SARDA
SARDA ENERGY & MINERALS LTD.

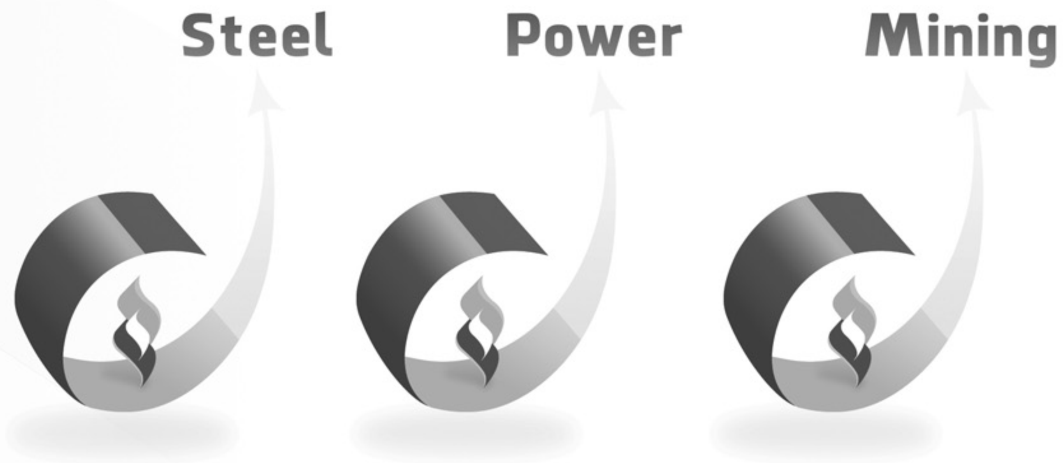
Responsible Growth

Sarda Energy & Minerals Ltd.

38th Annual Report 2010-11

We believe that growth is at the core of all our strategies. It is the reason and rationale for our being in the business. What differentiates us is our approach to growth. Unlike others in our space, we prefer to choose responsible growth over growth. We firmly believe that responsible growth is closely linked to resource utilisation, and more importantly, to waste management. Lesser waste means higher value leading to more growth - more responsible growth. Lesser waste also means lesser burden on and lesser damage to the environment.

We have built a responsible growth based business model that is integrated vertically such that on implementation, it will deliver consistent shareholder value devoid of any major cyclicality. In the metals space, we are in the process of creating a business that begins with mining and ends with steel rolled products. We also generate our own power, a key ingredient in the metals space.



We also believe that growth is intrinsically linked to size and scale. We have invested in the last 3 years to ensure that we have the size and scale that is necessary to deliver shareholder value consistently. Our investment includes leases of coal mines in India and Indonesia and iron ore mines, installation of pellet plant for utilisation of iron ore fines and hydro power projects for renewable energy, scaling up capacity in the power, ferro-alloy and down- stream projects in coal washery, wire rod and wire.

As we continue on our path to responsible growth, we always have the fragile environment in our focus. We keep improving our waste management systems. We believe that it is this holistic combination of minimum wastage and maximum usage in-buit into our model that ensures that we drive and derive more value from resources. By reducing waste, we are integrating more value.

Our integration projects are on the verge of completion. This will drive the earnings and push up the ROCE of the company, which is today depressed as we are in an investment phase.

We have been working 24 x 7 to ensure that we create an integrated business model that is robust and responsible, and has the potential to deliver growth in not only higher earnings and a superior return on capital, but also reduces wastage and maximises value from every tonne of earth we mine and every gallon of water we use.

Not just growth, but responsible growth.

Mineral strategy

In the metals space, one of the most critical and in short supply is the mineral. The mineral world is fast evolving:

One, the world is consuming more, thanks to the rapid growth in developing countries like India and China .

Two, the supply of mineral resources is not being able to keep pace with demand.

Three, growing environmental and geo-political considerations are reducing new supply.

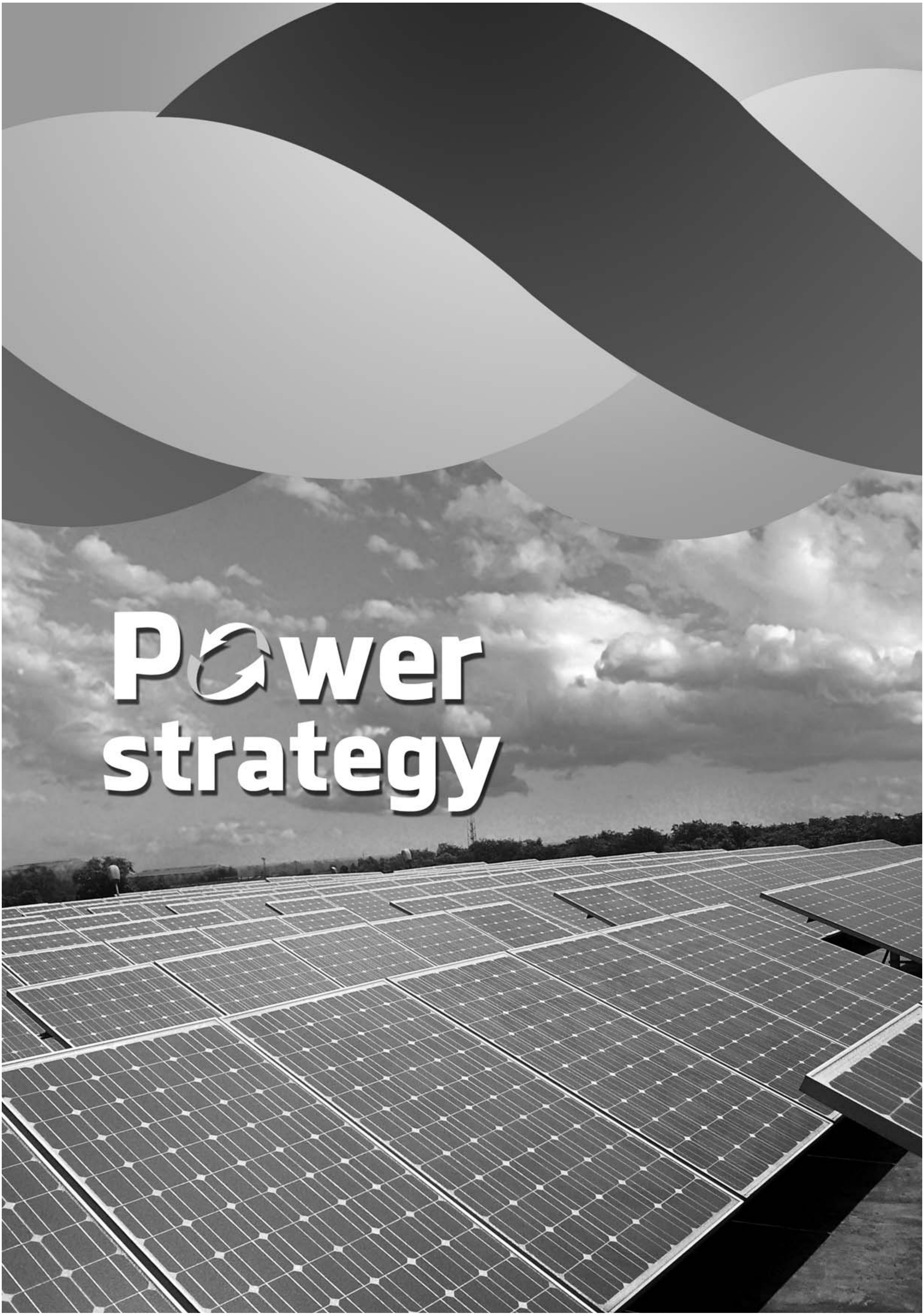
The result: in the metals space, we need to own long term supply of key mineral resources in order to have steady earnings and ROCE.

We have been working extensively and ahead of the need to secure long term mineral base for our steel, ferro-alloys and power needs.

On development of our mines, we will have enough resources to run our ferro-alloys, steel and power plants.

Iron ore lumps will be used for production of sponge iron, and fines generated in the process will be utilised in production of iron ore pellets. In ferro-alloys, which is a critical input in steel, we currently have a 66,000 MTPA capacity and we are now setting up another 1,20,000 MTPA plant at Vizag with an investment of Rs. 543 cr to manufacture ferro-manganese and silico-manganese. We will have both captive manganese ore mines and captive power to support this operation. We expect the plant to start in 2012-13.

We not only use our ferro-alloys for production of steel but also commercially sell it within India and export it too.


Power
strategy

Power is one of the bigger opportunities emerging in India. As the country grows economically, the need for power is moving faster than supply. There is a current shortage of 65,000 MW of power in India. With growing urbanisation, rising income curve and rapid industrialisation, this gap is only going to widen in the near future. Further, in view of high GHG emission, the government has come out with stipulation for minimum percentile consumption of renewable energy.

The result: The power prices keep rising in India. Add to this the growing shortage of coal and fuel resource base which is creating a further pricing pressure. Power is an important ingredient to the making of steel and ferro-alloys that also go into steel.

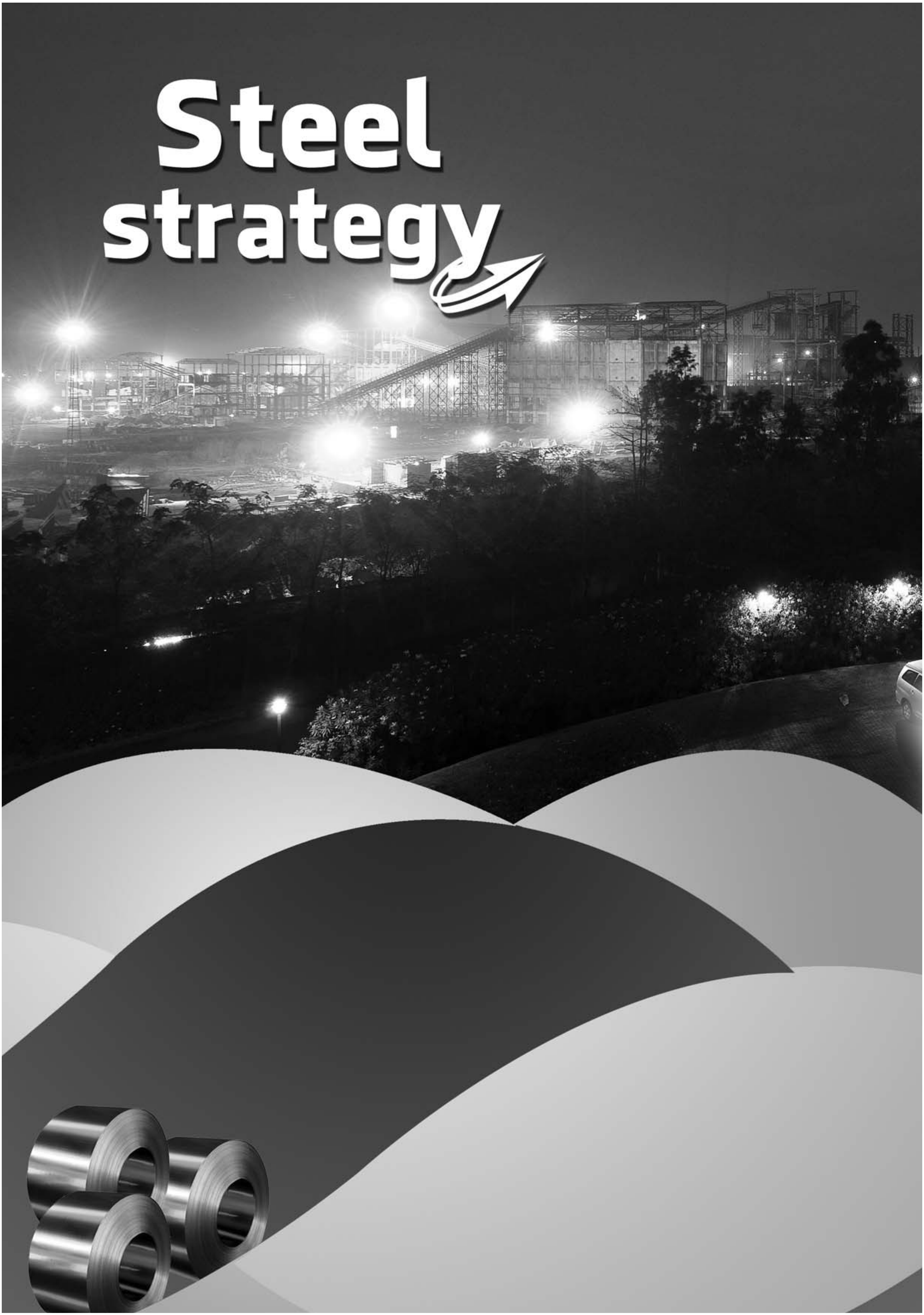
We converted the challenge into an opportunity. We will not just be self sufficient in power for our internal use, but also sell merchant power. More importantly, we are also setting up hydro-power projects that will have considerable low variable cost and consistent supply without major disruption on the input side. We will also be eligible for benefit of minimum renewable energy consumption stipulation.

Currently, the company operates 81.5 MW of power, which is mostly used captively. We are also in the process of implementing a 2 x 150 MW thermal power plant at Kollam.

Besides this, we are setting up hydro-power projects.

On implementation of these projects, we will have enough power to run all our existing operation and also have a surplus power for merchant sale. This will not only help in meeting our renewable energy purchase obligation (RPO), but will earn revenue in the form of Renewable Energy Certificates (REC).

Steel strategy



Steel is at the highest end of the value curve. Our integration model is being built to deliver highest value for the steel we make and sell. We believe, on implementation of our entire integration in mineral and power resources, we will emerge as one of the lowest cost producers of steel for a steel mill of our size.

The result: The company will get the highest value addition and a significantly higher EBIDTA per tonne.

Currently, we have an iron ore palletisation plant of 6,00,000 TPA, sponge iron plant of 3,60,000 TPA, a steel billets capacity of 2,00,000 MTPA, a wire rod mill of 1,80,000 MTPA and wire drawing mill of 30,000 MTPA.

We have permission to establish a 1.1 million tonne integrated steel plant at Siltara. Land and infrastructure required for the project is already in place. We have been securing the mineral resource base for this. Further steps will be taken to commission the project with opening of iron ore mines. On implementation, it will have its captive resource and captive power through the power strategy discussed earlier.

Waste to wealth

At SEML, environment and its protection are values that are very close to our heart. Whatever we are today is because of the natural resources - be it the earth that gives us the iron ore or the water or coal that gives us power. In pursuing the economics of expansion and growth, the economics of environment has been neglected by most companies. This is alarming as well as discomforting - the more wastefully one exploits the earth, the faster it will deplete.

That is why, we have always strived for responsible growth, and not growth at any cost. And it is not that difficult to achieve. All that is needed is the right kind of approach and vision. We have always approached our resourses with respect and ensured that we reduce wastage as much as possible. We have a well-planned waste management system to use and recover as much value from the waste that we generate at our plants. We use waste to create wealth and value.

In iron ore mines, fines are generated which are used in the production of iron ore pellets. In sponge iron, heat generated as waste is used for genenration of power. In our ferro alloys plant, manganese ore fines are sintered / briquetted, bag filter dust is recycled.

Both the granulated slag from the steel and ferro alloys plants, and the fly-ash and bed-ash from the power plants are used for making building bricks and blocks. We convert waste to value by converting slag and ash to bricks and blocks. These blocks are then used in making roads. Since they have excellent strength to even allow loaded trucks to pass over them, they can be easily substituted for coal tar and stone blast. These blocks can be customised as per requirement and are used extensively inside and outside our premises for roads, paving boundaries or building walls. And because they are non-toxic and non-leeching, they do not have a negative impact on the environment.

At SEML, we already have two brick lines in operation.

We are continuously updating our methods and knowledge to dispose or utilise wastes generated in the processes.

At SEML, it is all about responsible growth.

Chairman's Message

Dear Shareholders,

It is always a pleasure to update you about the previous year's performance and share with you the company's future outlook and prospects.

The year saw a revival in the global economy based on improvements in the US housing markets as well as improved consumer spending. In Europe, the debt repayment crisis that Greece faced dominated the year with danger of this spilling across to other EU countries like Spain, Italy, Ireland and Portugal. The devastating tsunami that hit Japan is likely to stress the country in the near term.

The onus and gravity of growth has clearly shifted to Asia, particularly to the countries of the South East Asia. China continued its relentless surge ahead with about 10% growth in GDP in spite of the threat of inflation. Likewise, India too continued to muscle its way into the growth trajectory registering an impressive GDP growth of 8.6%. This growth was backed by improvement in consumer confidence, increased governmental spending, rise in disposable incomes, higher job security and an overall positive economic scenario. India continued to remain in the top five most attractive destinations for FDI and ranked fourth as per Ernst & Young's European Attractiveness Survey 2010. However, inflation continued to be a cause for concern with RBI increasing interest rates periodically in order to curb and contain inflation. It is interesting to note that the Indian economy continued its growth in spite of the issue of the governance throughout the year.

Let me briefly take you through each segment in which your company operates.

The steel sector saw a revival during the year backed by strong growth in developing countries. The total steel production in 2010 was 1,414 million tonnes as compared to 1,229 million tonnes in 2009. China continued to dominate registering a growth of 9.3%. In India, the steel sector was adversely affected by raw material shortages and infra-structure problems. Iron-ore and coal prices rose sharply during the year, with major coal producer hiking prices by as much as 170%.

In spite of being the largest producer of steel using DRI, India registered a growth of only 1.14% in DRI production. The capacity utilisation in sponge iron plants was low due to high ash content in indigenous coal.

There has been a shortage of lump iron since the last few years, forcing producers to use iron-pellets made from iron-ore fines. Your company has set up a 6,00,000 MT iron-ore pelletisation plant that will ensure uninterrupted supply of raw material to sponge iron plant with a homogenous size and consistent quality.

India continues to face a severe energy shortage. Most of the energy generated in India is coal based. In the recent years, increased cost of coal as well as its effect on the environment has caused serious concerns. Government introduced the Renewable Energy Purchase Obligation (RPO) on all consumers of fossil fuel. In Chhattisgarh, 5.25% of consumption has to be generated or purchased from renewable energy sources, a part of which has to be solar. This has increased cost of power generation.

Against this backdrop, your company achieved record production in almost all plants through better capacity utilisation.

Your company has always believed in pursuing responsible growth, and not just growth at any cost.

During the year :

Iron-pellet plant commenced production on 1st April, 2010. The de-bottlenecking at this plant is expected to be complete by the third quarter and the plant will start its rated production then.

The sponge-iron plant achieved a record production of 2,19,143 MTs. The Ferro-alloys production also increased to 61,232 MT from 35,819 MT in the previous year.

Consent was received to operate the third FBC boiler. This has increased the power plant capacity to 81.5 MW.

Your company has enough iron-ore and coal mines to meet its raw material requirements for the next 25-30 years. Manganese Ore mines have also been allotted to your company, which are in various stages of clearances and development. The Ferro-alloys plant at Vizag will commence production by the end of the current year, giving a tremendous boost to your company's performance.

Your company has always believed in pursuing responsible growth, and not just growth at any cost. The environment and its sustainability are as important to your company as are higher production and better margins. Your company has started green field projects for ferro-alloys production and hydro-power through its subsidiaries. The company has also installed a state of the art plant that converts fly-ash to eco-friendly bricks. During the year, around 38,000 MTs of plant waste was utilised in producing fly ash bricks. An additional fly-ash brick conversion plant has been installed to augment capacity.

Looking ahead, your company is confident that as the Indian economy continues its aggressive growth and as infra-structure development increases, your company will continue to leverage its position as an integrated steel, ferro-alloys and power producer and achieve higher levels of responsible growth.

I thank you one and all for the trust and faith you continue to have in the Board and look forward to a rewarding 2011-12.

Yours sincerely,

Kamal K. Sarda

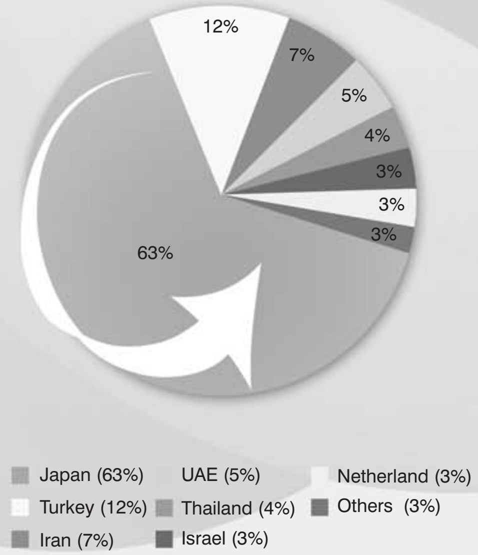
Chairman and Managing Director

Our visiting card

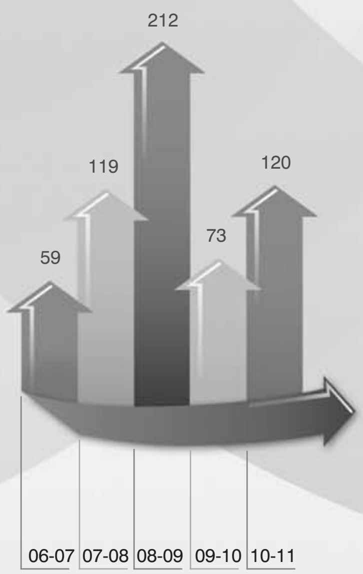
Sarda Energy & Minerals Ltd. (SEML) is the flagship company of the Sarda Group, founded in 1973. The company has its manufacturing facilities in Raipur, Chhattisgarh. The company is today one of the lowest cost producers of steel and among the largest manufacturers and exporters of ferro alloys in India. Its products are exported to major steel mills across the globe.

Over three decades, the company has been consistently at the fore-front of thought-leadership. The company has built capacity, introduced new products and diversified into energy and minerals – critical for development of an emerging India. The company is one of the few companies in India today that is self-sufficient in its energy needs, and will soon become self-sufficient in its mineral requirements.

Country wise Exports 2010-11(%)



Exports (Rs.cr)



Achievements & Appreciation

- SEML has attained Quality Management System (ISO 9001:2008) certification to ensure quality products & services to all its stake holders. Moving towards ISO 14000
- Zero tolerance policy for all products
- Implementation of 5S and 3M
- Achieved the coveted Star Export House status from Government of India.
- Certificate of Appreciation by The Commissioner of Central Excise and Customs, Raipur, for outstanding contribution made by the company in collection of Central Excise Revenue in Raipur Central Excise Commissionerate among the large sector units during 2008-09
- Won the Highest Export Award among the large sector units conferred by Govt. of Chhattisgarh.
- Most Preferred Supplier award for ferro alloys by Rashtriya Ispat Nigam Ltd., Govt. of India
- The Dongarbore mines received first prize for maintenance of good road on hilly terrain for transportation of material as per the specification and norms of DGMS
- The Dongarbore mines received second prize for maintenance of lighting system as per the specification and norms of DGMS

Credit Rating

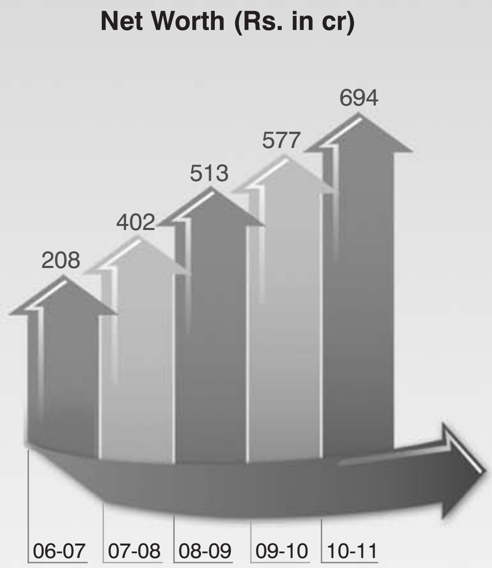
Facility	CARE Rating
Long Term	CARE AA-
Short Term	CARE A1+

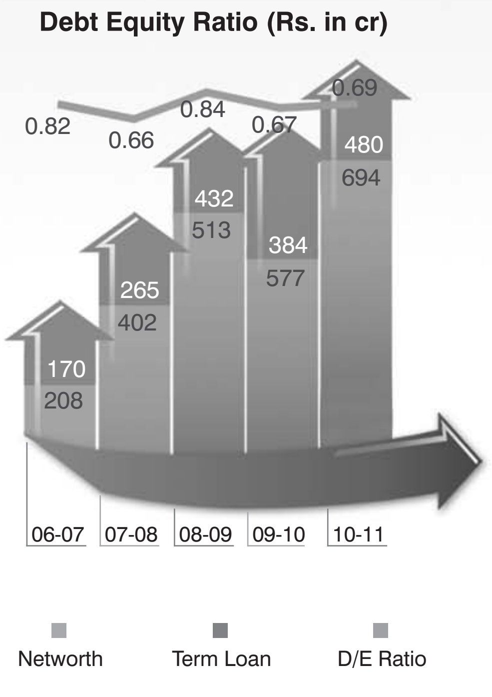
Corporate Social Responsibility

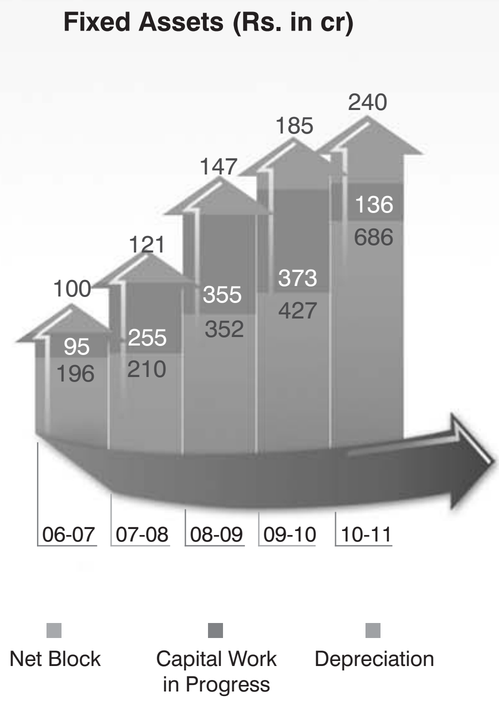
At SEML we have always had people and communities close to heart. We firmly believe that as responsible corporate citizens, we have a duty toward developing the areas we work in. As we drive our growth, we are also actively involved in driving change for the better by ensuring that we give back and contribute to a happier and healthier India. Some of our sustained initiatives in the CSR are :

- Started state-of-art school, R.K. Sarda Vidya Mandir, in association with Bharatiya Vidya Bhavan
- Adopted 270 Single teacher schools (Ekal Vidyalya) in tribal area near Iron ore Mines for students from class 1 to 3
- Providing ambulance and free medical facilities, nursing staff covering 30 villages nearby mines area.
- Founder member of Siksha Deep Trust, to extend financial assistance for higher education to the underprivileged
- Built drinking water facility for villages near factory area.
- Providing infrastructure and aid to Schools.
- Adopted and developed Motibag, City Garden of Raipur.

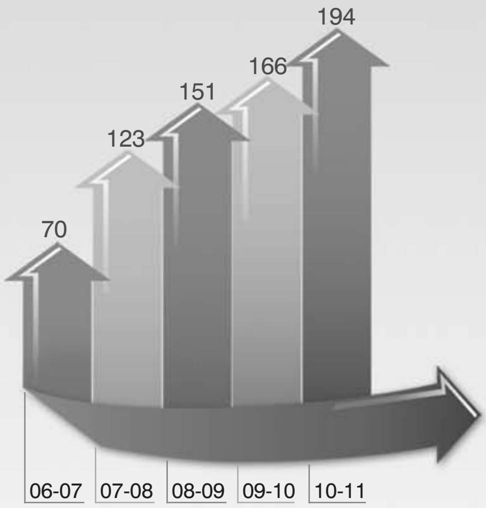
Key financial indicators



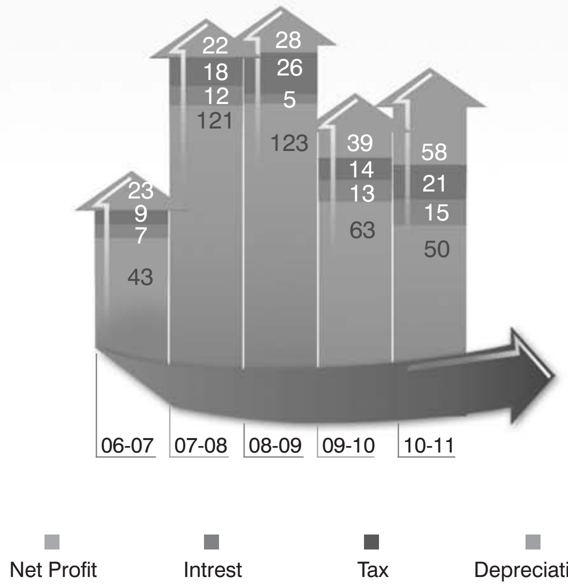




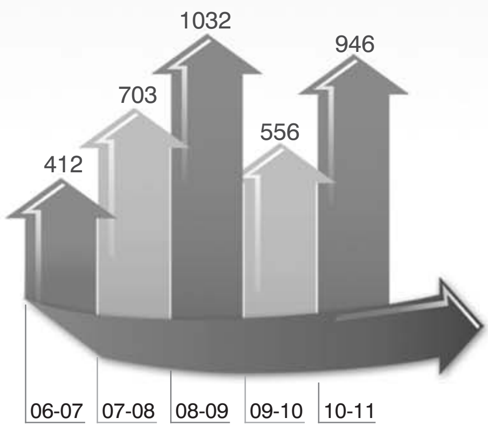
Book Value Per Share (Rs. per share)



Net Profit, Interest & Tax and Depreciation (Rs. in cr)



Turnover (Rs. in cr)



Corporate Information

Board of Directors

Mr. K.K. Sarda	Chairman & Managing Director
Mr. G.K. Chhanghani	Executive Director
Mr. Pankaj Sarda	Wholetime Director
Mr. G.D. Mundra	Wholetime Director
Mr. P.R. Tripathi	
Mr. Rakesh Mehra	
Mr. A.K. Basu	
Mr. G.S. Sahni	
Mr. C.K. Lakshminarayanan	
Mr. Jitender Balakrishnan	

Chief Financial Officer - cum - Company Secretary

Mr. P.K. Jain

Auditors

M.M. Jain & Associates, Chartered Accountants

Shreemohini, Kingsway, Nagpur

Bankers

Union Bank of India

Bank of Baroda

UCO Bank

Axis Bank Ltd.

Registered Office

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Phone: +91-712-2722407 Fax: +91-712-2722107

Email: nagpur@seml.co.in

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Email: info@seml.co.in

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Mumbai - 400 021, Maharashtra, India

Phone: +91-22-22880080-81 Fax: +91-22-22826680

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Part -II, New Delhi - 110 048

Phone: +91-11-32634937 Fax: +91-11-30824411

Visakhapatnam Office

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Visakhapatnam - 530 016 (A.P)

Phone: +91-891-2565033 Fax: +91-891-2700864

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Beijing, China - 100022

Phone: 0086 10-58205231 Fax: 0086 10-58205231

Email: mary.ma@seml.co.in

Registrar & Share Transfer Agents

Sharepro Services (India) Pvt. Ltd., Sam Hita

Warehousing Complex, Warehouse No. 52 & 53

Plot No 13AB, 2nd Floor, Sakinaka, Mumbai - 400 072

Phone: +91-22-67720400 Fax: +91-22-67720416

Email: sharepro@shareproservices.com

Directors' Report

Dear Shareholders,

We take pleasure in presenting the Thirty-Eighth Annual Report on business and operations of your Company for the financial year ended 31st March 2011.

Financial results

(Rs. in lacs)

Particulars	Standalone		Consolidated	
	2010-11	2009-10	2010-11	2009-10
Gross sales	94,603	55,592	95,245	56,080
Less: Excise duty	7,101	3,310	7,101	3,310
Net sales	87,502	52,282	88,144	52,770
Export	11,995	7,259	11,995	7,259
EBIDTA	13,703	8,402	15,289	15,930
Depreciation	5,763	3,880	5,975	4,093
Interest	1,519	1,272	472	32
Gain from Forex Fluctuation	653	4,470	479	4,303
Profit before tax	7,072	7,719	9,331	15,878
Provision for taxation	2,105	1,399	2,132	1,441
Net Profit	4,967	6,320	7,199	14,437
Appropriations:				
Transfer to general reserve	1,500	1,500	1,500	1,500
Transfer to debenture redemption reserve	625	-	625	-
Dividend (including tax on dividend)	1,250	1,195	1,250	1,195
Balance carried over to next year	1,592	3,625	3,778	11,726

Dividend

Your Directors recommend a dividend of Rs.3/- per share (30%) for the year ended 31st March, 2011. The total outgo on account of Dividend including tax thereon will be Rs.1249.97 lacs. The dividend shall be paid after approval of the members in annual general meeting.

Operations

The capacity utilization increased in all the plants as compared to previous year. Additional power generation capacity of 20 MW became operational in December 2010. Wire Rod Mill also became operational during the year. This has helped in achieving higher generation of power and production of steel. The operation at the coal mines of the Company continues to be normal. Coal washery started operation during the current year. The operations at iron ore mines remained suspended due to law and order problems in the surrounding area.

A Core Asset Group has been formed to promote preventive maintenance practices which will improve availability of assets across operations. Health Safety & Environment and Fire Departments have performed consistently in terms achieving better than statutorily stipulated environmental norms.

Members are requested to refer to the Management

Discussion and Analysis, forming a part of this Annual Report for detailed analysis.

Projects

During the year, the Company spent Rs.7,664 lacs on expansion and new projects.

Wire Rod and Wire Drawing Mill

The 1.8 lac tones Wire Rod Mill at Siltara, Raipur, started commercial operations from 01.01.2011. Wire drawing facility commenced operation during the current year. This completes the integration of steel operations from mining to the finished steel for end user. This also gives the flexibility in deciding the product mix depending upon the market conditions.

Coal Washery

The 0.96 million tonne coal washery was commissioned in the current financial year. Washed coal will help in achieving higher production in the sponge iron plant of the Company. The middling and rejects generated in the washery will be used for power generation at proposed pithead Thermal Power Plant.

Pithead Thermal Power Plant

The Company has acquired sufficient land for the proposed thermal power project at Kolam, Raigarh near its captive coal mines. Water has already been allocated for the project. Public hearing has been successfully completed and now presentation at state level MoEF is awaited. TCE has been appointed as consultant for Design and Engineering activities for the project. Bids invited for the BTG package are being evaluated. The site work and release of orders for the projects will start after receipt of statutory clearances.

Mineral Resources

Iron Ore

The Company has received prospecting license for iron ore over an area of 150 hect. in Narangsur area of Chhattisgarh. Prospecting work is underway. In addition to this, Company has received grant order for prospecting licenses from Chhattisgarh Government for four areas.

Manganese Ore

Your Company has acquired Manganese Ore mines in Goa and steps are being taken to operationalise the mines. The mining lease has been registered in the name of the Company. Applications for seeking various clearances have been made and the environmental clearance and forest clearance is under process. The Company has also received 3 Prospecting Licenses in Balaghat, District of Madhya Pradesh. The prospecting work is underway.

Coal Mines

The Company has got interest in a coal mine in a Joint Venture (JV) and also interest in coal mines in Indonesia through a wholly owned subsidiary. These mines will ensure long-term sustainable and uninterrupted availability of fuel to the Company. The coal mine allotted in JV falls in the area classified as a NO GO AREA by the Ministry of Environment and Forest. A Group of Ministers is formed to resolve the issue. The work on the coal mine under Wholly Owned Subsidiary is progressing steadily. Forest clearance has been received. Land acquisition is going on.

Iron Ore Sizing and Screening plant

As informed in the last report, the second phase of the Iron Ore Sizing & Screening plant of 6.00 LTPA have been commissioned successfully on 31.08.2010. As Iron Ore mines operation remained suspended due to poor law & order in the mining area, the plant could not be operated at its fullest capacity. 63010 MT Iron ore fines were processed out of 76862 MT iron ore fines shifted from the mines. During the year under review, 29206 MT was dispatched to plant after screening & washing.

The product quality remained within the acceptable norms. However, to further improve the quality of the product, certain modifications are being carried out in the existing system. The modifications will be completed by the end of current financial year.

Subsidiary companies

During the year under review, your Company has made fresh investments in two entities – a private limited Company to undertake hydro power business and an LLP to undertake thermal power plant. Your Company has acquired majority control in these entities. Consequent to the above investments, the total no. of subsidiaries / controlled entities of the Company has gone up from 7 to 9. The Company has also infused further funds in the existing subsidiaries. A brief about the subsidiaries is given hereunder.

Sarda Energy & Minerals Hongkong Ltd, Hongkong (SEMHKL), a wholly owned subsidiary of SEML (Company), incorporated in the year 2007 as international trading and investment arm of the Company is performing well. During the year 2010-11, it posted a profit of HK$ 19.55 Million.

Sarda Global Ventures Pte. Ltd. Singapore (SGV), a wholly owned subsidiary of your Company has acquired economic interest in coal mines in Indonesia. The mining is expected to start in next year. However, the work on development of the mine has been slowed due to frequent changes in the mining law in Indonesia. The acquisition of land is going on.

Sarda Metals & Alloys Ltd.(SMAL), a wholly owned subsidiary, is implementing a Greenfield Ferro Alloys plant of 2 x 33 MVA capacity backed by captive thermal power plant of 80 MW near Visakhapatnam in the first phase. The work on the project is progressing as per schedule and the project will be commissioned in the first quarter of F.Y. 2012-13. The Company has achieved the financial closure for the total Project Cost of Rs 543 crores during the year at a debt equity ratio of 70:30.

Sarda Energy Ltd. (SEL), a wholly owned subsidiary, was incorporated as an SPV for taking up the installation and operation of the 1320 MW power plant in Chhattisgarh. The process of land acquisition has been accelerated. Part of the land has already been acquired by the Company. The land to be acquired through compulsory acquisition is under various stages of clearances/ notifications and acquisition of the land is expected to be completed during the current financial year. The Company has submitted draft Environment Impact Assessment report to CECB, Raipur for Public Hearing, which is expected in the current financial year. Based on the progress achieved, the Company expects to get coal linkage on priority by the end of the current financial year.

Parvatiya Power Ltd. (PPL), is operating a 4.8 MW Loharkhet Small hydro power plant in Uttarakhand. In the financial year 2010-11, its third year of commercial operation the plant has generated and supplied 17.85 MU (P.Y. 18.59 MU) to Uttarakhand Power Corporation Limited (UPCL). Inspite of unprecedented landslides and cloud bursts in the region, the Company has earned higher profits in the financial year 2010-11 as compared to immediately preceding financial year. The tariff rate for sale of power has been revised upward by the Uttarakhand Electricity Regulatory Commission and this has increased profitability.

Pursuant to the issue of additional equity shares, holding of your Company reduced from 54.41% to 51%.

Madhya Bharat Power Corporation Ltd. (MBPCL), is implementing 96 MW Rongnichu Hydro Power Project in East Sikkim on Rongnichu river near Gangtok. The project is close to National Highway. The year under review witnessed rapid development in the implementation of the Project. The approach roads leading to major project components have been constructed. Manpower and equipments have been mobilized at the project site, construction of camps and infrastructural facilities is complete and civil construction work has commenced.

Orders have been placed for electro mechanical equipments also. The design consultancy contract for execution of 2 nos. 220KV GIS bays at Rangpo Pooling Station of Power Grid has been awarded to PGCIL. Other contracts are expected to be awarded shortly. Physical Model Tests of the proposed Barrage, Surface Desilting Chambers and Power Intake have been successfully completed by Irrigation Research Institute, Roorkee. Analysis of Mathematical Model has also been completed. Host Country Approval from the Indian DNA under CDM registration process has been received and validation is in progress.

The financial closure of the project has been achieved. To meet the requirements of funds, during the year under review, the Company has issued 1,65,00,000 equity shares of Rs. 10/- each at a premium of Rs. 10/- each to the promoter companies. The Company holds 52% stake in MBPCL.

Chhattisgarh Hydro Power LLP has been incorporated on 17.09.2010 by converting Chhattisgarh Hydro Power Pvt. Ltd. into LLP. The LLP has been allotted four run -off -the river type small Hydro Power Projects- Gullu SHP of 24MW, Rehar 1 SHP of 24 MW, Mand SHP of 24 MW and Jelha of 5 MW in Chhattisgarh State with a total capacity of 77 MW. These projects, being small hydro projects, will be eligible for RPO/REC benefits applicable to non-solar renewable energy projects.

All the statutory clearances for the Gullu project of 24 MW have been received. Land for the project has been acquired and possession of the land has been received. Drilling works have been awarded and sanction of loan for the project has been obtained from the lenders. Detailed engineering and tender document preparation is under progress. Final forest clearance has been obtained from MoEF, Bhopal and handover of physical possession of land is under process. The project will be commissioned in the financial year 2014-15. Application has been made for Carbon credit benefit.

Detailed project report for the two other projects of total capacity of 48 MW have been submitted to Chhattisgarh Renewable Energy Development Agency. Techno – economic clearance for one project has been obtained and the techno-economic clearance for the other project is under process.

The fourth project of Jelha with 5 MW capacity is in the detailed survey and investigation stage.

During the year, the Company has made further investments to increase its stake in CHP LLP to 66.81% as against 60.92% in the previous year.

Sarda Hydro Power Pvt. Ltd. (SHPPL) has been allotted 24 MW Kotaiveera SHP and 9 MW Ganeshpur Small Hydro Power Projects in Chhattisgarh. The Detailed Project Report for 24 MW Kotaiveera SHP has been submitted to CREDA. The techno-economic clearance has been received. The topographical survey work has been completed. The Company is in the process of procuring statutory clearances for project implementation.

The Company has acquired 60% stake in SHPPL.

Shri Ram Electricity LLP (SRELLP) has been incorporated as a Special Purpose Vehicle (SPV) for setting up a Captive Thermal Power Plant. The captive power plant has been awarded coal linkage. The preliminary study has been done. TOR has been approved by MoEF, New Delhi in April, 2011 and EIA is under preparation. We have already purchased 19.04 Acres of Pvt. Land against 40 acres required.

The Company has acquired 51% stake in SRE LLP during the year.

Joint Ventures

Raipur Infrastructure Company Ltd. operates a private railway siding in Mandhar near the manufacturing facility of the Company and other joint venture partners for movement of the goods, which are transported through the railways. During the year 2010 – 11, the Company has handled a total of **78 rakes** of different material. The total quantity handled was **273027 MTs**.

Consequent upon commissioning of the private railway siding of SEML, the no. of rakes handled by the Company has reduced. In order to increase the operations, the Company has invited other private parties to utilize the facility.

The Company has also applied for another private railway siding in Orissa. The in-principal approval from Railways has been received and DPR has been submitted to Railways for approval. The approval of DPR from Railway is under process. For acquisition of private land the administrative approval from Govt. of Orissa for the purpose of 4 (1) Notification under L.A Act has been received on 14.03.2011. The acquisition of land required for railway siding is in progress.

The Company holds one-third share in the joint venture.

Madanpur South Coal Co. Ltd. has been allotted a coal block in Madanpur area of Dist. Korba of Chhattisgarh in consortium. Most of the clearances required have been obtained but in the meanwhile, the MoEF has declared the total Hasdev Arand Area, in which this mine falls, as NO GO AREA and has not considered any proposal of forest clearance. The matter is before GoM/Prime Minister's office for resolution. The work would be put on fast track once the forest clearance is received from MoEF. Bank Guarantee submitted to MoC for Rs.43.62 crores in continuity of the previous one has been renewed from IDBI Bank and submitted to the MoC.

The Company holds 20.63% share for its share of 36 million tonnes of coal in the Joint Venture.

Awards/Appreciation

During the year, Engineering Export Promotion Council (Western Region) has conferred the "EEPC Star Performers Award in the Product Group (Ferro Alloys)" on your Company for its outstanding export performance during F.Y. 2008-09.

The Company has also been awarded first prize, in the Best Open Plantation competition organized by Urla Industrial Association, in the category of Large Industries.

Consolidated accounts

Your Company has prepared consolidated accounts after including figures of the subsidiaries, joint ventures and associates, as per the Accounting standard 21, 27 and 23 respectively.

Pursuant to the exemption granted to the Company by the Central Government vide its circular No.51/12/2007-CL-III dated 8th February, 2011, the Company has not attached copies of the Balance Sheet and Profit and Loss Account, Directors' Report and Auditors' Report of the subsidiary companies for the financial year ended 31st March 2011 and other documents required to be attached under Section 212(1) of the Companies Act, 1956, to the Balance Sheet of the Company. However, the other details, as required by the Central Government while granting the said exemption, are disclosed in this Report.

The annual accounts and related information of the subsidiary companies are open for inspection by any member/investor at the Registered Office of the Company and the subsidiary concerned and the Company will make available these documents/details upon request by any member of the Company who may be interested in obtaining the same. The annual accounts and related information of the subsidiary Company are also available on the Company's website.

Fixed deposits

Your Company has not accepted any fixed deposits within the meaning of Section 58A of the Companies Act, 1956, and the rules made there under, during the year under review.

Environmental protection and pollution control

The Company has strong commitment towards environmental protection and preservation of ecological balance while pursuing its business objectives. The Company firmly believes in co-existence & co-creation of nature and human activities which is manifested in its continuous efforts towards development of cleaner production processes coupled with reduction in pollution levels. The Company meticulously monitors impact of its manufacturing activities on the environment and take corrective & preventive measures proactively backed by adequate budgetary provisions.

The stack emissions of all Stacks are continuously under the stipulated limits as given by CECB. The ESPs of all Boilers and Furnaces are maintained trouble free through surveillance and checks and special audits. Committed HSE team with technical teams, monitor the ESP performance round the clock on a check sheet and measurements of emissions and unburnt coal in boilers. This helps in deciding the cleaning need of ESPs and the execution is done.

Regular checking of bag filters is being done, and wherever any defective bag filter is found the same is replaced immediately. De-dusting Bag filters and cyclones have been installed at various locations to reduce pollution. Fugitive Emissions in and around the raw material yards is controlled through water mist dust agglomeration system. High pressure mist enhances the effectiveness of dedusting at a lower operating costs and better environment around.

A new waste conversion facility has been installed which will help in converting 100mt waste every day into Blocks/Bricks of various sizes. This is in addition to existing facility.

Extensive plantation has also been done to enhance the green buffer between the plants and the human habitations close by and thereby reduce the effect of any pollution. An intensified drive has been launched for large scale plantation in and around the factory, particularly in the newly developed Mandhar complex.

At the Iron Ore Screening and Sizing plant site, towards protecting the environment, 1000 saplings have been planted and the process continues. Water sprinkler system has also been planned to reduce dust pollution.

As a further step in the direction of ensuring of environment protection and pollution control, all plant heads have nominated energy and water managers to give a continuous focus on energy and water conservation.

Corporate social responsibility

The Company towards its responsibility to contribute to the welfare of the society has adopted a voluntary and proactive approach to connect with the society around its operating units by creating a sense of belonging and welfare, building a spirit of co-existence and harmony. The immediate society benefits from the organisation and forms its first line of development. The CSR activities of the group involves the approach of sustainability, scalability and synergy in its endeavor. We strive for sustainable development programs in partnership with the communities for larger impact.

The Company through a dedicated, committed, trained and skilled team secures and channelizes funds to serve a wider community by delivering developmental program that aims to fulfill overall development aspirations of the community.

Education:

In **Education** the Company endeavors to spark the desire for learning and knowledge at every stage. A number of initiatives have been undertaken in this direction and some of the important benchmarks achieved are:

- Sponsored **R. K. Sarda Vidya Mandir**, a state-of-the-art CBSE school near Raipur, opened by Bharatiya Vidya Bhavan for providing best education to children. In addition to the land and donation, your Company has also extended interest free loan of Rs. 10 crores to the Institution so as to enable the Institution impart quality education at affordable price.
- Founder member of **Shiksha Deep Trust**, which has the main objective of provinding scholarship to meritorious & needy students.
- Supported 270 **Ekal Vidyalayas** of tribal students with FTS.
- Infrastructure facilities, furniture and computer to schools of Siltara & Parastarai villages.
- Financial support to village schools for renovation and extension of school building.

Apart from the above, a full-fledged school in the Siltara industrial area, Raipur, has also been proposed with the aid of Ramakrishna Vivekananda Ashram, to cater to the educational needs of the children of industrial workers. CSIDC has approved the allotment of 5 acres of land for the purpose. Besides, school at Khadgoan village (near the Company's captive iron ore mines) has been provided with new building, uniforms, books and other school support material.

Healthcare:

In **Healthcare**, the Company endeavors to render quality healthcare facilities to people living in villages. We recognize our responsibility to operate in harmony with our local communities. The Company actively sponsors medical facilities, assisting in primary healthcare across villages.

The Company operates Mobile dispensary vans which provide free medical checkup and medicines. During the year 37427 patients availed the benefit of the mobile dispensary vans maintained by the Company. The Company also provides medical treatment to critical patients of tribal area's at Multi specialty hospitals on Company's expenses. The Company promotes preventive health care through awareness programs and regular health checkup camps. The Company has set up first-aid facilities in the villages surrounding its mines & operating units, to provide low-cost and high-quality medical assistance for the economically underprivileged community. Apart from these initiatives, a cluster of villages have been adopted by the Company near its iron ore mines and provides these villages with health care on an annual basis.

During the year, the Company has also organized Blood Donation Camp in association with Confederation of Indian Industries Young India forum under which, Modern Blood Bank, Raipur has recorded highest ever collection of 205 No. units of blood in a single day in Raipur Chhattisgarh. The Hon'ble Governor of Chhattisgarh State, has awarded the certificate of recognition for this to the Company.

Company has provided drinking water facility at its plant and mining sites and has also undertaken works for supply of drinking water to the nominated points in the villages surrounding its plant site in addition to providing for sanitation facilities for the villagers.

Community development

Social welfare, to the Company, means much more than just providing education and health care facilities. The Company endeavors to set up essential services which form the foundation for sustainable development. Our interventions in the area of infrastructure development include basic infrastructure facilities, safe drinking water facilities, sanitation and hygiene and renewable sources of energy. The Company has undertaken the task of community development like one of its projects. Various activities have been done for the social welfare and community development, some of which are as under:

- Infrastructure upgradation of villages by constructing approach roads, water tanks, stairs near pond, drainages, pipelines for supplying drinking water, potable water supply, deepening of ponds, social forestry, school building & boundary wall, community hall construction, area lighting etc.
- Promotion of sports by supporting State and District Games Associations for Tennis & Cricket.
- Support to various trusts engaged in providing community services
- Support to local associations for various religious functions/celebrations.

As part of community services, 2000 woolen blanket were distributed amongst the tribal residents of rural area, tree plantation were done, iron tree guards were donated for protection of trees/saplings, financial aid to siltara village panchayat for purchase of ambulance for use by the nearby villagers, financial support for mass marriages/local festivals, cleaning and de-siltation of water ponds at nearby villages, etc. The Company also organized skill development training for the village youths in association with the industrial training institutes. The Company also has plans to undertake watershed development and environmental up gradation programs including plantation in the coming years.

Directors

Mr. G.K. Chhanghani, Mr. Pankaj Sarda and Mr. Rakesh Mehra, Directors of your Company, retire by rotation and being eligible, offer themselves for reappointment. The brief resume/details of Directors who are to be appointed/ reappointed are made a part of the Annual Report.

Directors' responsibility statement

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors state as under:

i) that in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation;

ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year;

iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) that the Directors have prepared the Annual Accounts on a going concern basis.

Auditors

M/s. M.M. Jain & Associates, Chartered Accountants, the retiring auditors of the Company, hold office till the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

The Company has received a letter from M/s. M.M. Jain & Associates, Chartered Accountants, Nagpur to the effect that their appointment as auditors for the year 2011-12, if made, would be within the limits under Section 224 (1-B) of the Companies Act, 1956.

Auditors' Report

The observations made in the Auditors' Report, read with the relevant notes thereon, are self-explanatory and do not call for any comments under Section 217 of the Companies Act, 1956.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is annexed and marked as Annexure 'A', forming a part of this report.

Particulars of employees

The particulars of employees, as required under Section 217 (2A) read with the Companies (Particulars of Employees) Rules, 1975, are given in Annexure 'B' to this report.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement with the stock exchanges, a Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

Acknowledgement

Your Directors express their thanks and record appreciation for the co-operation they received from various government authorities, financial institutions, banks, suppliers and customers of your Company. Your Directors place on record, their sincere appreciation for the devoted services rendered by the employees at all levels of your Company and look forward to their continued support.

On behalf of the Board of Directors,

Place: Mumbai **(K.K. Sarda)**
Dated: July 30, 2011 Chairman & Managing Director

Annexure 'A'
to the Directors' Report

Additional information as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. Conservation of energy

a)	Energy conservation measures taken	:	i)	Replacement of T-8 Tube Light with high efficiency LED Lights.
			ii)	Modification of boiler Gauge Glass Lighting System
			iii)	Replacement of TG-1 HP Cylinder has resulted in the reduction of Specific Steam Consumption.
			iv)	Fine tuning of FBC Boiler operation has resulted in Energy Saving.
			v)	Replacement of Booster Pump of 55KW with 15 KW pump.
			vi)	Installation of Roof Exhausters in Turbine Hall.
			vii)	Raw Water consumption reduced by recycling the softening plant backwash water.
			viii)	Installation of BLMS hopper in place of Cooler discharge DPV at kiln C.
			ix)	Modification in chute resulting in reduction in cooler current.
			xi)	Commissioning of Metix Lower Electrode Assembly in Furnace "B" with reduction in PCD from 3100 mm to 2760 mm
			xi)	Water flow tray provided for effective cooling at kiln C. Cooler shell in place of pipe header resulting in load reduction on pump and reduction in current by 10Amps/Hrs.
b)	Additional investment and proposals if any, being implemented for reduction of consumption of energy.	:	i)	Study is being conducted to reduce SSC for TG-3
			ii)	Use of VFD's in cooling tower fans
			iii)	Use of VFD's in DM Plant
			iv)	Insulation of 100KW Solar Power
			v)	Installation of new APFC for improving the power factor of WRM.

c)	Impact of measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods.	:	i)	Reduction in annual power consumption by about 11 lacs KWH
			ii)	Reduction in annual water consumption by about 55000 M^3
			iii)	Reduction in specific power consumption by 150 kwh/ MT in ferro alloys
			iv)	Reduction in power consumption upto 10 units per ton of wire rod.
d)	Total energy consumption and energy consumption per unit of production in prescribed Form 'A'.	:		As per "Form A" attached

B. Technology absorption

Research and development

1.	Specific areas in which R & D are carried out by the Company	:	--
2.	Benefits derived as a result of above R & D.	:	--
3.	Future plan of action	:	--
4.	Expenditure on R & D	:	Expenditure on R & D is not specifically accounted for. Internal team undertakes the R & D activities.
5.	Technology absorption, adaptation and innovation	:	--
	a) Efforts in brief made towards technology absorption, adaptation and innovation	:	--
	b) Benefits derived as a result of above efforts.	:	--
	c) Information regarding technology imported during the last five years	:	--

C. Foreign exchange earnings and outgo

1.	Activities relating to export initiatives taken to increase exports, development of new export markets for products and services and export plans.	1.	Registration with IMnI (International Manganese Institute) Global Member List.
		2.	Installation of Boron Testing Equipment (for SiMn), which has created a niche market.
		3.	Advertisement and interview in Euroasia Magzine which is one of the most respected journals in Steel Industry
		4.	Participation in MMMI Conference, New Delhi
2.	Total foreign exchange used and earned (Rs. in lacs)		
	a) Foreign exchange used	:	20,343.13
	b) Foreign exchange earned	:	12,044.48

On behalf of Board of Directors,

Place : Mumbai
Dated: July 30, 2011

(K.K. Sarda)
Chairman and Managing Director

FORM 'A'

Form of disclosure of particulars with respect to conservation of energy

Steel

A. Power and fuel consumption

			2010-11	2009-10
1.	Electricity			
	a) Purchase			
		Units (Kwh)	NIL	NIL
		Total amount (Rs. in lacs)	NIL	NIL
		(Rs. / Kwh)	NIL	NIL
	b) Own generation			
		i) Through diesel generator		
		Units (Kwh)	NIL	NIL
		Units per litre of diesel	NIL	NIL
		Cost/unit (Rs.)	NIL	NIL
		ii) Through steam turbine/generator		
		Units	7,71,52,212	1,10,68,005
		Units per litre of fuel - oil/gas	N.A.	N.A.
		Cost/unit (Rs.)	2.02	2.10
2.	Coal for domestic use			
		Quantity (M.T.)	NIL	NIL
		Total cost (Rs.)	NIL	NIL
		Average rate (Rs.)	NIL	NIL
3.	Furnace oil			
		Quantity (K. litres)	NIL	NIL
		Total cost (Rs. in lacs)	NIL	NIL
		Average rate (Rs. / K. litre)	NIL	NIL
4.	Other internal generation			
		Units	NIL	NIL
		Total cost (Rs. in lacs)	NIL	NIL
		Rate / unit	NIL	NIL

B. Consumption per unit of production

Electricity (units)	955	915
Coal	NIL	NIL
Furnace oil	NIL	NIL
Other (specify)	NIL	NIL
Own power	NIL	NIL

Note: Form 'A' is not applicable to sponge iron, power and ferro alloys industry.

Annexure 'B'
to the Directors' Report

Statement of particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with The Companies (Particulars of Employees) Rules, 1975 as amended till date, and forming part of the Directors' Report for the year ended 31st March, 2011

Employed throughout the financial year under review and were in receipt of remuneration for the financial year in the aggregate of not less than Rs. 60,00,000/- per annum:

a)	Name	:	Mr. Kamal Kishore Sarda
b)	Designation	:	Chairman and Managing Director
c)	Age	:	59
d)	Qualification	:	B.E. (Mech.)
e)	Experience (years)	:	37
f)	Commencement of employment	:	16th December, 1978
g)	Nature of duties	:	Overall management and administration
h)	Remuneration (gross)	:	1,74,44,850/-
i)	Particulars of last employment, last post, employer (No. of years)	:	--

Notes:

1. Remuneration, as shown above, includes salary, allowance, commission, contribution to provident fund, and monetary value of perquisites but excludes contribution to gratuity fund on the basis of actuarial valuation as separate figures are not available.

2. The employment is contractual in nature.

3. Other terms and conditions are as per Company's Rules/Scheme

Management Discussion and Analysis

Industry Structure and development

Your Company operates primarily in steel and ferro alloys as an integrated producer and has now focused on energy sector as potential growth area. Developments in the industry, during the year, are discussed hereunder.

STEEL

On the back of recovery in the developed countries global crude steel production registered an impressive growth of 15% with 38% in USA and 34% in Germany. After recording a negative growth in 2009, global crude steel production reached to new high of 1414 Mn tonnes in the year 2010 against 1229 Mn tonnes of 2009. China leads with 627 Mn tonnes registering growth of 9.3%. With production of 67 Mn tonnes, India ranked 5th recording growth of 6.4%, the lowest growth among top ten steel producing countries. The reasons for poor growth of the steel sector in India are raw material insecurity, dependence on imported coal, poor infrastructure affecting logistics, cumbersome and uncertain process of land acquisition and delay in environmental clearances. The exports and imports of long product segment in which your Company operates fell by 33.7% and 23.6% respectively.

Iron ore and coal prices registered sharp increase which could not be passed on fully to the consumer putting pressure on margins. Iron ore prices went up mainly on account of supply side constraints after strict enforcement of mining laws and its politicization.

Coal India limited, the monopoly supplier of coal, also increased prices of steel grade coal by whopping 170%. This has made the coal linkage quite inconsequential. Over and above that excise duty of 5% has been imposed on coal in this budget. Faced with shortage of iron ore lumps, a number of iron ore pelletisation plants have come up in the country which will be using huge stock pile of iron ore fines created over the years. The leading Indian steel producers have announced mega expansion plans.

SPONGE IRON

Blast furnace route of steel making requires coking coal, which is available in a very limited quantity in the country. As against this sponge iron / direct reduction route uses non coking coal which is abundantly available in the country. Because of this, India continues to be the largest producer of coal based DRI in the world since 2003 contributing about one third of world production. During 2010-11 India produced 23.26 Mn tonnes of DRI, 17.07 Mn tonnes using coal and 6.19 Mn tonnes using natural gas. India registered growth of just 1.14 % in DRI production. Capacity utilization of sponge iron plants was low because of high ash content in indigenous coal which adversely affects operating condition of kilns.

Coal from captive coal mine backed by coal washery ensures uninterrupted supply of sponge iron grade coal to your Company. This also insulates against ever increasing prices of fuel. The middling generated from washing of coal shall be sold initially and will be utilized for generation of power at pit head. Your Company has also put up 600,000 MT capacity pelletisation plant which will ensure uninterrupted supply of raw material for sponge iron plant with homogeneous size and consistent quality. These factors will help in efficient operation of sponge iron plant.

FERRO ALLOYS

Ferro alloys are used as additives in production of steel to impart resistance to corrosion, hardness, tensile, strength and resistance against abrasion in the steel. Therefore, ferro alloys industry’s fortunes are dependent on growth in steel industry. Mn ore reserves are concentrated mainly in China, South Africa, Australia, Brazil, Gabon and India. China and India are net importers of Mn Ore. Mines in South Africa and Australia are controlled by global mining majors who dictate the prices of Mn ore. Indian Ferro alloys industry is fragmented with many small and medium sized smelters. Now larger players are coming up with new capacities which will change the dynamics of this industry in the coming years.

Global Manganese Ore and Alloy production

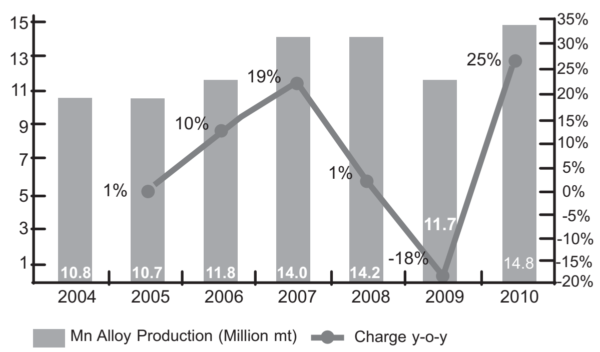
(Qty. in Mn tonnes)

Particulars	2010	2009	% Change
Mn Ore (Wet)	47.0	35.5	33%
Mn content	14.8	11.1	33%
Mn Alloy prodn.	14.8	11.7	26%

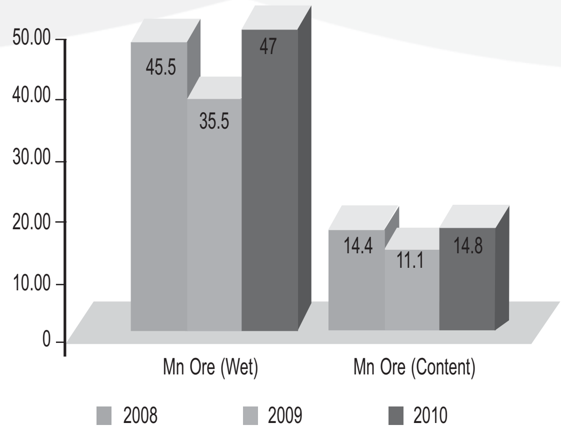
China is the largest importer of Manganese Ore with import of 11 Mn tonnes of ore. High Carbon Ferro Mn with 4.4 Mn tonnes registered growth of 33%, Refined Ferro Mn with 1.5 Mn tonnes registered growth of 50% and High Carbon Silico Mn with 8.7 Mn tonnes registered growth of 18%. The average consumption of Manganese Alloy in Steel was about 10 Kg per tonne.

The Mn production capacity in India is about 2.5 Mn tonnes which is adequate to support crude steel production of 120 Mn tonnes. Mn ore reductant and power constitute about 90% of the cost making non integrated producers vulnerable to market vagaries. Your Company has captive power plant and has secured mining concessions from the government which are in various stages of clearances / development.

Global Mn Alloy Production



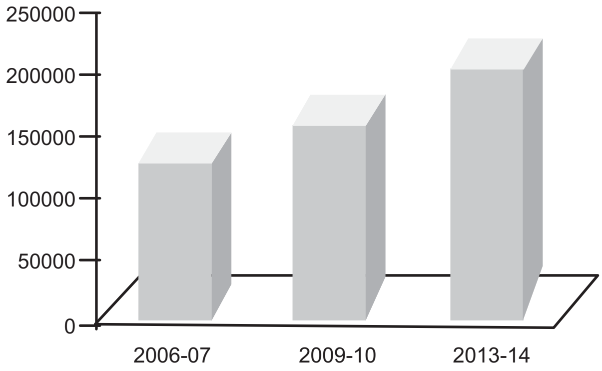
Mn Ore Production



POWER

India, with a capacity of 1,75,000 MW (12,160 MW being added in 2010-11) has the fifth largest electricity generation capacity in the world. Even though India has initiated various initiatives to increase power generation capacity, the demand continues to be much higher than supply. Majority of generation, transmission and distribution capabilities rests with public utilities.

Installed Power Generation Capacty (MW) 2006-07, 2009-10 & 2013-14



Source: Ministry of Power, CEA, RNCOS

Note f: RNCOS forecast, I.C. Does Not Include Benefits from Projects in Bhutan

India meets major part of its domestic energy demand through thermal generation. Coal as a major source of fuel for power generation dominates the utility industry but delay in development of new coal mines on account of environmental clearances and land related disputes has put extra pressure and increased dependence on costly imports.

Increased dependence on imported coal, price increases being affected by the public sector coal companies and cost of pollution and emission control will have a significant bearing on the overall cost of generation going forward. More and more developers including the Indian coal companies are looking at overseas acquisition of coal mines to address some of these concerns on fuel.

The government introduced renewable energy purchase obligation (RPO) on all consumers of fossil fuel energy. In the state of Chhattisgarh with effect from 4th March, 2011 such consumers have to generate or buy 5% of their consumption from renewable sources a part of which has to be compulsorily from solar. Any shortfall has to be met by buying Renewable Energy Certificates (REC) from power exchange. RECs are issued to renewable energy generators to compensate them for viability gap. This has increased cost of generation by about 15 paise per unit.

OPPORTUNITIES

Integrated steel manufacturing facility starting from iron ore and coal mining to the finished steel backed by captive power plant provides cost efficiencies and insulates your Company against price volatility. Allotment of additional mining reserves in iron ore, manganese ore and coal provides opportunity for expansion in this sector, which will be timed with opening of the mines. Availability of coal resources in Indonesia provides a good opportunity for growth in energy related business.

Commissioning of state of the art Sea shore based green field ferro alloys plant of 66 MVA, by the end of current financial year, will help in higher penetration of export market and increasing Company's market share.

The Company has also promoted hydro power projects of more than 200 MWs including small hydro projects of 115 MWs through SPVs. These small hydro projects will be eligible for special incentives for renewable energy projects.

Your Company has sufficient land, captive coal and developed infrastructure for 300 MW power plant, which will enable the Company to expeditiously implement the pithead power project. Strong balance sheet and high credit rating will enable the Company to take up larger projects.

THREATS

Large capacity additions in steel sector with integrated operations and raw material back up will put pressure on prices of steel products in long run. Your Company has also taken up steps to remain competitive in the changed scenario by securing raw material resources.

Large scale capacity addition in power sector may also affect the price realisation of power. Your Company is taking a balanced approach to hedge a major part through long term contracts.

SEGMENT/ PRODUCT WISE PERFORMANCE

During the year under review most of the production facilities achieved record production. Figures are not comparable with previous year because last year production was affected due to fire in the power plant. The product wise performance is summarized here under:

Product	Production (In MTs)		Sales (in MTs)		Captive consumption (in MTs)		Average realization (in Rs.)	
	2011	2010	2011	2010	2011	2010	2011	2010
Pellet	173668	27121	4757	-	142088	17109	6815	-
Sponge Iron	219143	202788	138577	186437	75169	12446	16649	13598
Steel Billet	80840	7322	38670	5086	42510	-	24755	22843
Steel Ingots	-	4948	-	4832	-	-	-	19202
Wire Rod	40937	-	34850	-	-	-	30837	-
Ferro Alloys	61232	35819	61474	36268	1044	152	57605	50655
Power (Mn kwh)	468.87	330.59	72.14	104.05	396.73	226.55	3.39	4.40
Coal*	431728	291127	-	-	428145	250063	-	-

* For captive consumption only

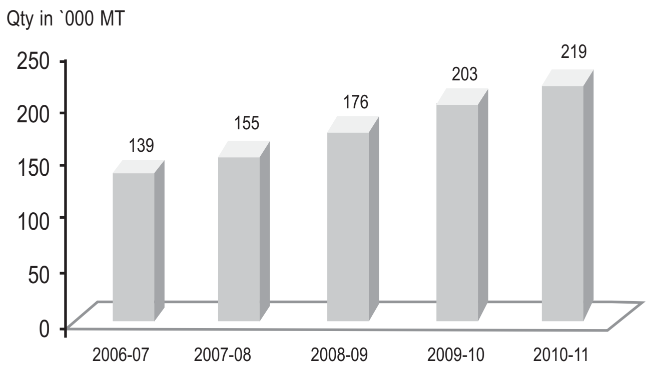
The Company follows a business model which revolves around value addition for power and accordingly the realization from sale of power dictates the decision about its utilization for production of steel. In overall production in 2009-10 was adversely affected due to fire in the power plant.

Steel

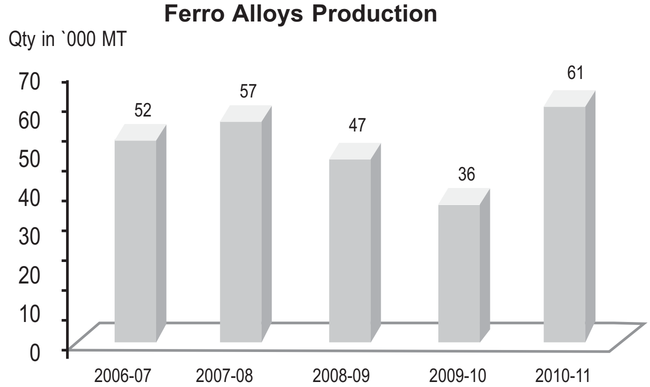
Pellet plant which commenced commercial operation from 01.04.2010 faced capacity constraints due to in process bottlenecks. The process debottlenecking will be completed by third quarter of current year when the plant will start operating at rated capacity. However, quality of the product is well established and consistent.

Sponge iron plant achieved record production of 219143 MTs. Pellet and washed coal will help in further improvement of capacity utilization and cost savings in the sponge iron plant.

Sponge Iron Production



Ferro Alloys Production



In view of poor realizations from sale, power was used for production of steel. Wire rod manufacturing was started in downstream of steel billets as value added product. During the year, the Company discontinued the production of steel ingots.

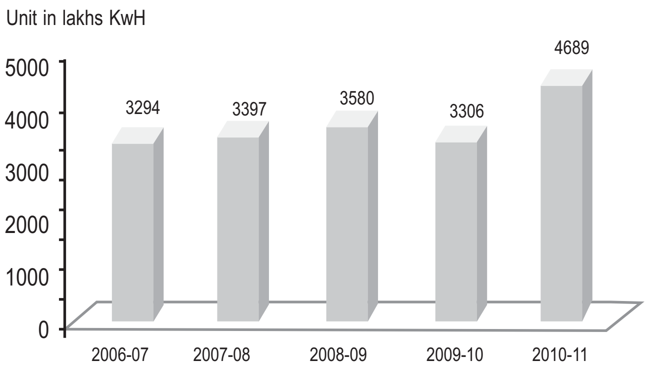
Power

Consent to operate third FBC boiler was received in Dec. 2010, increasing the power plant capacity to 81.5 MW. Full benefit of this capacity addition will be available during the current year.

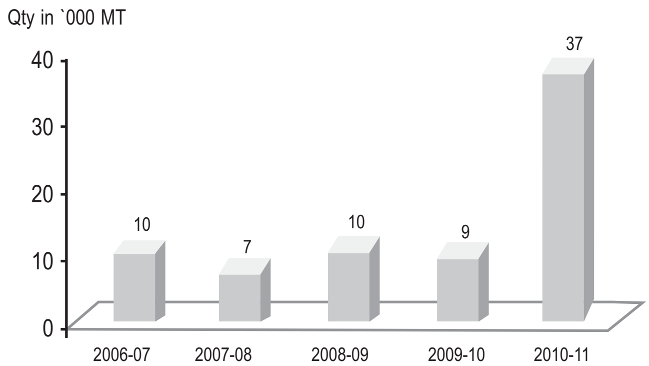
Coal mines

The captive coal mine of the Company is meeting required quantity of coal. The coal washery has become operational during the current year. Washed coal will help in improving performance of the sponge iron plant.

Power Generation



Fly Ash Bricks Production



Fly ash bricks

The Company has installed state of the art fly ash bricks to ensure consumption of plant waste in making eco-friendly bricks. During the year 37792 MT of plant waste was utilized in manufacturing 36,502 MT of fly ash bricks. To utilize the increased quantity of waste after commissioning of additional power capacity one more fly ash brick plant has been installed which commenced operations on 12.04.2011.

Outlook

Growth in steel and power demand has strong correlation with growth in GDP of nation. As the Indian economy is slated to exhibit robust growth in GDP, steel and power demand is also expected to grow in tandem. With possibility of large integrated green field steel and ferro alloys plants coming up in the near future non integrated producers without raw material / fuel base are likely to face cost pressures.

Your Company has got iron ore and coal mines to meet its full requirement of raw material for next 25 years. Mn ore mines have also been allotted to the Company, which are at different stages of clearances / development. Your Company has also taken up large green field projects in ferro alloys and hydro power through subsidiaries. These are under execution. The ferro alloys at vizag will start production by the end of current year which will give a quantum jump to the consolidated performance of the Company. M/s. Asia Minerals Limited. Hongkong, who acquired 5% stake in your Company will help in production of high end ferro alloys products and deeper penetration of Japanese market. Small hydro power projects of the Company will also be eligible for renewable energy certificates adding substantially to the profitability / meeting Company's Renewable purchase obligation.

Risks and concerns

An economic slowdown can adversely affect the demand-supply equation in the industry. High interest rate and restrictive credit policy of RBI may affect demand from real estate sector. In short term fall in steel production in Japan post Tsunami, shall have pressure on ferro alloys prices. The price of sponge iron is sensitive to the demand-supply position of steel scrap.

Availability, quality and prices of coal is another area of concern. Logistics remains a big challenge for the steel industry. Steel making is a raw materials intensive process. Each tonne of finished steel involves transportation of 4 tonnes of materials. Infrastructure cost in India is higher than international benchmarks. In order to make the Indian Steel industry competitive in the international market, infrastructure facilities needs to be improved and at the same time, the cost of transportation should also come down in future.

The process of clearance of mining leases in the country needs to be streamlined. As development of mines takes place over a number of years, delayed clearances may impact the overall economics of operations for the Company.

Inflation in India is hovering around double digit levels and is a cause of concern. Tighter monetary policy and restrictive fiscal policy to contain fiscal deficit, may impact the resurgence in domestic steel demand. Corruption is another big thing to be taken care of at the macro level.

On the financial front, the Company is exposed to exchange rate fluctuation risk due to External Commercial Borrowings availed by it but, the same is taken care of by natural hedge the Company has, due to its presence in the export market. The Company also uses suitable risk hedging in consultation with experts for mitigating this risk. The Management does not perceive any major technological, environmental and/or financial risks for the Company in the near future. The Company has contingent liability as disclosed in Note no. 2 of Schedule – Q of Balance Sheet and Profit & Loss Account.

Concerns like shortage of skilled manpower and technological obsolescence remain. However, these are threats faced by the entire industry. Given its expertise, experience and strengths, the Company is well positioned to continue to march on the growth path.

Flexibility to utilize power for production or to sell, gives the Company strength and sustainability in challenging market conditions.

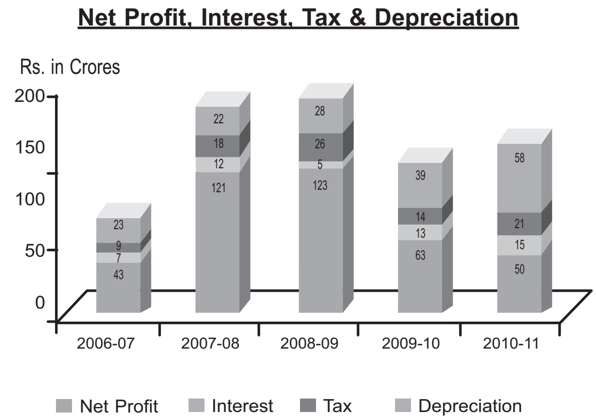
Internal Control Systems and their adequacy

The Company has proper and adequate system of internal controls commensurate with its size and nature of operations to provide reasonable assurance that all assets are safeguarded, transactions are authorized, recorded and reported properly, and also that the applicable statutes, the Code of Conduct and corporate policies are duly complied with.

The Company has availed the services of independent professional firm for Internal Audit. The Internal Auditors conduct audit in various functional areas as per Audit Programme approved by the Audit Committee of Directors. Audit planning and executions are oriented towards a review of internal controls in the functional areas of the Company. The Internal Auditors' reports their findings and observations to the Audit Committee, which met four times during the year to review the audit issues and to follow up implementation of corrective actions. The Committee also seeks the views/opinions of statutory auditors on the adequacy of the internal control systems in the Company. The Audit Committee has majority of independent directors to maintain the objectivity. The Auditors' report regarding adequacy of internal controls can be seen in clause no. iv of the Annexure to the Auditors' Report.

As reported last year, M/s. BDO Haribhakti & Co. was appointed for review of the business processes for effective planning, budgeting, costing and monitoring. The Company has received the report from BDO and most of the observations/suggestions have been implemented.

Financial performance with respect to operational performance



A brief on the Company's financial performance is given hereunder:

(Rs. in crores)

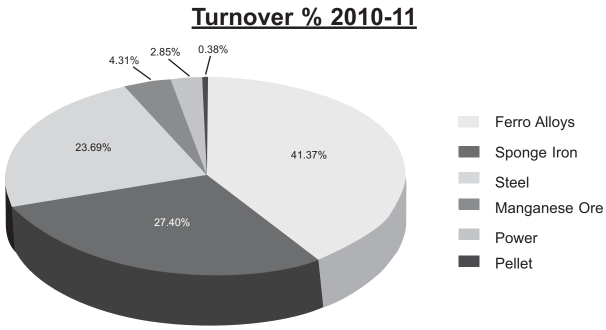
Particulars	2010-11	2009-10
Sales a) Domestic Sales	825.90	483.39
b) Export Sales	120.13	72.53
Total	**946.03**	**555.92**
Consumption of raw material	592.81	385.08
Employee Cost	30.80	19.41
Profit before interest, depreciation & tax	137.03	84.02
Depreciation	57.63	38.80
Interest	15.19	12.72
Gain from Forex Fluctuation	6.53	44.70
Profit before tax	70.72	77.18
Tax	21.05	13.98
Profit after Tax	49.67	63.20

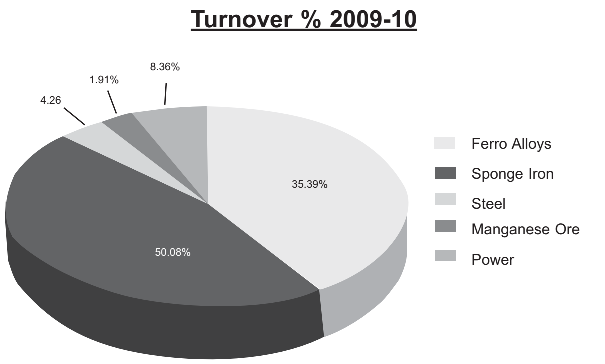
The increase in turnover was mainly attributed to operations at the steel manufacturing facility and ferro alloys manufacturing facility, where production was curtailed in the previous year for want of power. The table below gives the product wise turnover:

(Rs. in crores)

Product	2010-11	% of turn-over	2009-10	% of turn-over
Ferro Alloys	391.35	41.37	196.75	35.39
Sponge Iron	259.25	27.40	278.39	50.08
Steel – Billets and Wire Rod	224.14	23.69	23.68	4.26
Manganese Ore	40.73	4.31	10.64	1.91
Power	27.00	2.85	46.46	8.36
Pellet*	3.57	0.38	--	--

* The pellet plant commenced commercial operations w.e.f. 01.04.2010

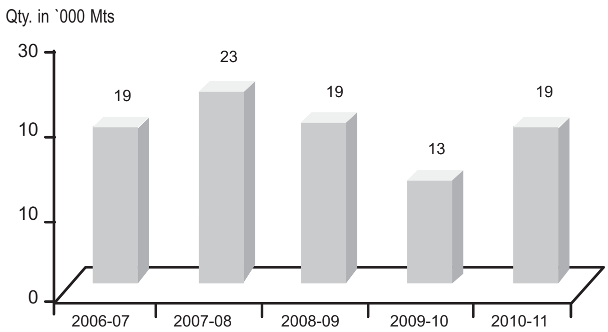




Employee cost, depreciation and interest cost went up pursuant to commissioning of pellet plant, third power plant and wire rod mill. In the previous year forex gain was mainly on account of reversal of mark to market loss booked in 2008-09 post Lehman episode.

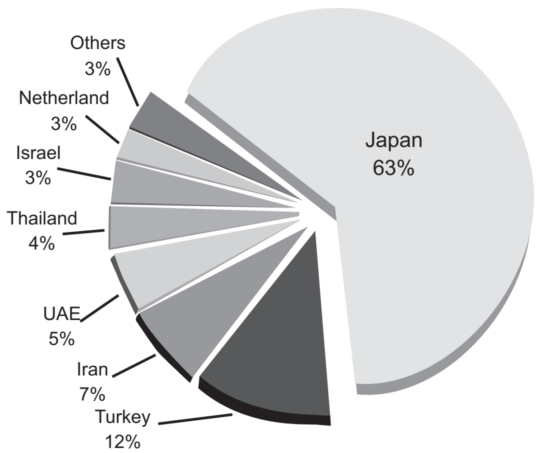
During the year your Company exported 19056 MTs ferro alloys worth Rs.120 crore as against 12586 MTs worth Rs.73 crore in the previous year. During the year 5 new export territories and 13 new customers were added. Your Company created niche market for our product in the low boron segment.

Exports

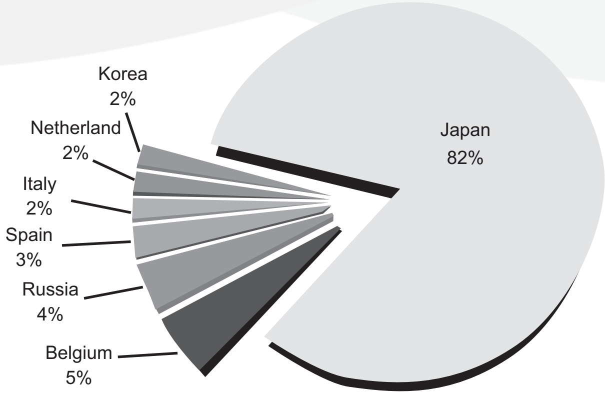


Increasing cost of reductant and power increased cost of production of ferro alloys but over supply put pressure on sales realizations which saw consistent fall throughout the year. The prices at the beginning of the year were more than Rs. 60,000/- a tonne which fell to near Rs. 54,000/- by the end of the year. Domestic prices could see a further fall but for export demand.

Countrywise Exports 2010-11 (%)



Countrywise Exports 2009-10 (%)



Long term Funds

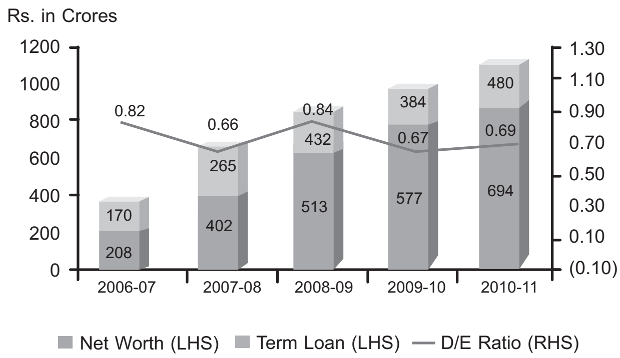
Capital

Under a strategic business arrangement, during the year the Company raised Rs. 92 crores through issue of 1804891 equity shares (5% of the enhanced capital) on preferential basis to Asia Minerals Ltd., Hongkong at Rs. 510/- per shares (including premium of Rs. 500/- per share). Asia Minerals Ltd. is a global player in manganese ore and manganese alloys.

Secured Loans / Unsecured Loans

During the year, the Company repaid the balance installments of the 8% NCDs issued to Axis Bank Ltd. totaling Rs. 10.00 crores. The repayment on account of other term loans availed from the bankers was Rs. 78.17 crores. All the loans and the interest payment commitments were met on time.

Debt Equity Ratio



During the year the Company raised Rs. 125 crores by issue of 9.55% NCDs with average maturity of 6 years. The Company had also raised Rs.15 crores from IL & FS which has been repaid during the current year. Rs. 39 crores was raised against investment in Mutual Funds.

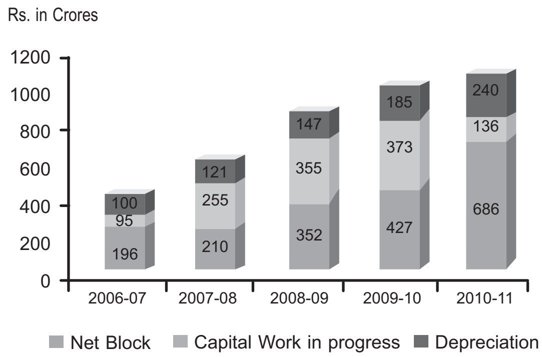
The utilization against the working capital also increased on account of availment of Buyer's credit against imports. CARE has maintained the credit rating of the Company CARE A1+ (CARE A one plus) for short term loans (highest) and AA- (AA Minus) for the long term loans.

The unsecured loans represent conversion of deferred sales tax liability into loans. The amount of deferred sales tax due during the year was paid on the due date.

Fixed Assets

During the year, the Company incurred capital expenditure of Rs. 106.73 crores on the coal washery, power plant, wire rod mill and wire drawing mill. The gross block has gone up to Rs.1062 crores as against Rs. 985 crores in the previous year. The net block has also gone up from Rs.800 crores to Rs. 822 crores.

Fixed Assets



Investments

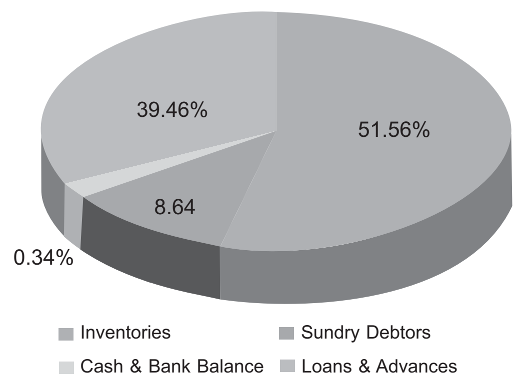
During the year, the Company has made further investments of Rs. 49 crores in its subsidiaries and controlled entities. The subsidiaries are under various stages of project execution and the benefit of such investments will flow to the Company in the coming years. The Company also has made investments in mutual funds as part of treasury operation. The Company sold off its holding in Canfin Homes Ltd.

Current Assets

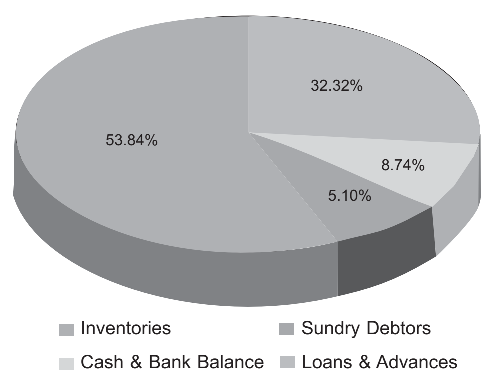
(Rs. in crores)

Particulars	2010-11	2009-10
Inventories	258.76	151.98
Sundry Debtors	43.36	14.39
Cash & Bank Balances	1.69	24.67
Loans and Advances	198.05	91.22

Current Assets in 2010-11



Current Assets in 2009-10



Inventories increased on account of increase in production volumes and commissioning of pellet and wire rod plant. Movement of goods in lots for exports also resulted in increased stock of ferro alloys. Debtors increased on account of increased volume and exports where realization cycle is larger than domestic market. Loans include loans to subsidiaries for ongoing projects Rs. 74.64 crores part of which has subsequently been converted into equity. Loans to others include ICDs given out of surplus funds to be deployed in projects of subsidiaries as promoters contribution.

Current liabilities & provisions

(Rs. in crores)

Particulars	2010-11	2009-10
Current Liabilities	97.43	83.95
Provisions	12.50	11.95

Current liabilities increased mainly on account of increase in creditors against imports. The provisions represent the proposed dividend and tax thereon.

Material Developments in Human Resources / Industrial Relations

The Company believes people to be of prime importance in achieving its vision of sustainable growth. The Human Resource (HR) practices at the Company are geared towards creating a performance driven organisation. Various measures have been taken / are being taken to attract and retain the best talent and reduce attrition. The Company recognises the importance of providing training and development opportunities to its people to enhance their skills and experience, which in turn enables the Company to achieve its business objectives. Average training man days was 3.3 man days per employee per year during the year. 5 'S' and Quality Circle (QC) initiatives, Skill Development & Corporate Culture for the shop floor employees and training on various technical & behavioral topics were the highlights of Training & Development activities during the year. Employee welfare amenities were improved during the year. Further, the management pool was strengthened keeping in mind the Company's projected growth. Thus, the Company's HR initiatives form a key part of its strategy for a sustainable future.

As of 31st March, 2011, the total number of employees stood at 1,584 in comparison to 1,254 in the previous year.

Cautionary Statement

Statements in the Management Discussion and Analysis report describing the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable laws and regulations. Important factors that could make a difference to the Company's operations include economic conditions affecting demand / supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors.

Corporate Governance Report

1. Company's philosophy on Corporate Governance

Good Corporate Governance is essentially an integral part of values, ethics and the best business practices followed by the Company. The Company stresses upon the following core values:

- **Quality:** We believe in setting benchmark through the quality of our products.
- **Transparency:** We believe in dissemination of information on time and in transparent manner.
- **Customer focus:** We believe in high customer satisfaction and becoming a part of our customers' success story.
- **People centric:** We believe in our people and constant up gradation of their skills and leadership capabilities.
- **Integrity and ethics:** We believe in our commitments and strive to set high ethical standards.
- **Corporate and social responsibilities:** We believe in caring for environment and surrounding communities.

The Company believes in transparency, professionalism and accountability, the basic principles of Corporate Governance, and would constantly endeavour to improve these aspects.

2. Board of Directors

Composition

The Board of Directors comprises ten Directors, including six Non-Executive as well as Independent Directors. The Board composition is in accordance with the requirements of the Listing Agreement. The Non-Executive and Independent Directors are eminent professionals having rich and sound experience in diverse fields related to the business of the company.

The names and categories of the Directors on the Board and other relevant information is as under:

Names of the Directors	Category	No. of other Director-ships held*	No. of other Board committees member/ Chairman	No. of Board Meetings attended	Last AGM attended	No. of shares held in the Company
Mr. K.K. Sarda	Promoter Executive	5	-	7	No	1309149
Mr. G.K. Chhanghani	Wholetime Director Executive	3	-	7	No	3500
Mr. Pankaj Sarda	Wholetime Director Executive	3	-	5	No	684832
Mr. G.D. Mundra	Wholetime Director Executive	2	-	6	No	5820
Mr. Rakesh Mehra	Independent Non-Executive	1	-	4	No	137
Mr. A.K. Basu	Independent Non-Executive	1	-	5	Yes	Nil

Mr. P.R. Tripathi	Independent Non-Executive	6	7	3	No	Nil
Mr. G.S. Sahni	Independent Non-Executive	1	-	5	No	Nil
Mr. C. K.Lakshminarayanan	Independent Non-Executive	3	-	4	No	6000
Mr. Jitender Balakrishnan#	Independent Non-Executive	12	-	4	No	Nil

* excluding Pvt. Ltd. companies, foreign companies and Limited Liability Partnerships

w.e.f. 30th July, 2010

As required by the Companies Act, 1956 and Clause 49 of the Listing Agreement, none of the Directors hold Directorship in more than 15 public limited companies, membership of Board Committees (Audit/Investors' Grievance Committees) in excess of 10 and Chairmanship of Board Committees as aforesaid in excess of five.

The company has adopted Code of Conduct for Board of Directors and Senior Executives. The company has also implemented Code of conduct for Prevention of Insider Trading. Both the codes are placed on the website of the company. A declaration signed by the Chairman and Managing Director of the Company confirming the compliance of the Code by the Board Members and the Senior Executives is given below:

"I hereby confirm that the Company has obtained from all the members of the Board and senior executives, affirmation that they have complied with the Code of Conduct for Board of Directors and Senior Executives in respect of the financial year 2010-11.

K.K. Sarda

Chairman and Managing Director"

2.2 Number of Board meetings held

Seven meetings of the Board of Directors were held during the year ended 31st March, 2011 as given hereunder:

Date of meeting	No. of Directors present
11th May, 2010	8
3rd June, 2010	3
30th July, 2010	10
5th September, 2010	3
28th October, 2010	9
4th December, 2010	8
29th January, 2011	9

2.3 Particulars of Directors seeking appointment / reappointment

Particulars of Directors seeking appointment / reappointment at the ensuing Annual General Meeting to be held on 30th September, 2011 are given as under:

1		**Name**	**Mr. G.K. Chhanghani**	**Mr. Pankaj Sarda**	**Mr. Rakesh Mehra**
	i)	**Age**	58 years	31 years	59 years
	ii)	**Qualification**	B.E. (Mech.)	B.E.(Industrial Engineering) from Nagpur University and Masters' degree in Science in Industrial Administration from the Purdue University, USA.	Cost Accountant
	iii)	**Date of appointment**	25.11.1997	31.10.2007	18.07.1986
3		**Experience**	More than 35 years experience in the Steel industry	More than 8 years experience in project, HR and corporate affairs	32 years experience in the field of finance.
4		**Other Directorships/ Partnerships**	Madanpur South Coal Company Ltd.	Sarda Energy Ltd.	Econotech Services Pvt. Ltd.
			Raipur Infrastructure Company Ltd.	Madhya Bharat Power Corpn. Ltd.	Minwool Rock Fibres Ltd.
			Krishna Synergy Pvt. Ltd.	Madanpur South Coal Co. Ltd.	
			Chhattisgarh Ispat Bhumi Limited	Sarda Energy & Minerals Hongkong Ltd.	
			Shri Ram Electricity LLP (as nominee of the Company)	Sarda Agriculture & Properties Pvt. Ltd.	
				Rishabh Mining & Transport Co. Pvt. Ltd.	
				Natural Resources Energy Private Limited	
				ABS Engineers Private Limited	
				Sarda Industrial Projects LLP	
				Sarda Synergy LLP	

				Sarda Family Investments	
				CSP Investments (as a nominee of Sarda Agriculture and Properties Pvt Ltd)	
				R.R. Sarda & Co.	
5		Chairman/ Member of Committees	-	-	Sarda Energy & Minerals Ltd. (Audit & Corporate Governance Committee)
6		Shareholding in the Company	3500 Equity Shares equal to 0.01%	684832 Equity Shares equal to 1.91%	137 Equity Shares equal to 0.0004%
7		Relationship with Directors	No relationship with Directors	Son of Chairman & Managing Director	No relationship with Directors

3. Audit Committee

The Audit Committee of the company comprises of four Directors. Mr. A.K. Basu is the Chairman of the Committee and Mr. Rakesh Mehra, Mr. C. K. Lakshminarayanan and Mr. G.D. Mundra are the members of the Committee. The terms of reference of the committee are as per the provisions of Section 292 (A) of the Companies Act, 1956, read with Clause 49 of the Listing Agreement. The Company Secretary acts as the secretary to the Audit Committee. The invitees to the Audit committee include the Statutory Auditors, the Internal Auditors and the respective department heads.

Four meetings of the committee were held during the year 2010-11 on 11th May, 2010, 29th July, 2010, 28th October, 2010 and 28th January, 2011. The attendance particulars are as under:

Name of Chairperman/ member	**Meetings**	
	Held	**Attended**
1. Mr. A.K. Basu – Chairman	4	4
2.Mr. Rakesh Mehra – Member	4	4
3.Mr. G.D. Mundra – Member	4	4
4.Mr. C. K. Laksminarayanan - Member	4	3

4. Remuneration Committee

The Remuneration Committee of the Company consists of three Directors, with Mr. Rakesh Mehra as its Chairman and Mr. P.R. Tripathi & Mr. A.K. Basu as the members. All the members of the committee are Non-Executive Independent Directors. A meeting of the Committee was held on 11th May, 2010.

Executive Directors have been paid remuneration as per terms of their appointment. Non-Executive Directors of the Company have been paid sitting fees for meetings of the Board or Committee attended by them. Also, pursuant to the approval of members, Non-Executive Independent Directors have been paid Commission on the net profits for the year 2010-11, which is within the ceiling specified under the Companies Act, 1956.

All elements of remuneration to Executive Directors and details of remuneration to Non-Executive Directors are given in note 7 of Notes to Accounts of Schedule Q.

5. Corporate Governance Committee

The Board also has a sub-committee to look into matters related with Corporate Governance with Mr. C.K. Lakshminarayanan as Chairman & Mr. G.S. Sahni, Mr. Rakesh Mehra and Mr. G.D. Mundra as members. The scope of the committee's functioning includes:

i. Compliance of the Corporate Governance requirements under the Listing Agreement and Companies Act.

ii. Disclosure of information to the Board.

iii. Frequency and number of the Audit Committee and Board meetings.

iv. Finalisation of the Report on Management Discussions & Analysis and Corporate Governance.

v. Benchmarking of Company's Corporate Governance practices with best practices and drawing a time frame for improvement.

The committee monitors the Corporate Governance practices implemented by the company and gives its suggestions and instructions for improving the same.

6. Shareholders'/Investors' Grievance Committee

The Shareholders'/Investors' Grievance Committee, consisting of Mr. A.K. Basu (Chairman), Mr. Rakesh Mehra and Mr. G.D. Mundra as members, has the specific task of looking into share transfers and resolving the shareholders'/investors' grievances. The Chairman is a Non-Executive and Independent Director.

Name and designation of the Compliance Officer: Mr. P.K. Jain, Company Secretary

The number of complaints received during the year	:	25 complaints were received which were attended to in time. Apart from the above, requests for issue of duplicate shares, share transmissions, revalidation of warrants and change in bank account details, were also received and were attended promptly.
The number of complaints not redressed at the end of the year.	:	All the complaints have been attended satisfactorily and no complaints were pending at the end of the year.
Number of pending share transfers	:	All the requests for transfer received during the year were duly attended.

7. General Body Meetings

The venue, date and time of the last three Annual General Meetings are as under:

Date	Time	Location
30th September, 2008	2.30 p.m.	73-A, Central Avenue, Nagpur 440018
30th September, 2009	2.00 p.m.	Same as above
25th September, 2010	2.30 p.m.	Same as above

The following Special Resolutions were passed in the last three Annual General Meetings:

- Resolution for alteration of Article 102 of the Articles of Association to increase the retirement age of directors from 65 years to 75 years – Section 31 in the AGM held on 30th September, 2008
- Resolution for deletion of Articles 103 of the Articles of Association of the Company - Section 31 in the AGM held on 30th September, 2008
- Resolution for alteration of object clause of Memorandum of Association for addition of clause no. 40 and 41 - in the AGM held on 30th September, 2008
- Resolution authorising the company to take up the business as mentioned in item no. 40 and 41- Section 149 (2A) in the AGM held on 30th September, 2008
- Resolution for appointment of Dr. K.K. Rathi to place of profit subject to the approval of the Central Government – Section 314, in the AGM held on 30th September, 2009
- Resolution for payment of commission to the Non-Executive Directors within the limits prescribed by the Companies Act, 1956 - Section 198/309, in the AGM held on 30th September, 2009
- Resolution for alteration of object clause of Memorandum of Association for addition of clause no. 42 and 43-in the AGM held on 25th September, 2010
- Resolution for authorizing the Company to take up the business as mentioned in item no. 42 and 43-Section 149(2A) in the AGM held on 25th September, 2010

In AGM held on 25th September, 2010, resolution for alteration of object clause of the Memorandum of Association of the Company for addition of two new clauses i.e clause no. 42 & 43 was passed through postal ballot, with 100% majority of the members who tendered their postal ballots.

Mr. S.G. Kankani, practicing Company Secretary, was appointed as the scrutinizer for conducting the postal ballot exercise.

In the ensuing Annual General Meeting, Ordinary Resolution for creation of charge on the assets of the company u/s 293(1)(a) is proposed to be passed through postal ballot.

8. Disclosure

Related-party transactions during the year have been disclosed in detail in note 16 of Schedule Q to the Balance Sheet, as required under Accounting Standard 18, issued by the Institute of Chartered Accountants of India. These transactions are not likely to have any conflict with the Company's interest.

Compliance of SEBI, stock exchange requirements: The Company has complied with all the requirements of Companies Act, 1956 and the Regulations of the Securities Exchange Board of India (SEBI). The Company's application for delisting is pending with the Calcutta Stock Exchange, for long. The matter has been reported to SEBI. In view of the pendency of delisting application with the Calcutta Stock Exchange, the Company has stopped sending the information to the Calcutta Stock Exchange.

During the year, the Company had issued 1804891 equity shares on preferential basis. Due to oversight, the company failed to seek prior in-principle approval of the Stock Exchange for allotting the shares. The Stock Exchanges have condoned the non compliance and have permitted trading into the newly issued equity shares.

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement and has also adopted the non-mandatory clause of having a remuneration committee for deciding the remuneration of the executive directors.

9. Means of communication

Half-yearly report/Quarterly results: Quarterly, half-yearly and annual results are submitted to the stock exchange in accordance with the Listing Agreement and published in English and vernacular newspapers. The financial results and other relevant information including operational data are placed simultaneously on the Company's website—www.seml.co.in. Neither official news releases nor any presentations have been made to the institutional investors or to the analysts during the year.

10. General shareholder information

Annual General Meeting	:	Date:	30th September, 2011
	:	Time:	2.30 p.m.
	:	Venue:	73-A, Central Avenue, Nagpur- 440018

Financial calendar for 2011-12 (tentative)

Financial results for the quarters ended:		
30th June, 2011	:	4th week of July, 2011
30th September, 2011	:	4th week of October, 2011
31st December, 2011	:	4th week of January, 2012
31st March, 2012	:	2nd Week of May, 2012 (if unaudited)
		Last week of May, 2012 (if audited)
Annual General Meeting	:	September, 2012
Book Closure Date	:	22nd August, 2011 to 27th August, 2011 (both days inclusive)
Dividend payment date	:	On or after 30th September, 2011

Listing on stock exchanges	:	
Equity shares		The shares of the Company are listed on the following exchanges:
		i. The Bombay Stock Exchange Ltd., Mumbai (504614)
		ii. The National Stock Exchange of India Ltd. Mumbai (SARDAEN)
		ii. The Calcutta Stock Exchange Association Ltd.*
		ISIN no. NSDL & CDSL INE385C01013
		During the year the Company has issued 1804891 equity shares on 31.12.2010 on Preferential Basis. The Company has received listing approval from the BSE and the NSE.
		*The Company's application for delisting of its shares from the Calcutta Stock Exchange Association Ltd is pending and the matter has been reported to SEBI.

Non-convertible debentures	:	The 9.55% non-convertible debentures of the Company are listed on the Bombay Stock Exchange Limited, Mumbai.

Particulars	**9.55% NCDs**
Market Lot	1
Scrip Code	946886
Scrip ID on Bolt System	SEML26JUL10
ISIN Number	INE385C07028
Credit Rating	CARE AA-

The Company has paid annual listing fees to the Bombay Stock Exchange Ltd. for equity shares and the NCD and to The National Stock Exchange of India Ltd., Mumbai, for the equity shares for the financial year 2011-12.

Trustees for NCDs (9.55%)	:	Axis Trustee Services Ltd. Axis House, 2nd Floor, E Wing, Bombay Dyeing Mills Compound Pandurang Budhkar Marg, Worli, Mumbai 400025
Registrar and share transfer agents (for physical and electronic) (for equity shares and NCDs)	:	Sharepro Services (India) Pvt. Ltd. 13 A-B, Sam Hita Warehousing Complex Warehouse No.52 & 53, Plot No.13AB, 2nd Floor, Sakinaka Mumbai 400 072
Share transfer system	:	Share transfers in physical form can be lodged with the R&T agents at the above address. Transfers are processed within the stipulated time, if the documents are complete in all respects. All share transfer requests are approved by the Share Transfer Committee or the persons authorised by the Board

Shareholding pattern as on 31st March, 2011

S. No.	Category	No. of shares	Percentage
1	Promoters	2,38,48,857	66.52%
2	Banks/mutual funds	26,11,339	7.28%
3	Foreign institutional investors	40,43,771	11.28%
4	Bodies corporate	17,91,851	5.00%
5	Others	35,54,182	9.92%
	Total	**3,58,50,000**	**100.00 %**

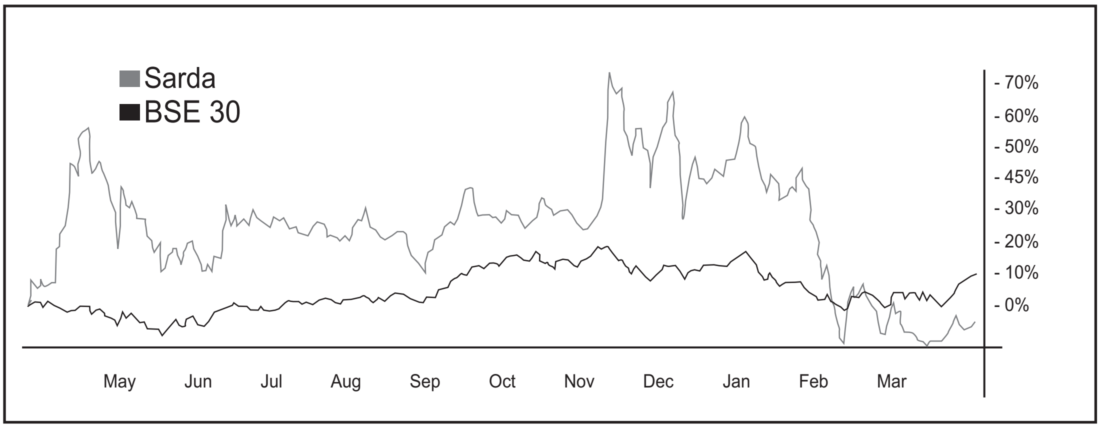
Distribution of shareholding as on 31st March, 2011

Shareholding of nominal value (Rs.)	Shareholders Number	Shareholders % to total	Share amount Rs.	Share amount % to total
Up to 5,000	12,876	92.51	1,37,59,130	3.84
5,001 – 10,000	464	3.33	37,90,730	1.06
10,001 – 20,000	242	1.74	37,42,340	1.04
20,001 – 30,000	95	0.68	24,09,030	0.67
30,001 – 40,000	44	0.32	15,94,520	0.45
40,001 – 50,000	51	0.37	24,05,810	0.67
50,001 – 1,00,000	76	0.55	56,69,120	1.58
1,00,001 and above	70	0.50	32,51,29,320	90.69
Total	**13,918**	**100.00**	**35,85,00,000**	**100.00**

Market price data: High/low during the year 2010-11

Month	SEML on the BSE (in Rs.)		SEML on the NSE (in Rs.)	
	High	Low	High	Low
Apr 2010	340.80	172.00	340.45	192.00
May 2010	316.50	232.00	317.45	231.00
Jun 2010	287.90	233.15	288.70	234.00
Jul 2010	279.50	256.00	279.80	256.00
Aug 2010	286.00	233.50	286.80	234.25
Sep 2010	303.00	238.80	303.50	237.00
Oct 2010	297.35	262.00	297.40	261.85
Nov 2010	382.20	261.10	382.50	261.00
Dec 2010	379.80	261.00	419.00	261.00
Jan 2011	343.60	258.00	344.90	257.35
Feb 2011	269.40	183.00	269.70	178.20
Mar 2011	222.00	183.25	222.30	184.50

Comparison of SEML share price movements with BSE Sensex



Dematerialisation of securities	:	The Company has an arrangement with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) for demat facility. As on 31st March, 2011, out of the total 3,58,50,000 equity shares held by about 13,918 (PY 12,687) shareholders, approximately 3,31,25,809 (PY 3,28,56,984) equity shares held by 9274 (PY 7,879) shareholders representing 92.40%(PY 96.51%) percent of the total paid-up equity capital have been dematerialised. The % of demat shares has gone down because the listing approval for 1804891 equity shares was received in May, 2011, due to which the shares could not be credited to the account of beneficiary before March, 2011. Debentures have also been issued in dematerialised form.
Plant location	:	The plant of the Company is located at Industrial Growth Centre, Siltara, Raipur (C.G).
Address for correspondence	:	Sarda Energy & Minerals Limited Industrial Growth Centre, Siltara Raipur [C.G.] 493 111 Ph: +91-771-2216100 Fax: +91-771-2216198 e-mail: cs@seml.co.in

CERTIFICATE

To the members of

Sarda Energy & Minerals Limited

We have examined the compliance of conditions of Corporate Governance by Sarda Energy & Minerals Limited, for the year ended 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

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

.

For, **M. M. Jain & Associates**
Chartered Accountants
(FRN: 112538W)

(Manish Jain)
Partner
M. No. 118548

Place: Nagpur
Date: July 30, 2011

Auditors' Report

To

The Members of

Sarda Energy & Minerals Limited

We have audited the attached balance sheet of Sarda Energy & Minerals Limited as at March 31, 2011, the Profit and Loss Account and 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.

1. We conducted our audit in accordance with the 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 misstatements. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matter specified in paragraphs 4 and 5 of the said order.

3. Further to our comments in the Annexure referred to above, we report that :

   (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

   (ii) In our opinion, proper books of account, as required by law, have been kept by the Company, so far as it appears from our examination of those books;

   (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

   (iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report are in compliance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

   (v) On the basis of 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 is disqualified as on March 31, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

   (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and notes appearing thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of the affairs of the Company, as at March 31, 2011;

(b) in the case of the Profit and Loss account, of the profit for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For, M. M. JAIN & ASSOCIATES
Chartered Accountants
(FRN 112538W)

Place: Raipur
Dated: May 21, 2011

MANISH JAIN
(Partner)
Membership No. 118548

Annexure to Auditors' Report

Annexure referred to in paragraph 2 of our report of even date

On the basis of such checks as we considered appropriate and in terms of information & explanations given to us we state that: -

(i) (a) The Company has maintained proper records in electronic mode showing full particulars including quantitative details and situation of fixed assets.

(b) All the major assets except certain low value items of Furniture, Fixtures and Office Equipments have been physically verified by the management at reasonable intervals. As informed, no material discrepancies were noticed on such verification.

(c) The fixed assets disposed off are not substantial so as to affect its going concern status.

(ii) (a) As informed, inventories have been physically verified at reasonable intervals by the management.

(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventories as compared to the book records. However, the deficiencies noticed on physical verification have been properly dealt with in the books of account.

(iii) (a) The Company has granted unsecured loan to seven companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs 23607.49 lacs and the year end balance of loans granted to such companies was Rs 11743.50 lacs.

(b) In our opinion, the rate of interest charged and other terms and conditions of loans given by the Company are prima facie not prejudicial to the interest of the Company.

(c) The principal amounts are repayable on demand and there is no repayment schedule. The interest is payable on demand.

(d) In respect of the said loan, the same are repayable on demand and therefore question of overdue amounts does not arise. In respect of interest, there are no overdue amounts.

(e) The Company has not taken any loan secured or unsecured from any of the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly the provisions of sub clause (f) and (g) of clause 4 (iii) of the Companies (Auditor's Report) Order, 2003, (as amended) are not applicable to the Company.

(iv) In our opinion and according to the information & explanations given to us, there is adequate internal control system commensurate with the size of the Company and nature of its business for the purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.

(v) (a) In our opinion and according to the information & explanations given to us, the transactions that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956 have been so entered.

(b) In our opinion and according to the information & explanations given to us, the transactions made in pursuance of contracts/arrangements covered in the register(s) maintained u/s 301 of the Companies Act 1956 and exceeding the value of Rupees Five Lac in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public. Therefore, the provisions of Clause (vi) of paragraph 4 of the Order are not applicable to the Company.

(vii) The Company is having an internal audit system, which is commensurate with the size of the Company and nature of its business.

(viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Govt. for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

(ix) (a) In our opinion and according to the information and explanations given to us, the Company is generally regular in depositing with the appropriate authorities, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed amount payable in respect of the aforesaid dues were outstanding as at March 31, 2011 for a period of more than six months from the date of becoming payable.

(b) According to the information and explanation given to us dues of Income tax, Excise Duty, Service tax and Sales tax have not been deposited on account of dispute, the particulars of which and the forum where the dispute is pending are given below :-

Name of the Statute	Nature of the Dues	Amount not deposited (Rs. in lacs)	Period to which it relates	Forum where dispute is pending
Central Excise Act	Excise Duty	19.51	1989	High Court
Central Excise Act	Excise Duty	1.05	1995	High Court
Central Excise Act	Excise Duty	7.62	1990	Commissioner Appeals
Central Excise Act	Excise Duty Penalty	5.19 5.09	2007-08 to 2009-10	Commissioner Appeals Commissioner Appeals
Central Excise Act	Excise Duty Penalty	86.90 83.48	2007-08 to 2008-09	CESTAT
Central Excise Act	Penalty	6.97	2006-07	CESTAT
Income Tax Act	Income Tax	1896.34	A Y 2008-09	CIT (Appeals), Nagpur
Value Added Tax, Central Sales Tax & Entry Tax Act	Value Added Tax, Central Sales Tax and Entry Tax.	44.10	1992-93 to 2006-07	Appellate Authority up to Commissioner's level

(x) The Company does not have any accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year and in the immediately preceding financial year.

(xi) Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to any financial institutions, banks and debenture holders.

(xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion and on the basis of information and explanation given to us the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) In our Opinion the Company is not dealing or trading in shares, securities, debentures, mutual funds and other investments. Accordingly the provision of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has given corporate guarantee for loans taken by a joint venture Company from banks/financial institutions, the terms and conditions of which in our opinion is not prima facie prejudicial to the interest of the Company.

(xvi) On the basis of information and explanation given to us, the term loans have been applied for the purpose for which the loans were obtained except the funds deployed temporarily else where.

(xvii) According to the information and explanations given to us and on an overall examination of balance sheet of the Company, we are of the opinion that funds raised on short-term basis have not been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares during the year to any of the parties or companies covered in the register maintained u/s 301 of the Companies Act,1956.

(xix) According to the information given to us the required security or charge has been created in respect of debentures issued by the Company.

(xx) The Company has not raised any money by way of public issue during the year.

(xxi) In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For, M. M. JAIN & ASSOCIATES
Chartered Accountants
(FRN 112538W)

Place: Raipur
Dated: May 21, 2011

MANISH JAIN
(Partner)
Membership No. 118548

Balance Sheet
as at 31st March, 2011

(Rs. in lacs)

	Particulars	Schedule	As at 31.03.2011	As at 31.03.2010
I.	**Sources Of Funds**			
	1. Shareholders' Funds			
	A) Share Capital	A	3,585.00	3,404.51
	B) Reserves & Surplus	B	65,794.75	53,053.02
			69,379.75	**56,457.53**
	2. Loan Funds			
	A) Secured Loans	C	61,932.27	44,720.64
	B) Unsecured Loans	D	1,754.07	1,230.27
			63,686.34	**45,950.91**
	3. Deferred Tax Liability (Net)		3,607.40	2,859.21
	Total		**136,673.49**	**105,267.65**
II.	**Application Of Funds**			
	1. Fixed Assets	E		
	A) Gross Block		92,603.42	61,154.88
	B) Less : Depreciation / Amortisation		23,979.48	18,504.31
	C) Net Block		68,623.94	42,650.57
	D) Add : Capital Work In Progress		13,550.16	37,334.43
			82,174.10	**79,985.00**
	2. Investments	F	15,228.41	6,646.00
	3. Current Assets, Loans & Advances			
	A) Inventories	G	25,875.88	15,198.44
	B) Sundry Debtors	H	4,335.95	1,439.48
	C) Cash & Bank Balances	I	168.65	2,466.57
	D) Loans & Advances	J	19,805.09	9,122.26
			50,185.57	**28,226.75**
	Less : Current Liabilities & Provisions			
	A) Current Liabilities	K	9,743.48	8,395.41
	B) Provisions		1,249.97	1,194.93
			10,993.45	**9,590.34**
	Net Current Assets		39,192.12	18,636.41
	4. Miscellaneous Expenditure		78.86	0.24
	(To The Extent Not Written Off Or Adjusted)			
			78.86	0.24
	Total		**136,673.49**	**105,267.65**
Accounting policies and notes to accounts		Q		

As per our report of even date attached

For M. M. Jain & Associates
Chartered Accountants
(FRN 112538W)

(Manish Jain)
Partner
Membership No. 118548
Raipur
Dated : May 21, 2011

For and on behalf of the board

(K. K. Sarda)
Chairman & Managing Director

(Pankaj Sarda)
Director

(P. K. Jain)
CFO & Company Secretary

Raipur
Dated: May 21, 2011

Profit & Loss Account
for the year ended 31st March, 2011

(Rs. in lacs)

Particulars	Schedule	Year Ended 31.03.2011	Year Ended 31.03.2010
Income			
Sales (Gross)		94,603.40	55,591.48
Less: Excise Duty		7,100.75	3,309.85
Sales (Net)		87,502.65	52,281.63
Other Income	L	1,987.57	727.52
Increase/(Decrease) In Stocks	M	5,738.85	2,555.01
Total		**95,229.07**	**55,564.16**
Expenditure			
Purchase Of Trading Goods		4,400.98	924.57
Raw Materials Consumed	N	59,280.52	38,507.65
Stores & Spares Consumed		4,536.89	1,151.34
Power		1,029.05	443.89
Payments & Other Benefits To Employees	O	3,080.34	1,940.60
Manufacturing & Other Expenses	P	9,221.09	4,194.17
Total		**81,548.87**	**47,162.22**
Less: Trial Run Expenses (Net Of Revenue) Capitalised		**22.38**	-
Total		**81,526.49**	**47,162.22**
Profit Before Interest, Depreciation & Tax		13,702.58	8,401.94
Interest (Net)		1,519.30	1,272.32
Net Forex Fluctuation (Gain)/Loss		(652.78)	(4,470.47)
Depreciation / Amortisation		5,762.67	3,879.78
Profit Before Tax & Prior Period Items		**7,073.39**	**7,720.31**
Less : Prior-Period Items		1.00	1.83
Profit Before Taxes		**7,072.39**	**7,718.48**
Provision For Taxation			
Current Tax		1,399.04	1,369.50
Deferred Tax		748.19	34.70
Income Tax Expense / (Refund) Related to Earlier Years		(42.13)	(5.61)
Total Tax		**2,105.10**	**1,398.59**
Profit After Taxes		4,967.29	6,319.89
Balance Brought Forward From Last Year		34,447.01	30,822.05
Profit Available For Appropriation		**39,414.33**	**37,141.94**
Appropriations			
Proposed Dividend		1,075.50	1,021.35
Dividend Distribution Tax		174.47	173.58
Transfer To Debenture Redemption Reserve		625.00	-
Transfer To General Reserve		1,500.00	1,500.00
		3,374.97	**2694.93**
Surplus Carried To Balance Sheet		36,039.33	34,447.01
Basic Earning Per Share		14.40	18.56
Diluted Earning Per Share		14.40	18.56
Accounting policies and notes to accounts	Q		

As per our report of even date attached

For M. M. Jain & Associates
Chartered Accountants
(FRN 112538W)

(Manish Jain)
Partner
Membership No. 118548
Raipur
Dated : May 21, 2011

For and on behalf of the board

(K. K. Sarda)
Chairman & Managing Director

(Pankaj Sarda)
Director

(P. K. Jain)
CFO & Company Secretary

Raipur
Dated: May 21, 2011

Cash Flow Statement
for the year ended 31st March 2011

(Rs. in lacs)

	Particulars	Year ended 31.03.2011	Year ended 31.03.2010
A.	**Cash flow from operating activities :**		
	Net profit before tax as per profit & loss account	7,072.39	7,718.48
	Adjustment for :		
	Depreciation	5,762.67	3,879.78
	Interest (net)	1,519.30	1,272.32
	Unrealised exchange (gain) / loss	126.20	(4,135.21)
	Dividend income	(68.49)	(42.81)
	(Profit) / loss on sale of investments	(938.48)	
	(Profit) / loss on sale of fixed assets	(55.97)	133.17
		6,345.23	**1,107.22**
	Operating profit before working capital changes	13,417.62	8,825.70
	Adjustment for :		
	Inventories	(10,677.43)	(5,235.82)
	Trade and other receivable	(2,905.37)	351.52
	Loans and advances	(6,114.00)	4,210.96
	(Increase)/decrease in fixed deposits with scheduled banks under lien	-	2,000.00
	Trade payable	1,446.87	3,998.16
		(18,249.93)	**5,324.82**
	Cash generated from operations	(4,832.31)	14,150.52
	Direct taxes (net)	(990.17)	(1,559.55)
	Net cash from operating activities	**(5,822.48)**	**12,590.97**
B.	**Cash flow from investing activities :**		
	Investment in fixed assets including capital WIP	(8,176.73)	(13,354.99)
	Sale of fixed assets	202.31	54.82
	(Increase) / decrease In Investments	(8,582.41)	617.14
	(Profit) / loss on sale of investments	938.48	
	Loan given to subsidiary	(4,935.63)	6,611.78
	Interest received	1,347.96	498.27
	Dividend received	68.49	42.81
	Net Cash used in Investing Activities	**(19,137.53)**	**(5,530.17)**
C.	**Cash flow from financing activities :**		
	Proceeds from fresh issue of shares	9,204.94	-
	Term loans received	17,900.00	1,972.92
	Repayment of term loans	(9,146.47)	(3,497.48)
	Bank borrowings	8,230.38	(2,033.45)
	Sales tax defferment	523.80	403.44

Cash Flow Statement
for the year ended 31st March 2011 (contd..)

(Rs. in lacs)

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Interest paid	(2,867.25)	(1,770.60)
Dividend & dividend tax paid	(1,183.31)	(1,194.93)
Net cash from financing activities	**22,662.09**	**(6,120.10)**
Increase / (decrease) in cash and cash equivalents (A+B+C)	**(2,297.92)**	**940.70**
Cash and cash equivalents as at 01/04/2010 (as per schedule 'I')	**2,466.57**	**1,525.87**
Cash and cash equivalents as at 31/03/2011 (as per schedule 'I')	**168.65**	**2,466.57**
Increase / (decrease) in cash and cash equivalents	**(2,297.92)**	**940.70**
Notes:		
(A) Cash and cash equivalent include the following :		
Cash on hand	31.03	19.22
Balances with scheduled banks	137.62	2,447.35
	168.65	**2,466.57**
(B) Previous year figures have been recast / restated wherever necessary.		
(C) Figures in brackets represent outflows.		

As per our report of even date attached
For M. M. Jain & Associates
Chartered Accountants
(FRN 112538W)

(Manish Jain)
Partner
Membership No. 118548
Raipur
Dated : May 21, 2011

For and on behalf of the board

(K. K. Sarda)
Chairman & Managing Director

(Pankaj Sarda)
Director

(P. K. Jain)
CFO & Company Secretary

Raipur
Dated: May 21, 2011

Auditor's Certificate

We have examined the attached Cash flow Statement of M/s Sarda Energy & Minerals Limited for the year ended March 31, 2011.The statement has been prepared by the Company in accordance with the requirements of Clause 32 of listing agreement with the Stock Exchange and is based on and in agreement with the corresponding Profit and Loss account and Balance Sheet of the company.

For **M.M. Jain & Associates**
Chartered Accountants
(FRN 112538W)

Raipur
Dated: May 21, 2011

(MANISH JAIN)
Partner
Membership No. 118548

Schedules 'A' to 'Q'

annexed to and forming part of the Balance Sheet and Profit & Loss Account

(Rs. in lacs)

Particulars	As at 31.03.2011	As at 31.03.2010
Schedule 'A' - Share Capital		
Authorised		
5,00,00,000 Equity shares of Rs.10/- each	5,000.00	5,000.00
Issued,subscribed and paid up		
3,58,50,000 (3,40,45,109) Equity shares of Rs.10/- fully paid up Out of the above :	3,585.00	3,404.51
1. 6,00,000 Shares alloted as fully paid-up by way of bonus shares by capitalisation of reserves.		
2. 1,95,64,229 Shares allotted as fully paid up shares to the shareholders of erstwhile Chattisgarh Electricity Company Ltd and Raipur Gases Pvt. Ltd on amalgamation with the company		
Total	**3,585.00**	**3,404.51**
Schedule 'B' - Reserves & Surplus		
A. Capital reserve		
Opening Balance	404.78	404.78
Add:addition during the year	-	-
	404.78	**404.78**
B. Securities premium accounts		
Opening Balance	10,143.48	10,143.48
Add : Received during the year	9,024.41	-
	19,167.89	**10,143.48**
C. Debenture redemption reserve		
Opening Balance	1,000.00	2,500.00
Add : Transfer from Profit and Loss Account	625.00	-
Less: Transfer to General Reserve	1,000.00	1,500.00
	625.00	**1,000.00**
D. General reserve		
Opening Balance	7,057.75	4,057.75
Add : Transfer from Profit and Loss Account	1,500.00	1,500.00
Add : Transfer from Debenture Redemption Reserve	1,000.00	1,500.00
	9,557.75	**7,057.75**
E. Profit and loss Account		
Balance carried forward	36,039.33	34,447.01
Total	**65,794.75**	**53,053.02**
Schedule 'C' - Secured Loans		
(A) Debentures		
i. NIL (500) - Secured Redeemebale Non - Convertible Debentures of Rs. NIL each (P.Y. F.V. Rs. 2 lac each)	-	1,000.00
ii. 1250 (NIL) - Secured Redeemebale Non - Convertible Debentures of Rs. 10 lac each (P.Y. NIL)	12,500.00	-
(B) Term loan		
i. from banks	32,265.28	35,986.22
iii. from others	1,511.92	207.92
	46,277.20	**37,194.14**
(C) Working capital & demand loans from banks	15,655.07	7,526.50
Total	**61,932.27**	**44,720.64**
Schedule 'D' - Unsecured Loans		
Sales tax defferment	1,754.07	1,230.27
Total	**1,754.07**	**1,230.27**

Schedules 'A' to 'Q'

annexed to and forming part of the Balance Sheet and Profit & Loss Account (contd..)

Schedule E : Fixed Assets

(Rs. in lacs)

Particulars	Gross Block				Depreciation				Net Block	
	As on 01.04.2010	Addition during year	Transfer / Sale	As on 31.03.2011	Upto 01.04.2010	Depreciation for the year	Transfer / Adjustment	As on 31.03.2011	As on 31.03.2011	As on 31.03.2010
Freehold Land	2,310.09	960.42	-	3,270.51	-	-	-	-	3,270.51	2,310.09
Leasehold Land	829.82	814.54	725.88	918.48	5.09	9.09	-	14.18	904.30	824.73
Iron Ore Mine	462.91	-	-	462.91	70.78	9.31	-	80.09	382.82	392.13
Coal Mines	-	2,040.46	-	2,040.46	-	77.46	-	77.46	1,963.00	-
Building	8,286.30	5,392.96	-	13,679.26	1,750.65	429.17	-	2,179.82	11,499.44	6,535.66
Plant & Machinery	47,342.61	21,817.62	121.47	69,038.76	15,618.04	4,884.15	35.22	20,466.96	48,571.80	31,724.56
Furniture, Fixture & Equipment	739.69	154.84	2.04	892.49	409.11	111.15	0.75	519.51	372.97	330.57
Vehicles	989.74	287.57	314.15	963.16	585.40	150.11	251.52	483.99	479.17	404.34
Intangible	193.73	1,143.66	-	1,337.39	65.23	92.24	-	157.47	1,179.92	128.49
Total	**61,154.89**	**32,612.07**	**1,163.53**	**92,603.42**	**18,504.30**	**5,762.67**	**287.49**	**23,979.48**	**68,623.94**	**42,650.57**
Previous Year	49,840.68	11,406.52	92.32	61,154.88	14,678.17	3,879.78	53.64	18,504.31	42,650.57	35,162.51
Capital Work in Progress (including advances for Capital Expenditure and Stock of Capital items)				**13,550.16**					**13,550.16**	**37,334.43**

Schedules 'A' to 'Q'

annexed to and forming part of the Balance Sheet and Profit & Loss Account (contd..)

(Rs. in lacs)

Particulars	As at 31.03.2011	As at 31.03.2010
Schedule 'F' - Investments		
Long Term Investments (at Cost) **(of Rs. 10/- each fully paid up unless otherwise stated)**		
Trade Investments **in Subsidiary companies (Unquoted)**		
10,00,000 (PY 10,00,000) Equity Shares of HK$ 1.00 each of Sarda Energy & Minerals Hongkong Limited, partly paid-up	55.83	26.55
100 (PY 100) Equity shares of US$ 100 each of Sarda Global Venture Pte. Ltd.	4.30	4.30
50,000 (PY 50,000) Equity Shares of Sarda Energy Ltd.	5.00	5.00
50,45,000 (PY 50,000) Equity Shares of Sarda Metals & Alloys Ltd.	5,000.00	5.00
NIL (PY 1,28,200) Equity Shares of Chhattisgarh Hydro Power Pvt. Ltd.	-	277.00
91,00,000 (PY 5,20,000) Equity Shares of Madhya Bharat Power Corporation Ltd.	1,768.00	52.00
7,83,182 (PY 7,83,182) Equity Shares of Parvatiya Power Ltd.	783.52	783.52
6,120 (PY NIL) Equity Shares of Sarda Hydro Power Pvt. Ltd.	0.61	
Total	**7,617.26**	**1,153.37**
In Other Companies (Unquoted)		
46,200 (PY 46,200) Equity Shares of Raipur Infrastructure Co.Ltd.	41.70	41.70
4,000 (PY 4,000) Equity Shares of Chhattisgarh Bricks Pvt. Ltd.	0.40	0.40
4,85,000 (PY 4,85,000) Equity Shares of Chhattisgarh Ispat Bhumi Ltd.	48.50	48.50
1,88,127 (PY 1,88,127) Equity Shares of Madanpur South Coal Co. Ltd.	237.58	237.58
5,000 (PY 5,000) Equity shares of Natural Resources Energy Pvt. Ltd.	0.50	0.50
Total	328.68	328.68
Other Investments (at Cost)		
Quoted Investment		
32,813 (PY 32,813) Equity Shares of Abhishek Corporation Ltd.	32.81	32.81
NIL (PY 10,00,000) Equity Shares of Can Fin Homes Ltd.	-	496.58
3,688 (PY 3,688) Equity Shares of Indian Metals & Ferro Alloys Ltd.	1.84	1.85
NIL (PY 47,679) Equity Shares of Kanoria Chemicals Ltd.	-	20.07
12,400 (PY 12,400) Equity Shares of Mangalam Cement Ltd.	24.46	24.46
Total	**59.11**	**575.77**

Schedules 'A' to 'Q'

annexed to and forming part of the Balance Sheet and Profit & Loss Account (contd..)

(Rs. in lacs)

Particulars	As at 31.03.2011	As at 31.03.2010
Investments in Mutual Funds	4,115.25	**-**
Total	**4,115.25**	**-**
Investment in Capital of Partnership Firms		
Chhattisgarh Hydro Power LLP	436.00	-
Shri Ram Electricity LLP	69.00	-
Total	**505.00**	**-**
Share Application Money Pending Allotment		
In Subsidiaries		
Sarda Metals & Alloys Ltd.	-	3,687.27
Sarda Global Venture Pte Ltd	74.81	74.81
Sarda Energy Ltd.	2,300.43	669.10
Total	**2,375.24**	**4,431.18**
In Other Companies		
Raipur Infrastrucutre Company Ltd.	169.00	157.00
Madanpur South Coal Co. Ltd.	58.87	-
Total	**227.87**	**157.00**
Aggregate Long Term investments	**15,228.41**	**6,646.00**
Aggregate book value of quoted investments	59.12	575.77
Aggregate book value of unquoted investments	15,169.29	6,070.23
Aggregate market value of quoted investments	40.56	872.90

Schedules 'A' to 'Q'

annexed to and forming part of the Balance Sheet and Profit & Loss Account (contd..)

(Rs. in lacs)

Particulars	As at 31.03.2011	As at 31.03.2010
Schedule 'G' - Inventories		
(As certified by the management)		
Stores And Spares	1,282.11	674.86
Raw Materials	10,807.33	7,062.88
Finished Goods	13,786.44	7,460.70
Total	**25,875.88**	**15,198.44**
Schedule 'H' - Sundry Debtors		
Exceeding Six Months	410.13	369.36
Other Debts	4,282.51	1,439.44
	4,692.64	**1,808.80**
Less : Provision For Doubtful Debts	356.69	369.32
Total (Unsecured And Considered Good)	**4,335.95**	**1,439.48**
Schedule 'I' - Cash and Bank Balances		
Cash in hand	31.03	19.22
Balance with scheduled banks		
In current accounts	137.62	67.50
In deposit accounts	-	2,379.85
Total	**168.65**	**2,466.57**
Schedule 'J' - Loans and Advances		
(Unsecured and considered good)		
Loans to employees	38.12	66.34
Advances recoverable in cash or in kind or for value to be received :		
To suppliers net of doubtful advances	3,495.33	2,106.75
To others	7,434.03	1,951.80
To subsidiaries	7,464.03	2,528.40
Cenvat credit & PLA (unutilised)	-	1,068.57
Security and other deposits	825.53	485.60
Income-tax advance and TDS (net of provision)	548.05	914.80
Total	**19,805.09**	**9,122.26**
Schedule 'K' - Current Liabilities & Provisions		
Current liabilities		
Sundry Creditors	6,255.24	4,895.56
Other Liabilities	2,218.73	1,563.50
Interest Accrued But Not Due	353.36	105.52
Unclaimed Dividend	49.73	38.64
Advances and Deposits	866.42	1,792.19
	9,743.48	**8,395.41**
Provisions		
For proposed dividend (including dividend distribution tax)	1,249.97	1,194.93
	1,249.97	1,194.93
Total	**10,993.45**	**9,590.34**

Schedules ‘A’ to ‘Q’

annexed to and forming part of the Balance Sheet and Profit & Loss Account (contd..)

(Rs. in lacs)

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Schedule 'L' - Other Income		
Miscellaneous Income	232.11	325.75
Profit On Sale Of Investments	938.48	156.26
Surplus On Sale Of Fixed Assets (Net)	55.97	-
Export Incentives	664.17	120.44
Dividend	68.49	42.81
Sundry Balances Written Back (Net)	28.35	82.26
Total	**1,987.57**	**727.52**
Schedule 'M' - Increase / (decrease) In Stocks		
Closing Stock Of Finished Goods	13,786.44	7,460.70
Opening Stock Of Finished Goods	(7,460.70)	(4,560.51)
Excise Duty On (Increase)/Decrease In Stock Of Finished Goods	(586.89)	(345.18)
Total	**5,738.85**	**2,555.01**
Schedule 'N' - Raw Material Consumed		
Opening Stock	7,062.88	4,093.61
Add:purchases	63,024.97	41,476.93
	70,087.85	45,570.54
Less : Closing Stock	10,807.33	7,062.89
Total	**59,280.52**	**38,507.65**
Schedule 'O' - Payments and Other Benefits To Employees		
Salaries, Wages, Bonus And Other Allowances	2,687.98	1,748.33
Staff Welfare Expenses	80.79	50.02
Contribution To Provident And Other Funds	311.57	142.25
Total	**3,080.34**	**1,940.60**

Schedules 'A' to 'Q'

annexed to and forming part of the Balance Sheet and Profit & Loss Account (contd..)

(Rs. in lacs)

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Schedule 'P' - Manufacturing And Other Expenses		
Plant Operation Expenses	749.58	264.77
Conversion Charges	101.70	195.63
Mining Expenses	1,404.54	11.71
Material Handling Expenses	1,762.74	1,072.32
Travelling And Conveyance	332.23	223.26
Rents, Rates And Taxes	311.09	158.25
Insurance	123.53	80.56
Repairs and maintenance to -		
Building	56.98	14.03
Plant and machinery	503.40	314.52
Others	166.98	46.77
Bank Charges And Commission	303.67	174.01
Carriage Outwards	685.90	451.86
Commission And Brokerage	245.05	200.26
Royalty	712.75	-
Taxes & Duties	523.23	(262.23)
Professional & Legal Charges	239.54	182.07
Loss On Sale /Destruction Of Fixed Assets(Net)	-	133.17
Establishment And Other Expenses	487.27	322.16
Charity & Donation	58.79	84.66
Social Welfare & Development Expenses	207.16	62.42
Directors Remuneration	219.86	230.27
Bad Debts Written Off	-	1.19
Provision For Doubtful Debts And Advances	13.91	220.55
Payment To Auditors	11.19	11.96
Total	**9,221.09**	**4,194.17**

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts

I) Nature Of Operation

The Company has got integrated steel manufacturing facility starting from iron ore and coal mining to the finished steel in the form of wire rod and wire. The Company is also a leading manufacturer and exporter of Ferro Alloys enjoying Star Export House Status. The manufacturing facilities are backed by captive thermal power plant. The Company has also promoted hydro power projects through SPVs.

II) Significant Accounting Policies

1. Accounting Convention

The financial statements of the Company are prepared under the historical cost convention using the accrual method of accounting in accordance with the generally accepted accounting principles in India, mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent liabilities as at the date of financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

3. Fixed Assets

Tangible Assets are stated at cost less accumulated depreciation / amortization and impairment losses if any. Cost comprises the purchase price and any attributable costs of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition/ construction of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready for commercial use.

Intangibles

Intangible assets are carried at its cost less accumulated amortization and impairment losses if any.

4. Leases

The Company has entered into various operating lease agreements for premises (residential, office and godown). These lease agreements are cancellable in nature and range between 11 month to 3 years and are usually renewable by mutual consent on mutually agreed terms. The aggregate rentals on accrual basis under such agreement have been charged to Profit and Loss account under the head rent, rates and taxes in schedule "P" Manufacturing and Other Expenses.

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

5. **Impairment of Fixed Assets**

The carrying amount of the Company's fixed assets is reviewed at each Balance Sheet date and If any indication of impairment exists based on internal /external factors, impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years.

6. **Depreciation / Amortization**

Depreciation on Building and Plant & Machinery in respect of Steel and Ferro Alloys are provided on Straight Line Method and on all other assets including vehicles & office equipments on Written Down Value method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.

Mining Rights and expenditure incurred on development of mines are amortised over useful life of the mines or lease period whichever is shorter.

Leasehold lands are amortised over the period of lease.

Intangible Assets are amortized over technically useful life of the asset.

7. **Investments**

Trade Investments are the investments made to enhance the Company's business interests. Investments are either classified as current or long-term based on Management's intention at the time of purchase

Current investments are carried at the lower of cost and fair value determined by category of investment. Provision for diminution in value of current investments is made and charged to Profit and Loss account on the basis of market price of such investments as on the Balance Sheet date.

Long-term investments are carried at cost less provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

8. **Valuation of Inventories**

i) Stores and Spares are carried at cost (net of CENVAT & State VAT Credit availed) on moving average basis.

Schedules ‘A’ to ‘Q’

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule “Q”: Accounting policies and notes to accounts (contd..)

ii) Raw Materials are carried at cost (net of CENVAT & State VAT credit availed) on moving average basis and net realizable value whichever is lower.

iii) Finished and semi finished products produced and purchased by the Company are carried at lower of cost and net realizable value.

9. Overburden (OB) Removal Expenses :-

In case of Coal Mines the Company books the coal stripping costs in accordance with estimated stripping ratio over the life of the mine. This calculation requires use of judgments and estimates such as estimates of tonnes of waste to be removed and coal to be extracted over the life of the mine. Expenses on Advance Stripping i.e. stripping of waste in excess of estimated stripping ratio saving from under stripping of waste i.e. stripping of waste lesser than the estimated stripping ratio is recognised as current Asset/Current Liability.

The estimated stripping ratio over residual life of the mine is reviewed periodically and any change in the ratio will usually result into change in corresponding amount of the advance/ under stripping expenses recognised in the Balance Sheet.

10. Borrowing Cost

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of that asset. The amount of borrowing costs eligible for capitalization are determined in accordance with Accounting Standard 16 on “Borrowing Costs”. Other borrowing costs are recognized as an expense in the period in which they are incurred. Interest earned is reduced from interest and finance charges.

11. Employee Benefits

i) Retirement benefits in the form of Provident Fund contribution to the Statutory Provident Fund is a defined contribution scheme and the payments are charged to the Profit and Loss account of the year when the payments to the respective funds are due. There are no obligations other than contribution payable to Provident Fund Authorities.

ii) Certain employees of the Company are also participants in the superannuation plan which is a defined contribution plan. The Company makes contribution under the plan to the SEML Employees’ Superannuation Trust. The Company has no further obligation to the plan beyond its periodic contributions. Payments to the Trust are charged to the Profit and Loss account of the year when the payments to the respective funds are due.

iii) Retirement benefits in the form of Gratuity is a defined benefit obligation and is covered under group gratuity scheme. The Company contributes the ascertained gratuity liability to the approved Gratuity

Schedules ‘A’ to ‘Q’

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule “Q”: Accounting policies and notes to accounts (contd..)

Trust which is charged to revenue on accrual basis. Gratuity Liability at each Balance Sheet date is ascertained on Actuarial Valuation basis using projected unit credit method. Actuarial gains/losses are immediately taken to Profit and Loss account and are not deferred.

iv) The liability for encashable leaves / compensated absences outstanding as on reporting date is provided based on the salary prevailing on reporting date.

12. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of Goods

Revenue is recognized, when the significant risks and rewards of ownership of the goods is passed to the buyer, which is generally on dispatch of goods to customers except in case of consignment sales. Sales include excise duty and exclude VAT and is net of discounts and incentives to the customers. Excise Duty to the extent included in the gross turnover is deducted to arrive at the net turnover. Excise duty incurred on finished goods as at Balance Sheet date is disclosed separately and adjusted with changes in stock of finished goods in the Profit & Loss account.

Dividends

Revenue is recognized when the shareholder’s right to receive the payment is established by the Balance Sheet date. Dividend from subsidiaries is recognized even if the same are recognized after the Balance Sheet date but pertains to the period on or before the date of Balance Sheet as per the requirement of Schedule VI to the Companies Act,1956.

Interest

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

Incentives

Revenue is recognized when the right to receive the credits is established and there is no significant uncertainty regarding the ultimate collection.

13. Foreign Currency Transactions

a) Monetary Items

Year end balance of foreign currency monetary items is translated at the closing rates as on Balance Sheet date.

Foreign exchange forward contracts are marked to market at Closing Rate as on Balance Sheet

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

date and the premium/discount earned or expended is amortized over the life of the forward contract.

All exchange differences including mark to market losses/gains are dealt with in the Profit and Loss account and disclosed under the head "Forex Fluctuation Gain/Loss Account", except to the extent that they are regarded as an adjustment to the interest costs and capitalized to fixed assets as per AS 16.

b) Non Monetary Items

Non Monetary items such as investments are carried at historical cost using the exchange rate on the date of transaction.

14. Taxes on Income

Current Tax (Considering MAT) payable in respect of taxable income is calculated as per the provisions of the Income Tax Act, 1961.

Deferred tax is recognized subject to consideration of prudence, on timing differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognized only to the extent there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax can be realized.

15. Capital Work in Progress / Project Expenses

Projects under commissioning including other capital work in progress are carried at cost, comprising direct cost, related incidental expenses, attributable cost and advances for capital goods. Expenses incurred on exploration of new projects are capitalized in the relevant project on materialization. If project does not materialize, expenditure incurred till date is charged to Profit & Loss Account.

16. Earnings per Share

The Company reports basic and diluted Earnings per Share (EPS) in accordance with Accounting Standard 20 "Earnings per Share". Basic EPS is computed by dividing the net profit or loss attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the year. Diluted EPS is computed by dividing the net profit or loss attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all potential equity shares, except where the results are anti-dilutive.

17. Cash and cash equivalents

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

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

18. Cash Flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

19. Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Company has a present legal obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by the best estimate of the outflow of economic benefits required to settle the obligation at the reporting date. Where no reliable estimate can be made, a disclosure is made as contingent liability. A disclosure for a contingent liability is also made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

20. Onerous Contracts

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected cost of terminating/exiting the contract and the expected net cost of fulfilling the contract.

III) Notes to Accounts

1. Estimated amount of contracts remaining to be executed on Capital Account, net of advance given – Rs. 1288.62 lacs (Prev. year Rs. 932.67 lacs).

2. Contingent Liabilities not provided for in respect of:

   i) Guarantees given by Company's bankers – Rs. 719.44 lacs (Prev. year Rs. 424.78 lacs).

   ii) Guarantee (equal to Company's share in Joint Venture) given by the Company to IDBI Bank Ltd. against guarantee issued by the Bank in favour of Government of India on behalf of Madanpur South Coal Company Ltd (The Joint Venture Company for Coal Mining) – Rs. 900.00 lacs (Prev. year Rs. 900.00 lacs).

   iii) Guarantee given to Director General of Foreign Trade - Rs. 63.87 lacs (Prev. year Nil) and Asst. Commissioner of Customs Rs. 42.57 lacs (Prev. year Nil) on behalf of Sarda Metal & Alloys Ltd., wholly owned subsidiary of the Company for fulfillment of Export Obligation against import of capital goods under "Export Promotion Capital Goods Scheme".

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

iv) Company has given Post Dated Cheques totalling Rs. 12128.10 lacs (Prev. year Nil) to Axis Bank Ltd. for disbursement of term loan to Sarda Metal & Alloys Ltd., wholly owned subsidiary of the Company (SMAL), pending creation of security in SMAL for sanctioned facilities.

v) Bills discounted with the Company's bankers under Letters of Credit - Rs. 1712.05 lacs (Prev. year – Rs. 1328.14 lacs)

vi) Claim against the Company not acknowledged as debt & disputed in appeal – Rs. 96.87 lacs (Prev. year Rs. 72.00 lacs)

vii) Excise Duty & Service Tax

a) Excise duty demand of Rs. 20.56 lacs (Prev. year Rs. 20.56 lacs) raised on account of Cenvat Credit availed, which the Company has disputed in High Court.

b) Excise Duty demand of Rs. 17.91 lacs (Prev. year Rs. 44.14 lacs) raised on account of Cenvat Credit availed & duty amount has been disputed before Commissioner Appeals, Raipur.

c) Excise Duty demand of Rs. 170.38 lacs (Prev. year Nil) raised on account of Cenvat Credit availed which the Company has disputed and has filed appeal before the CESTAT.

d) Excise Duty demand of Rs. 10.23 lacs (Prev. year Nil) raised on account of Cenvat Credit availed which the Department has disputed and has filed appeal before the CESTAT.

e) Rs. 6.97 Lacs (Prev. year Rs. 6.97 lacs) on account of duty on VAT Collected by the Company against which the Company has filed an appeal before the CESTAT.

f) Rs. 4.44 Lacs (Prev. year Nil) on account of duty on sale of waste and scrap by the Company. The case has been decided in favour of the Company by Commissioner Central Excise (Appeals). The Central Excise Department has filed appeal before the CESTAT against decision of the CCE(A).

viii) Value Added Tax/Central Sales Tax/Entry Tax

Value Added Tax/Central Sales Tax/Entry Tax demand of Rs. 50.78 lacs (Prev. year Rs. 59.58 lacs) are pending in appeal against assessment of various years.

ix) Income Tax

Rs. 1896.34 lacs (Prev. year Nil) for the Assessment year 2008-09 on account of partial disallowance of deduction claimed under section 80IA of the Income Tax Act, 1961, disputing the transfer pricing of Power captively consumed by other divisions. The Company has filed appeal before CIT (Appeal). The CIT (Appeal) has decided the similar issue in favour of the Company for the A. Y 2007-08. This issue has also been decided in favour of the Company by the Income Tax Appellate Tribunal for earlier Assessment years.

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

x) Energy development cess of Rs. 1567.40 lacs (Prev. year Rs. 1288 lacs) net of amount deposited of Rs. 294.34 lacs (Prev. year Rs. 294.34 lacs) demanded by the Chief Electrical Inspector, Govt. of Chhattisgarh for the period May 2006 to August 2010. The Honorable High Court of Chhattisgarh has held the levy of cess as unconstitutional vide its order dated 20th June 2008. The State Govt. has filed a Special Leave Petition before the Honorable Supreme Court.

xi) Uncalled amount on partly paid shares of Sarda Energy & Minerals Hongkong Limited Rs. 8.73 lacs (Prev. year Rs. 38.72 lacs).

3. Notes to Schedule 'C' – Secured Loans

i) Term Loans from Banks, External Commercial Borrowings and Debentures are secured by first pari-passu charge by way of hypothecation of entire movable assets of the Company situated at Industrial Growth Centre, Siltara, Raipur subject to prior charge on current assets in favour of Working Capital Bankers and by way of joint equitable mortgage of immovable properties of the Company situated at Industrial Growth Centre, Siltara.

The Debentures are also secured by a registered mortgage of an immovable property of the Company situated at Ahmedabad. The Debentures are redeemable in three equal annual installments commencing from July 2015.

Besides this, the Term Loan from Banks and Non Convertible Debentures are also secured by unconditional and irrevocable personal guarantees of Mr. K. K. Sarda & Mr. Manish Sarda.

Loan from ILFS is secured by pledge of 20,00,000 equity shares of the Company pledged by Chhattisgarh Investments Ltd., one of the promoter Company and personal guarantees of Mr. K. K. Sarda.

ii) Working Capital loans from banks are secured by first pari-passu charge on stocks & book debts and second pari-passu charge on all present and future movable Plant & Machinery and second charge by joint equitable mortgage of immovable properties located at Industrial Growth Centre, Siltara, Raipur, for which credit facilities have been sanctioned. These facilities are also secured by irrevocable personal guarantees of Mr. K. K. Sarda and Mr. Manish Sarda.

iii) Other Loans are secured by hypothecation of related vehicles.

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

4. Notes to Schedule 'F' – Investments

Details of Investments in Mutual Funds

(Rs. in lacs)

Sr. No.	Name	Opening Value	Purchase Value	Sale Value	Closing Units (in lac Nos.)	Closing Value
1	IDFC Mutual Fund		10025.31	10059.45	--	--
2	Axis Mutual Fund		1000.00	1010.77	--	--
3	Franklin Templeton Mutual Fund		1800.00	1802.32	--	--
4	Baroda Pioneer		2250.00	2259.86	--	--
5	LIC Mutual Fund		4917.00	4932.93	--	--
6	Birla Mutual Fund-Gilt Plus Regular Growth		1000.00	--	32.25	1000.00
7	ICICI Prudential Mutual fund – GILT Fund-Dividend		510.15	--	41.60	510.02
8	ICICI Prudential Mutual fund – GILT Fund-Growth		500.00	--	20.18	500.00
9	Reliance GILT Sec. fund - Growth Plan		605.00	--	51.25	605.23
10	UTI Liquid Fund		500.00	--	25.76	500.00
11	DSP Black Rock		500.00	--	15.35	500.00
12	HDFC Mutual Fund		500.00	--	25.99	500.00
	Total		**24107.46**	**20065.33**	**212.38**	**4115.25**

5. Details of Investment in Partnership Firm

a) Shri Ram Electricity LLP

Total Capital Rs. 69.00 Lacs

<u>Name of the Partner and Their Profit Sharing Ratio</u>

Sarda Energy & Minerals Ltd	51%
Akshay Ispat Udyog Private Ltd	26%
Mosh Varya Insfrastructure Pvt. Ltd.	23%

b) Chhattisgarh Hydro Power LLP

Total Capital Rs. 652.60 Lacs

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

Name of the Partner and Their Profit Sharing Ratio	
Sarda Energy & Minerals Ltd	66.81%
Chhattisgarh Investments Ltd	17.09%
Prachi Agriculture & Properties Pvt ltd	0.15%
Sarda Agriculture & Properties Pvt Ltd	0.15%
Sarda Family Investments	3.77%
Shri Kamal Kishore Sarda	8.20%
Smt. Shakuntala Sarda	3.83%

6. Retirement Benefit Plans

i) Defined contribution plans

The Company makes provident fund contributions for qualifying employees to the statutory provident fund of the Govt. of India. During the year the Company recognized Rs. 133.91 lacs (net of amount capitalized of Rs. 11.24 lacs) (previous year Rs. 88.54 lacs (net of amount capitalized of Rs. 17.02 lacs)) for provident fund contributions in the Profit & Loss Account.

The Company also makes defined contribution to the Superannuation plan for specified employees and charges the same to the revenue account of the respective period. During the year the Company has made contribution of Rs. 8.28 lacs in the plan.

ii) Defined Benefit Plans

The Company makes annual contributions to the approved Gratuity Trust, which in turn contributes to the Employees Group Gratuity cum Life Insurance Scheme of the Life Insurance Corporation of India and SBI Life Insurance Company Ltd. The Scheme provides for lump sum payment to vested employees at retirement / resignation / death while in employment or on termination of employment of an amount equivalent to 15 days salary for each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five years of service.

The present value of defined obligation and the related current service cost were measured using the projected unit credit method, with actuarial valuations being carried out at each Balance Sheet date.

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

The following table sets out the funded status of the gratuity plan and the amounts recognized in the Company's Balance Sheet as at 31st March 2011.

	Particulars	As at March 31, 2011	As at March 31, 2010
1	**Assumptions**		
	Discount Rate (beginning of the year)	8.00%	7.00%
	Discount Rate (end of the year)	8.00%	7.00%
	Rate of increase in Compensation levels	10.00%	7.00%
	Rate of Return on Plan Assets	9.31%	7.00%
	Expected Average remaining working lives of employees (years)	23	24.20
2	**Table showing changes in present value of obligations**		
	Present Value of Obligation as at the beginning of the year	185.49	156.69
	Acquisition adjustment	--	--
	Interest Cost	14.58	10.87
	Current Service Cost	59.86	43.94
	Curtailment Cost / (Credit)	--	--
	Settlement Cost / (Credit)	--	--
	Benefits paid	(6.31)	(2.71)
	Actuarial (gain) / loss on obligations	72.24	(23.30)
	Present Value of Obligation as at the end of the year	325.87	185.49
3	**Table showing changes in the Fair value of Plan Assets**		
	Fair Value of Plan Assets at the beginning of the year	234.51	199.69
	Acquisition Adjustments	--	--
	Expected Return of Plan Assets	21.83	14.52
	Contributions	83.58	18.29
	Benefits paid	(6.31)	(2.71)
	Actuarial Gain / (loss) on Plan Assets	0.54	4.71
	Fair Value of Plan Assets at the end of the year	334.15	234.51
4	**Tables showing Fair Value of Plan Assets**		
	Fair value of plan asset at the beginning of year	234.51	199.69
	Acquisition adjustments	--	--
	Actual return on plan assets	22.37	19.23

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

	Particulars	As at March 31, 2011	As at March 31, 2010
	Contributions	83.58	18.29
	Benefits paid	(6.31)	(2.71)
	Fair value of plan assets at the end of year	334.15	234.51
	Funded status	8.28	49.02
	Excess of actual over estimated return on plan assets	0.54	4.71
5	**Actuarial Gain / Loss Recognized**		
	Actuarial (gain) / loss for the year – Obligation	72.24	(23.30)
	Actuarial (gain) / loss for the year – Plan Assets	(0.54)	(4.71)
	Total (gain) / loss for the year	71.70	(28.01)
	Actuarial (gain) / loss recognized in the year	71.70	(28.01)
	Unrecognized actuarial (gains) / losses at the end of year	--	--
6	**The amounts to be recognized in Balance Sheet and Statements of Profit & Loss**		
	Present value of obligation as at the end of the year	325.87	185.49
	Fair value of Plan Assets as at the end of the year	334.15	234.51
	Funded status	8.28	49.02
	Net Asset / (Liability) Recognized in Balance Sheet	8.28	49.02
7	**Expense recognized in the Statement of Profit & Loss**		
	Current Service Cost	59.86	43.94
	Interest Cost	14.59	10.87
	Expected Return of Plan Assets	(21.83)	(14.52)
	Curtailment Cost / (Credit)	--	--
	Settlement Cost / (Credit)	--	--
	Net actuarial (gain) / loss recognized in the year	71.70	(28.01)
	Expenses recognized in the Statement of Profit & Loss	124.32	12.27

Note: Gratuity paid & debited to Profit & Loss account Rs. 1.11 lacs has not been considered above since it is borne by the Company besides funding to LIC and SBI Life Insurance Co. Ltd.

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

7. Directors remuneration is as under:-

(Rs. in lacs)

Sr. No.	Particulars	2010-11	2009-10
i)	Salary, Allowances etc. to Managing Director & Whole Time Director	137.30	103.25
ii)	Perquisites	13.47	11.04
iii)	Contribution to Provident Fund	12.16	10.04
iv)	Commission to Managing Director	100.00	150.00
v)	Commission to Non Executive Director	12.00	-
vi)	Sitting Fees	7.00	2.55
	Total	**281.93**	**276.88**

Notes:

1. The above amount does not include contribution to gratuity fund, as separate figures are not available for the Managing Director and Whole Time Directors.
2. Out of the above figures Salary, Allowances & Perquisites amounting to Rs. 30.40 Lacs (Prev. year Nil) of Mr. G. K.Chhanghani, Executive Director (Business Development) has been debited to one of the subsidiary of the Company.

8. Computation of net profit in accordance with section 198 and 349 of the Companies Act, 1956

(Rs. in lacs)

	2010-11	2009-10
Net Profit before tax as per Profit & Loss account	7,072.39	7,718.48
Add:		
Managerial Remuneration Paid (including sitting fees paid to independent directors)	281.93	276.88
Depreciation Charged in the accounts	5,762.67	3,879.78
Provision for doubtful debts	13.91	221.74
Loss on sale of fixed assets	-	133.17
Total	**13,130.90**	**12,230.05**
Less:		
Depreciation as per section 350 of the Companies Act,1956	5,762.67	3,879.78
Profit on sale of assets	55.97	--
Net Profit as per section 349 of the Companies Act,1956	7,312.26	8,350.27
Maximum Remuneration payable to Managing Director @ 5% of net profit -	365.61	417.51
Restricted to	168.20	206.56
Commission payable to Directors other than whole time Directors @ 1% of the Net Profit – restricted to	12.00	--

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

9. Payment to Auditor represents:

(Rs. in lacs)

Sr. No.	Particulars	2010-11	2009-10
i)	Audit Fees*	8.00	8.00
ii)	Taxation Matters	0.25	0.25
iii)	Other Services	0.00	0.12
iv)	Reimbursement of traveling and out of pocket exp.	0.94	1.59
v)	Tax Audit Fees *	2.00	2.00
	Total	**11.19**	**11.96**

*Net of service tax which is cenvatable and is accounted as and when paid.

10. The Company has not received any memorandum (as required to be filed by the suppliers with the notified authority under the Micro, Small and Medium Enterprises Development Act, 2006) claiming their status as on 31st March, 2011 as micro, small or medium enterprises. Consequently the amount paid/ payable to these parties during the year is nil.

11. Interest includes:

(Rs. in lacs)

Sr. No.	Particulars	2010-11	2009-10
i)	Interest on Term Loans and Debentures*	2,272.33	1,205.25
ii)	Interest on others	605.61	565.34
iii)	Less: Interest received	1,358.64	498.27
	Total	**1,519.30**	**1,272.32**

* Net of interest Capitalized Rs. 74.22 lacs (Prev. year Rs. 701.58 lacs)

12. Capacity, Production, Sales and Stock Particulars of each class of Goods (as certified by the Management):

i) Capacity and Production

	Items	Unit	Installed	Production
i)	Coal	MT	N.A.	4,31,728
			N.A.	(2,91,127)
ii)	Pellet	MT	6,00,000	1,73,668
			(6,00,000)	(27,121)
ii)	Sponge Iron	MT	4,60,000	2,19,143
			(3,60,000)	(2,02,788)
iv)	Steel Ingots / Runner Riser	MT	40,000	NIL
			(40,000)	(4,948)
v)	Steel Billets	MT	2,00,000	80,840
			(2,00,000)	(7,322)

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

vi)	Wire Rod	MT	1,80,000 (NIL)	40,937 (NIL)
vii)	Ferro Alloys	MT	66,000 (66,000)	61,232 (35,819)
viii)	Power	MW/ KWH	81.50 MW (61.50 MW)	46,88,73,066 (33,05,85,871)
ix)	Fly Ash Bricks, Blocks & Tiles	MT	1,92,000 (1,92,000)	36,502 (9,261)

1) Licenced Capacity is not applicable in terms of Govt of India's Notification No. S.O 477 (E) dated 25th July, 1991.
2) Wire Rod Mill started commercial production from 1st January, 2011.

ii) Purchases and Sales Particulars (Rs. in lacs)

	Items	Unit	Purchases		Sales	
			Qty.	Amount	Qty.	Amount
i)	Manganese Ore	MT	24,434 (8,253)	3,166.38 (579.34)	24,434 (8,253)	4,073.12 (1,064.01)
ii)	Iron Ore Pellet	MT	NIL (NIL)	NIL (NIL)	4,757 (NIL)	357.59 (NIL)
iii)	Sponge Iron	MT	NIL (NIL)	NIL (NIL)	1,38,577 (1,86,437)	25,449.02 (27,559.95)
iv)	Steel Ingot / Runner & Riser	MT	NIL (NIL)	NIL (NIL)	NIL (4,832)	NIL (1,013.76)
v)	Steel Billets	MT	NIL (NIL)	NIL (NIL)	38,670 (5,086)	10,559.60 (1,272.88)
vi)	Wire Rod	MT	NIL (NIL)	NIL (NIL)	34,850 (NIL)	11,854.02 (NIL)
vii)	Rolled products	MT	NIL (NIL)	NIL (NIL)	NIL (385)	NIL (80.88)
viii)	Ferro Alloys	MT	1,718 (648)	1,025.03 (345.22)	61,474 (36,268)	37,793.59 (19,501.00)
ix)	Ferro Mn Slag	MT	NIL (NIL)	NIL (NIL)	15913 (2,676)	1,340.61 (173.62)

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

x)	Power	KWH	NIL	NIL	7,21,43,526	2,446.88
			(NIL)	(NIL)	(10,40,46,075)	(4,581.87)
xi)	Fly Ash Bricks, Blocks & Tiles	Nos.	NIL	NIL	18,36,645	253.23
			(NIL)	(NIL)	(18,28,935)	(64.56)
xii)	By-products & Others	MT	NIL	209.57	----	475.73
			(NIL)	(NIL)	----	(278.95)

Notes:

1. Purchase of Manganese Ore and Coal does not include purchases as raw material for manufacturing operation.
2. Sale of Iron Ore Pellet excludes 1,42,088 MT (Prev. year 17,109 MT) consumed captively for manufacturing of Sponge Iron.
3. Sale of Sponge Iron excludes 75,169 MT (Prev. year 12,446 MT) consumed captively for manufacturing of Steel Billets.
4. Sale of Runner Riser is exclusive of NIL (Prev. year 160 MT) of Runner Riser consumed internally for manufacturing of Steel Ingots.
5. Sale of Steel Billet excludes 42,510 MT (Prev. year NIL) consumed captively for manufacturing of Wire Rod.
6. Used NIL (Prev. year 362 MT) of Ingot and NIL (Prev. year 4 MT) of billets by the rerolling subcontractor for conversion into Rolled Products.
7. Rolled Product NIL (Prev. year 344 MT) was obtained on conversion of Ingot & Billet through reroller.
8. Sale of Rolled Products includes NIL (Prev. year 385 MT) of material valued at NIL (Prev. year Rs. 80.88 Lacs) consumed captively for various projects of the Company.
9. Sale of Ferro Alloys excludes 1,044 MT (Prev. year 152 MT) consumed captively for manufacturing of Steel Billets.

iii) Stock Particulars of Goods

(Rs. in lacs)

	Items	Opening Stock		Closing Stock	
		Qty. (MTs)	Value	Qty. (MTs)	Value
i)	Iron Ore (at mines)	4,25,235	573.18	2,88,037	370.14
		(4,25,235)	(573.23)	(4,25,235)	(573.18)
ii)	Coal (at mines)	9,679	53.23	10,847	59.66
		(6,801)	(37.41)	(9,679)	(53.23)
iii)	Iron Ore Pellet	10,012	436.07	36,834	3,041.42
		(NIL)	(NIL)	(10,012)	(436.07)

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

iv)	Sponge Iron	7,479	1,197.83	12,876	2,123.57
		(3,575)	(465.64)	(7,479)	(1,197.83)
v)	Steel Ingots / Runner	12	2.20	NIL	NIL
	Riser	(465)	(94.60)	(12)	(2.20)
vi)	Steel Billets	2,778	653.48	2,439	688.16
		(465)	(93.30)	(2,778)	(653.48)
vii)	Wire Rod	NIL	NIL	6,087	2,107.76
		(NIL)	(NIL)	(NIL)	(NIL)
viii)	Ferro Alloys	5,442	2,500.31	5,875	3,326.93
		(5,395)	(2,312.13)	(5,442)	(2,500.31)
ix)	Fly Ash Bricks, Blocks &	----	3.88	----	6.78
	Tiles	----	(7.02)	----	(3.88)
x)	Semi Finished Goods &	----	2,040.51	----	2,062.01
	By Products and Others	----	(1,014.59)	----	(2,040.51)

Notes

i) Nil (Prev. year 39.438) of Ingot has been booked as burning loss at vendor location based on conversion stock account received from the vendor.

ii) Nil (Prev. year 35.915) of Billet has been booked as burning loss at vendor location based on conversion stock account received from the vendor.

13. Consumption of Important Raw Materials

(Rs. in lacs)

Items	2010-11 Qty. (MT)	2010-11 Value	2010-11 %	2009-10 Qty. (MT)	2009-10 Value	2009-10 %
a. Indigenous						
i) Iron & Steel Scrap	17,946.01	3,719.31		1,067.25	265.98	
ii) Iron Ore	3,63,384.05	20,682.52		4,12,187.58	18,320.19	
iii) Manganese Ore	46,266.82	5,759.32		51,761.41	3,062.19	
iv) Coal / Coke / Char	3,54,579.15	13,511.00		3,65,058.06	7,386.37	
v) Others		928.97		-	4,920.64	
Total (A)		**44,601.13**	**75.24%**		**33,955.37**	**88.18%**
b. Imported						
i) Manganese Ore	97,954.51	13,624.47		31,934.30	3,175.65	

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

(Rs. in lacs)

	Items	2010-11 Qty. (MT)	2010-11 Value	2010-11 %	2009-10 Qty. (MT)	2009-10 Value	2009-10 %
ii)	Coke & Coal	13,846.84	1,054.55		22,781.75	1,376.63	
iii)	Iron & Steel Scrap	2.09	0.37				
	Total (B)		**14,679.39**	**24.76**		**4,552.28**	**11.82**
	Total (A + B)		**59,280.52**	**100.00**		**38,507.65**	**100.00**

Notes:

1. **Iron & Steel Scrap**
   a. Consumption of Iron & steel scrap excludes consumption of 75,168.900 MT (Prev. year 12,466.260 MT) of Sponge Iron used for production of Billets and 42,609.950 MT (Prev. year NIL) of Billets used for production of Wire Rod and 1,585.480 MT (Prev. year 642.750 MT) of waste & scrap generated internally.

2. **Iron Ore**
   a. Consumption is inclusive of 25,805 MT (Prev. year 40,558.440 MT) of Iron ore fines generated during the production of Sponge Iron.
   b. Consumption is inclusive of 1,37,733.58 MT (Prev. year 1,68,710.850 MT) of Purchased Lump Ore issued for Production of Sized Ore. Out of Sized ore produced therefrom 178.560 MT (Prev. year 484.740 MT) remains in stock as on 31st March 2011 which is included in semi finished goods.
   c. Ore produced from Captive Mines is considered as Semi Finished Goods. Hence, consumption of Iron Ore is exclusive of 42,780.09 MT (Prev. year 310.100 MT) of Captive Ore consumed.
   d. Consumption is exclusive of 1,43,715.200 MT (Prev. year 16,244.440 MT) of Iron Ore Pellets (produced during trial run of Iron Ore Pelletisation Plant) consumed for production.
   e. Consumption is exclusive of 1,26,214.26 MT (Prev. Year Nil) of Iron Ore Fines produced from crushing/generated from production.

3. **Mangenese Ore**
   a. Consumption is inclusive of 28,025.567 MT (Prev. year 17,211.93 MT) of fines issued for Sintering & briquetting and consequently used for production.
   b. Consumption is exclusive of captive consumption of 15,581.115 MT (Prev. year 12,753.920 MT) of slag internally generated.

4. **Coal**
   a. Consumption is exclusive of 4,28,144.960 MT (Prev. year 2,50,062.770 MT) of captive coal produced from Mines.
   b. Consumption is exclusive of 48,527 MT (Prev. year 32,060.750 MT) of captive consumption of Char/Dolochar generated internally.
   c. Consumption is inclusive of 64,083.600 MT (Prev. year 28,329.620 MT) of ROM Coal issued for washing. Washed Coal received thereafter has been fully consumed.

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

d. Consumption is exclusive of 5,532.550 MT of rewashed coal generated from washing of coal.

5. Other Raw Materials

Consumption includes consumption of miscellaneous raw material.

14. FOREIGN EXCHANGE EARNING & OUTGO

(Rs. in lacs)

		2010-11	2009-10
(A)	**CIF Value of Imports**		
	Raw Materials	18,546.06	7,057.85
	Components & Spare Parts	71.13	10.00
	Capital Goods	959.53	842.55
(B)	**FOB Value of Exports (direct)**	11,745.88	6,367.46
	Interest Received	7.18	192.65
	Discounts & Despatch Money Received	42.30	329.01
(C)	**Expenditure in Foreign Currency**		
	Machinery and components	894.56	557.53
	Traveling Expenses	24.56	13.29
	Raw Materials	18,441.50	4,614.04
	Commission	1.03	NIL
	Others	10.46	7.74
	Interest	971.02	1,228.91

15. Deferred Tax

The Company has estimated the deferred tax charge using the applicable rate of taxation and the same has been charged to Profit & Loss Account. Accordingly Deferred tax liability (Net) of Rs. 3607.40 lacs (Prev. year Rs. 2859.21 lacs) is disclosed under separate heading in the Balance Sheet as given below:

(Rs. in lacs)

Particulars	Deferred tax liability / (asset) as at 31.03.2010	Charges / (Credit) during the year	Deferred tax liability / (asset) as at 31.03.2011
On account of Time difference:			
Depreciation	3,014.69	468.66	3,483.36
Excise Duty on closing stock	109.90	271.09	380.99

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

Liability of Leave Salary	(31.38)	(1.98)	(33.37)
Liability of Amalgamation Exp	(16.78)	7.56	(9.21)
Asset of Electricity Duty	(217.23)	2.86	(214.37)
	2,859.21	**748.19**	**3,607.40**

16. Related Party Disclosure

I) Names of related parties and description of relationship:

S.No.	Description of Relationship	Names of Related Parties
1	Subsidiary	Sarda Energy & Minerals Hongkong Limited, Hongkong Sarda Global Ventures Pte Ltd, Singapore Sarda Metals & Alloys Limited Sarda Energy Limited Parvatiya Power Limited Madhya Bharat Power Corporation Limited Sarda Hydro Power Private Limited
2	Controlled Entities	Chhattisgarh Hydro Power LLP Shri Ram Electricity LLP
3	Associate	Chhattisgarh Bricks Private Limited Natural Resources Energy Private limited
4	Related Enterprises where significant influence exist	Prachi Agriculture & Properties Private Limited Sarda Agriculture & Properties Private Limited R.R. Sarda & Company
5	Key Management Personnel	Mr. Kamal Kishore Sarda Mr. Gopal Krishna Chhanghani Mr. Pankaj Sarda Mr. Ghanshyam Das Mundra
6	Relative of Key Management Personnel	Mrs. Shakuntala Devi Sarda Mrs. Uma Sarda
7	Joint Venture	Raipur Infrastructure Company Limited Madanpur South Coal Company Limited

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

II) Transactions with Related Parties (Rs. in lacs)

Particulars	Subsidiaries & Controlled Entities	Associates	Related Enterprises	Key Management Personnel	Relatives of Key Management Personnel	Joint Venture
Services Received						-- 202.82
Loans / Advances Given	2,155.44 (1,423.36)					
Loans / Advances Received Back	2,669.81 (9,402.21)					
Share Application converted into Loan	1,262.14 (595.70)					
Interest Received	709.69 (370.74)					
Remuneration				246.80 (267.67)		
Rent Paid			9.60 (9.60)	1.80 (1.80)	9.36 (9.36)	
Shares Purchased			(--) (4.30)	(--) (1.70)	(--) (0.70)	
Services Offered						3.00 (3.00)
Corporate Guarantee Given	106.44 (--)					900.00 (900.00)
Investments made	6,711.61 (3,865.87)				(--) (--)	(--) (30.95)
Outstanding as on 31.03.2011						
Receivable	7,648.81 (2,528.40)			10.60 (--)	0.14 (--)	3.61 (2.70)
Investments	10,497.49 (5,584.76)	0.90 (0.90)				(436.28) (436.28)
Payable			-- (2.12)		-- (0.03)	

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

17. a) Interest in Joint Ventures:

	Name of the Company	Proportion of ownership interest as on 31st March	
		2011	**2010**
i)	Raipur Infrastructure Company Limited	33.33%	33.33%
ii)	Madanpur South Coal Company Limited	20.63%	20.63%

b) The above joint venture companies are incorporated in India. The Company's share of the assets and liabilities as on 31st March, 2011 and income and expenses for the year ended on that date are given below which are based on audited figures of the joint venture companies.

(Rs. in lacs)

	Particulars	As on 31st March	
		2011	**2010**
A.	Assets		
	Long term Assets	551.22	552.00
	Short term Assets	161.13	100.50
	Total	**712.35**	**652.50**
B.	Liabilities		
	Long Term liabilities	17.10	30.69
	Current Liabilities and Provisions	5.92	5.38
	Total	**23.02**	**36.07**
C.	Contingent Liabilities	**899.88**	**899.47**
D.	Capital Commitments	8.92	18.81
E.	Income	41.94	153.34
F.	Expenses	39.69	79.93

18. Earning Per Share

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Net Profit (Rs. in lacs)	4,967.29	6,319.87
Nominal Value of Equity Shares (Rs.)	10/-	10/-
Weighted average number of Equity Shares for Basic EPS	3,44,95,096	3,40,45,109
Basic Earnings per Share (Rs.)	14.40	18.56
Weighted average number of Equity Shares for Diluted EPS	3,44,95,096	3,40,45,109
Diluted Earnings per share (Rs.)	14.40	18.56

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

19. Provision for Contingencies - NIL

20. Disclosure as per Clause 32 of the Listing Agreement

Name of Company	Relationship	Amount outstanding as at 31.03.2011	Maximum amount outstanding during the year	Investment by the loanee in shares of the Parent Company
		(Rs. in Lacs)	(Rs. in Lacs)	No. of shares
Sarda Energy & Minerals Hongkong Ltd.	Subsidiary	79.23	1,427.74	--
Sarda Global Ventures Pte Ltd	Subsidiary	20.45	20.45	--
Parvatiya Power Limited	Subsidiary	225.66	378.65	--
Madhya Bharat Power Corporation Ltd.	Subsidiary	2,950.33	3,884.82	--
Sarda Metals & Alloys Ltd.	Subsidiary	4,188.35	6,463.79	--
Chhattisgarh Investments Ltd.	Others	4,094.69	11,247.25	1,04,90,657
Shri Ram Electricity LLP	Subsidiary	184.79	184.79	--

21) Segment Reporting

Segment information has been prepared in confirmity with the accounting policies adopted for preparing and presenting the financial statements of the Company. As part of secondary reporting, the Company has no geographical segment by location.

(Rs. in lacs)

Particulars	2010-11			2009-2010		
	Steel	Ferro	Total	Steel	Ferro	Total
Revenue						
Sales & other income	44,128.15	40,698.13	84,826.28	27,896.66	19,958.65	47,855.31
Inter segment sales	-	509.16	509.16	-	45.88	45.88
Others Unallocated	-	-	2,676.36	-	-	5,153.84
Total Revenue	44,128.15	41,207.29	88,011.80	27,896.66	20,004.53	53,055.03
Result						
Segment Result	4,876.04	5,468.34	10,344.38	1,047.95	4,721.97	5,769.92
Unallocated Expenses net off Unallocated Income	-	-	(2,405.47)	-	-	(1,249.59)

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

Particulars	2010-11			2009-2010		
	Steel	Ferro	Total	Steel	Ferro	Total
Operating Profit			7,938.91			4,520.33
Interest & Forex Fluctuation Loss (Net)			(866.52)			3,198.15
Profit Before Tax & Extraordinary Item			7,072.39			7,718.48
Add: Extra Ordinary Item			--			--
Provision for taxation						
For Current Year			(1,399.04)			(1,369.50)
For Deffered Taxation			(748.19)			(34.70)
Income Tax for Earlier years			42.13			5.61
Profit After Taxation			4,967.29			6,319.89
Other Information						
Segment Assets	78,399.38	24,968.42	103,367.80	70,590.73	14,473.33	85,064.06
Unallocated Assets			28,991.87			23,147.64
Total Assets			**132,359.67**			**108,211.70**
Segment Liabilities	3,921.59	5,173.24	9,094.84	3,792.92	4,203.56	7,996.48
Unallocated Liabilities			(1,898.62)			1,593.85
Total Liabilities			**10,993.45**			**9,590.33**
Capital Expenditure	6,161.57	856.66	7,018.23	11,345.11	459.17	11,804.28
Depreciation / Amortisation	2,901.61	520.25	3,421.86	1,596.96	534.42	2,131.38
Unallocated Capital Exp. & Depreciation			4,150.39			3,150.01
Non - cash Expenditure other than depreciation / (amortisation)			NIL			NIL

22) Previous year figures are shown in bracket and have been recast / regrouped / restated wherever necessary to make them comparable.

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

23) **INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT 1956.**

Balance sheet abstract and Company's general businesss profile

I Registration Details

Registration no	:	16617 State Code: 11	Balance Sheet Date	:	31.03.2011

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

Public Issue	:	NIL	Rights Issue	:	NIL
Bonus issue	:	NIL	Private Placement	:	920495

III Position of mobilization and deployment of funds (Amount in Rs. Thousands)

Total Liabilities	:	13667349	Total Assets	:	13667349
Source of funds					
Paid up Capital	:	358500	Reserve and Surplus	:	6579475
Secured Loans	:	6193227	Unsecured Loans	:	175407
Deferred Tax Liability	:	360740			
Application of funds					
Net Fixed Assets	:	8217410	Investments	:	1522841
Net Current Assets	:	3919212	Miscellaneous Expenditure	:	7886

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

Turnover	:	8949022	Total Expenditure	:	8241783
Profit Before Tax	:	707239	Profit After Tax	:	496729
Earning Per Share (basic)	:	14.40	Dividend Rate	:	30%

V Generic Name of Three principal Products / Services of the Company (as per monetary terms)

Item Code (ITC Code)	:	7203	Product Description	:	Sponge Iron
Item Code (ITC Code)	:	7207	Product Description	:	Steel Billets
Item Code (ITC Code)	:	3322	Product Description	:	Ferro Alloys
Item Code (ITC Code)	:	98010003	Product Description	:	Thermal Power

SIGNATURE TO SCHEDULE "A" TO "Q"

As per our report of even date attached
For M. M. Jain & Associates
Chartered Accountants
(FRN 112538W)

(Manish Jain)
Partner
Membership No. 118548

Raipur
Dated : May 21, 2011

For and on behalf of the board

(K. K. Sarda)	(Pankaj Sarda)	(P.K. Jain)
Chairman & Managing Director	Director	CFO & Company Secretary

Raipur
Dated: May 21, 2011

Statement pursuant to section 212
of the Companies Act, 1956 in respect of the Subsidiary Companies

S. No.	Particulars / Name of the Subsidiary Company / LLP	SEMHKL Hongkong	SGV Singapore	SMAL India	SEL India	CHP LLP India	MBPCL India	PPL India	SHPPL India	SRE LLP India
1	Financial year of the Subsidiary Company / LLP ended on	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011
2	Date from which it became Subsidiary Company	17th September, 2007	12th June, 2008	15th June, 2009	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	1st March, 2011	21st September, 2010
3	Number of equity shares held by Holding Company in the Subsidiary Company									
	Quantity	10,00,000	100	50,45,000	50,000	NA	91,00,000	7,83,182	6,120	NA
	Face Value (per share)	HK$ 1	US$ 100	Rs.10/-	Rs.10/-	NA	Rs.10/-	Rs.10/-	Rs.10/-	NA
	Fully paid up / partly paid up	partly paid-up	fully paid-up	fully paid up	fully paid up	NA	fully paid up	fully paid up	fully paid up	NA
4	Extent of holding of Sarda Energy & Minerals Limited	100.00%	100.00%	100.00%	100.00%	66.81%	52.00%	51.00%	60%	51%
5	Net aggregate amount of profit (losses) of the subsidiary / LLP so far as they concern members of Sarda Energy & Minerals Ltd.									
	a. for the current financial year of the Subsidiary / LLP									
	i) Dealt with in the accounts of the Holding Company	HK$ 3,60,90,430	US$ (21,379)	Rs. 1,87,816/-	NIL	NIL	Rs. (3,07,378/-)	Rs. 1,01,25,406/-	NIL	NIL
	ii) Not dealt with in accounts of the Holding Company	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	b. for the previous financial years since it became Subsidiary / LLP									
	i) Dealt with in the accounts of the Holding Company	HK$ 15,20,69,893	US$ (30,265)	Rs. 1,87,816/-	Nil	NIL	NIL	Rs. 11,37,744/-	NIL	NIL
	ii) Not dealt with in accounts of the Holding Company	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
6	As the financial year of the subsidiary companies / LLP coincides with the financial year of the Holding Company, Section 212(5) of the Companies Act, 1956 is not applicable.									
	Notes:									
1	SEMHKL - Sarda Energy & Minerals Honkgkong Ltd.									
2	SGV - Sarda Global Venture Pte. Ltd.									
3	SMAL - Sarda Metals & Alloys Ltd.									
4	SEL - Sarda Energy Ltd.									
5	CHP LLP - Chhattisgarh Hydro Power LLP									
6	MBPCL - Madhya Bharat Power Corporation Ltd.									
7	PPL - Parvatiya Power Ltd.									
8	SHPPL - Sarda Hydro Power Pvt. Ltd. (Previously Known as Orissa Precious Mining Pvt. Ltd.)									
9	SRE LLP - Shri Ram Electricity LLP									

Summary of Financial Information
of Subsidiary Companies

(Rs. in lacs)

S. No.	Particulars / Name of Subsidiary Company / LLP	SEMHKL Hongkong	SGV Singapore	SMAL India	SEL India	CHP LLP India	MBPCL India	PPL India	SHPPL India	SRE LLP India
1	Capital	58.29	4.46	504.50	5.00	652.60	1,750.00	153.56	1	69
2	Reserves	11,377.19	(27.61)	4,493.62	-	-	1,588.25	1,641.88	-	-
3	Total Assets	1,667.71	830.17	16,906.69	2,321.75	673.15	6,616.21	3,157.69	12	254
4	Total Liabilities	6,307.99	853.32	11,908.57	2,316.75	20.55	3,277.96	1,362.25	11	185
5	Investments	16,075.76	-	-	-	-	-	-	-	-
6	Turnover	1,127.56	-	-	-	-	-	619.15	-	-
7	Profit before Tax	2,130.87	(9.74)	-	-	-	(3.07)	126.83	-	-
8	Provision for Tax	-	-	-	-	-	-	25.58	-	-
9	Profit After Tax	2,130.87	(9.74)	-	-	-	(3.07)	101.25	-	-
10	Proposed Dividend	-	-	-	-	-	-	-	-	-

The Indian rupee equivalents of the figures given in the foreign currencies in the accounts of the subsidiary companies, have been given based on the exchange rates as on 31.03.2011, i.e. 1HK$ = INR 5.829 [SEMHKL] and 1US$ = INR 44.585 [SGV]

Notes:

1 SEMHKL - Sarda Energy & Minerals Hongkong Ltd.

2 SGV - Sarda Global Venture Pte. Ltd.

3 SMAL - Sarda Metals & Alloys Ltd.

4 SEL - Sarda Energy Ltd.

5 CHP LLP - Chhattisgarh Hydro Power LLP

6 MBPCL - Madhya Bharat Power Corporation Ltd.

7 PPL - Parvatiya Power Ltd.

8 SHPPL - Sarda Hydro Power Pvt. Ltd. (Previously known as Orissa Precious Mining Pvt. Ltd.)

9 SRE LLP - Shri Ram Electricity LLP

Auditors' Report

TO THE BOARD OF DIRECTORS OF **SARDA ENERGY & MINERALS LIMITED** ON THE CONSOLIDATED FINANCIAL STATEMENTS OF SARDA ENERGY & MINERALS LIMITED AND ITS SUBSIDIARIES.

1) We have audited the attached Consolidated Balance Sheet of **SARDA ENERGY & MINERALS LIMITED** (the "Company") and its subsidiaries (collectively referred to as "the Group") as at March 31, 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto. The Consolidated Financial Statements include investments in associates accounted for under the equity method in accordance with Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) and in joint ventures, accounted as jointly controlled entities in accordance with Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures) as notified by the Companies (Accounting Standards) Rules, 2006. 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 have conducted our audit in accordance with the 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 misstatements. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3) We have not conducted audit of the financial statement of Joint Venture and subsidiaries except Madhya Bharat Power Corporation Ltd. The financial statements of subsidiaries reflect total assets (net) of Rs 24627.81 lacs as at 31st March 2011, total revenues of Rs 1745.93 lacs for the year ended on that date and Joint Ventures whose financial statements include the Company's share of assets (net) amounting to Rs 689.63 lacs as at March 31, 2011, the Company's share of revenues amounting to Rs 41.75 lacs for the year ended on that date as considered in the consolidated accounts. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of the other auditors.

4) We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements), Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) and Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures) as notified by the Companies (Accounting Standards) Rules, 2006.

5) Based on our audit as aforesaid and on consideration of reports of other auditors on the separate financial statements / consolidated financial statements and on the other financial information of the components and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   a. In the case of the Consolidated Balance Sheet, of the State of Affairs of the Group as at March 31, 2011;

   b. In the case of the Consolidated Profit and Loss Account, of the Profit of the Group for the year ended on that date; and

   c. in the case of the Consolidated Cash Flow Statement, of the Cash Flows of the Group for the year ended on that date.

For M. M. JAIN & ASSOCIATES
Chartered Accountants
(FRN 112538W)

Place: Raipur
Dated: May 21, 2011

(Manish Jain)
Partner
(Membership No. 118548)

Balance Sheet

Consolidated as at 31st March, 2011

(Rs. in lacs)

	Particulars	Schedule	As at 31.03.2011	As at 31.03.2010
I.	**Sources of Funds**			
1.	Shareholders' Funds			
	A) Share Capital	A	3,585.00	3,404.51
	B) Reserves & Surplus	B	77,092.47	61,731.43
			80,677.47	**65,135.94**
2.	Loan Funds			
	A) Secured Loans	C	76,379.85	60,774.81
	B) Unsecured Loans	D	1,828.50	1,431.83
			78,208.35	**62,206.64**
3.	Minority Interest		2,756.70	2,584.52
4.	Deferred Tax Liability (Net)		3,613.28	2,865.34
	Total		**165,255.80**	**132,792.44**
II.	**Application Of Funds**			
1.	Fixed Assets	E		
	A) Gross Block		99,653.20	66,729.85
	B) Less: Depreciation/Amortisation		24,687.07	18,990.59
	C) Net Block		74,966.13	47,739.26
	D) Add: Capital Work In Progress		34,714.26	42,897.72
			109,680.39	**90,636.98**
2.	Investments	F	19,760.07	21,116.01
3.	Current Assets, Loans & Advances			
	A) Inventories	G	25,877.87	15,200.45
	B) Sundry Debtors	H	5,272.26	2,266.83
	C) Cash & Bank Balances	I	1,561.90	6,279.82
	D) Loans & Advances	J	14,548.89	7,311.40
			47,260.92	**31,058.50**
	Less : Current Liabilities & Provisions			
	A) Current Liabilities	K	10,277.57	8,828.21
	B) Provisions		1,249.97	1,194.93
			11,527.54	**10,023.14**
	Net Current Assets		**35,733.38**	**21,035.36**
4.	Miscellaneous Expenditure			
	(To the extent not written off or adjusted)		81.96	4.09
			81.96	4.09
	Total		**165,255.80**	**132,792.44**
Accounting policies and notes to accounts		Q		

As per our report of even date attached

For M. M. Jain & Associates
Chartered Accountants
(FRN 112538W)

(Manish Jain)
Partner
Membership No. 118548
Raipur
Dated : May 21, 2011

For and on behalf of the board

(K. K Sarda)
Chairman & Managing Director

(Pankaj Sarda)
Director

(P. K. Jain)
CFO & Company Secretary

Raipur
Dated : May 21, 2011

Profit & Loss Account

Consolidated for the year ended 31st March, 2011

(Rs. In lacs)

Particulars	Schedule	Year ended 31.03.2011	Year ended 31.03.2010
Income			
Sales (Gross)		95,244.82	56,080.69
Less: Excise Duty		7,100.75	3,309.85
Sales (Net)		88,144.07	52,770.84
Other Income	L	3,133.81	7,805.20
Increase/(decrease) in Stocks	M	5,738.85	2,555.01
Total		**97,016.73**	**63,131.05**
Expenditure			
Purchase Of Trading Goods		4,400.98	924.57
Raw Materials Consumed	N	59,280.53	38,323.78
Stores & Spares Consumed		4,536.89	1,151.34
Power		1,029.05	443.89
Payments & Other Benefits To Employees	O	3,149.71	2,017.58
Manufacturing & Other Expenses.	P	9,352.63	4,340.17
Total		**81,749.79**	**47,201.33**
Less: Trial Run Expenses (Net Of Revenue) Capitalised		22.38	-
		81,727.39	**47,201.33**
Profit Before Interest, Depreciation & Tax		**15,289.32**	**15,929.72**
Interest (Net)		471.85	32.41
Forex Fluctuation Loss (Net)		(479.40)	(4,303.11)
Depreciation / Amortisation		5,975.10	4,093.29
Profit Before Tax and Prior Period Items		**9,321.77**	**16,107.13**
(Add)/Less: Prior-Period Item		(9.40)	228.99
Profit Before Taxes		**9,331.17**	**15,878.14**
Provision For Taxation			
Current Tax		1,425.87	1,411.07
Deferred Tax		747.93	35.39
Income Tax Related to Earlier Years		(42.05)	(5.63)
Total Tax		**2,131.75**	**1,440.83**
Profit After Taxes (Before Share of Profit From Associates)		**7,199.42**	**14,437.31**
Add/(Less): Share of Net Profit from Associate (Equity Method)		-	(0.89)
Less: Share of Profit of Minority Interest		46.48	12.19
Less: Pre Acquisition Profit of Subsidiary		-	3.17
Profit After Taxes		**7,152.93**	**14,421.06**
Balance Brought Forward From Last Year		43,523.25	31,786.76
Add: Opening Adjustments		(1.62)	10.36
Profit Available For Appropriation		**50,674.56**	**46,218.18**
Appropriations			
Proposed Dividend		1,075.50	1,021.35
Dividend Distribution Tax		174.47	173.58
Transfer to Debenture Redemption Reserve		625.00	-
Transfer to General Reserve		**1,500.00**	**1,500.00**
		3,374.97	**2,694.93**
Surplus Carried to Balance Sheet		47,299.59	43,523.25
Basic Earnings Per Share		20.74	42.36
Diluted Earnings Per Share		20.74	42.36
Accounting policies and notes to accounts	Q		

As per our report of even date attached

For M. M. Jain & Associates
Chartered Accountants
(FRN 112538W)

(Manish Jain)
Partner
Membership No. 118548
Raipur
Dated : May 21, 2011

For and on behalf of the board

(K. K Sarda)
Chairman & Managing Director

(Pankaj Sarda)
Director

(P. K. Jain)
CFO & Company Secretary

Raipur
Dated : May 21, 2011

Cash Flow Statement

Consolidated for the year ended 31st March 2011

(Rs. in lacs)

	Particulars	Year ended 31.03.2011	Year ended 31.03.2010
A.	**Cash flow from operating activities:**		
	Net profit before tax as per profit & loss account	9,331.17	15,878.14
	Adjustment for:		
	Depreciation	5,975.10	4,093.29
	Interest (net)	471.85	32.41
	Unrealised exchange (gain)/loss	126.80	(4,295.73)
	Dividend income	(91.71)	(42.81)
	(Profit) / loss on sale of fixed assets	2.55	133.63
	Profit on sale of other Investments	(2,042.81)	(7,227.33)
	Effect of exchange differences on translation of subsidiaries	456.87	(630.93)
	Profit pertaining to associates/minority interest & pre acquisition profits (net)	(48.10)	(5.90)
		4,850.55	**(7,943.37)**
	Operating profit before working capital changes	14,181.72	7,934.77
	Adjustment for:		
	Inventories	(10,677.44)	(5,237.82)
	Trade and other receivable	(3,014.31)	(40.02)
	Loans and advances	(7,617.29)	3,579.25
	(Increase)/decrease in fixed deposits with scheduled banks under lien	-	2,000.00
	Trade payable	1,559.78	4,179.81
		(19,749.26)	**4,481.22**
	Cash generated from operations	(5,567.54)	12,415.98
	Direct taxes (net)	(1,004.01)	(1,605.30)
	Net cash from operating activities	**(6,571.55)**	**10,810.69**
B.	**Cash flow from investing activities :**		
	Investment in fixed assets incuding capital WIP	(25,301.25)	(23,491.62)
	Sale of fixed assets	202.31	54.82
	(Increase) / decrease in investments	1,355.94	16,551.95
	Interest received	2,799.47	2,062.67
	Dividend received	91.71	42.81
	Profit on sale of other investments	2,042.81	7,227.33
	Increase/(decrease) in minority interest	172.18	2,584.52
	Capital reserve on acquisition of subsidiaries	10.47	44.16
	Net cash used in investing activities	**(18,626.36)**	**5,076.64**
C.	**Cash flow from financing activities :**		
	Proceeds from fresh issue of shares	9,172.85	-
	Interest paid	(3,271.32)	(2,095.08)
	Dividend & dividend tax paid	(1,194.92)	(1,194.93)
	Term loans received	24,777.15	3,680.53
	Repayment of term loans	(8,932.28)	(4,091.70)
	Unsecured loan	(127.12)	200.32
	Sales tax defferment	523.80	403.44
	Bank borrowings	(468.17)	(8,178.20)
	Net cash from financing activities	**20,479.99**	**(11,275.62)**

Cash Flow Statement

Consolidated for the year ended 31st March 2011 (contd..)

(Rs. in lacs)

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(4,717.92)	4,611.71
Cash and cash equivalents as at 01/04/2010 (as per Schedule 'I')	6,279.82	1,668.11
Cash and cash equivalents as at 31/03/2011 (as per Schedule 'I')	1,561.90	6,279.82
Increase/(decrease) in cash and cash equivalents	(4,717.92)	4,611.71
Notes:		
(A) Cash and cash equivalent include the following :		
Cash on hand	37.69	26.31
Balances with banks	1,524.21	6,253.51
	1,561.90	**6,279.82**
(B) Figures in brackets represent outflows.		

As per our report of even date attached
For M. M. Jain & Associates
Chartered Accountants
(FRN 112538W)

(Manish Jain)
Partner
Membership No. 118548
Raipur
Dated : May 21, 2011

For and on behalf of the board

(K. K Sarda)	(Pankaj Sarda)	(P. K. Jain)
Chairman & Managing Director	Director	CFO & Company Secretary

Raipur
Dated : May 21, 2011

AUDITOR'S CERTIFICATE

We have examined the attached Consolidated Cash Flow Statement of M/s Sarda Energy & Minerals Limited for the year ended 31st March, 2011. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of listing agreement with the Stock Exchange and is based on and in agreement with the corresponding Consolidated Profit and Loss account and Consolidated Balance Sheet of the company.

For **M. M. Jain & Associates**
Chartered Accountants
(FRN 112538W)

Raipur
Dated: May 21, 2011

(**Manish Jain)**
Partner
Membership No. 118548

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account

(Rs. in lacs)

	Particulars	As at 31.03.2011	As at 31.03.2010
Schedule 'A' - Share Capital			
	AUTHORISED		
	5,00,00,000 Equity Shares of Rs 10/- each	5,000.00	5,000.00
	(PY 5,00,00,000 Equity Shares of Rs 10/- each)		
	ISSUED,SUBSCRIBED AND PAID UP		
	3,58,50,000 (3,40,45,109) Equity shares of Rs.10/- fully paid up	3,585.00	3,404.51
	Total	**3,585.00**	**3,404.51**
Schedule 'B' - Reserves & Surplus			
A.	**Capital reserve**		
	Opening balance	448.94	404.78
	Add/(less): addition during the year	10.47	44.16
		459.41	**448.94**
B.	**Securities premium account**		
	Opening balance	10,143.49	10,143.49
	Add: recd during the year	8,992.35	-
		19,135.84	**10,143.49**
C.	**Debenture redemption reserve**		
	Opening Balance	1,000.00	2,500.00
	Add: Transfer from profit & loss account	625.00	
	Less : Transfer to general reserve	1,000.00	1,500.00
	Closing balance	**625.00**	**1,000.00**
D.	**General reserve**		
	Opening balance	7,057.75	4,057.75
	Add : Transfer from profit & loss account	1,500.00	1,500.00
	Add: Transfer from debenture redemption reserve	1,000.00	1,500.00
	Closing balance	**9,557.75**	**7,057.75**
E.	**Foreign currency transalation reserve**	**14.87**	**(442.00)**
F.	**Profit and loss account**	**47,299.59**	**43,523.25**
	Total	**77,092.47**	**61,731.43**
Schedule 'C' - Secured Loans			
(A)	**Debentures**	**12,500.00**	**1,000.00**
(B)	**Term loan**		
	i) from banks	35,723.37	36,249.21
	ii) from finacial institutions	882.50	1,070.66
	iii) from others	5,411.92	22.92
		42,017.19	**37,342.79**
(C)	**Working capital & demand loans from banks**	**21,862.06**	**22,432.02**
	Total	**76,379.85**	**60,774.81**
Schedule 'D' - Unsecured Loans			
	From bodies corporate	74.43	201.56
	Sales tax defferment account	1,754.07	1,230.27
		1,828.50	**1,431.83**

Schedule ‘A’ to ‘Q’

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule E: Fixed Assets

(Rs. in lacs)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2010	Addittions	Transfer / Sale	As on 31.03.2011	Up to 01.04.2010	During the Year	Transfer/ Adjustment	As on 31.03.2011	AS ON 31.03.2011	AS ON 31.03.2010
Freehold Land	3,974.31	2,291.90	-	6,266.21	-	-	-	-	6,266.21	3,974.31
Leasehold Land	865.99	866.29	725.88	1,006.40	13.67	10.31	-	23.98	982.42	852.33
Iron Ore Mine	462.91	-	-	462.91	70.78	9.31	-	80.09	382.82	392.13
Coal Mines	-	2,040.46	-	2,040.46	-	77.46	-	77.46	1,963.00	-
Building	8,307.38	5,392.96	-	13,700.34	1,751.39	429.64	-	2,181.03	11,519.31	6,555.99
Plant & Machinery	51,085.78	21,855.32	121.51	72,819.59	16,058.16	5,101.59	35.84	21,123.91	51,695.68	35,027.59
Furniture,Fixture & Equipments	817.59	187.29	2.38	1,002.50	435.91	118.63	4.87	549.67	452.83	381.68
Vehicles	1,022.16	318.45	323.21	1,017.40	595.45	157.14	259.13	493.46	523.94	426.72
Intangibles	193.73	1,143.66	-	1,337.39	65.23	92.24	-	157.47	1,179.92	128.49
Total	**66,729.85**	**34,096.33**	**1,172.98**	**99,653.20**	**18,990.59**	**5,996.32**	**299.84**	**24,687.07**	**74,966.13**	**47,739.26**
Depreciation taken to Preoperative Expenses						21.22				
Net Depreciation during the year						5,975.10				
Previous Year	**53,993.52**	**12,921.26**	**184.96**	**66,729.85**	**14,944.74**	**4,093.29**	**59.65**	**18,990.59**	**47,739.26**	**35,384.86**
Capital Work in Progress (including advances for Capital Expenditure and Stock of Capital items)				34,714.26					34,714.26	42,897.72

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

(Rs. in lacs)

Particulars	As at 31.03.2011	As at 31.03.2010
Schedule 'F' - Investments		
A. Investment in associates		
Equity share & share application money	0.90	0.90
B. Other investments		
Equity shares	107.62	625.02
Other investments	19,651.55	20,490.09
	19,760.07	**21,116.01**
Schedule 'G' - Inventories		
(As certified by the management)		
Stores and spares	1,284.12	676.87
Raw materials	10,807.31	7,062.88
Finished goods	13,786.44	7,460.70
	25,877.87	**15,200.45**
Schedule 'H' - Sundry Debtors		
Exceeding six months	410.13	369.36
Other debts	5,218.82	2,266.79
	5,628.95	**2,636.15**
Less : Provision for doubtful debts	356.69	369.32
TOTAL (Unsecured and considered good)	**5,272.26**	**2,266.83**
Schedule 'I' - Cash And Bank Balances		
Cash in hand	37.69	26.31
Balance with banks	1,524.21	6,253.51
	1,561.90	**6,279.82**
Schedule 'J' - Loans And Advances		
(Unsecured and considered good)		
Loans to employees	60.74	73.39
Advances recoverable in cash or in kind or for value to be received :		
To suppliers net of doubtful advances	3,595.98	2,117.75
To others	9,517.96	2,618.22
Cenvat credit & pla (unutilised)	-	1,089.55
Security and other deposits	833.37	491.85
Income-tax advance and TDS (net of provision)	540.84	920.64
	14,548.89	**7,311.40**
Schedule 'K' - Current Liabilities & Provisions		
Current liabilities		
Sundry creditors	6,694.21	5,014.45
Other liabilities	2,313.85	1,848.40
Interest accrued but not due	353.36	105.52
Unclaimed dividend	49.73	38.64
Advances and deposits	866.42	1,792.19
Duties & taxes payable	-	29.01
	10,277.57	**8,828.21**
Provisions		
For proposed dividend	1,075.50	1,021.35
For tax on dividend	174.47	173.58
	1,249.97	**1,194.93**
	11,527.54	**10,023.14**

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

(Rs. in lacs)

Particulars	For the year ended 31.03.2011	For the year ended 31.03.2010
Schedule 'L' - Other Income		
Miscellaneous Income	250.53	332.36
Profit on sale of other investments	2,042.81	7,227.33
Surplus on sale of fixed assets	55.97	-
DEPB,DDB claim on exports	664.16	120.44
Dividend	91.71	42.81
Sundry balances written back (net)	28.63	82.26
Total	**3,133.81**	**7,805.20**
Schedule 'M' - Increase/(Decrease) In Stocks		
Closing stock of finished goods	13,786.44	7,460.70
Opening stock of finished goods	(7,460.70)	(4,560.51)
Excise duty on (increase)/decrease in stock of finished goods	(586.89)	(345.18)
Total	**5,738.85**	**2,555.01**
Schedule 'N' - Raw Materials Consumed		
Opening Stock	7,062.88	4,093.61
Add:Purchases	63,024.98	41,293.05
	70,087.86	45,386.66
Less : Closing Stock	10,807.33	7,062.88
Total	**59,280.53**	**38,323.78**
Schedule 'O' - Payments and Other Benefits To Employees		
Salaries, wages, bonus and other allowances	2,747.64	1,814.71
Staff Welfare expenses	89.22	59.34
Contribution to provident fund and other funds	312.85	143.53
Total	**3,149.71**	**2,017.58**
Schedule 'P' - Manufacturing and Other Expenses		
Plant operation expenses	752.39	266.39
Conversion charges	101.70	195.63
Mining expenses	1,404.54	11.71
Material handling expenses	1,762.74	1,072.32
Travelling and conveyance	344.79	250.97
Rents, rates and taxes	322.39	169.14
Insurance	127.04	83.07
Repairs and maintenance to -		
Building	56.98	14.03
Plant and machinery	543.10	354.53
Others (including vehicles)	167.80	49.34
Bank charges and commission	305.79	192.74
Carriage outwards	685.90	451.86
Commission and brokerage	245.06	200.26
Royalty	712.75	-
Taxes & duties	523.23	(262.23)
Professional & legal charges	260.59	192.43
Loss on sale/destruction of fixed assets	2.55	133.63
Preliminary expenses written off	0.08	0.15
Establishment and other expenses	516.87	350.52
Charity & donation	58.87	84.68
Social welfare & development expenses	207.16	62.42
Directors remuneration	219.86	230.27
Bad debts written off	-	1.19
Provision for doubtful debts and advances	13.91	220.56
Payment to auditors	16.52	14.57
Total	**9,352.63**	**4,340.17**

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts

I) Significant Accounting Policies

1. Accounting Convention

The accounts of the Group are prepared under the historical cost convention using the accrual method of accounting in accordance with the generally accepted accounting principles in India, mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent liabilities as at the date of financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

3. Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation / amortization and impairment losses, if any. Cost comprises the purchase price and any attributable costs of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Intangibles

Intangible assets are carried at its cost less accumulated amortization and impairment losses, if any.

4. Leases

The Group has entered into various operating lease agreements for premises (residential, office and godown). These lease agreements are cancellable in nature and range between 11 months to 3 years and are usually renewable by mutual consent on mutually agreed terms. The aggregate rentals on accrual basis under such agreement have been charged to profit and loss account under the head rent, rates and taxes in Schedule "P" Manufacturing and Other Expenses.

5. Impairment of Fixed Assets

The carrying amount of the Group's fixed assets is reviewed at each balance sheet date and If any indication of impairment exists based on internal /external factor impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years.

6. Depreciation / Amortization

Depreciation on Buildings and Plant & Machinery in respect of Steel and Ferro Alloys Division are provided on Straight Line Method and on all other assets including Vehicles & Office Equipments on Written Down

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

Value method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.

Mining Rights and expenditure incurred on development of mines are amortised over useful life of the mines or lease period whichever is shorter.

Leasehold lands are amortised over the period of lease.

Intangible Assets are amortized over technically useful life of the asset.

7. Investments

Investments are either classified as current or long-term based on Management's intention at the time of purchase.

Long-term investments are carried at cost less provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

Current investments are carried at the lower of cost and fair value determined by category of investment. Provision for diminution in value of current investments is made and charged to Profit and Loss account on the basis of market price of such investments as on the Balance Sheet date.

8. Valuation of Inventories

i) Stores and Spares are carried at cost (net of CENVAT & VAT credit availed) on moving average basis.

ii) Raw Materials are carried at cost (net of CENVAT & VAT credit availed) on moving average basis and net realizable value whichever is lower.

iii) Finished and semi finished products produced and purchased by the Company are carried at lower of cost and net realizable value.

9. Overburden (OB) Removal Expenses :-

In case of Coal Mines, the Group books the coal stripping costs in accordance with estimated stripping ratio over the life of the mine. This calculation requires use of judgments and estimates such as estimates of tones of waste to be removed and coal to be extracted over the life of the mine. Expenses on Advance Stripping i.e. stripping of waste in excess of estimated stripping ratio or saving from under stripping of waste i.e. stripping of waste lesser than the estimated stripping ratio is recognised as Current Asset/ Current Liability.

The estimated stripping ratio over residual life of the mine is reviewed periodically and any change in the ratio will usually result into change in corresponding amount of the advance/ under stripping expenses recognised in the Balance Sheet.

10. Borrowing Cost

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of that asset. The amount of borrowing costs eligible for capitalization is determined in accordance with Accounting Standard 16 (Borrowing Costs). Other borrowing costs are recognized as an expense in the period in which they are incurred. Interest earned is reduced from interest and finance charges.

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

11. Employee Benefits

i) Retirement benefit in the form of Provident Fund contribution to the Statutory Provident Fund is a defined contribution scheme and the payments are charged to the Profit and Loss account of the period when the payments to the fund is due. There are no obligations other than contribution payable to Provident Fund Authorities.

ii) Certain employees of the Holding Company are also participants in the superannuation plan which is a defined contribution plan. The Holding Company makes contribution under the plan to the SEML Employees' Superannuation Trust. The Holding Company has no further obligation to the plan beyond its periodic contributions. Payments to the Trust are charged to the Profit and Loss account of the year when the payments to the respective funds are due.

iii) Retirement benefit in the form of Gratuity is a defined benefit obligation and is covered under group gratuity scheme of the Holding Company. The Holding Company contributes the ascertained gratuity liability to the approved Gratuity Trust which is charged to revenue on accrual basis. Gratuity Liability at each balance sheet date is ascertained on Actuarial Valuation basis using projected unit credit method. Actuarial gains/losses are immediately taken to Profit and Loss account and are not deferred.

iv) The liability for encashable leaves / compensated absences outstanding as on reporting date is provided based on the salary prevailing on reporting date.

12. Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of Goods

Revenue is recognized, when the significant risks and rewards of ownership of the goods is passed to the buyer, which is generally on dispatch of goods to customers. Sales include excise duty and exclude VAT and is net of discounts and incentives to the customers. Excise Duty to the extent included in the gross sales is deducted to arrive at the net sales. Excise duty incurred on finished goods as at Balance Sheet date is disclosed separately and adjusted with changes in stock of finished goods in the Profit & Loss Account.

Dividends

Revenue is recognized when the group's right to receive the payment is established by the Balance Sheet date. Dividend from subsidiaries is recognized even if the same are recognized after the Balance Sheet date but pertains to the period on or before the date of Balance Sheet as per the requirement of Schedule VI to the Companies Act, 1956.

Interest

Revenue is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.

Incentives

Revenue is recognized when the right to receive the credits is established and there is no significant uncertainty regarding the ultimate collection.

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

13. Foreign Currency Transactions

a) Monetary Items

Year end balance of foreign currency monetary items are translated at the closing rates as on Balance Sheet date.

Foreign exchange forward contracts are marked to market at closing rate as on the Balance Sheet date. The premium/discount earned or expended is amortized over the life of the forward contract.

All exchange differences including mark to market losses/gains are dealt with in the Profit and Loss account and disclosed under the head "Forex Fluctuation Gain/Loss Account", except to the extent that they are regarded as an adjustment to the interest costs and capitalized to fixed assets as per AS 16 (Borrowing Cost).

b) Non Monetary Items

Non Monetary items such as investments are carried at historical cost using the exchange rate on the date of transaction.

14. Taxes on Income

Current Tax (Considering MAT) payable in respect of taxable income is calculated as per the provisions of the Income Tax Act, 1961.

Deferred tax is recognized subject to consideration of prudence, on timing differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognized only to the extent there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax can be realized.

15. Capital Work in Progress / Project Expenses

Projects under commissioning including other capital work in progress are carried at cost, comprising direct cost, related incidental expenses, attributable cost and advances for capital goods. Expenses incurred on exploration of new projects are capitalized in the relevant project on materialization. If project does not materialize, expenditure incurred till date is charged to Profit & Loss Account.

16. Earnings per Share

The Group reports basic and diluted Earnings Per Share (EPS) in accordance with Accounting Standard 20 (Earnings per Share). Basic EPS is computed by dividing the net profit or loss attributable to the equity shareholders of the Holding Company for the year by the weighted average number of equity shares of the Holding Company outstanding during the year. Diluted EPS is computed by dividing the net profit or loss attributable to the equity shareholders of the Holding Company for the year by the weighted average number of equity shares of the Holding Company outstanding during the year as adjusted for the effects of all potential equity shares of the Holding Company, except where the results are anti-dilutive.

17. Cash and cash equivalents

Cash and Cash Equivalents in the Balance Sheet comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

18. Cash Flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Group are segregated.

19. Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Group has a present legal obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by the best estimate of the outflow of economic benefits required to settle the obligation at the reporting date. Where no reliable estimate can be made, a disclosure is made as contingent liability. A disclosure for a contingent liability is also made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

20. Onerous Contracts

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected cost of terminating/exiting the contract and the expected net cost of fulfilling the contract.

21. Basis of Consolidation

(A) The Consolidated Financial Statements comprise the individual financial statements of Sarda Energy & Minerals Limited, its subsidiaries, jointly controlled entities and associates as on March 31, 2011 and for the year ended on that date. The Consolidated Financial Statements have been prepared on the following basis:

i. The Financial Statements of the Company and its subsidiaries have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra group balances and intra group transactions resulting in unrealized profits or losses as per Accounting Standard 21 on 'Consolidated Financial Statements' as notified by the Companies (Accounting Standard) Rules, 2006. The assets and liabilities of foreign subsidiaries are translated at year end exchange rates and all other items in Profit and Loss account are translated at the average annual rate. The resultant gain and losses are shown separately as Foreign Currency Translation Reserve under Reserves and Surplus.

ii. The Financial Statements of jointly controlled entities have been considered on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra group balances and intra group transactions resulting in unrealized profits or losses as per Accounting Standard 27 on 'Financial Reporting of Interests in Joint Ventures' as notified by the Companies (Accounting Standard) Rules, 2006 using the proportionate consolidation method.

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

iii. The Company's investments in associates are accounted under the equity method and its share of pre-acquisition profits / losses is reflected as Capital Reserve / Goodwill in the carrying value of investments in accordance with Accounting Standard 23 on 'Accounting for Investments in Consolidated Financial Statements' as notified by the Companies (Accounting Standard) Rules, 2006.

iv. The Financial Statements of the subsidiaries, the jointly controlled entities and the associates used in the consolidation are drawn up to the same reporting date as that of the Company i.e. March 31, 2011.

v. The difference between the cost of investment in the subsidiaries over the net assets at the time of acquisition of shares in the subsidiaries is recognized in the Consolidated Financial Statements as Goodwill/Capital Reserve as the case may be.

vi. Minority interest in the net assets of the subsidiaries consists of the amount of equity attributable to minorities at the date on which investments are made in subsidiaries. Net Profit for the year of the subsidiaries attributable to minorities is identified and adjusted against the Profit of the Group in order to arrive at the net profit attributable to the shareholders of the Company.

(B) i. The financial statements of the following subsidiaries and Controlled entities have been consolidated as per the Accounting Standard 21 on Consolidated Financial Statements as notified by the Companies (Accounting Standards) Rules, 2006.

Name of Subsidiary Company	Current Year Proportion of ownership interest (%)	Previous Year Proportion of ownership interest (%)
Sarda Energy & Minerals Hongkong Ltd	100%	100%
Sarda Global Ventures Pte Ltd.	100%	100%
Sarda Metals and Alloys Ltd.	100%	100%
Sarda Energy Ltd.	100%	100%
Chhattisgrah Hydro Power LLP	66.81%	60.92%
Parvatiya Power Ltd	51.00%	54.41%
Madhya Bharat Power Corporation Ltd.	52.00%	52.00%
Shri Ram Electricity LLP	51.00%	--
Sarda Hydro Power Pvt. Ltd.	60.00%	--

ii. The Financial Statements of the following jointly controlled entities have been incorporated as per Accounting Standard 27 on 'Financial Reporting of Interests in Joint Ventures' as notified by the

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

Companies (Accounting Standard) Rules, 2006. Both the jointly controlled entities are incorporated in India.

Name of jointly controlled entity	Proportion of ownership interest (%)	
	As on March 31, 2011	As on March 31, 2010
Raipur Infrastructure Company Ltd.	33.33	33.33
Madanpur South Coal Company Ltd.	20.63	20.63

The following amounts are included in the Financial Statements in respect of the jointly controlled entities referred to in note (ii) above, based on the proportionate consolidation method.

	Particulars	As on March 31, 2011 Rs (in Lacs)	As on March 31, 2010 Rs (in Lacs)
A.	**Assets**		
	Long Term Assets	551.22	552.00
	Short Term Assets	161.13	100.50
	Total	**712.35**	**652.50**
B	**Liabilities**		
	Long Term Liabilities	17.10	30.69
	Current Liabilities and Provisions	**5.92**	5.38
	Total	23.02	**36.07**
C.	**Contingent Liabilities**	899.88	899.47
D.	**Capital Commitments**	8.92	18.81
E.	**Income**	41.94	153.34
F.	**Expenses**	39.69	79.93

iii. The group has investments in the following associates which are accounted for on the equity method in accordance with Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' as notified by the Companies (Accounting Standard) Rules, 2006.

Name of Associates	Current Year	Prev. Year
	Proportion of ownership interest (%)	Proportion of ownership interest (%)
Chhattisgarh Bricks Pvt Ltd	40	40
Natural Resources Energy Pvt Ltd	50	50

II) Notes to Accounts

1. Estimated amount of contracts remaining to be executed on Capital Account, net of advance given – Rs. 27,908.60 lacs (Prev. year Rs. 13986.58 lacs).

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

2. Contingent Liabilities not provided for in respect of:

i) Guarantee given by group's bankers – Rs 1661.85 lacs (Prev. year Rs. 1324.25 lacs).

ii) Guarantee (equal to group's share in Joint Venture) given by the group to IDBI Bank Ltd against guarantee issued by the Bank in favour of Government of India on behalf of Madanpur South Coal Company Ltd (The Joint Venture Company for Coal Mining) – Rs. 900.00 lacs (Prev. year Rs. 900.00 lacs).

iii) Group has given Guarantee to Director General of Foreign Trade- Rs. 63.87 lacs (Prev.year Nil) and Asst. Commissioner of Customs Rs.42.57 lacs (Prev.year Nil) for fulfillment of Export Obligation against import of capital goods under "Export Promotion Capital Goods Scheme".

iv) Bills discounted with the group's bankers under Letters of Credit – Rs. 1712.05 lacs (Prev. year – Rs. 1328.14 lacs)

v) Claims against the group not acknowledged as debt & disputed in appeal – Rs. 98.93 lacs (Prev. year Rs. 72.00 lacs)

vi) **Excise Duty & Service Tax**

a) Excise duty demand of Rs. 20.56 lacs (Prev. year Rs. 20.56 lacs) raised on account of Cenvat Credit availed, which the group has disputed in High Court.

b) Excise Duty demand of Rs. 17.91 lacs (Prev. year Rs. 44.14 lacs) raised on the group on account of Cenvat Credit availed & duty amount has been disputed before Commissioner (Appeals), Raipur.

c) Excise Duty demand of Rs. 170.38 lacs (Prev. year Nil) raised on account of Cenvat Credit availed which the group has disputed and has filed appeal before the CESTAT.

d) Excise Duty demand of Rs. 10.23 lacs (Prev. year Nil) raised on group on account of Cenvat credit availed which the Department has disputed and has filed appeal before the CESTAT.

e) Rs. 6.97 lacs (Prev. year Rs. 6.97 lacs) on account of duty on VAT Collected by the group against which the group has filed an appeal before the CESTAT.

f) Rs. 4.44 lacs (Prev. year Nil) on account of duty on sale of waste and scrap by the group. The case has decided in favour of the Company by Commissioner Central Excise (Appeals). The Central Excise Department has filed appeal before the CESTAT against decision of the CCE(A).

vii) **Value Added Tax/Central Sales Tax/Entry Tax**

Value Added Tax/Central Sales Tax/Entry Tax demand of Rs. 50.78 lacs (Prev. year Rs. 59.58 lacs) are pending in appeal against assessment of various years of the group.

viii) **Income Tax**

Rs. 1896.34 lacs (Prev. Year Nil) for the Assessment Year 2008-09 on account of partial disallowance of deduction claimed under Section 80IA of the Income Tax Act 1961 disputing the transfer pricing of power captively consumed by other divisions of Holding Company. This issue has already been decided in favour of the group by the Income Tax Appellate Tribunal for earlier Assessment Years.

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

ix) Energy development cess of Rs.1567.40 lacs (Prev. year Rs. 1288 lacs) net of amount deposited of Rs. 294.34 lacs (Prev. year Rs. 294.34 lacs) demanded by the Chief Electrical Inspector, Govt. of Chhattisgarh for the period May 2006 to August 2010 of group. The Hon'ble High Court of Chhattisgarh has held the levy of cess as unconstitutional vide its order dated 20th June 2008. The State Govt. has filed a Special Leave Petition before the Hon'ble Supreme Court.

x) Group's total future minimum lease payment under non-cancellable operating lease of premises is Rs. 2.08 lacs (Prev. Year Nil)

3. Deferred Tax

The Group has estimated the deferred tax charge using the applicable rate of taxation and the same has been charged to Profit & Loss Account. Accordingly Deferred tax liability (Net) of Rs. 3613.28 lacs is disclosed under separate heading in the Balance Sheet as given below:

(Rs. in Lacs)

Particulars	Deferred tax liability / (asset) as at 31.03.2010	Charges / (Credit) during the year	Deferred tax liability / (asset) as at 31.03.2011
On account of Time difference:			
Depreciation	3,020.83	468.41	3,489.24
Excise Duty on Closing Stock	109.90	271.09	380.99
Liability of Leave Salary	(31.38)	(1.98)	(33.36)
Liability of Amalgamation Exp	(16.78)	7.56	(9.22)
Asset of Electricity Duty	(217.23)	2.86	(214.37)
	2,865.34	**747.94**	**3,613.28**

4. Related Party Disclosure

I) Names of related parties and description of relationship:

S.No.	Description of Relationship	Names of Related Parties
1	Related Enterprises where significant influence exist	Prachi Agriculture & Properties Private Limited Sarda Agriculture & Properties Private Limited R.R. Sarda & Company
2	Key Management Personnel	Mr. Ghanshyam Das Mundra Mr. Gopal Krishna Chhanghani Mr. K. L. Mehrotra Mr. Kamal Kishore Sarda Mr. Manish Sarda Mr. Neeraj Sarda Mr. Pankaj Sarda Mrs. Uma Sarda Miss. Sheen Agrawal
3	Relative of Key Management Personnel	Mrs. Shakuntala Devi Sarda

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

II) Material Transactions with Related Parties

(Rs. in lacs)

Particulars	Related Enterprises	Key Management Personnel	Relatives of Key Management Personnel
Share Application Money		6.00	---
Refunded		(9.00)	(15.00)
Remuneration		289.24	
		(267.67)	
Rent Paid	9.60	10.44	0.72
	(9.60)	(10.44)	(0.72)
Outstanding as on 31.03.2010		10.74	0.14
Receivable		(--)	(--)
Payable	-	-	-
	(2.12)	(0.03)	-

5. **Earning Per Share**

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Net Profit (Rs. in lacs)	7,152.95	14,421.06
Nominal Value of Equity Shares (Rs.)	10/-	10/-
Weighted average number of Equity Shares for Basic EPS	3,44,95,096	3,40,45,109
Basic Earnings per Share (Rs.)	20.74	42.36
Weighted average number of Equity Shares for Diluted EPS	3,44,95,096	3,40,45,109
Diluted Earnings per share (Rs.)	20.74	42.36

6. **Provision for Contingencies** - NIL

7. **Segment Reporting**

Segment information has been prepared in confirmity with the accounting policies adopted for preparing and presenting the financial statements of the Company. As part of secondary reporting, the Company has no geographical segment by location.

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

A) Business Segment Primary

(Rs. in lacs)

Particulars	2010-2011			2009-2010		
	Steel	Ferro	Total	Steel	Ferro	Total
Revenue						
Sales & other income	44,128.15	40,698.13	84,826.28	27,896.66	19,958.65	47,855.31
Inter segment sales	-	509.16	509.16	-	45.88	45.88
Others Unallocated			3,317.78	-		12,720.74
Total Revenue	44,128.15	41,207.29	88,653.22	27,896.66	20,004.53	60,621.93
Result						
Segment Result	4,876.05	5,468.32	10,344.36	1,047.95	4,721.97	5,769.92
Miscellaneous Income			5,659.32			7,306.65
Unallocated Corporate Expenses			(6,200.67)			(1,468.92)
Operating Profit			**9,803.01**			**11,607.65**
Interest & Forex Fluctuation Loss (Net)			(471.85)			4,270.70
Profit Before Tax & Extraordinary Item			**9,331.17**			**15,878.35**
Add: Extra Ordinary Item			-			-
Provision for taxation						
For Current Year			(1,425.87)			(1,411.07)
For Deffered Taxation			(747.93)			(35.39)
For Fringe Benefit Tax			-			-
Income Tax for Earlier years			42.04			5.63
Profit After Taxation			7,199.41			14,437.53
Other Information						
Segment Assets	78,399.38	26,998.83	105,398.21	70,590.73	14,473.33	85,064.06
Unallocated Assets			51,543.12			36,631.42
Total Assets			**156,941.33**			**121,695.48**
Segment Liabilities	3,921.59	5,173.24	9,094.84	3,792.92	4,203.56	7,996.48
Unallocated Liabilities			2,432.70			2,026.66
Total Liabilities			**11,527.54**			**10,023.14**
Capital Expenditure	6,161.57	2,887.07	9,048.64	11,345.11	459.17	11,804.28

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

(Rs. in lacs)

Particulars	2010-2011			2009-2010		
	Steel	Ferro	Total	Steel	Ferro	Total
Depreciation / Amortisation	2,901.61	520.25	3,421.86	1,596.96	534.42	2,131.38
Unallocated Capital Exp. & Depreciation			19,417.47			9,931.34
Non-cash Expenditure other than depreciation /(amortisation)			NIL			NIL

8. Previous year figures are shown in bracket and have been recast / regrouped / restated wherever necessary to make them comparable.

SIGNATURE TO SCHEDULE "A" TO "Q"

As per our report of even date attached
For M. M. Jain & Associates
Chartered Accountants
(FRN 112538W)

(Manish Jain)
Partner
Membership No. 118548

Raipur
Dated : May 21, 2011

For and on behalf of the board

(K. K Sarda)
Chairman & Managing Director

(Pankaj Sarda)
Director

(P. K. Jain)
CFO & Company Secretary

Raipur
Dated : May 21, 2011

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SARDA

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