S P O N G E I R O N</b>
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Item Code No (ITC CODE)	<b>3 3 2 0</b>	Product	<b>F E R R O A L L O Y S</b>
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Item Code No (ITC CODE)	<b>3 3 0 2</b>	Product	<b>A N G L E</b>
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Item Code No	<b>4 0 0 3</b>	Product	<b>P O W E R</b>
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**For S.A.L. STEEL LIMITED**

**Rajendra V. Shah**

Chairman



ATTENDANCE SLIP



**Registered Office :** 5/1, Shreeji House, B/h M.J. Library, Ashram Road, Ahmedabad-380006.

PLEASE FILL IN ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.  
Joint shareholders may obtain additional Slip at the venue of the meeting.

DP Id*		Master Folio No.	
Client Id*		No. of Shares	

**NAME & ADDRESS OF SHAREHOLDER / PROXY:**

I certify that I am a shareholder / proxy of the shareholder of the Company.

I/We hereby record my/our presence at the **Eighth Annual General Meeting** of the Company held on Saturday, 24<sup>th</sup> September, 2011 at 10.00 A.M. at SAL Institute & Engineering Research, Opp. Science City, Ahmedabad – 380060.

\_\_\_\_\_  
**Signature of Shareholder / Proxy**

\*Applicable for investors holding shares in electronic (demat) form.

**Note:** Members are requested to bring their copies of Annual Report in the Meeting.

PROXY FORM



**Registered Office:** 5/1, Shreeji House, B/h M.J. Library, Ashram Road, Ahmedabad-380 006.

DP Id*		Master Folio No.	
Client Id*		No. of Shares	

I/We \_\_\_\_\_ of \_\_\_\_\_  
being a member/members of **S.A.L. Steel Limited** hereby appoint \_\_\_\_\_ of \_\_\_\_\_  
or failing him/her \_\_\_\_\_ of \_\_\_\_\_  
as my/our proxy to vote for me/us and on my/our behalf at the **Eighth Annual General Meeting** of the Company to be held on Saturday, 24<sup>th</sup> September, 2011 at 10.00 A.M. at SAL Institute & Engineering Research, Opp. Science city, Ahmedabad – 380060 or at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011 \_\_\_\_\_  
**Signature**

Affix Revenue Stamp
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\*Applicable for investors holding shares in electronic (demat) form.

**INSTRUCTIONS:**

1. The proxy in order to be effective should be deposited duly stamped, completed and signed at the Registered Office of the Company not less than 48 hours before the time for holding the meeting or adjourned meeting.
2. The Proxy need not be a member of the Company.