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enriching lives empowering growth

The concept of growth at most organisations has a single dimension and single direction. It is measured with a limited yardstick – numbers.

But there is much more to growth than just numbers.

At SEML, growth is as much about development and empowerment as it is about finance. Growth is as much about sharing and inclusiveness as it is about profits.

Growth at SEML has many dimensions and directions.

Since the last three decades, we have been following a growth strategy that is quite different from our peers – growth that EMPOWERS and ENRICHES lives.

Today, SEML is one of the lowest cost producers of steel, power and ferro alloys and among the largest manufacturers and exporters of ferro-alloys in India. We have diversified into energy and minerals, and are among the few companies in India to be self-sufficient in energy requirements. We have our own iron-ore and coal mines, and are on way to acquire mines of manganese ore to become self-sufficient in our mineral requirements.

We are the supplier of choice to over 60 customers across the globe and are expanding our global footprint through alliances and partnerships.

Even as we achieved this spectacular growth, we made sure that this growth directly enriched lives of – our employees, our customers, our partners and most of all, the society and communities we live and work in. Being a responsible company, we are sustainable and environment friendly.

At SEML, we have been

ENRICHING LIVES EMPOWERING GROWTH

chairman's message

Dear Shareholders,

Welcome to the 40th Annual General Meeting of your Company. It is always a pleasure to share with you a review of our performance last year as well as outlook for the future.

Growth continued to remain sluggish in most economies of the world during 2012. In the Eurozone, the Greek debt repayment crisis in the middle of 2012 followed by the more recent similar crisis in Cyprus in March 2013, cast their dark shadows on the entire global economy. In the Asian growth hot-spots of China and India, GDP growth came down to lowest in the decade as a result of slackness in demand. India faces its own economic challenges with high levels of current account deficit, sustained inflationary pressure and tight monetary policies. The falling Indian rupee against major international currencies added to an already difficult business environment.

In light of such challenging circumstances, most industries continued to struggle. In the steel industry, while consumption in India continued

to grow and demand for special grade of steel rose, the prices underwent a sharp correction. The Indian sponge iron industry had to contend with multipronged blows from high costs, poor availability of raw materials and cheaper import of scrap. Both demand and margins suffered badly, with the sponge iron production declining by 20 percent in the last two year.

In the ferro alloys space, consumption increased during the year but with over-supply, there was fierce competition in both domestic and export markets, leading to pressures on margins. The power sector continues to face a peculiar issue where there is a huge demand from consumers, but concessional prices are making buying and distribution of power un-remunerative.

Despite these tough operating conditions, your Company came up with another sterling performance during the year. On a standalone basis, we achieved a record turnover of ₹ 1,524 crores for the year compared to ₹ 1,197 crores in the previous year, an impressive growth of over 27 percent. On a consolidated basis, revenue from operations (gross) were ₹ 1,545 crores, up from ₹ 1,205 crores last year, an increase of over 28 percent.



In light of such challenging circumstances, most industries continued to struggle. In the steel industry, while consumption in India continued to grow and demand for special grade of steel rose, the prices underwent a sharp correction. The Indian sponge iron industry had to contend with multipronged blows from high costs, poor availability of raw materials and cheaper import of scrap. Both demand and margins suffered badly, with the sponge iron production declining by 20 percent in the last two year.

In line with this fine top-line performance, the bottom-line improved significantly. Our consolidated EBIDTA increased to ₹ 338 crores from ₹ 215 crores in the previous year, up by over 57 percent, and our consolidated net profit went up from ₹ 88 crores in the previous year to ₹ 162 crores this year, a jump of 84 percent.

Your Directors have recommended a dividend of ₹ 3 per share for the year.

This excellent performance was achieved due to sustained and relentless focus on improving internal efficiencies with remarkable improvement in reducing consumption of materials, fuel and power. This helped the Company remain competitive in a challenging scenario and maintain its margins.

During the year, the captive thermal power plant of 80 MW capacity installed by Sarda Metals & Alloys Ltd. (SMAL), subsidiary of your Company was successfully commissioned at Vishakhapatnam in March 2013. The project has reported profit in the very first month of its operation.

Your Company also achieved financial closure for its ₹ 550 crore de-bottlenecking, modernisation and expansion project for its manufacturing and mining facility. The project will be executed in the next two years.

The outlook for the Company remains positive as both global and Indian economies are entering a recovery phase. The Company is confident that

with its continued efforts of optimal utilisation of resources, sustained focus on cost savings and the zealous drive of all its employees will ensure another better performance in the near future.

Your Company, as a responsible corporate citizen, always ensures that it leads with initiatives in environment sustainability as well as corporate social responsibility. This year has been no different, and the Company continued to remain actively engaged in initiatives ranging from education, healthcare, improving livelihood and providing better amenities and facilities to communities and societies in and around its plants and facilities. On the environmental protection front, the Company has focussed on full utilisation of in-house waste by expanding the fly-ash brick plant capacity. Many other initiatives like rain-water harvesting, solar power generation and extensive tree plantation have been undertaken during the year.

In conclusion, I would like to assure you that your Company has always believed in a growth that is inclusive and multi-pronged, that is shared and inclusive. Growth becomes exponentially effective and meaningful only when it empowers a nation and enriches the lives of its people.

On behalf of the board, I thank you all for your trust and faith in the Company, and look forward to your continued support as we move ahead on our journey of

EMPOWERING GROWTH...ENRICHING LIVES.

Yours faithfully,

Kamal Kishore Sarda
Chairman and Managing Director

Notice to the members of Sarda Energy & Minerals Ltd.

NOTICE is hereby given that the 40th Annual General Meeting of members of Sarda Energy & Minerals Ltd. will be held at its registered office at 73/A, Central Avenue, Nagpur-440 018 on Saturday, the 28th day of September, 2013 at 2.30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2013 and the Statement of Profit & Loss for the year ended on that date and the reports of the Board of Directors and the Auditors thereon.
2. To consider declaration of dividend on equity shares.
3. To appoint a director in place of Mr. Ghanshyam Das Mundra, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mr. Prabhakar Ram Tripathi, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a director in place of Mr. Gajinder Singh Sahni, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

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

“RESOLVED that pursuant to Sections 198, 269, 309, 310 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 (including any amendment to or enactment thereof) and also subject to the approval of statutory authorities, if any, as may be required and subject to such alterations and modifications, if any, that may be effected by the above authorities in that behalf and which the Board of Directors is hereby authorised to accept, consent of the company be and is hereby accorded to the appointment of Mr. Pankaj Sarda as whole time director, to be designated appropriately by the board of directors, for a period of 5 years w.e.f. 1st November, 2012, liable to retire by rotation, upon the terms and conditions as to remuneration and otherwise as set out in the explanatory statement attached to this notice and that the Board of Directors / Appointment & Compensation Committee be and is hereby authorised to alter and vary such terms and conditions in accordance with the laws in force from time to time as may be agreed to by the Board of Directors/Appointment & Compensation Committee and Mr. Pankaj Sarda.

RESOLVED FURTHER that for the purpose of giving effect to the above resolution, the Board of Directors / Appointment & Compensation Committee be and is hereby authorised to take all such actions and give all such directions, or do all such acts, deeds, matters and things as may be necessary in this regard and further to execute all such deeds, documents and writings as may be necessary in this regard.”

Place : Raipur
Dated : 12th Aug, 2013

By Order of the Board
(P.K. Jain)
Company Secretary

Notes:-

1. The relevant explanatory statement pursuant to section 173 of the Companies Act, 1956 in respect of item no. 7 of the Notice set out above is annexed hereto.
2. **A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company. The proxies in order to be effective must be received by the company not less than 48 hours before the meeting.**
3. Brief resume of directors proposed to be re-appointed including details as stipulated under Clause 49 of the Listing Agreement entered into with the Stock Exchanges, is provided in the Report on Corporate Governance forming part of the Annual Report.
4. Members are requested to take note that dividends which remain unclaimed/un-encashed over a period of 7 years have to be transferred by the company to the Investor Education & Protection Fund (IEPF) constituted by the Central Government under Sections 205A and 205C of the Companies Act, 1956. Members who have not yet encashed their dividend warrants for the financial year ended 2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11 and 2011-12 are requested to make their claims to the Company/Registrar & Transfer Agents without any delay, because once the unpaid dividend is transferred to Investor Education & Protection Fund, the members shall not be able to register their claim in respect of their unencashed dividends. Members are requested to take special note that the unclaimed dividend for the year 2004-05 has been transferred to IEPF in November, 2012 and the unclaimed dividend for the year 2005-06 is due to be transferred to IEPF in November, 2013.
5. As mandated by SEBI, the company is providing Electronic Clearing System (ECS) to ensure faster and safer remittance of dividend than customary cheque mode, in the RBI notified centers. Members desirous of availing Electronic Clearing System (ECS) may return the format attached with the annual report accurately filled in and signed. A photocopy of a leaf of your cheque book bearing your bank account number may also be sent along with the Mandate Form to the Registrar and Share Transfer Agent. In absence of availing of this option by the members, the company shall send warrants for disbursing dividend.
6. The service of notice/ documents including Annual Report can be sent by e-mail to its members. The members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to inform their email-ids to Sharepro Services (India) Pvt. Ltd. the Registrar & Transfer Agent. However, members continue to have the option of receiving all communications in physical form free of cost, if they so elect.
7. Members holding shares in physical form can avail of the nomination facility by filing form 2 B (in duplicate) as prescribed under the Companies (Central Government's) General Rules and Forms, either with the Registrar & Transfer Agents or with the company. In case of demat holding, the nomination has to be lodged with members' Depository Participant.

Explanatory Statement as required by Section 173 (2) of the Companies Act, 1956**Item No. 7**

The term of Mr. Pankaj Sarda, wholetime director of the company expired on 31st October, 2012. Mr. Pankaj Sarda aged about 34 years has done his Industrial Engineering from Nagpur University, Nagpur and Masters from Purdue

University, USA. He has more than 10 years of experience in the field of project execution, human resource, plant operation and corporate affairs.

Keeping in view his experience, the Board of Directors of the company in its meeting held on 27th October 2012 had, subject to the approval/consent of the members in the general meeting, approved the re-appointment of Mr. Pankaj Sarada as wholetime director of the company for a further period of 5 years w.e.f. 1st November, 2012, liable to retire by rotation. Considering the role played by Mr. Pankaj Sarada in growth of the company, the Board of Directors had, in its meeting held on 25th May 2013, elevated him to the position of Deputy Managing Director w.e.f. 1st June, 2013.

During his tenure, Mr. Pankaj Sarada will be entitled for remuneration as under:

| | |
|-----------------------|--|
| Salary | : Such amount per month as may be fixed by the Appointment and Compensation Committee in the band of ₹ 1,00,000/- to ₹ 5,00,000/-. The increment will be merit based and take into account the company's performance. |
| Performance Incentive | : Based on the previous year's performance of the company, such amount and in such form, payable monthly or quarterly or in any other manner, as may be approved by the Appointment and Compensation Committee subject to a maximum of ₹ 24,00,000/- p.a. |
| Perquisites | : In addition to the salary and performance incentive, within the overall ceiling of 100% of the annual salary, Mr. Pankaj Sarada will be entitled to such perquisites in such form and manner as the Appointment and Compensation Committee of the company may decide, including but not restricted to the following: <ul style="list-style-type: none"> a) Furnished accommodation with expenditure on gas, electricity, water and maintenance and repair thereof, or House Rent Allowance and House Maintenance Allowance with expenditure on gas, electricity, water and furnishings. b) Leave Travel Allowance for self and family c) Medical expenses and medical insurance for self and family d) Personal Accident Insurance e) Club Fees <p>and such other perquisites and allowance in accordance with the rules of the company or as may be agreed by the Appointment and Compensation Committee.</p> <p>For the purpose of calculating the ceiling of 100% as mentioned above, perquisites shall be evaluated as per the Income Tax Rules, 1962, wherever applicable, and in the absence of any such Rules, perquisites shall be evaluated at actual cost.</p> <p>Provision for use of company's car and telephone at residence (including payment of local calls and long distance official calls) shall not be included in the computation of perquisites for the purposes of calculating such ceiling.</p> <p>Company's contribution to provident fund and superannuation or annuity fund to the extent these either singly or together are not taxable under the Income Tax Act, 1961, Gratuity payable, and encashment of leave at the end of the tenure shall not be included in the computation of limits for remuneration or perquisites as aforesaid.</p> <p>Note- 'Family' for the purpose shall mean the spouse, the dependent children and the dependent parents of Mr. Pankaj Sarada.</p> |
| Commission | : Such sum by way of commission, in addition to salary, perquisites and allowances payable, calculated with reference to the net profits of the company in a particular financial year, as may be determined by the Appointment and Compensation Committee of the company at the end of each financial year, subject to the overall ceiling stipulated in section 198 and 309 of the Companies Act, 1956. |

| | |
|---------------------------------|--|
| Compensation for loss of office | : In the event of loss of office of the Dy. Managing Director, he shall be paid compensation in the manner and to the extent permissible under the provisions of Section 318 of the Companies Act, 1956. |
| Minimum Remuneration | : Notwithstanding the above, where in any financial year during the currency of term of office of Mr. Pankaj Sarda, the company has made no profits or its profits are inadequate, the company shall pay salary, performance incentive, perquisites and allowances (except commission) as specified above to Mr. Pankaj Sarda. |

During his tenure, Mr. Pankaj Sarda, subject to the superintendence, control and direction of Chairman & Managing Director, shall perform such functions as may be conferred upon him by the Chairman & Managing Director or Board of Directors from time to time.

Since the appointment/re-appointment of a director is required to be confirmed by the members in the general meeting, the resolution at point no. 7 is submitted for your approval.

Except Mr. Pankaj Sarda and Mr. K.K. Sarda, no other director is interested in the proposal.

The proposed resolution as set out in item no.7 and this explanatory statement may be treated as an abstract of the terms and conditions of appointment of Mr. Pankaj Sarda as Dy. Managing Director of the company in terms of Section 302 of the Companies Act, 1956.

Place : Raipur

Dated : 12th Aug, 2013

By Order of the Board
(P.K. Jain)
Company Secretary

Directors' Report

Dear Members,

Your directors take pleasure in presenting the 40th Annual Report on business and operations of your company for the financial year ended 31st March, 2013.

Financial performance

(₹ in Crore)

| Particulars | Standalone | | Consolidated | |
|---------------------------------|------------|---------|--------------|---------|
| | 2012-13 | 2011-12 | 2012-13 | 2011-12 |
| Revenue from operations (Gross) | 1,524 | 1,197 | 1,545 | 1,205 |
| Less: excise duty | 140 | 97 | 140 | 97 |
| Revenue from operations (Net) | 1,384 | 1,100 | 1,405 | 1,108 |
| Export | 120 | 117 | 120 | 117 |
| EBIDTA | 287 | 237 | 338 | 215 |
| Depreciation | 64 | 63 | 69 | 65 |
| Finance cost (Net) | 63 | 70 | 69 | 72 |
| Profit before tax | 160 | 104 | 200 | 78 |
| Provision for taxation | 35 | (10) | 38 | (10) |
| Net profit | 125 | 114 | 162 | 88 |

Dividend

Your directors have recommend a dividend of ₹ 3/- per equity share for the year ended 31st March, 2013. The total outgo on account of dividend including tax thereon will be ₹ 12.58 crore. The dividend shall be paid after approval of the members at the annual general meeting.

During the year, your company has transferred the unpaid dividend amount in respect of the F.Y. 2004-05 to the Investor Education and Protection Fund established u/s 205C of the Companies Act, 1956.

Operations

During the year under review, performance of the manufacturing facilities and coal mine was satisfactory and saw all-round improvement over previous year. This was achieved through constant endeavor at all levels for excellence. The operations at the iron ore mines remained suspended due to law and order problems in the surrounding area.

For detailed plant wise analysis, members are requested to refer to the Management Discussion and Analysis, forming part of this Annual Report.

Projects

Debottlenecking, Modernization & Expansion project

Your company has achieved financial closure for its ₹ 550 crores project for debottlenecking, modernisation & expansion of existing manufacturing and mining facility. The project will be executed over next 2 years.

Pithead Thermal Power Plant

Your company has received Environmental Clearance for its 350 MW pithead thermal power plant, subject to receipt of Stage-1 forest clearance. Coal mining plan for enhanced capacity of coal mining has been prepared and submitted to concerned government authorities. Project execution will be started after approval of the mining plan.

Controlled entities

- **Sarda Energy & Minerals Hongkong Ltd, Hongkong (SEMHKL)**, is a wholly owned subsidiary, functioning as global investment arm of your company. During the year under review, the subsidiary reported a net profit of ₹ 32.43 crore.
- **Sarda Global Venture Pte. Ltd. Singapore (SGV)**, a wholly owned subsidiary, has acquired economic interest in coal mines in Indonesia. Land acquisition for mining is going on. During the year, the subsidiary reported a net profit of ₹ 0.21 crore.
- **Sarda Metals & Alloys Ltd.(SMAL)**, a wholly owned subsidiary has executed 2x33 MVA Ferro Alloys plant backed by 80 MW captive thermal power plant. In view of adverse market condition, SMAL is operating the power plant only. Commercial operation of Ferro Alloys will be started on improvement of economics of Ferro Alloys industry. Your company has made equity investment of ₹ 200 crores in the project. The project has reported profit in the very first month of its commercial operation in March, 2013.
- **Sarda Energy Ltd. (SEL)**, a wholly owned subsidiary, has taken up the project of 1320 MW super critical thermal power project in Chhattisgarh. Nearly half of the required land has already been acquired by the company. The matter of acquisition of balance land through compulsory acquisition route is pending before the Hon'ble High Court of Chhattisgarh and all activities have been deferred until the decision of the Hon'ble High Court of Chhattisgarh is pronounced in the matter.
- **Parvatiya Power Ltd. (PPL)**, is operating 4.8 MW Loharkhet Small Hydro Power Project in Bageshwar District of Uttarakhand since 2008. During the year 2012-13, the plant generated and supplied 192.70 lacs KWh power achieving 46% capacity utilization factor. The company earned a profit after tax of ₹ 1.78 crore. Your company continues to hold 51% stake in PPL.
- **Madhya Bharat Power Corporation Ltd. (MBPCL)**, is implementing 96MW Rongnichu Hydro Power Project near Gangtok in East Sikkim as a run-of-the-river scheme. During the year under review, civil works gained momentum at all construction fronts and the contracts for Hydro Mechanical Works were awarded. The Project has got successfully registered as a CDM Project with UNFCCC.

So far, your company has made an equity investment of ₹ 65 crores and holds 58.73% share in the company.

- **Chhattisgarh Hydro Power LLP** has been allotted four run-of-the river Small Hydro Power Projects in Chhattisgarh with a total generation capacity of 77 MW. The LLP has started work on first 24 MW Gullu Hydro power project. The project is entitled for CDM benefits; MOEF has conveyed Host Country Approval to Project for CDM registration on 29.06.2012. The project is currently under validation stage.

All these projects are entitled for benefits in the form of subsidy from Ministry of New & Renewable Energy, Clean Development Mechanism as well as Renewable Energy Certificates. Your company has contributed ₹ 13 crore towards its share in the LLP and holds 60.92% stake in CHP LLP.

- **Sarda Hydro Power Pvt. Ltd. (SHPPL)** has been allotted 24 MW Kotaiveera and 9MW Ganeshpur Small Hydro Power Project in Chhattisgarh. Land Acquisition and statutory approvals are in progress. Your company holds 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 of 40 MW in the State of Chhattisgarh. Your company continues to hold 51% stake in SRELLP. Techno-economic viability study is being carried out.
- **Raipur Fabritech Pvt. Ltd. (RFPL)** has been incorporated to undertake Steel fabrication activities at the site of closed steel plant of your company. Your company holds 52.38% stake in RFPL.

- **Raipur Industrial Gases Pvt. Ltd. (RIGPL)** has been incorporated to undertake activities related to production of industrial gases at the site of Raipur Gases Private Limited. The company is yet to start its operations. Your company holds 51% stake in RFPL.

Joint ventures

- **Raipur Infrastructure Company Ltd. (RICL)** operates a private railway siding in Mandhar, Raipur. During the year 2012–13, the company has earned profit of ₹ 1.37 crore as against ₹ 1.38 crore in the previous year.

RICL is also in the process of developing a private railway siding allotted in Orissa. The process of approvals for land acquisition is under progress. Your company holds one third share in the Joint Venture.

- **Madanpur South Coal Co. Ltd. (MSCCL)** has been allotted a coal block in Madanpur area of Dist. Korba of Chhattisgarh in consortium. Most of the clearances required have been obtained however, the forest clearance is yet to be granted by the Ministry of Environment and Forest, Government of India and efforts are on to obtain the Forest Clearance at the earliest. Your company holds a 20.63% stake in the joint venture.

Awards/Appreciation

During the year, your company received an award from the Chhattisgarh State AIDS Control Society for the highest blood collection of 613 units at the Blood Donation Camp organized in association with “Red Cross Society & CII-Young Indians”.

Environmental conservation

Your company endeavors to adopt best practices for protection of environment keeping in mind the philosophy of co-existence and co-creation of Mother Nature and human activities. Impact of each production activity on nature is closely monitored. Your company has focused on utilization of waste in house. Your company is expanding fly ash brick plant capacity to fully utilize increased waste generation. Various corrective and preventive measures are taken to overcome the environmental issues and are supported with adequate budgetary measures. Your company continues to take numerous initiatives aimed at minimizing environmental issues.

During the year following initiatives were taken in this direction:

- various new instruments, equipments, like Turbine Ventilators, Fume Extraction System, etc. were installed and various equipments/instruments of low capacity were replaced with instruments/equipments of higher capacity so as to reduce/ control emissions
- independent Tapping Smoke Extraction System for individual furnaces and Pneumatic Conveying Dust Handling System for ESP & Hoppers were commissioned
- Water Sprinklers of 25mtr range covering new areas, dust suppression pumping station provided, road side paving was done
- Automatic Level Sensor and Shutoff Valve was installed to prevent over flow of water from tank thus eliminating wastage of drinking water
- Rain Water Harvesting was implemented resulting in collection of 640420 M³ of water
- 82746 units of solar power generated
- Plant waste of Ferro Alloys plant and other plants was utilized for making ECO bricks

In addition to the above, cleaning of ESP fields, filtration of ESP Transformer oil, and other maintenance work is being carried out for various equipments and machinery parts on a regular basis. Further, extensive tree plantation has been done to enhance the green cover in and around the plant area and during the year, around 1200 trees have been planted.

Corporate social responsibility

Your company believes in giving back to the society and contributes significantly to the socio-economic development of the society. Your company is committed to the holistic development of the villages around its operating areas & projects. A synopsis of the various activities undertaken by your company in the areas of education, healthcare, art, culture & sports, infrastructure and livelihood development is presented hereunder.

Education:

In the field of education, your company continues to support 90 single teacher schools run by the Friends of Tribal Society in tribal areas where education facilities are not in reach. Your company has also sponsored R. K. Sarda Vidya Mandir, a state-of-the-art CBSE school owned and run by Bharatiya Vidya Bhavan in Raipur. Your company had provided land for the school along with donation of ₹ 1 crore. Your company has given interest free loan of ₹ 10.35 crores for the school as such incurring cost of about 1.50 crore every year in the form of interest cost. We are happy to report that BVB school has come up as a model school in Raipur. Apart from the above, your company has contributed ₹ 14.40 lacs for single teacher schools and has also donated ₹ 5 Lacs to Visvesvaraya National Institute of Technology Alumni Association, Nagpur to support their activities in the field of education. Your company is also a founder member of the Shiksha Deep Trust in Chhattisgarh providing scholarship to the poor meritorious students.



Ekal Vidyalaya



Donation to Siltara Sikshan Samiti



Children's day celebration

In addition to the above, your company has also provided for regular bus services in villages for school students and teachers, financial assistance to poor and needy students and financial support for educational activities.

Healthcare:

Your company has transformed its role as a catalyst by empowering and making people responsible for their own health with the aim of improving 'quality of life' in the surrounding villages. Your company is maintaining two well-equipped mobile hospitals for providing free medicines and medical facilities in interior tribal areas. During the year, 51201 patients benefitted from the mobile hospitals.



Highest Blood Donation Award

In addition your company organizes on regular basis medical checkup camps – individually and in association with other organisations in the surrounding areas.



Blood Donation Camp

Infrastructure:

Your company has undertaken many activities for development of infrastructure facilities in the surrounding areas of its operation for providing basic facilities and improvement in quality of life. Few of the activities are as under:



- deepening of village pond at Rohinipuram
- construction of “Old Age Home” at Samdong
- construction, repair & renovation of school buildings, Anganbadi centers in nearby villages
- provision of drinking water facility in villages & schools

Potable Water Supply to villages

The fire brigade of your company has been made available for attending exigencies in the nearby villages, industries and also in the city of Raipur and has played an important role in controlling fire hazards.



Bituminous Road at Murethi

Art, Culture & Sports:

Your company actively promotes sports, arts and cultural activities of communities close to its operations. Your company has adopted lawn tennis in the State of Chhattisgarh and is organizing national level event of “Gondwana Cup” in association with Chhattisgarh State Association. Your company also works to bring about social reform through dowry-less marriages and poor girl mass marriage campaign.



Patrika Cup Winner team of SEML



Gondwana cup – tennis tournament

Your company organizes various awareness and development seminars on different topics which are addresses by eminent faculties from respective fields. Your company also generously supports various social and cultural activities. You will be glad to know that your company’s cricket team won the “Patrika Cup Corporate Cricket” tournament.

Livelihood

Unemployment, due to lack of suitable employment opportunities, training and experience is a serious issue in rural area. Your company’s objective is to train and develop the skills of the youth for suitable professions and give them proper platform and experience, thus aiding them to get gainful employment. Your company has worked in this direction:

- organized exposure visit of Women PRI members, Aganbadi workers, Self Help Group Members & Mitanin of Siltara village to SAMVET Godhi for awareness on Income Generation promotion



Chikankari exhibition



Career counseling to young girls

- organized “Chikankari Exhibition of ITC – Sunhara Kal (UP) a local handicraft promotion initiative of Self Help Group members
- celebrated “World Women Day” for the capacity building, training & income generation opportunities for girls/women in association with National Skill Development Council
- Adopted Government ITI of Saragaon, Janjgir-Champa of CG on Public Private Partnership

Consolidated accounts

The consolidated financial statements presented by the company include financial information of its subsidiaries prepared in compliance with applicable Accounting Standards. As permitted, your company is not attaching annual reports of its subsidiaries and has included prescribed particulars in this annual report.

The annual accounts and related information of the subsidiary companies are open for inspection by any member/investor at the Registered Office of your company and the subsidiary concerned and your 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 companies are also available on your 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.

ESOP Scheme

With a view to remain a preferred employer, your company has implemented SEML ESOP Scheme 2012 for the employees and directors of your company and its subsidiary companies. During the year, the company has granted 3,33,360 options. However, none of the options have been vested as on 31st March, 2013.

The disclosures required to be made in the Directors' Report in respect of the aforesaid ESOP Scheme, in terms of the SEBI (ESOP Scheme) Guidelines, 1999 are contained in Annexure "A" forming part of the Directors' Report.

Directors

During the year, Mr. G.K. Chhanghani, Executive Director of the company tendered his resignation from the directorship of the company, pursuant to his appointment as whole time director on the board of M/s Madhya Bharat Power Corporation Ltd., a subsidiary of the company. The Board places on record its appreciation for the services rendered by Mr. G.K. Chhanghani during his tenure as Director.

Further, Mr. G.D. Mundra, Mr. P.R. Tripathi and Mr. G.S. Sahni, Directors of your company, retire by rotation and being eligible, offer themselves for reappointment. The brief resumes/details of Directors who are to be appointed/reappointed are given in corporate governance report forming 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 judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for 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.

Cost Auditors

The Central Government had approved the appointment of M/s. S.G. Kankani & Co., Cost Accountants, as the Cost Auditor of the company for audit of the cost accounting records of the steel and electricity business of your company for the financial year 2011-12. The Cost Audit Report was filed by the Cost Auditors on 22nd February, 2013.

Statutory Auditors

M/s. M.M. Jain & Associates, Chartered Accountants, the retiring statutory auditors of your company, hold office till the conclusion of the ensuing annual general meeting and are eligible for reappointment. Your company has received a letter from the retiring auditors to the effect that their appointment as auditors for the year 2013-14, 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 'B', 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 'C' to this report.

Corporate governance

Pursuant to Clause 49 of the Listing Agreement with the stock exchanges, 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,
(K.K. Sarda)
Chairman & Managing Director

Place : Visakhapatnam
Dated : August 10, 2013

Annexure 'A' to the Directors' Report

Disclosures in compliance with Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme) and (Employee Stock Purchase Scheme) Guidelines, 1999, as amended, are set below:

| S. No. | Particulars | ESOP Scheme 2012 |
|--------|--|--|
| 1 | Total Number of Options under the plan | 7,17,000 |
| 2 | Options Granted during the year | 3,33,360 |
| 3 | Exercise Price & the Pricing formula | ₹ 125/- |
| 4 | Options vested (during the year) | NIL |
| 5 | Options exercised (during the year) | NIL |
| 6 | The total number of shares arising as a result of exercise of options during the year. | NIL |
| 7 | Options lapsed (during the year) | NIL |
| 8 | Variation in terms of options | --- |
| 9 | Money realized by exercise of options (during the year) | NIL |
| 10 | Total number of options in force at the end of the year | 3,33,360 |
| 11 | Employee wise details of options granted to: | |
| | i Senior Management Personnel during the year | Please refer note 1 below |
| | ii Employees holding 5% or more of the total number of options granted during the year. | --- |
| | iii Employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant. | --- |
| 12 | Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with (Accounting Standard (AS) 20 "Earning per Share"). | 34.74 |
| 13 | Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employees compensation cost so computed and the employees compensation cost that shall have been recognised if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed. | Please refer point (f) of Note No.26.2 |
| 14 | Weighted-average exercise prices and weighted – average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock | Please refer Note 2 below |
| 15 | A description of the method and significant assumptions used during the year to estimate the fair values of options including the following weighted average information: | |
| | i. risk free interest rate | 8% |
| | ii. expected life | 41 months |
| | iii. expected volatility | 8% |
| | iv. expected dividend yield | 30% |
| | v. the price of the underlying shares in market at the time of option grant | ₹ 120.20 |

Note 1: Employee wise details of options granted to Senior Managerial Personnel:

| S.No. | Name | Designation | No. of options |
|-------|---------------------------|---|----------------|
| 1 | Mr. G.K. Chhanghani | Wholetime Director - Subsidiary | 15,500 |
| 2 | Mr. Rakesh Mehra | Independent Director | 14,500 |
| 3 | Mr. G.D. Mundra | Wholetime Director | 14,000 |
| 4 | Mr. R.T. Laddha | ED Projects | 9,500 |
| 5 | Mr. P.K. Jain | Chief Finance Officer & Company Secretary | 9,000 |
| 6 | Dr. B.M. Goswami | Wholetime Director – Subsidiary | 6,250 |
| 7 | Mr. A.K. Basu | Independent Director | 6,000 |
| 8 | Mr. P.R. Tripathi | Independent Director | 5,500 |
| 9 | Mr. G.S. Sahni | Independent Director | 3,500 |
| 10 | Mr. C.K. Lakshminarayanan | Independent Director | 3,000 |
| 11 | Mr. J. Balakrishnan | Independent Director | 2,500 |

Note: 2

A. Weighted average Fair Value of Options granted during the year whose

- | | | |
|---|---|----------------|
| (a) Exercise price equals market price | : | Not applicable |
| (b) Exercise price is greater than market price | : | Not applicable |
| (c) Exercise price is less than market price | : | ₹ 126.43 |

B. Weighted average Exercise price of Options granted during the year whose

- | | | |
|---|---|----------------|
| (a) Exercise price equals market price | : | Not applicable |
| (b) Exercise price is greater than market price | : | Not applicable |
| (c) Exercise price is less than market price | : | ₹ 125.00 |

(as on the date of grant)

Annexure 'B' 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 | : <u>PELLET & GRINDING PLANT</u> |
| | i) Installation of VVF Drive, Pneumatic Conveying System, stoppage of higher size compressor & pumps. |
| | <u>SPONGE IRON PLANT</u> |
| | ii) Installation of VVF Drive, new seal air fan and process changes |
| | <u>POWER PLANT</u> |
| | iii) Installation of 10 nos. of energy saver lighting feeders, stoppage of air fans in boilers |
| | <u>FERRO ALLOYS PLANT</u> |
| | iv) Regulation of the operation of cooling tower fans through temp controller, restriction on continuous operation of hydraulic power pack motors, restriction on operation of FD cooler. |
| b) Additional investment and proposals if any, being implemented for reduction of consumption of energy. | : <u>FERRO ALLOYS PLANT</u> To restrict the operation of FD cooler of GCP A&B after replacement of existing filter bags with "High temperature resistant " bags |
| c) Impact of measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods. | : Reduction in annual power consumption by about 19.85 lakh Kwh |
| 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 | : i) Kiln Inlet cone design changed and reduced by 700 mm to avoid back spillage of Pellet in turn feed rate increased. ii) Upgradation of existing grinding unit. |
| 2. Benefits derived as a result of above R&D. | : Production of pellet increased by around 200 MT/Day. |
| 3. Future plan of action | : Installation of producer gas Coal Gassifier for utilization of gas in Grate to eliminate oil. |
| 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. | : | Your company organises and attends international level conferences and customer meets for closer interaction with the customers. |
|---|---|--|

| | | |
|--|---|--------|
| 2. Total foreign exchange used and earned (₹ in crore) | | |
| a) Foreign exchange used | : | 215.45 |
| b) Foreign exchange earned | : | 149.54 |

Place : Visakhapatnam
Dated : August 10, 2013

On behalf of the Board of Directors,
(K.K. Sarda)
Chairman & Managing Director

Form 'A'

Form of disclosure of particulars with respect to conservation of energy.

Particulars

Steel

A. Power and fuel consumption

| 1. Electricity | 2012-13 | 2011-12 |
|-------------------------------------|--------------|-------------|
| a) Purchase | | |
| Units (Kwh) | NIL | NIL |
| Total amount (₹ in Lacs) | NIL | NIL |
| (₹ /Kwh) | NIL | NIL |
| b) Own generation | | |
| i) Through diesel generator | | |
| Units (Kwh) | NIL | NIL |
| Units per litre of diesel | NIL | NIL |
| Cost/Unit (₹) | NIL | NIL |
| ii) Through steam/turbine generator | | |
| Units (Kwh) | 10,59,58,351 | 8,98,01,629 |
| Units per litre of fuel-oil/gas | N.A. | N.A. |
| Cost/Unit (₹) | 2.75 | 2.35 |
| 2. Coal for domestic use | | |
| Quantity (M.T.) | NIL | NIL |
| Total cost (₹) | NIL | NIL |
| Average rate (₹) | NIL | NIL |
| 3. Furnace oil | | |
| Quantity (K. litres) | NIL | NIL |
| Total cost (₹ in Lacs) | NIL | NIL |
| Average rate (₹ /K. litre) | NIL | NIL |
| 4. Other internal generation | | |
| Units | NIL | NIL |
| Total cost (₹ in Lacs) | NIL | NIL |
| Rate/Unit | NIL | NIL |

B. Consumption per unit of production

| | | |
|---------------------|-----|-----|
| Electricity (units) | 944 | 949 |
| 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 'C' 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, 2013

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

| | | |
|---|---|---------------------------------------|
| a) Name | : | Mr. Kamal Kishore Sarda |
| b) Designation | : | Chairman and Managing Director |
| c) Age | : | 61 |
| d) Qualification | : | B.E. (Mech.) |
| e) Experience (years) | : | 39 |
| f) Commencement of employment | : | 16 th December, 1978 |
| g) Nature of duties | : | Overall management and administration |
| h) Remuneration (gross) | : | ₹ 3,18,49,836/- |
| 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 & Analysis

INDUSTRY STRUCTURE & DEVELOPMENT

Global Economic Scenario- 2012

As reported by IMF, during 2012 world GDP witnessed growth of 3.2 percent against 4 percent achieved in 2011. A growing number of developed economies have fallen into a double-dip recession and those in severe sovereign debt distress moved even deeper into recession. The sovereign debt crisis and economic recession in the Euro zone, which recorded negative growth of 0.6 percent and continued financial deleveraging in most developed economies affected capital flows to emerging markets and other developing countries. These factors, combined with spillover effects of expansionary monetary policies in developed economies, also fueled volatility in primary commodity prices and exchange rates.

Indian Economic Scenario- FY 2012-13

In FY 2012-13, India's GDP grew at 5 percent as against 6.2 percent in FY 2011-12. The fiscal deficit could be contained to 4.9 percent against 5.80 percent in the previous year but current account deficit reached to 4.8 percent of GDP against 4.2 percent in the previous year mainly on account of oil and gold imports. Decelerating growth and increasing current account deficit put pressure on rupee which depreciated by 6.7 percent on a year on year basis from ₹ 50.87 to ₹ 54.28 against the US Dollar. During current fiscal, the Indian rupee has witnessed further depreciation breaking the psychological barrier of ₹ 60 to a US Dollar creating new lows. Manufacturing and core sector also faced challenges due to policy paralysis, uncertainties and increasing transaction costs. Manufacturing recorded meager growth of 1.1 percent. Mining recorded negative growth of 0.6 percent due to excessive regulation / control. High interest costs took its toll on industrial growth and NPAs of banks also increased substantially. Tax collections fell short of budgeted estimates.

In recent times, government has taken various initiatives to revive growth and to control deficit, the effect of which is yet to be felt. The US economy is showing signs of recovery and US Fed has indicated tapering of quantitative easing, news of which has hit capital flows to emerging economies like India. The government has targeted reduction in CAD by atleast 30 basis points.

Iron and Steel

The global steel output reached a new high of 1519 Mn tonnes in 2012 against 1490 Mn tonnes of 2011 while global industrial production dropped to its lowest since 2009. China produced 717 Mn tonnes of steel increasing its share in global production from 45.85 percent to 47.18 percent. India ranked fourth with an output of 77.56 Mn tonnes registering a growth of 7.43 percent over 72.2 Mn tonnes. The per capita consumption of steel in India was 59 Kg. as against 477 Kg. in China and global average of 217 Kg. The prices of steel saw sharp correction during the year. The steel consumption in India continued to grow and India continued to be net importer on account of increased demand of special grade of steel.

The Indian sponge iron industry suffered badly on account of high cost and poor availability of iron ore, natural gas and coal on the one side and increasing import of scrap due to lower prices in the global market on the other keeping prices of finished goods under pressure. In FY 2013, sponge iron production in India dropped to 18.67 Mn tonnes against 20.56 Mn tonnes in FY 2012 and 23.25 Mn tonnes in FY 2011, which is 20 percent fall in last two years. In last two years, capacity utilization fell from 66.56 percent to 50.05 percent. Capacity utilization of gas based plants fell from 64.48 percent to 40.90 percent. On account of supply side issues, the domestic price of iron ore, coal and gas remained high causing losses to the sponge iron plants which had to compete with falling global prices of scrap. In spite of these adverse conditions, India continues to remain the largest producer of sponge iron in the world. Increasing capacity of iron ore pellet in the country is expected to address issues on supply side of iron ore and help in improving viability of sponge iron industry.

In 2012-13, Indian Iron ore pellet industry did well. However, huge quantity of the material was imported in the western part of the country. Domestic prices dropped by around 20 percent as a result of poor margins and low iron ore lump

price. The pressure on margins is expected to continue with new capacity additions but iron ore lump prices will prove to be savior.

Ferro Alloys

Manganese is an essential non-substitutable element in steel making and with the increase in steel production the consumption of Ferro Alloys is also increasing. The global output of manganese alloys fell from 17.8 Mn tonnes in 2011 to 17.5 Mn tonnes in 2012 down by 2 percent. The Mn ore output also fell from 55 Mn tonnes (with Mn content of 17 Mn tonnes) to 53 Mn tonnes (Mn content of 16 Mn tonnes). The Indian capacity is nearly 10 percent of the world's Ferro Alloys production. About 1/3rd of the country's production is exported. India, South Africa, China and the CIS countries represent a large source for Ferro Alloys. Manganese alloys constitute about 62 percent of Ferro Alloys production. India has sixth largest reserves of manganese ore with MOIL Ltd. controlling major and premium quality reserves of country producing 42 percent of the total production. China continued to be by far the largest importer with around 13 million MT of Mn ore.

The fragile states of major economies and new capacity additions led the manganese alloy sector to suffer from over-supply inspite of increased consumption. Fierce competition amongst domestic producers and exporters in a weak demand environment continued to hamper the performance of ferro alloys. New capacities coming up in Malaysia, where power cost is low, will intensify the competition in the ferro alloys market.

Power

India has world's 5th largest power generation capacity. The segment wise distribution of power sector in India is as under

| Segment | Capacity (In MW) | Share in% |
|----------------------------|------------------|---------------|
| 1 Thermal (coal, gas, oil) | 141714 | 66.91 |
| 2 Nuclear | 4780 | 2.25 |
| 3 Hydro | 39416 | 18.61 |
| 4 Other renewable | 25856 | 12.20 |
| Total | 211766 | 100.00 |

India is blessed with immense amount of hydro-electric potential and ranks 5th in terms of exploitable hydro-potential in the world with the public sector having a share of 97 percent in this sector.

Fuel shortages and distribution losses are major challenges affecting the power sector besides poor financial health of power distribution utilities, clearances and linkages etc. The situation of power sector is quite precarious. The per capita consumption of power in India is one of the lowest in the world somewhere about 800 units as against more than 13000 units in the US and around 3000 units in China. On one hand, generation capacity is idle due to un-remunerative price while on the other hand, consumers are starved of power because the distributors are avoiding buying power to avoid losses from concessional/free power supply. The price of power on energy exchanges has seen sharp decline at the levels unviable for generation. This has discouraged fresh investment in the sector. All India Grid Connectivity is planned to be operational by 2015; this is expected to address issues of regional imbalances, stable grid and greater stability in pricing. The increasing demand of power and lower fresh investments augurs well for the power sector in the coming years.

OPPORTUNITIES AND THREATS

Opportunities

The strong manufacturing base, developed infrastructure, sufficient land in possession, environmental clearances and mineral resources available with the company provide a good opportunity and base for growth in the core area of its operation. The first phase of greenfield project at Vizag was commissioned successfully and has reported profit in

the very first month of its operation. The project has advantage of power shortage in the Southern Grid where price of power is much better over rest of the country. Complete infrastructure is readily available for capacity addition. The company is examining proposal for expansion. With the low gearing and strong cash flow, the company is in a position to take advantage of the opportunities emerging in the present economic scenario. The company has submitted mining plan for increase in the capacity of coal mining from 1.2 million tonnes to 5.9 million tonnes. Once approved, the increased capacity will support your company's future expansion plan particularly in the power sector. The low per capita consumption of steel and power in India provides huge potential in these sectors to meet the growing demand for infrastructure and growth.

Threats

The new capacity additions in the ferro alloys sector backed by low cost power in overseas market such as Malaysia and mineral resource may pose threat to the ferro alloys industry. The captive ferro alloys plants from steel producers will erode market of existing merchant ferro alloys plants. However, with its low cost production with low cost power, strategic location, economic size, prominent position in the market and established global clientele base, your company will be able to face the challenges.

The super critical thermal power plants and falling prices of electricity will threaten survival of smaller power plants supplying merchant power. Your company is captively consuming most of the power generated. With the use of captive coal and waste heat, your company will be able to compete with the new age power plants. The 80 MW power plant commissioned in Vizag gets advantage of power deficit in the zone.

EVERY CHALLENGE - AN OPPORTUNITY

Your company assessed that the industry segment in which it operates will face challenges due to pressure on costs, prices & consequently on margins in the short to medium term. To meet these challenges, the management motivated the operating units / departments to assess scope for improvements in operational efficiency, reduction in consumption of materials & energy & cost reduction in logistics & finance management. Funds required to meet these targets was provided, based on a cost-benefit evaluation. After detailed evaluation, targets were set by the employees themselves. The progress achieved by each unit/ department was evaluated by the Board of Directors periodically. We are happy & proud to acknowledge that the improvement in profits during the year, under very challenging market conditions, was as a result of this contribution by our employees. Encouraged by the success achieved, employees are gearing for further improvements.

PRODUCT-WISE PERFORMANCE

As compared to 2011-12, the year 2012-13 witnessed improved performance across the plants. In absolute terms the production of ferro alloys was lower than the previous due to closure of furnaces for long term overhauling. This also resulted in slightly lower power generation compared to the previous year. After completion of debottlenecking project during the year, the pellet plant has achieved the rated capacity. The product wise performance is summarized hereunder:

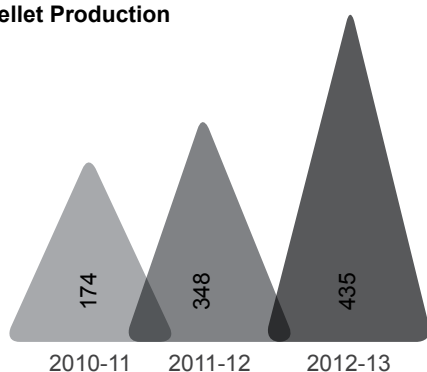
| Product | Production (MTs) | | Sales (MTs) | | Captive consumption (MTs) | |
|--------------|------------------|----------|-------------|----------|---------------------------|----------|
| | 2012-13 | 2011-12 | 2012-13 | 2011-12 | 2012-13 | 2011-12 |
| Pellet | 4,35,298 | 3,47,602 | 1,87,309 | 45,942 | 2,56,185 | 3,13,389 |
| Sponge Iron | 2,68,602 | 2,45,420 | 1,52,109 | 1,48,684 | 1,16,023 | 98,275 |
| Steel Billet | 1,12,300 | 94,670 | 21,839 | 25,282 | 90,218 | 69,413 |
| Wire Rod | 91,424 | 71,389 | 67,126 | 60,366 | 24,391 | 16,084 |
| HB Wire | 24,074 | 15,899 | 24,274 | 15,415 | - | - |

| | | | | | | |
|----------------|----------|----------|--------|--------|----------|----------|
| Ferro Alloys | 62,894 | 64,372 | 64,512 | 65,078 | 1,018 | 1,121 |
| Power (Mn Kwh) | 564.12 | 576.15 | 97.34 | 127.64 | 466.79 | 448.51 |
| Coal* | 9,76,063 | 7,74,028 | - | - | 8,87,393 | 8,02,914 |

*for captive consumption only

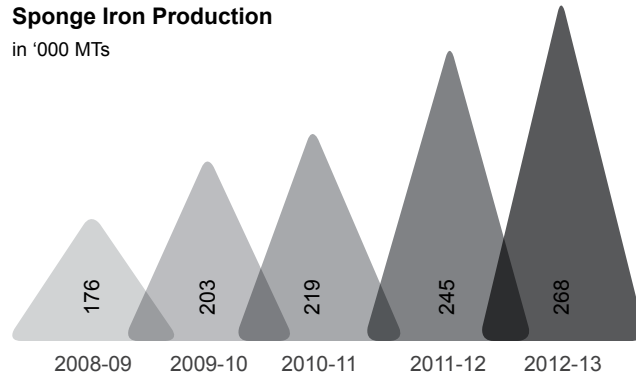
Iron Ore Pellet Production

in '000 MTs



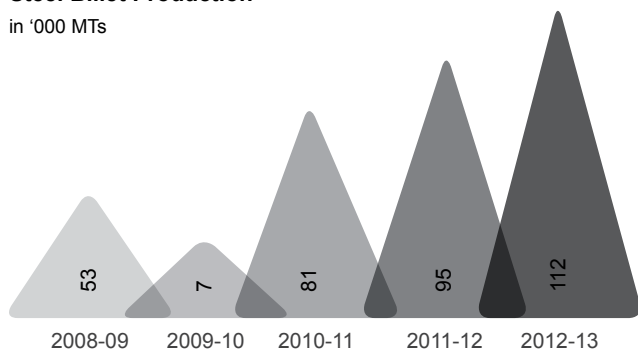
Sponge Iron Production

in '000 MTs



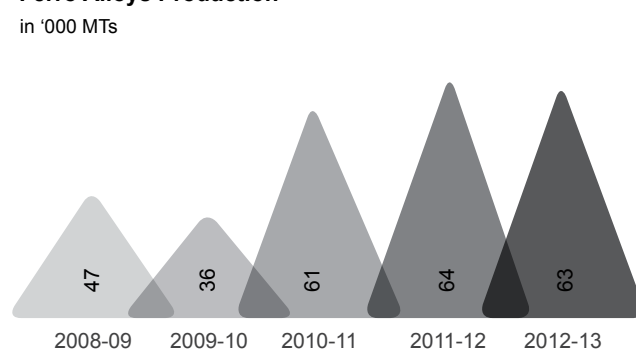
Steel Billet Production

in '000 MTs



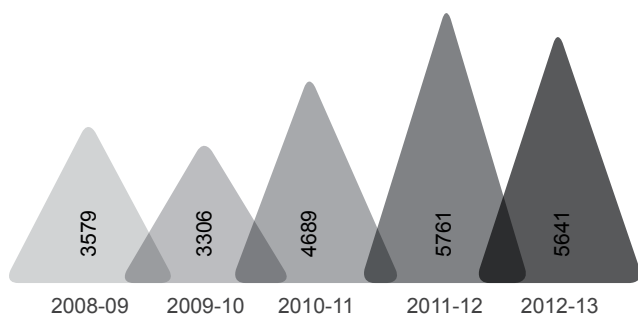
Ferro Alloys Production

in '000 MTs



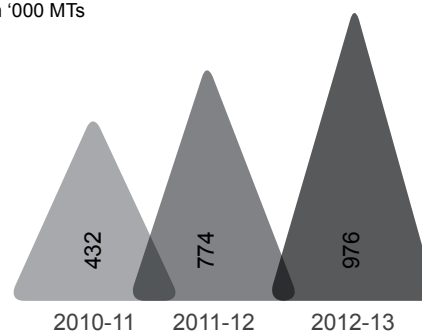
Power Generation

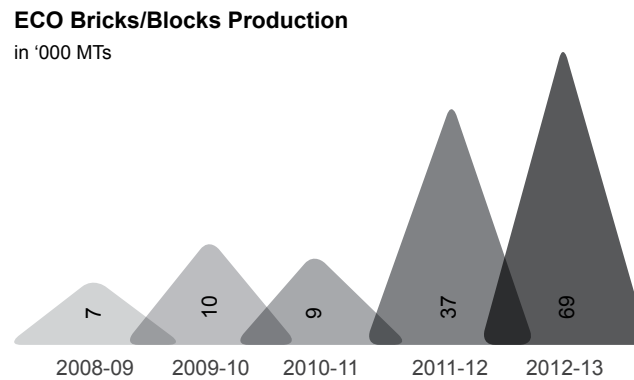
Units in lakhs Kwh



Coal Production

in '000 MTs





OUTLOOK

Amid macro-economic risks, both global and Indian economies are on recovery path. According to the forecast of International Monetary Fund, the world GDP is expected to grow by 3.3 percent in 2013 with the advanced economies growing by 1.2 percent and emerging economies by a much faster rate of 5.3 percent. The Reserve Bank of India has projected India's GDP growth at 5.5 percent for the current financial year. The government is taking steps to boost the GDP growth and to contain the current account deficit. Infrastructure projects are being taken on fast track. In view of the impending elections, the government spending is also expected to go up. The production of crude steel in India is estimated to reach 126 million tonnes by FY 2016-17 and production of Ferro Alloys is expected to go up to 3 million tonnes in the same year. Power is expected to remain in short supply.

Against this backdrop, the outlook of sectors in which the company is operating appears to be stable / positive. However, substantial capacity addition may result in demand supply mismatch and may put pressure on the margins. Your company has taken cost optimization drive to sustain the pressure on the prices. The motivated team and cost reduction drive taken up by the company will bring in further savings. The 80 MW thermal power plant installed in a wholly owned subsidiary is operating satisfactorily and is expected to fetch reasonably good realisations in view of the shortage of power in the southern region of the country. The decision about production of Ferro Alloys in this plant will be taken depending upon realization from sale of power or its consumption in the production of Ferro Alloys.

RISKS AND CONCERNS

In the wake of slowing GDP growth and concerns around economic policy-making, steel industry in 2013 continues to face headwinds in the form of overcapacity and surge of imports. In addition to raw materials prices, the sustainability of higher steel prices will continue to depend on an increase in sustainable real demand, and no further worsening of the Euro-zone debt crisis. Scarce availability of key raw materials like iron ore, non-coking coal and natural gas at affordable prices coupled with imports of scrap will further aggravate the situation. New capacity addition in Pellet and Ferro Alloys may result into increase in price of raw materials and reduce the realization of finished goods, putting pressure on the margins. The State Distribution Utilities are reluctant to procure power from third party generators to meet the demand because of losses. This has resulted into peculiar situation where in spite of demand as well as suppliers, trading in power is not happening. This has brought down the price of power in the open market at unviable levels whereas the price of fuel is going up.

On the financial front, your company is exposed to exchange rate fluctuation risk due to External Commercial Borrowings availed by it but to some extent, the same is mitigated by low cost of funds and natural hedge, due to presence in the export market. The management does not perceive any major technological, environmental and/or financial risks for your company in the near future. Your company has contingent liabilities as disclosed in note no. 37 of the Notes to Financial Statements for the year ended 31st March, 2013.

These are threats faced in general, by the entire industry. Given its expertise, experience and strengths, besides flexibility in production processes, your company is well positioned to continue on its growth path.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

Your 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.

Your company has embarked upon an integrated management system of three standards – namely – ISO 9001:2008, ISO 14000 and OHSAS 18000. This initiative is taken to broaden our base on safety/health/environment. Behavior Based Safety (BBS) journey has also been started to eliminate unsafe behavior patterns.

Your company has availed the services of independent professional firm for Internal Audit, which also checks the effectiveness of the internal controls with an objective to provide an independent, objective and reasonable assurance of the adequacy and effectiveness of your company's risk management, control and governance processes.

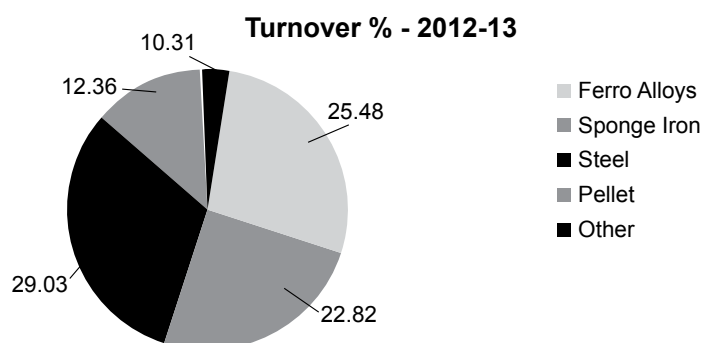
The Audit Committee also seeks the views/opinions of statutory auditors on the adequacy of the internal control systems in your company. The Audit Committee has majority of independent directors to maintain the objectivity.

Financial Performance with respect to Operational Performance

Turnover

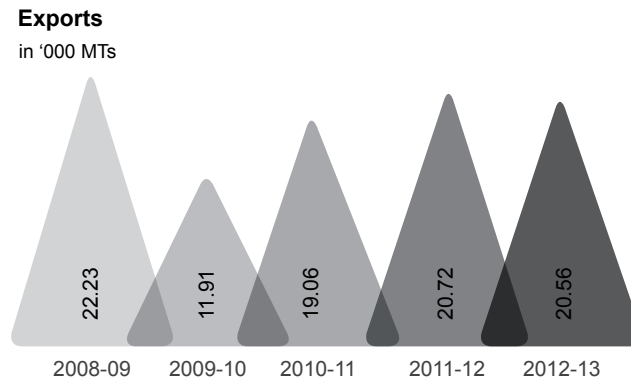
During 2012-13 your company achieved record turnover of ₹ 1,524 crore on standalone basis as against ₹ 1,197 crore in the previous year which was attributed to improved capacity utilization, particularly in the pellet plant. The consolidated turnover went up from ₹ 1,205 crore to ₹ 1,545 crore. The consolidated revenue includes revenue of Parvatiya Power Limited and the recently commissioned power plant of Sarda Metals & Alloys Limited. The table below gives the breakup of turnover:

| Product | (₹ in crore) | | | |
|-------------------------------------|--------------|------------------|---------|------------------|
| | 2012-13 | percent turnover | 2011-12 | percent turnover |
| Ferro Alloys | 388.28 | 25.48 | 356.44 | 29.79 |
| Sponge Iron | 347.82 | 22.82 | 339.11 | 28.34 |
| Steel – Billets, Wire Rod & HB Wire | 442.44 | 29.03 | 382.41 | 31.95 |
| Pellet | 188.41 | 12.36 | 42.55 | 3.56 |
| Others (incl. power, coal & Mn ore) | 157.10 | 10.31 | 76.15 | 6.36 |



Exports

During the year, your company exported 20,566 MT of Ferro Alloys as against 20,725 MT in the previous year. Your company could maintain exports inspite of difficult economic scenario globally. Japan continues to be the main market for your company. Your company has taken a number of initiatives/steps to increase its exports.



Finance cost includes forex losses to the extent treated as adjustment to the interest cost. Due to repayment of term loans, the outgo on account of interest went down during the year.

Profitability

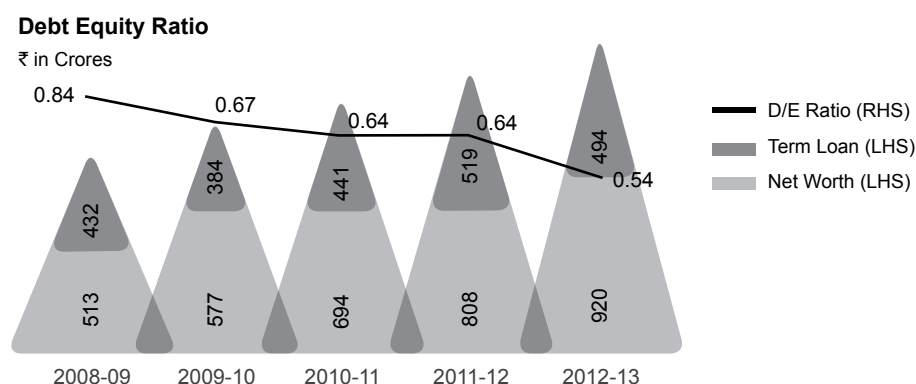
The profit before tax went up from ₹ 104 crore in FY 2012 to ₹ 160 crore in FY 2013 on account of all-round improvement in performance and disposal of coal middling / reject. The net profit went up from ₹ 114 crore for the previous year to ₹ 125 crore for the year under review. Last year's income included dividend income from subsidiary ₹ 26.66 crore and MAT credit of ₹ 45 crore recognized in the books of accounts.

Long term borrowings

During the year, your company repaid ECB loan of ₹ 61 crore. Your company also repaid ₹ 7 crore of other term loans availed from the bankers. All the loans and the interest payment commitments were met on time.

During the year, your company availed a term loan of ₹ 25 crore from The Ratnakar Bank Ltd. for meeting long term working capital requirements of your company. The long term loans have gone down from ₹ 519 crore in the previous year to ₹ 494 crore in the current year inspite of increase in liability of ECB due to forex fluctuation. The debt equity ratio has gone down from 0.64 :1 to 0.54:1.

Consolidated borrowings went up from ₹ 876 crore last year to ₹ 1,091 crore the year under review mainly on account of term loan disbursements taken in SMAL [₹ 159 crore] and MBPCL [₹ 83 crore] for projects as reduced by repayments made by your company.



CARE has maintained highest credit rating of CARE A1+ (A one plus) for short term loans (highest) and CARE A+ (Single A Plus) for the long term loans.

Other long term liabilities include deposits from vendors, employees and long term provisions include provisions for leave encashment, mine restoration and other statutory liabilities.

Short term borrowings

The short term borrowings went down from ₹ 204 crore in FY 2012 to ₹ 167 crore in FY 2013. This could be achieved through strict control over working capital and use of cash accruals in repayment of short term borrowings made in the previous year.

On a consolidated level, the short-term borrowings have gone up from ₹ 253 crore in the previous year to ₹ 336 crore in the year under review mainly on account of an additional ₹ 119 crore borrowed by SEMHKL for short-term liquid investments.

Trade payables

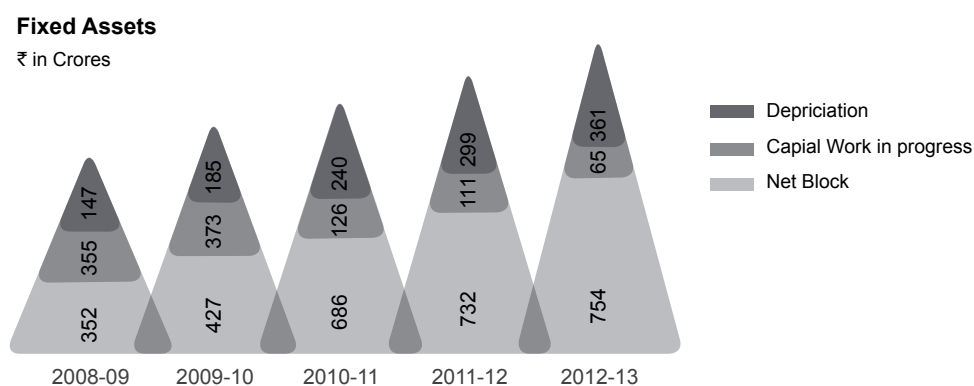
Trade payable went up from ₹ 83 crore in the previous year to ₹ 104 crore in the year under review on account of increased imports on which longer credit is availed by the company because of low cost.

Other current liabilities

Other current liabilities increased from ₹ 378 crore in the previous year to ₹ 428 crore for the year under review mainly on account of increase in the amount of long term loans payable during next one year. The indirect tax payable went down mainly on account of utilization of input tax credit on improved capacity utilization of plants.

Fixed assets

During the year, your company capitalized a sum of ₹ 45 crore invested in debottlenecking of pellet plant and slag crushing plant. Your company has also incurred capital expenditure on modernization of existing facilities. The gross block has gone up from ₹ 1,141 crore in previous year to ₹ 1,180 crore in the year under review. The net block stood at ₹ 819 crore for FY 2013 against ₹ 843 crore in the previous year.



Consolidated fixed assets went up from ₹ 1,712 crore last year to ₹ 2,066 crore for the year under review mainly on account of project investments made by SMAL and MBPCL of ₹ 197 crore and ₹ 88 crore respectively.

Non-current investments

During the year, your company has made further investments of ₹ 93 crore in its subsidiaries and controlled entities mainly in Sarda Metals & Alloys Ltd. (SMAL), Madhya Bharat Power Corp. Ltd.(MBPCL) and Chhattisgarh Hydro Power

LLP (CHP LLP). SMAL commenced commercial operation during the year and reported profit in very first month of its commercial operation even in this difficult economic scenario. The projects of MBPCL and CHP LLP are under various stages of execution. The benefits of the investments would flow to your company in the coming years.

Long term loans & advances

Long term loans and advances went down from ₹ 188 crore to ₹ 65 crore on account of conversion of loans to subsidiaries into equity and utilization of Minimum Alternate Tax (MAT) credit against income tax liability for the year in excess of MAT.

Current assets

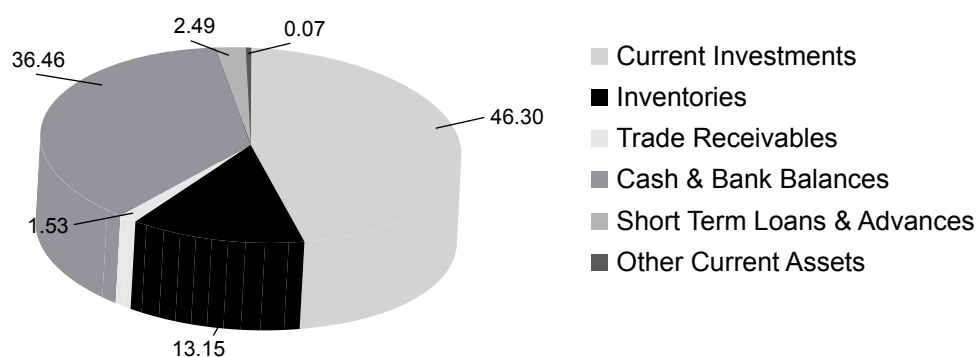
(₹ in crore)

| Product | Standalone | | Consolidated | |
|-------------------------------|------------|---------|--------------|---------|
| | 2012-13 | 2011-12 | 2012-13 | 2011-12 |
| Current investments | 0.31 | 0.51 | 129.64 | 132.46 |
| Inventories | 219.99 | 227.22 | 247.51 | 227.24 |
| Trade receivables | 62.50 | 43.13 | 76.63 | 43.56 |
| Cash & bank balances | 7.24 | 0.95 | 229.55 | 79.78 |
| Short term loans and advances | 173.22 | 159.15 | 204.98 | 192.74 |
| Other current assets | 11.85 | 25.99 | 3.35 | 0.99 |

Inventories came down due to focus on reducing working capital cycle. The raw material inventory decreased from 41 days to 37 days of consumption. The finished goods inventory also came down from 47 days to 36 days of cost of goods sold. Receivables increased slightly from 13 days to 15 days of sales turnover mainly on account of bulk export in March 2013. Short term loans and advances relate to business advances. Other currents assets came down due to receipt of amount against dividend from Sarda Energy & Minerals Hongkong Ltd. [SEMHLK]

The cash and bank balance of ₹ 230 crore at consolidated level includes amount of ₹ 52 crore placed in fixed deposit by MBPCL against term loan disbursement pending its utilization for the project and fixed deposit of ₹ 164 crore made with bank by SEMHLK as an investment.

Current Assets - % - 2012-13



Material developments in Human Resource/Industrial Relations

Your company treats its employees as the most valuable form of capital and acknowledges the fact that employees play a major role in building the competitive advantage of the company's business across the globe. The continuous development of human resources, aiming at life-long learning and enhancement of professional skills

and competencies, necessary to anticipate present and future challenges, is given priority. In 2012-13, further emphasis was placed on quality training and development programs by introducing training calendar, expanding the scope and the larger participation of employees from different hierarchical levels resulting in 2.36 average training man-days.



Fire fighting training



Executives training session



Executives training session

In 2012-13, your company recruited 85 fresh engineers from NIT and government institutes under SARDA LEARNING CENTER and imparted one year extensive training across all the fields. The group has continued to invest and improve its managerial and technical capabilities through the internal development of its own employees. During the year, a greater focus was assigned to the 'On-the-Job Learning' for executives through cross functional assignment/taskforce, role enhancement/enrichment and improvement Initiatives. In 12-13, a scheme for providing one year extensive training to children of our employees, who have completed their Engineering/Diploma/B.Com/B.Sc degrees, has been implemented to enable them to get practical exposure.

In addition to the above efforts, various developments programmes, employee engagements initiative like employee suggestion scheme, employee of the month, quality circles, sports, cultural activities, intra division competitions, etc. we conducted to create a highly engaged workforce that is committed to the organization's journey of value creation and enhance the motivation, energy levels and productivity of employees.

As of 31st March, 2013, the total number of employees stood at 1,583 as compared to 1,612 in the previous year.

Cautionary Statement

Statements in the Management Discussion and Analysis report describing your company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to your company's operations include economic conditions affecting demand / supply and price conditions in the domestic and overseas markets in which your 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 your company. Your 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.

Your company would constantly endeavor to improve these aspects.

2. Board of directors

2.1. Composition

The Board of Directors comprises nine directors, including six non-executive independent directors and one executive professional director. The non-executive and independent directors are eminent professionals having rich and sound experience in diverse fields related to the business of your company.

The names and categories of the directors on the board and other relevant information are 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 | 6 | - | 7 | No | 13,09,149 |
| Mr. G.K. Chhanghani# | Wholetime Director Executive | 4 | - | 3 | No | 3,500 |
| Mr. Pankaj Sarda | Wholetime Director Executive | 3 | - | 6 | No | 6,91,107 |
| Mr. G.D. Mundra | Wholetime Director Executive | 2 | - | 8 | No | 5,820 |
| Mr. Rakesh Mehra | Independent Non-Executive | 1 | - | 5 | No | 137 |
| Mr. A.K. Basu | Independent Non-Executive | 2 | - | 7 | Yes | Nil |
| Mr. P.R. Tripathi | Independent Non-Executive | 5 | - | 5 | No | Nil |

| | | | | | | |
|------------------------------|------------------------------|----|---|---|----|-------|
| Mr. G.S. Sahni | Independent Non-Executive | 2 | - | 5 | No | Nil |
| Mr. C.K. Lakshminarayanan | Independent Non-Executive | 2 | - | 5 | No | 6,000 |
| Mr. Jitender Balakrishnan | Independent Non-Executive | 13 | 6 | 8 | No | Nil |

* excluding Sarda Energy & Minerals Ltd., Pvt. Ltd. companies, foreign companies, Limited Liability Partnerships and casual directorships.

^ excluding Sarda Energy & Minerals Ltd.

till 31.12.2012

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 5.

Your company has adopted Code of Conduct for board of directors and senior executives. Your company has also implemented Code of Conduct for Prevention of Insider Trading. Both the codes are placed on the website of your company. A declaration signed by the Chairman and Managing Director of your 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 2012-13.

K.K. Sarda
Chairman and Managing Director"

2.2. Number of board meetings held

Eight meetings of the Board of Directors were held during the year ended 31st March, 2013 as given hereunder:

| Date of meeting | No. of Directors present |
|----------------------------------|--------------------------|
| 26 th May, 2012 | 7 |
| 10 th July, 2012 | 3 |
| 28 th July, 2012 | 10 |
| 15 th September, 2012 | 9 |
| 27 th October, 2012 | 8 |
| 8 th December, 2012 | 9 |
| 25 th January, 2013 | 9 |
| 21 st March, 2013 | 4 |

2.3. Particulars of directors seeking appointment / reappointment

Particulars of directors seeking appointment / reappointment at the ensuing Annual General Meeting to be held on 28th September, 2013 are given as under:

| 1 | Name | Mr. G.D. Mundra | Mr. P.R.Tripathi | Mr. G.S.Sahni | Mr. Pankaj Sarda |
|---|-----------------------------------|---|---|---|---|
| 2 | i) Age appointment | 52 years | 69 years | 66 years | 33 years |
| | ii) Qualification | Chartered Accountant | Mining Engineer | Post Graduate diploma in Public Administration, Cardiff University, UK | Industrial Engineering from Nagpur University, Nagpur and Masters from Purdue University, USA |
| | iii) Date of appointment | 30.12.2000 | 30.10.2003 | 04.03.2008 | 31.10.2007 |
| 3 | Experience | More than 30 years in the field of finance and accounting | He is Ex-CMD, NMDC. He has more than 50 years of experience in the mining and related activities. | He is a retired IAS officer of Madhya Pradesh belonging to 1971 batch. He has played a major role as a Member of the IAS, in a wide spectrum of areas at the highest levels of decision making in the government. He is experienced in toning up administrative mechanism for operational efficiency, creation of effective delivery systems of public service and realization of synergies to society. He has in-depth exposure to multi-sectoral areas of policy formulation, planning and administration | He is having an experience of more than 10 years in human resources operation and corporate affairs |
| 4 | Other directorships/ partnerships | Chhatisgarh Investments Ltd. | Hindustan Dorr Oliver Ltd. | MDL Energy Pvt. Ltd. | ABS Engineers Pvt. Ltd. |
| | | Orient Press Ltd. | IVRCL Ltd. | Sarda Metals & Alloys Ltd. | Madhya Bharat Power Corporation Ltd. |
| | | Prayag Thermoplast Pvt. Ltd. | HDO Manufacturing Ltd. | SEW Infrastructure Ltd. | Sarda Agriculture & Properties Pvt. Ltd. |

| | | | | | |
|----------|--|---|--|---|---|
| | Good Minerals Development Pvt. Ltd. | IVRCL Assets & Holdings Ltd. | MDL Energy Services Pvt. Ltd. | Madanpur South Coal Co. Ltd. | |
| | Fair Energy & Minerals Ltd. | Premier Explosives Ltd. | Vik-Sandwik Design India Pvt. Ltd. | Sarda Energy Ltd. | |
| | Jaichandi Energy & Natural Resources Development Pvt. Ltd. | Growell Dalmia India Commodities Pvt. Ltd. | | Rishabh Mining & Transport Co. Pvt. Ltd. | |
| | Minmet International Resources Pvt. Ltd. | Minman Consultancy Services Pvt. Ltd. | | Raipur Fabritech Pvt. Ltd. | |
| | Regular Trading Pvt. Ltd. | | | Raipur Industrial Gases Pvt. Ltd. | |
| | Revenue Trading Pvt. Ltd. | | | Sarda Dairy & Food Products Pvt. Ltd. | |
| | Clifford Multitrading Pvt. Ltd. | | | Raipur Mega Food Park Pvt. Ltd. Chhattisgarh Hydro Power Pvt. Ltd. | |
| 5 | Chairman/ member of committees | Sarda Energy & Minerals Ltd. (Audit & Shareholders'/ Investors' Grievance Committee) | Sarda Energy & Minerals Ltd. (Appointment & Compensation Committee) | Sarda Energy & Minerals Ltd. (Corporate Governance Committee) | |
| 6 | Shareholding in the company | 5,820 Equity Shares | NIL Equity Shares | NIL Equity Shares | 6,91,107 Equity Shares |
| 7 | Relationship with directors | No relationship with Directors | No relationship with Directors | No relationship with Directors | Related to Chairman & Managing Director |

3. Audit committee

The Audit Committee of your 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 departmental heads.

Five meetings of the committee were held during the year 2012-13 on 25th May, 2012, 27th July, 2012, 26th October, 2012, 8th December, 2012 and 24th January, 2013. The attendance particulars are as under:

| Name of Chairman/member | Meetings | |
|--|----------|----------|
| | Held | Attended |
| 1. Mr. A.K. Basu – Chairman | 5 | 4 |
| 2. Mr. Rakesh Mehra – Member | 5 | 5 |
| 3. Mr. G.D. Mundra – Member | 5 | 5 |
| 4. Mr. C. K. Lakshminarayanan - Member | 5 | 4 |

4. Appointment & compensation committee

The Appointment & Compensation Committee comprises of 3 directors with Mr. P.R.Tripathi as Chairman and Mr. J.Balakrishnan and Mr. Rakesh Mehra as the members.

The Appointment & Compensation Committee (ACC) has the following activities in its scope:

- i) Approval of appointment of senior executives, one level below the Board.
- ii) Selection and appointment of persons covered by section 314 of the Companies Act, 1956.
- iii) Consideration and approval of the Employee Compensation Schemes including Employee Stock Options
- iv) Remuneration including commission, if any, to the whole-time directors.
- v) Any other matter related with any of the above.

During the year three meetings of the Committee were held on 26th May, 2012, 28th July, 2012 and 20th August, 2012.

During the year, the ACC has approved the remuneration/commission to the wholetime directors and also the ESOP Scheme - details of which are given elsewhere in the Annual Report.

The Executive Directors have been paid remuneration as per terms of their appointment. The Non-Executive Directors of your company have been paid sitting fees for meetings of the Board and/or Committees attended by them. Also, pursuant to the approval of members, non-executive independent directors have been paid commission on the net profits of your company for the year 2012-13, which is within the ceiling specified under the Companies Act, 1956.

Details of remuneration to executive directors and non-executive directors are as under:

(₹ in Lacs)

| | 2012-13 | 2011-12 |
|---|---------------|---------------|
| i) Salary, allowances etc. to managing director & whole time director | 143.94 | 139.31 |
| ii) Perquisites | 14.25 | 13.85 |
| iii) Contribution to provident fund | 12.30 | 12.53 |
| iv) Commission to managing director | 275.00 | 150.00 |
| v) Commission to non executive director | 12.00 | 12.00 |
| vi) Sitting fees | 12.10 | 11.20 |
| Total | 469.59 | 338.89 |

Note:

The above amount does not include contribution to gratuity fund, as separate figures are not available for the managing director and whole time directors.

5. Corporate governance committee

The sub-committee on corporate governance has the specific task of looking 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 your 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. J. Balakrishnan 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 : 16 complaints were received which were attended 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:

| <u>Date</u> | <u>Time</u> | <u>Location</u> |
|----------------------------------|-------------|-------------------------------------|
| 25 th September, 2010 | 2.30 p.m. | 73-A, Central Avenue, Nagpur (M.H.) |
| 30 th September, 2011 | 2.30 p.m. | Same as above |
| 29 th September, 2012 | 2.30 p.m. | Same as above |

The following special resolutions were passed in the last three Annual General Meetings:

- 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 clause no. 42 and 43-Section 149(2A) in the AGM held on 25th September, 2010
- Resolution for increasing the remuneration of Dr. K.K. Rathi - Section 314(1)(b) in the AGM held on 30th September, 2011
- Resolution for payment of sitting fees by subsidiaries of the company to Mr. G.S. Sahni, director of the company- Section 314(1)(a) in the AGM held on 30th September, 2011
- Resolution for payment of sitting fees by subsidiaries of the company to Mr. C.K. Lakshminarayanan, director of the company- Section 314(1)(a) in the AGM held on 30th September, 2011

No special resolution was passed through postal ballot in the AGM held on 29th September, 2012. No special resolution is proposed to be passed through postal ballot in the AGM to be held on 28th September, 2013.

8. Disclosure

Related-party transactions during the year have been disclosed in detail in note no.34 to the annual accounts, 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 your company's interest.

Compliance of SEBI, stock exchange requirements: Your company has complied with all the requirements of Companies Act, 1956 and the regulations of the Securities and Exchange Board of India (SEBI). Your 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, your company has stopped sending the information to the Calcutta Stock Exchange.

Your 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 appointment & compensation 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 your 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: 28 th September, 2013 Time: 2.30 p.m. Venue: 73-A, Central Avenue, Nagpur- 440018. |
| Financial calendar for 2013-14 (tentative) : | |
| Financial results for the quarters ended | |
| 30 th June, 2013 | : 2 nd week of August, 2013 |
| 30 th September, 2013 | : 4 th week of October, 2013 |
| 31 st December, 2013 | : 4 th week of January, 2014 |
| 31 st March, 2014 | : 4 th week of May, 2014(audited) |
| Annual general meeting | : September, 2014 |
| Book closure date | : 26.08.2013 to 31.08.2013 (both days inclusive) |
| Dividend payment date | : Within 5 days from 28 th September, 2013 |
| Listing on stock exchanges | : |
| Equity shares | The shares of your company are listed on the following exchanges: i. BSE Ltd., Mumbai (504614) ii. The National Stock Exchange of India Ltd., Mumbai (SARDAEN) iii. The Calcutta Stock Exchange Association Ltd.* ISIN no. NSDL & CDSL - INE385C01013 *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 your company are listed on the BSE Limited, Mumbai. |

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

Your company has paid annual listing fees to the BSE Ltd. for equity shares and the NCD's and to The National Stock Exchange of India Ltd., Mumbai, for the equity shares for the financial year 2013-14.

| | |
|---|--|
| Trustees for NCDs (9.55%) | : Axis Trustee Services Ltd. Axis House, 2 nd Floor, Wadia International Centre Pandurang Budhkar Marg, Worli, Mumbai 400025 |
| Registrar and share transfer agents (for physical and electronic) (for equity shares and NCD) | : Sharepro Services (India) Pvt. Ltd. 13 A-B, Sam Hita Warehousing Complex Warehouse No. 52 & 53, Plot No.13AB 2 nd 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, 2013

| Sl. No. | Category | No. of shares | Percentage |
|---------|---|--------------------|----------------|
| 1. | Promoters | 2,38,44,557 | 66.51% |
| 2. | Banks/mutual funds | 7,67,864 | 2.14% |
| 3. | Foreign institutional investors/companies | 39,85,571 | 11.12% |
| 4. | Bodies corporate | 33,28,105 | 9.28% |
| 5. | Others | 39,23,903 | 10.95% |
| | Total | 3,58,50,000 | 100.00% |

Distribution of shareholding as on 31st March, 2013

| Shareholding of nominal value (₹) | Shareholders | | Share amount | |
|------------------------------------|---------------|---------------|---------------------|---------------|
| | Number | % to total | ₹ | % to total |
| Up to 5,000 | 13,252 | 91.51 | 1,49,14,430 | 4.16 |
| 5,001 – 10,000 | 559 | 3.86 | 44,51,340 | 1.24 |
| 10,001 – 20,000 | 292 | 2.02 | 44,26,630 | 1.23 |
| 20,001 – 30,000 | 123 | 0.85 | 31,03,580 | 0.87 |
| 30,001 – 40,000 | 56 | 0.39 | 20,07,710 | 0.56 |
| 40,001 – 50,000 | 35 | 0.24 | 16,26,440 | 0.45 |
| 50,001 – 1,00,000 | 81 | 0.56 | 58,33,770 | 1.63 |
| 1,00,001 and above | 83 | 0.57 | 3,22,13,610 | 89.86 |
| Total | 14,481 | 100.00 | 35,85,00,000 | 100.00 |

Market price data: High/low during the year 2012-13

| Month | SEML on the BSE (in ₹) | | SEML on the NSE (in ₹) | |
|----------|-------------------------|--------|-------------------------|--------|
| | High | Low | High | Low |
| Apr 2012 | 149.90 | 131.10 | 149.75 | 131.00 |
| May 2012 | 144.00 | 113.25 | 144.90 | 112.65 |
| Jun 2012 | 134.00 | 121.50 | 144.40 | 122.50 |
| Jul 2012 | 140.75 | 112.50 | 142.80 | 112.75 |
| Aug 2012 | 137.00 | 116.25 | 137.00 | 114.00 |
| Sep 2012 | 144.60 | 111.00 | 145.00 | 106.20 |
| Oct 2012 | 139.95 | 124.55 | 138.60 | 117.75 |
| Nov 2012 | 155.80 | 130.50 | 156.00 | 131.05 |
| Dec 2012 | 144.40 | 127.50 | 144.20 | 127.05 |
| Jan 2013 | 145.00 | 125.00 | 145.60 | 124.95 |
| Feb 2013 | 133.90 | 98.05 | 133.45 | 97.25 |
| Mar 2013 | 123.20 | 90.40 | 123.50 | 89.60 |

Comparison of SEML share price movements with BSE Metal Index**Dematerialisation of securities**

: Your company has an arrangement with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) for dematerialisation of equity shares. As on 31st March, 2013, out of the total 3,58,50,000 equity shares held by about 14,481 (PY 14,471) shareholders, approximately 3,53,25,939 (PY 3,52,74,340) equity shares held by 10,003 (PY 9,920) shareholders representing 98.54% (PY 98.39%) percent of the total paid-up equity capital have been dematerialised.

Debentures are also held in dematerialised form.

Plant location

: 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, 2013, 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

Membership No. 118548

Place : Vishakhapatnam

Dated : August 10, 2013

Independent Auditors' Report

To the Members of
Sarda Energy & Minerals Limited

Report on the financial statements

We have audited the accompanying financial statements of Sarda Energy & Minerals Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with the accounting principles generally accepted in India including Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

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

- (a) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

- 2 As required by Section 227(3) of the Act, we report that:
- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - c. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account; and
 - d. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act.
 - e. On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.
 - f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under Section 441A of the Act nor has it issued any rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the company.

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

MANISH JAIN
Partner

Membership No. 118548

Raipur
Dated : 25th May, 2013

Annexure referred to in Paragraph 1 under the heading of “Report on Other Legal and Regulatory Requirements” of our report of even date.

- i) On the basis of such checks as we considered appropriate and in terms of information & explanations given to us we state that: -
 - 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 the going concern status of the company.
- 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 eleven companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 26,493.84 Lacs and the year-end balance of loans granted to such companies was ₹ 9,308.43 Lacs.
 - b) In our opinion, the rate of interest wherever 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 over a period of one to three years, while the interest is payable annually at the discretion of the company.
 - d) In respect of the said loans and interest thereon, there are no overdue amounts.
 - e) The company has not taken any loans 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 Paragraph 4 Clause (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 under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees Five Lacs in respect of each 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 deposit 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 in our opinion is commensurate with the size of the company and nature of its business.
- viii) We have broadly reviewed the cost records maintained by the company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government 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 cost records have been made and maintained. We have however, not made a detailed examination of the cost 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, 2013 for a period of more than six months from the date of becoming payable.
- b) According to the information and explanations given to us, there are no dues of wealth tax and cess which have not been deposited with the appropriate authorities on account of any dispute. The disputed statutory dues of income tax, excise duty, service tax and sales tax that 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 (₹ in Lacs) | Period to which the amount relates | Forum where dispute is pending |
|---|--|--------------------------------|---|--|
| Central Excise Act, 1944 | Excise duty | 19.51 | 1989 | High Court |
| Central Excise Act, 1944 | Excise duty | 1.05 | 1995 | High Court |
| Central Excise Act, 1944 | Excise duty penalty | 81.90 84.34 | Dec-2004, 2007-08 and 2008-09 | Customs Excise & Service Tax Appellate Tribunal |
| Central Excise Act, 1944 | Penalty | 6.97 | 2006-07 | Customs Excise & Service Tax Appellate Tribunal |
| Central Excise Act, 1944 | Excise duty | 7.62 | 1990 | Commissioner (Appeals) |
| Central Excise Act, 1944 | Excise duty penalty | 16.17 22.43 | 2007-08, 2009-10, 2012-13 | Commissioner (Appeals) |
| Income Tax Act, 1961 | Income tax | 1,216.34 2,080.80 201.13 | A.Y. 2008-09 A.Y. 2009-10 A.Y. 2010-11 | ITAT CIT (Appeals) CIT (Appeals) |
| Central Sales Tax Act & Sales Tax Acts of Various states and Entry Tax Act, 1976 | Value added tax, Central sales tax and Entry tax. | 138.55 | 1992-93 to 2008-09 | Appellate Authorities upto 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) 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 Paragraph 4 Clause (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 Paragraph 4 Clause (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 guarantees for loans taken by others 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 elsewhere.
- 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 under Section 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 material fraud on or by the company has been noticed or reported during the year.

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

MANISH JAIN
Partner

Raipur
Dated : 25th May, 2013

Membership No. 118548

Balance Sheet

as at 31st March 2013

| Particulars | Note | 31.03.2013 ₹ in Lacs | 31.03.2012 ₹ in Lacs |
|-------------------------------------|--------------|-------------------------|-------------------------|
| I. EQUITY AND LIABILITIES | | | |
| 1. Shareholders' funds | | | |
| Share capital | 3 | 3,585.00 | 3,585.00 |
| Reserves and surplus | 4 | 88,440.53 | 77,234.65 |
| | | 92,025.53 | 80,819.65 |
| 2. Non-current liabilities | | | |
| Long-term borrowings | 5 | 35,283.87 | 45,067.22 |
| Deferred tax liabilities (Net) | 6 | 4,331.03 | 4,996.14 |
| Other long term liabilities | 7 | 231.28 | 171.51 |
| Long-term provisions | 8 | 1,147.28 | 834.76 |
| | | 40,993.46 | 51,069.63 |
| 3. Current liabilities | | | |
| Short-term borrowings | 9 | 16,740.42 | 20,385.19 |
| Trade payables | | 10,388.02 | 8,348.63 |
| Other current liabilities | 10 | 15,691.43 | 9,075.45 |
| Short-term provisions | 11 | 363.33 | 489.98 |
| | | 43,183.20 | 38,299.25 |
| | Total | 1,76,202.19 | 1,70,188.53 |
| II. ASSETS | | | |
| Non-current assets | | | |
| 1. Fixed assets | | | |
| Tangible assets | 12 | 71,046.75 | 68,606.68 |
| Intangible assets | | 4,374.68 | 4,561.26 |
| Capital work-in-progress | | 6,184.58 | 10,876.94 |
| Intangible assets under development | | 283.60 | 225.69 |
| | | 81,889.61 | 84,270.57 |
| Non-current investments | 13 | 40,219.50 | 21,261.45 |
| Long-term loans and advances | 14 | 6,512.84 | 18,840.81 |
| Other non-current assets | 15 | 68.39 | 121.02 |
| | | 1,28,690.34 | 1,24,493.85 |
| 2. Current assets | | | |
| Current investments | 16 | 31.22 | 51.39 |
| Inventories | 17 | 21,998.90 | 22,722.22 |
| Trade receivables | 18 | 6,250.42 | 4,313.04 |
| Cash and bank balances | 19 | 724.05 | 94.75 |
| Short-term loans and advances | 20 | 17,321.83 | 15,914.69 |
| Other current assets | 21 | 1,185.43 | 2,598.59 |
| | | 47,511.85 | 45,694.68 |
| | Total | 1,76,202.19 | 1,70,188.53 |

SIGNIFICANT ACCOUNTING POLICIES

1 & 2

THE ACCOMPANYING NOTES ARE FORMING INTEGRAL PART OF FINANCIAL STATEMENTS

AS PER OUR REPORT OF EVEN DATE ATTACHED

FOR AND ON BEHALF OF THE BOARD

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

MANISH JAIN
Partner
Membership No. 118548

K. K. SARDA
Chairman &
Managing Director

PANKAJ SARDA
Wholetime Director

P. K. JAIN
CFO & Company Secretary

RAIPUR
DATED : 25th May, 2013

RAIPUR
DATED : 25th May, 2013

Statement of Profit & Loss

for the year ended 31st March 2013

| Particulars | Note | 31.03.2013 ₹ in Lacs | 31.03.2012 ₹ in Lacs |
|---|------|-------------------------|-------------------------|
| I. Revenue from operations (Gross) | 22 | 1,52,405.35 | 1,19,666.68 |
| Less: Excise duty | | 14,010.82 | 9,648.98 |
| Revenue from operations (Net) | | 1,38,394.53 | 1,10,017.70 |
| II. Other income | 23 | 1,512.19 | 5,932.05 |
| III. Total revenue (I + II) | | 1,39,906.72 | 1,15,949.75 |
| IV. Expenses: | | | |
| Cost of materials consumed | 24 | 74,580.25 | 62,877.40 |
| Purchases of stock-in-trade | | 3,732.87 | 1,404.77 |
| Changes in inventories of finished goods, work-in-progress and stock-in-trade | 25 | 1,607.36 | (41.24) |
| Employee benefits expense | 26 | 4,963.30 | 4,087.01 |
| Finance costs | 27 | 6,313.92 | 7,027.67 |
| Depreciation and amortisation expense | 28 | 6,407.92 | 6,323.36 |
| Other expenses | 29 | 26,301.45 | 23,864.83 |
| Total expenses | | 1,23,907.07 | 1,05,543.80 |
| V. Profit before Tax (III - IV) | | 15,999.65 | 10,405.95 |
| VI. Tax expense: | | | |
| 1. Current tax | | 4,084.86 | 2,084.58 |
| 2. Deferred tax | | (665.11) | 1,388.74 |
| 3. MAT credit entitlement | | 126.88 | (4,507.27) |
| VII. Profit for the period (V - VI) | | 12,453.02 | 11,439.90 |
| VIII. Earnings per equity share | | | |
| Basic & diluted | | 34.74 | 31.91 |

SIGNIFICANT ACCOUNTING POLICIES

1 & 2

THE ACCOMPANYING NOTES ARE FORMING INTEGRAL PART OF FINANCIAL STATEMENTS

AS PER OUR REPORT OF EVEN DATE ATTACHED

FOR AND ON BEHALF OF THE BOARD

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

MANISH JAIN
Partner
Membership No. 118548

K. K. SARDA
Chairman &
Managing Director

PANKAJ SARDA
Wholetime Director

P. K. JAIN
CFO & Company Secretary

RAIPUR
DATED : 25th May, 2013

RAIPUR
DATED : 25th May, 2013

Cash Flow Statement

for the year ended 31st March 2013

| Particulars | 31.03.2013 | 31.03.2012 |
|---|--------------------|--------------------|
| | ₹ in Lacs | ₹ in Lacs |
| A. Cash flow from operating activities : | | |
| Net profit before tax as per statement of profit & loss | 15,999.65 | 10,405.94 |
| <u>Adjusted for :</u> | | |
| Depreciation | 6,407.92 | 6,323.36 |
| Interest income | (1,160.53) | (2,530.44) |
| Finance costs | 5,592.26 | 7,027.67 |
| Unrealised exchange (gain)/loss | 627.10 | 12.44 |
| Employee stock option outstanding | 2.84 | 0.00 |
| Dividend income | (2.57) | (2,678.30) |
| (Profit) / loss on sale of investments | (12.19) | (465.71) |
| (Profit) / loss on sale of fixed assets | (218.95) | (7.47) |
| | 11,235.88 | 7,681.55 |
| Operating profit before working capital changes | 27,235.53 | 18,087.49 |
| <u>Adjusted for :</u> | | |
| Increase/(decrease) in trade & other payables | 1,698.14 | 3,113.05 |
| (Increase)/decrease in inventories | 723.32 | 3,153.66 |
| (Increase)/decrease in trade and other receivable | (1,951.70) | 22.91 |
| (Increase)/decrease in loans, advances & other current assets | 3,750.59 | (140.06) |
| | 4,220.35 | 6,149.56 |
| Cash generated from operations | 31,455.88 | 24,237.05 |
| Direct taxes (net) | (3,833.85) | (1,556.56) |
| Net cash from operating activities | 27,622.03 | 22,680.49 |
| B. Cash flow from investing activities : | | |
| Investment in fixed assets including capital WIP | (4,009.16) | (9,539.76) |
| Sale of fixed assets | 616.22 | 79.18 |
| (Increase)/decrease in investments | (9,260.01) | (6,084.43) |
| Profit / (loss) on sale of investments | 12.19 | 465.71 |
| Loan given to subsidiary and other parties | (3,178.16) | (7,758.35) |
| Interest received | 1,160.53 | 2,530.44 |
| Dividend received | 1,460.49 | 134.80 |
| Net cash used in investing activities | (13,197.90) | (20,172.41) |
| C. Cash flow from financing activities : | | |
| Proceeds from long term borrowings | 3,557.00 | 12,500.00 |
| Repayment of long term borrowings | (6,841.34) | (8,447.45) |
| Short term borrowings (net) | (3,630.28) | 315.35 |
| Interest paid | (5,631.84) | (5,745.34) |
| Dividend & dividend tax paid | (1,249.17) | (1,249.97) |
| Net cash used in financing activities | (13,795.63) | (2,627.41) |
| Increase/(decrease) in cash and cash equivalents (A+B+C) | 628.50 | (119.33) |
| Cash and cash equivalents as at the beginning of the year (as per note 19) | 49.32 | 168.65 |
| Cash and cash equivalents as at the end of the year (as per note 19) | 677.82 | 49.32 |
| Increase/(decrease) in cash and cash equivalents | 628.50 | (119.33) |

Cash Flow Statement

for the year ended 31st March 2013 (contd..)

| Notes: | | |
|---|---------------|--------------|
| (a) Cash and cash equivalents include the following : | | |
| Cash in hand | 27.61 | 36.23 |
| Balances with banks | 696.44 | 58.52 |
| Less : Unclaimed dividend | (46.23) | (45.43) |
| | 677.82 | 49.32 |
| (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 AND ON BEHALF OF THE BOARD

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

MANISH JAIN
Partner
Membership No. 118548

RAIPUR
DATED : 25th May, 2013

K. K. SARDA
Chairman &
Managing Director

RAIPUR
DATED : 25th May, 2013

PANKAJ SARDA
Wholetime Director

P. K. JAIN
CFO & Company Secretary

Notes to Financial Statements

for the year ended 31st March 2013

Significant accounting policies:

1. NATURE OF OPERATION

The company has 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.

2. BASIS OF PREPARATION

a) Accounting convention

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention as per Revised Schedule VI notified under the Companies Act, 1956.

b) 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.

c) Current and Non-current classification

An asset or a liability is classified as current when it satisfies any of the following criteria:

- i. it is expected to be realized / settled, or is intended for sale or consumption, in the company's normal operating cycle;
- ii. it is held primarily for the purpose of being traded;
- iii. it is expected to be realized / due to be settled within twelve months after the reporting date;
- iv. the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

All other assets and liabilities are classified as non-current.

2.1 Summary of significant accounting policies

a) Fixed assets

Tangible

Tangible assets are stated at cost, net of recoverable taxes less accumulated depreciation / amortisation and impairment losses if any. Cost comprises purchase price and any attributable costs of bringing the asset to its working condition for its intended use.

All costs, including administrative, financing and general overhead expenses, as are specifically attributable to construction of a project or to the acquisition of a fixed asset or bringing it to its working condition, is included as part of the cost of construction of project or as a part of the cost of fixed asset, till commencement of commercial production. Adjustments arising from exchange rate variations attributable to the fixed assets are capitalized as aforementioned.

Subsequent expenditure related to an item of tangible assets is added to its book value only, if it increases the future benefits from the existing asset beyond its previously assessed standard of performance.

The Ministry of Corporate Affairs (MCA) has issued Companies (Accounting Standards) Amendment Rules 2011 dated 29th December 2011 for amendment in the Accounting Standard 11 “The Effects of Changes in Foreign Exchange Rates”, to allow companies deferral/ capitalization of exchange differences arising on long-term foreign currency monetary items. The company has opted to avail the option provided in the said Rules. Consequently, the exchange differences arising on long term foreign currency monetary items, related to acquisition of a fixed asset, are capitalized and depreciated / amortized over the remaining useful life of the respective assets.

Intangible

Intangible assets are carried at its cost, less accumulated amortisation and impairment losses, if any. All costs, including financing costs relating to development of intangible assets which takes substantial period of time to get ready for its intended use are also included to the extent they are incurred, till commencement of commercial production.

Expenditure on exploration, prospecting and evaluation of minerals / other projects is recognized as intangible assets under development. The application of the company’s accounting policy for exploration and evaluation expenditure requires judgement in determining whether future economic benefits are likely from future exploitation. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in Statement of profit and loss in the period when the new information becomes available.

Capital work in progress

Projects / fixed assets under installation including other capital work in progress are carried at cost, comprising direct cost, related incidental expenses and attributable cost. Advances for Capital work in progress are shown under Non Current Assets.

b) Lease

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 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 Statement of Profit and Loss under the head rent, rates and taxes in Other Expenses.

c) Impairment of fixed assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists based on internal or external factors, or when annual impairment testing for an asset is required, the company estimates the asset’s recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to 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 recognized 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 recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

d) Depreciation / Amortisation

Depreciation on building and plant & machinery in respect of steel division are provided on straight line method and on all other assets 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 amortized over useful life of the mines or lease period whichever is shorter.

Leased assets are amortized on a straight-line basis over the useful life of the asset or the remaining period of lease, whichever is earlier.

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

e) Investments

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

Other investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Current investments are carried at the lower of cost and fair value determined by category of investment. Long-term investments are carried at cost less provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

f) Valuation of inventories

- i) Stores and Spares are carried at cost (net of CENVAT & VAT credits availed) on moving average basis.
- ii) Raw Materials are carried at cost (net of CENVAT & VAT credits availed) on moving average basis and net realizable value whichever is lower. However, raw materials held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.
- iii) Finished and semi finished products produced or purchased by the company are carried at lower of cost and net realizable value. Cost includes direct material and labour cost and a proportion of manufacturing overheads. Cost of finished goods includes excise duty based on prevailing rate.
- iv) By products are valued at net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

g) Advance stripping costs

The company distributes stripping (waste removal) costs incurred during the production phase of its mining operations on equitable basis over estimated minable reserves. This calculation requires the use of judgements and estimates relating to the expected tonnes of waste to be removed over the life of the mining area and the expected economically recoverable reserves to be extracted as a result. This information is reviewed periodically to calculate the average life of mine strip ratio (expected waste to expected mineral reserves ratio). Changes in a mine's life and design will usually result in changes to the average life of mine strip ratio. These changes are accounted for prospectively.

h) Mines restoration expenses

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mining property and the company is liable for environmental damage caused by mining activities.

These future costs generally include restoration and remediation of land and disturbed areas, mine closure costs, including the dismantling and demolition of infrastructure and the removal of residual materials, and mining damages costs.

Decommissioning of mine sites and land and disturbed areas restoration costs are a normal consequence of mining. The majority of mine closure and rehabilitation expenditure is incurred at the end of the life of the mine. Although the ultimate cost to be incurred is uncertain, the company's businesses estimate their respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Restoration costs and clean-up of land used for mining activities are liabilities to restore the land to the condition it was in prior to the mining activities or as stated in the relevant licences. These costs are incurred during the mining activity and can continue for many years depending on the nature of the disturbance and the remediation techniques. The mine closure costs include estimated costs of mine levels and pits closure, and capping of pits after removal of the surface construction.

Provisions for land restoration and mine closure costs are recognized for estimated outflow of economic resources to settle the obligation. Provisions are structured as land restoration and mine closure costs provision. The total estimate of restoration expenses is apportioned over the life of the mine.

i) Borrowing cost

Borrowing cost includes interest, commitment charges on bank borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

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.

In accordance with Accounting Standard 16, exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs are recognized as borrowing costs, and are capitalized as part of the cost of fixed assets if they are directly attributable to their acquisition or charged to Statement of Profit and Loss.

j) Employee benefits

- i) Retirement benefits in the form of provident fund contribution to the statutory provident fund and superannuation fund are defined contribution schemes and the payments are charged to the Statement of Profit and Loss of the year when the payments to the respective funds are due.

- ii) 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 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 Statement of Profit and Loss and are not deferred.
- iii) The liability for encashable leaves / compensated absences outstanding as on reporting date is provided based on the salary prevailing on reporting date.
- iv) Employee stock option scheme(ESOS)

Stock options granted to the employees under the stock options schemes are accounted at intrinsic value as per the accounting treatment prescribed by the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('Guidelines') and guidance note on Employee share based payments issued by the Institute of Chartered Accountants of India. Accordingly, the excess of market price, of underlying equity shares as on the date of the grant (market value), over the exercise price of the options is recognised as deferred stock compensation expense and is charged to statement of profit and loss on a straight line basis over the vesting period of the options. The amortised portion of the cost is shown under shareholders' funds.

k) 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 all 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 are 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.

Dividends

Revenue is recognized when the company's right to receive the payment is established by the reporting date.

Interest

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. Interest income is included under the head "other income" in the statement of profit and loss.

Incentives

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

l) Foreign currency transaction and balances

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion**a) Monetary items**

Year end balances of foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date.

b) Non monetary items

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

Exchange differences

Exchange differences arising on long term foreign currency monetary items, related to acquisition of a fixed asset are deferred/capitalized and depreciated over the remaining useful life of respective assets as per the Companies (Accounting Standards) Amendment Rules 2011 dated 29th December 2011 for amendment to Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates", issued by the Ministry of Corporate Affairs (MCA)

In order to exercise the option, an asset or liability is treated as a long term foreign currency monetary item, if the asset or liability is expressed in a currency and has a term of twelve months or more at the date of the origination of the asset or liability.

All other exchange differences including mark to market losses/gains are dealt with in the Statement of Profit and Loss as income or as expenses in the period in which they arise except to the extent that they are regarded as an adjustment to the interest costs and capitalized to fixed assets or charged to Statement of Profit and Loss as per Accounting Standard 16 "Borrowing Costs".

Foreign exchange forward contracts are marked to market at closing rate as on the reporting date. The premium or discount arising at the inception of forward exchange contract is amortized and recognized as an expense/income over the life of the contract. Any profit or loss arising on cancellation or renewal of such forward exchange contract is also recognized as income or as expense for the period.

m) Taxes on income

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act. Deferred income taxes reflects the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits. At each balance sheet date the company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternative Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT credit entitlement. The company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that company will pay normal Income Tax during the specified period.

n) Segment reporting

Identification of segments

The company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Segment accounting policies

The company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company as a whole.

Inter-segment transfers

The company generally accounts for intersegment transfers at an agreed transaction value.

Allocation of common costs

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items

Unallocated items include general corporate income and expense items which are not allocated to any business segment.

o) 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.

Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

p) Provisions

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.

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.

Clause 8.5 of the AS-4 "Contingencies and events occurring after the Balance Sheet date" states that proposed dividend is sometimes reflected in the financial statements because of statutory requirement. As per requirement of revised Schedule VI, now the company is not providing but disclosing proposed dividend separately.

q) 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.

r) Contingent liabilities

Possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation is reported as contingent liability. In rare cases, when a liability cannot be measured reliably, it is classified as contingent liability. The company does not recognize a contingent liability but discloses its existence in the financial statements.

s) 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.

For the purpose of Cash Flow Statement, Cash and Cash Equivalents comprise cash at bank and in hand and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3. Share capital

| | 31.03.2013 | | 31.03.2012 | |
|---|--------------------|-----------------|--------------------|-----------------|
| | No. | ₹ in Lacs | No. | ₹ in Lacs |
| Authorised | | | | |
| Equity shares of ₹ 10/- each | 5,00,00,000 | 5,000.00 | 5,00,00,000 | 5,000.00 |
| Issued, subscribed and fully paid up | | | | |
| Equity shares of ₹ 10/- each | 3,58,50,000 | 3,585.00 | 3,58,50,000 | 3,585.00 |
| | 3,58,50,000 | 3,585.00 | 3,58,50,000 | 3,585.00 |

a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

| | 31.03.2013 | | 31.03.2012 | |
|---|-------------|-----------|-------------|-----------|
| | No. | ₹ in Lacs | No. | ₹ in Lacs |
| Shares outstanding at the beginning of the year | 3,58,50,000 | 3,585.00 | 3,58,50,000 | 3,585.00 |
| Shares issued during the year | - | - | - | - |
| Shares bought back during the year | - | - | - | - |
| Shares outstanding at the end of the year | 3,58,50,000 | 3,585.00 | 3,58,50,000 | 3,585.00 |

b Terms/rights attached to equity shares

The company has only one class of shares - equity shares - having a par value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31st March 2013, the amount of per share dividend proposed for distributions to equity shareholders is ₹ 3/- (PY ₹ 3/-).

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders

c Details of shareholders holding more than 5% shares in the company

| Name of Shareholder | 31.03.2013 | | 31.03.2012 | |
|--|--------------------|--------------|--------------------|--------------|
| | No. of Shares held | % of Holding | No. of Shares held | % of Holding |
| Equity shares of ₹ 10/- each fully paid | | | | |
| Chhatisgarh Investments Limited | 1,04,90,657 | 29.26 | 1,04,90,657 | 29.26 |
| Sarda Agriculture and Properties Pvt. Limited | 26,35,150 | 7.35 | 26,35,150 | 7.35 |
| Orange Mauritius Investments Limited | 21,65,680 | 6.04 | 21,65,680 | 6.04 |
| Infrastructure Development Finance Company Limited | 18,42,105 | 5.14 | 18,42,105 | 5.14 |
| Asia Minerals Limited | 18,04,891 | 5.03 | 18,04,891 | 5.03 |

4 Reserves and Surplus

| | 31.03.2013 | 31.03.2012 |
|--|------------------|------------------|
| | ₹ in Lacs | ₹ in Lacs |
| Capital reserve | | |
| Balance as per last financial statements | 404.78 | 404.78 |
| Securities premium account | | |
| Balance as per last financial statements | 19,167.93 | 19,167.93 |
| Debenture redemption reserve | | |
| Balance as per last financial statements | 1,250.00 | 625.00 |
| Add: transfer from surplus balance in statement of profit & loss | 625.00 | 625.00 |
| Closing balance | 1,875.00 | 1,250.00 |
| Employee stock option outstanding | | |
| Balance as per last financial statements | | |
| Add: compensation for options granted during the year | 14.00 | - |
| Less: deferred employees stock compensation | (11.16) | - |
| Closing balance | 2.84 | - |
| General reserve | | |
| Balance as per last financial statements | 11,057.75 | 9,557.75 |
| Add: transfer from surplus balance in statement of profit & loss | 1,500.00 | 1,500.00 |
| Closing balance | 12,557.75 | 11,057.75 |
| Surplus in the statement of profit and loss | | |
| Balance as per last financial statements | 45,354.19 | 36,039.30 |
| Add : profit for the year | 12,453.02 | 11,439.89 |
| <u>Less: appropriations</u> | | |
| Equity dividend | (1075.50) | - |
| Tax on equity dividend | (174.48) | - |

| | | |
|--|------------------|------------------|
| Transfer to debenture redemption reserve | (625.00) | (625.00) |
| Transfer to general reserve | (1,500.00) | (1,500.00) |
| Closing balance | 54,432.23 | 45,354.19 |
| Total | 88,440.53 | 77,234.65 |

5 Long term borrowings

| | Non-Current portion | | Current Maturities | |
|--|---------------------|------------------|--------------------|-----------------|
| | 31.03.2013 | 31.03.2012 | 31.03.2013 | 31.03.2012 |
| | ₹ in Lacs | ₹ in Lacs | ₹ in Lacs | ₹ in Lacs |
| Bonds/debentures (secured) | | | | |
| 1,250 (1,250) 9.55 % Redeemable non-convertible debentures of ₹ 10/- Lacs each | 12,500.00 | 12,500.00 | - | - |
| Term loans (secured) | | | | |
| <u>From banks</u> | | | | |
| Indian rupee loan | 2,921.30 | 1,220.00 | 583.33 | 700.00 |
| Foreign currency loan | 9,524.55 | 17,527.97 | 9,964.55 | 5,842.65 |
| Hire purchase loans | 22.05 | - | 19.88 | - |
| <u>From other parties</u> | | | | |
| Indian rupee loan from financial institutions | 9,375.00 | 12,500.00 | 3,125.00 | - |
| | 34,342.90 | 43,747.97 | 13,692.76 | 6,542.65 |
| Deferred payment liabilities | | | | |
| Deferred sales tax loan (unsecured) | 940.97 | 1,319.25 | 378.28 | 268.25 |
| | 940.97 | 1,319.25 | 378.28 | 268.25 |
| Total | 35,283.87 | 45,067.22 | 14,071.04 | 6,810.90 |

Terms of repayment

- The non-convertible debentures are redeemable in three equal annual installments commencing from July, 2015. The company has an option to redeem these debentures earlier; however, no redemption will take place before the end of 3rd year from the date of allotment.
- External commercial borrowings availed in foreign currencies are payable in 5 annual installments (First three installments are 1/6th of the loan amount and remaining 2 installments are 1/4th of the loan amount). First three installments have already been paid.
- Rupee term loan from a financial institution is payable in 12 equal quarterly installments commencing from September, 2013.
- Rupee term loan of ₹ 2,504 Lacs from bank is payable in 11 quarterly installments starting from September, 2013 quarter. During the financial year 2013-14, 3 installments comprising 10% of the loan amount will be repaid, in the year 2014-15, 4 installments involving 20% and in the year 2015-16, 4 installments involving 70% of the loan amount will be repaid.
- Rupee term loan of ₹ 1,000 Lacs from bank is payable in 3 equal monthly installments starting from March, 2014.
- Hire purchase loan of ₹ 41.93 Lacs from bank is payable in 34 equal installments of ₹ 1.94 Lacs starting from June, 2012.
- Deferred sales tax loan is interest free and payable at the end of fifth year from the end of the financial year of accrual.

Security

The non-convertible debentures are secured by a registered mortgage of an immovable property of the company situated at Ahmedabad.

Term loans from bank, working capital term loan from bank, financial institution, external commercial borrowing and debentures are secured by first pari-passu charge by way of hypothecation of entire movable and immovable 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.

Besides this, the term loan from bank, working capital term loan from bank and non convertible debentures are also secured by unconditional and irrevocable personal guarantees of Mr K. K. Sarda & Mr Manish Sarda.

Hire purchase loan from bank is secured by hypothecation of related vehicles.

6 Deferred tax liabilities (Net)

| | 31.03.2013 | 31.03.2012 |
|---|-----------------|-----------------|
| | ₹ in Lacs | ₹ in Lacs |
| Deferred tax liability / (assets) at the beginning of the year | 4,996.14 | 3,607.40 |
| Deferred tax liability / (assets) during the year on account of timing difference | (665.11) | 1,388.74 |
| Deferred tax liability / (assets) at the end of the year | 4,331.03 | 4,996.14 |

7 Other long term liabilities

| | 31.03.2013 | 31.03.2012 |
|---------------------------|---------------|---------------|
| | ₹ in Lacs | ₹ in Lacs |
| Others | | |
| Security deposit received | | |
| Deposits from vendors | 170.22 | 130.18 |
| Deposit from employees | 44.87 | 28.09 |
| Other payables | 16.19 | 13.24 |
| Total | 231.28 | 171.51 |

8 Long term provisions

| | 31.03.2013 | 31.03.2012 |
|--|-----------------|---------------|
| | ₹ in Lacs | ₹ in Lacs |
| Provision for employee benefits | | |
| Leave encashment | 149.24 | 131.01 |
| Other provisions | | |
| Statutory liabilities | 732.95 | 703.75 |
| Mines restoration expenses | 98.97 | - |
| OB reserve | 166.12 | - |
| Total | 1,147.28 | 834.76 |

9 Short term borrowings

| | 31.03.2013 | 31.03.2012 |
|--|------------------|------------------|
| | ₹ in Lacs | ₹ in Lacs |
| Loans repayable on demand (secured) | | |
| From banks | | |
| Hire purchase loans | - | 1.83 |
| Short term loans | - | 2,500.00 |
| Working capital loans | 6,824.15 | 6,793.82 |
| Working capital buyers credit loans | 7,556.79 | 3,416.66 |
| Total | 14,380.94 | 12,712.31 |

| Loans repayable on demand (unsecured) | | |
|--|------------------|------------------|
| <u>From banks</u> | | |
| Short term loans | 2,000.00 | 6,999.98 |
| Other loans and advances | | |
| Advances from customers | 359.48 | 672.90 |
| | 2,359.48 | 7,672.88 |
| Total | 16,740.42 | 20,385.19 |

Security

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 way of joint equitable mortgage of immovable properties located at Industrial Growth Centre, Siltara, Raipur. These facilities are also secured by irrevocable personal guarantees of Mr. K.K.Sarda and Mr. Manish Sarda.

10 Other current liabilities

| | 31.03.2013 | 31.03.2012 |
|---|-------------------|-------------------|
| | ₹ in Lacs | ₹ in Lacs |
| Current maturities of long-term debt (refer note no. 5) | 14,071.04 | 6,810.90 |
| Interest accrued but not due on borrowings | 414.20 | 453.78 |
| Unpaid dividends | 46.23 | 45.43 |
| <u>Other payables</u> | | |
| Indirect taxes payable | 16.05 | 811.43 |
| TDS payable | 175.04 | 153.68 |
| Salary & reimbursements | 822.01 | 721.44 |
| Expenses payable | 147.26 | 78.79 |
| INR payable to bank in forex | (0.40) | - |
| Total | 15,691.43 | 9,075.45 |

11 Short term provisions

| | 31.03.2013 | 31.03.2012 |
|--|-------------------|-------------------|
| | ₹ in Lacs | ₹ in Lacs |
| Provision for employee benefits | | |
| Gratuity | - | 1.65 |
| Others | | |
| Provision for expenses | 363.33 | 488.33 |
| Total | 363.33 | 489.98 |

12 Fixed assets

Tangible fixed assets

(₹ in Lacs)

| Particulars | Gross Block | | | Depreciation | | | Net Block | | |
|---|------------------|--------------------------|------------------------------|--------------------|------------------|---------------------------|-----------------------|------------------|------------------|
| | As on 01.04.2012 | Addition during the year | Transfer / Sale / Adjustment | As on 31.03.2013 | Up to 01.04.2012 | Depreciation for the year | Transfer / Adjustment | As on 31.03.2013 | As on 31.03.2012 |
| Freehold land | 3,308.90 | 199.07 | 3.62 | 3,504.35 | - | - | - | 3,504.35 | 3,308.90 |
| Leasehold land | 918.47 | - | - | 918.47 | 23.59 | 9.41 | - | 885.47 | 894.88 |
| Building | 15,802.00 | 2,898.02 | 90.07 | 18,609.95 | 2,597.45 | 529.18 | 2.67 | 3,123.96 | 13,204.55 |
| Plant & machinery | 76,005.84 | 5,418.79 | 191.88 | 81,232.75 | 25,634.69 | 5,397.58 | 42.89 | 30,989.38 | 50,371.15 |
| Furniture, fixture & equipment | 988.84 | 164.92 | - | 1,153.76 | 583.32 | 102.97 | (1.36) | 687.65 | 405.51 |
| Vehicles | 908.37 | 196.42 | 136.45 | 968.34 | 486.69 | 129.44 | 109.25 | 506.88 | 421.69 |
| Total | 97,932.42 | 8,877.22 | 422.02 | 1,06,387.62 | 29,325.74 | 6,168.58 | 153.45 | 35,340.87 | 68,606.68 |
| Previous year | 88,762.67 | 9,896.04 | 726.29 | 97,932.42 | 23,664.46 | 6,086.85 | 425.58 | 29,325.73 | 65,098.22 |
| Capital Work in Progress (Including capital stock) | | | | 6,184.58 | | | | 6,184.58 | 10,876.94 |

Note:

- Plant & Machinery includes borrowing cost of ₹ 120.30 Lacs (P.Y. ₹ 62.87 Lacs) capitalised in accordance with AS 16.
- Building includes borrowing cost of ₹ 25.68 Lacs (P.Y. ₹ 8.00 Lacs) capitalised in accordance with AS 16.

Intangible Fixed Assets

(₹ in Lacs)

| Particulars | Gross Block | | | Depreciation | | | Net Block | | |
|-------------------------------------|------------------|--------------------------|------------------------------|------------------|------------------|---------------------------|-----------------------|------------------|------------------|
| | As on 01.04.2012 | Addition during the year | Transfer / Sale / Adjustment | As on 31.03.2013 | Up to 01.04.2012 | Depreciation for the year | Transfer / Adjustment | As on 31.03.2013 | As on 31.03.2012 |
| SAP software | 228.29 | 52.76 | - | 281.05 | 160.00 | 48.67 | - | 208.67 | 68.28 |
| Mining rights & development | 4,885.82 | - | - | 4,885.82 | 392.85 | 190.67 | - | 583.52 | 4,492.97 |
| Total | 5,114.11 | 52.76 | - | 5,166.87 | 552.85 | 239.34 | - | 792.19 | 4,561.26 |
| Previous year | 3,840.75 | 18.40 | (1,254.96) | 5,114.11 | 315.01 | 236.51 | (1.33) | 552.85 | 3,525.73 |
| Intangible assets under development | 225.69 | | | 283.60 | | | | 283.60 | 225.69 |

13 Non current investments

| | 31.03.2013 | 31.03.2012 |
|---|------------------|------------------|
| | ₹ in Lacs | ₹ in Lacs |
| Trade investments | | |
| Investment in equity instruments at cost (unquoted) | | |
| Fully paid up with face value of ₹ 10/- each unless otherwise specified | | |
| <u>In subsidiaries</u> | | |
| 10,00,000 (P.Y. 10,00,000) Equity shares of Sarda Energy & Minerals Hongkong Ltd. of HK\$ 1.00 Each | 55.83 | 55.83 |
| 100 (P.Y. 100) Equity shares of Sarda Global Venture Pte Ltd. of USD 100.00 Each | 4.30 | 4.30 |
| 50,000 (P.Y. 50,000) Equity shares of Sarda Energy Ltd. | 5.00 | 5.00 |
| 2,00,45,000 (P.Y. 1,25,45,000) Equity shares of Sarda Metals & Alloys Ltd. | 20,000.00 | 12,500.00 |
| 2,79,14,000 (P.Y. 2,76,34,000) Equity shares of Madhya Bharat Power Corporation Ltd. | 6,471.50 | 6,401.50 |
| 7,83,182 (P.Y. 7,83,182) Equity shares of Parvatiya Power Ltd. | 783.52 | 783.52 |
| 1,59,120 (P.Y. 1,59,120) Equity shares of Sarda Hydropower Pvt. Ltd. | 15.91 | 15.91 |
| 11,000 (P.Y. 11,000) Equity shares of Raipur Fabritech Pvt. Ltd. | 1.10 | 1.10 |
| 5,100 (P.Y. 5,100) Equity shares of Raipur Industrial Gases Pvt. Ltd. | 0.51 | 0.51 |
| <u>In joint ventures</u> | | |
| 1,30,800 (P.Y. 1,30,800) Equity shares of Raipur Infrastructure Company Ltd. | 210.70 | 210.70 |
| 2,23,803 (P.Y. 2,17,562) Equity shares of Madanpur South Coal Company Ltd. | 308.93 | 296.45 |
| <u>In associates</u> | | |
| NIL (P.Y. 4,000) Equity shares of Chhattisgarh Bricks Pvt. Ltd. | - | 0.40 |
| 5,000 (P.Y. 5,000) Equity shares of Natural Resources Energy Pvt. Ltd. | 0.50 | 0.50 |
| <u>In other companies</u> | | |
| 4,85,000 (P.Y. 4,85,000) Equity shares of Chhattisgarh Ispat Bhumi Ltd. | 48.50 | 48.50 |
| <u>Investments in LLP</u> | | |
| Shri Ram Electricity LLP | 346.63 | 340.97 |
| Chhattisgarh Hydro Power LLP | 1,304.50 | 540.86 |
| Other non-current investments | | |
| <u>Share application money</u> | | |
| Madanpur South Coal Company Ltd. | 12.69 | 16.51 |
| Sarda Metals & Alloys Ltd. | 971.00 | 36.63 |
| Madhya Bharat Power Corporation Ltd. | 0.00 | 2.26 |
| Sarda Energy Ltd. | 9,677.88 | - |
| <u>Investment in Government or Trust securities</u> | | |
| Investment in NSC | 0.50 | - |
| Total | 40,219.50 | 21,261.45 |

14 Long term loans and advances

| | 31.03.2013 | 31.03.2012 |
|--|-----------------|------------------|
| | ₹ in Lacs | ₹ in Lacs |
| Capital advances | | |
| Unsecured, considered good | 2,393.50 | 2,769.09 |
| Security deposits | | |
| Unsecured, considered good | 670.65 | 540.95 |
| Loans and advances to related parties | | |
| Unsecured, considered good | - | 11,590.24 |
| Other loans and advances | | |
| Unsecured, considered good | | |
| MAT credit entitlement | 1,591.69 | 2,641.69 |
| Advance income tax (net of provision) | 944.05 | 20.03 |
| Advance stripping expenses | - | 259.14 |
| Prepaid expenses | 12.85 | 13.29 |
| Other advances | 900.10 | 1,006.38 |
| Total | 6,512.84 | 18,840.81 |

15 Other non current assets

| | 31.03.2013 | 31.03.2012 |
|----------------------------|--------------|---------------|
| | ₹ in Lacs | ₹ in Lacs |
| Others | | |
| Unsecured, considered good | | |
| Unamortised expenses | 68.39 | 121.02 |
| Total | 68.39 | 121.02 |

16 Current investments

| | 31.03.2013 | 31.03.2012 |
|---|--------------|--------------|
| | ₹ in Lacs | ₹ in Lacs |
| Investment in equity instruments (quoted) | | |
| (valued at lower of cost and market value) | | |
| <u>In other companies</u> | | |
| 32,813 (P.Y. 32,813) Equity shares of Abhishek Mills Ltd. | 32.82 | 32.82 |
| 3,688 (P.Y. 3,688) Equity shares of Indian Metals & Ferro Alloys Ltd. | 1.84 | 1.84 |
| 12,400 (P.Y. 12,400) Equity shares of Mangalam Cement Ltd. | 24.46 | 24.46 |
| Less: provision for dimunition in the value of investments | 32.90 | 27.93 |
| | 26.22 | 31.19 |
| Investments in mutual funds | | |
| NIL Units (P.Y. 1,63,592.43 Units) of ICICI Mutual Fund | - | 20.04 |
| NIL Units (P.Y. 11.71 Units) of UTI Mutual Fund | - | 0.16 |
| 49,990 units (P.Y. NIL units) of KBC Mutual Fund | 5.00 | - |
| Total | 31.22 | 51.39 |
| Aggregate amount of quoted investments | 31.22 | 51.39 |
| Aggregate market value of quoted investments | 26.22 | 31.19 |

17 Inventories

| | 31.03.2013 | 31.03.2012 |
|--|------------------|------------------|
| | ₹ in Lacs | ₹ in Lacs |
| (valued at lower of cost and net realisable value) | | |
| Raw materials and components | 7,481.01 | 7,039.39 |
| Finished / semi finished goods | 12,186.64 | 13,675.50 |
| Stock-in-trade | 33.67 | 152.18 |
| Stores and spares | 2,292.36 | 1,855.15 |
| Material in transit | 5.22 | - |
| Total | 21,998.90 | 22,722.22 |

18 Trade receivables

| | 31.03.2013 | 31.03.2012 |
|--|-----------------|-----------------|
| | ₹ in Lacs | ₹ in Lacs |
| Trade receivables outstanding for a period exceeding six months from the date they are due for payment | | |
| Unsecured, considered good | 31.93 | 212.42 |
| Unsecured, considered doubtful | 276.50 | 349.33 |
| Less: provision for doubtful debts | 276.50 | 349.33 |
| | 31.93 | 212.42 |
| Trade receivables outstanding for a period less than six months from the date they are due for payment | | |
| Unsecured, considered good | 6,218.49 | 4,100.62 |
| | 6,218.49 | 4,100.62 |
| Total | 6,250.42 | 4,313.04 |

19 Cash and bank balances

| | 31.03.2013 | 31.03.2012 |
|---------------------|---------------|--------------|
| | ₹ in Lacs | ₹ in Lacs |
| Balances with banks | | |
| In current accounts | 650.21 | 13.09 |
| On unpaid dividend | 46.23 | 45.43 |
| Cash in hand | 27.61 | 36.23 |
| Total | 724.05 | 94.75 |

20 Short term loans and advances

| | 31.03.2013 | 31.03.2012 |
|--|-----------------|---------------|
| | ₹ in Lacs | ₹ in Lacs |
| Loans and advances to related parties (refer note no.34) | | |
| Unsecured, considered good | 5,260.43 | 169.90 |
| Total | 5,260.43 | 169.90 |
| Others | | |
| Unsecured, considered good | | |
| Earnest money deposit | 42.67 | 76.42 |
| Advances to employees | 92.18 | 96.95 |
| Advances to vendors | 3,891.22 | 4,140.40 |

| | | |
|---------------------------------------|------------------|------------------|
| Claims & recoverables | 674.12 | 784.97 |
| Loans & advances to others | 5,338.72 | 7,776.29 |
| Advance royalty paid | 91.10 | 26.18 |
| Prepaid expenses | 124.83 | 390.43 |
| Balances with tax authorities | 1,806.56 | 2,453.15 |
| | | |
| Doubtful advances to vendors | 89.53 | 75.99 |
| Less: provision for doubtful advances | 89.53 | 75.99 |
| | - | - |
| | 12,061.40 | 15,744.79 |
| Total | 17,321.83 | 15,914.69 |

21 Other current assets

| | 31.03.2013 | 31.03.2012 |
|-----------------------------------|-------------------|-------------------|
| | ₹ in Lacs | ₹ in Lacs |
| SEML employees gratuity scheme | 38.58 | - |
| INR receivable from bank in forex | 8.29 | - |
| Dividend receivable | 1,085.58 | 2,543.50 |
| LC negotiation charges receivable | 0.34 | - |
| Unamortised expenses | 52.64 | 55.09 |
| Total | 1,185.43 | 2,598.59 |

22 Revenue from operations (Gross)

| | 31.03.2013 | 31.03.2012 |
|--------------------------|--------------------|--------------------|
| | ₹ in Lacs | ₹ in Lacs |
| Sale of products | | |
| Sponge iron | 34,782.35 | 33,911.01 |
| Ferro alloys | 38,828.73 | 35,644.45 |
| Steel billets | 7,394.86 | 8,291.04 |
| Wire rod / HB wire | 36,848.82 | 29,950.21 |
| Pellet | 18,841.14 | 4,254.55 |
| Others | 14,620.89 | 6,532.28 |
| Other operating revenues | 1,088.56 | 1,083.14 |
| Total | 1,52,405.35 | 1,19,666.68 |

23 Other income

| | 31.03.2013 | 31.03.2012 |
|---|-------------------|-------------------|
| | ₹ in Lacs | ₹ in Lacs |
| Interest income | 1,160.53 | 2,530.44 |
| Dividend income | | |
| From subsidiaries | - | 2,665.50 |
| From others | 2.57 | 12.80 |
| Net gain on sale of investments | 12.19 | 465.70 |
| Other non-operating income (net of expenses directly attributable to such income) | 336.90 | 257.61 |
| Total | 1,512.19 | 5,932.05 |

24 Cost of raw material consumed

| | 31.03.2013 | 31.03.2012 |
|----------------|------------------|------------------|
| | ₹ in Lacs | ₹ in Lacs |
| Iron ore | 36,865.18 | 26,140.01 |
| Mn ore | 14,147.69 | 15,344.46 |
| Coal | 16,578.50 | 15,090.04 |
| Scrap | 5,616.17 | 5,092.42 |
| Other material | 1,372.71 | 1,210.47 |
| Total | 74,580.25 | 62,877.40 |

24.1 Raw material consumption

| | 2012-13 | | 2011-12 | |
|--------------------------------------|------------------|----------------|------------------|----------------|
| | ₹ in Lacs | % | ₹ in Lacs | % |
| Raw material -indigenous consumption | 57,594.59 | 77.22% | 50,043.60 | 79.59% |
| Raw material -imported consumption | 16,985.66 | 22.78% | 12,833.80 | 20.41% |
| Total | 74,580.25 | 100.00% | 62,877.40 | 100.00% |

25 Changes in inventories of finished goods, semi-finished goods and stock-in-trade

| | 2012-13 | 2011-12 |
|---|-------------------|------------------|
| | ₹ in Lacs | ₹ in Lacs |
| Inventories at the end of the year | | |
| Finished goods / semi-finished goods | 12,186.65 | 13,675.50 |
| Trading goods | 33.67 | 152.18 |
| | 12,220.32 | 13,827.68 |
| Inventories at the beginning of the year | | |
| Finished goods / semi-finished goods | 13,675.50 | 13,786.44 |
| Trading goods | 152.18 | - |
| | 13,827.68 | 13,786.44 |
| Increase/(decrease) in inventories | (1,607.36) | 41.24 |

26 Employee benefit expense

| | 2012-13 | 2011-12 |
|--|-----------------|-----------------|
| | ₹ in Lacs | ₹ in Lacs |
| Salaries, incentives & managerial remuneration | 4,566.68 | 3,744.21 |
| Contributions to - | | |
| Provident fund | 221.48 | 205.27 |
| Superannuation scheme | 9.64 | 9.73 |
| Gratuity fund | 66.84 | 28.00 |
| Staff welfare expenses | 98.66 | 99.80 |
| Total | 4,963.30 | 4,087.01 |

26.1 As per Accounting standard 15 "Employee benefits", the disclosures as defined in the Accounting Standard are given below:

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.

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 2013.

| | 2012-13 | 2011-12 |
|---|-----------|-----------|
| | ₹ in Lacs | ₹ in Lacs |
| Assumptions | | |
| Discount rate (beginning of the year) | 8.00% | 8.00% |
| Discount rate (end of the year) | 8.00% | 8.00% |
| Rate of increase in compensation levels | 10.00% | 9.00% |
| Rate of return on plan assets | 8.90% | 8.10% |
| Expected average remaining working lives of employees (years) | 22.28 | 22.57 |
| Table showing changes in present value of obligations | | |
| Present value of obligation as at the beginning of the year | 371.33 | 325.86 |
| Acquisition adjustment | - | - |
| Interest cost | 29.48 | 25.60 |
| Current service cost | 57.41 | 68.81 |
| Curtailement cost / (credit) | - | - |
| Settlement cost / (credit) | - | - |
| Benefits paid | (5.53) | (11.76) |
| Actuarial (gain) / loss on obligations | (4.43) | (37.19) |
| Present value of obligation as at the end of the year | 448.25 | 371.33 |
| Table showing changes in the fair value of plan assets | | |
| Fair value of plan assets at the beginning of the year | 369.67 | 334.15 |
| Acquisition adjustments | | |
| Expected return of plan assets | 32.92 | 27.06 |
| Contributions | 89.12 | 18.06 |
| Benefits paid | (5.53) | (11.76) |
| Actuarial gain / (loss) on plan assets | 0.66 | 2.16 |
| Fair value of plan assets at the end of the year | 486.83 | 369.67 |
| Tables showing fair value of plan assets | | |
| Fair value of plan asset at the beginning of year | 369.67 | 334.15 |
| Acquisition adjustments | - | - |
| Actual return on plan assets | 33.58 | 29.21 |
| Contributions | 89.12 | 18.06 |
| Benefits paid | (5.53) | (11.76) |
| Fair value of plan assets at the end of year | 486.83 | 369.67 |
| Funded status | 38.58 | (1.66) |
| Excess of actual over estimated return on plan assets | 0.66 | 2.16 |
| Actuarial gain / loss recognized | | |
| Actuarial (gain) / loss for the year – obligation | (4.43) | (37.19) |
| Actuarial (gain) / loss for the year – plan assets | (0.66) | (2.16) |
| Total (gain) / loss for the year | (5.09) | (39.35) |
| Actuarial (gain) / loss recognized in the year | (5.09) | (39.35) |
| Unrecognized actuarial (gains) / losses at the end of year | - | - |
| The amounts to be recognized in balance sheet and statement of profit & loss | | |
| Present value of obligation as at the end of the year | 448.25 | 371.33 |
| Fair value of plan assets as at the end of the year | 486.83 | 369.67 |
| Funded status | 38.58 | (1.66) |

| | | |
|---|---------|---------|
| Net asset / (liability) recognized in balance sheet | 38.58 | (1.66) |
| Expense recognized in the statement of profit & loss | | |
| Current service cost | 57.41 | 68.81 |
| Interest cost | 29.48 | 25.60 |
| Expected return of plan assets | (32.92) | (27.06) |
| Curtailment cost / (credit) | - | - |
| Settlement cost / (credit) | - | - |
| Net actuarial (gain) / loss recognized in the year | (5.09) | (39.35) |
| Expenses recognized in the statement of profit & loss | 48.89 | 28.00 |

Note:- Gratuity paid & debited to Statement of profit & loss ₹ 17.96 Lacs (PY NIL) has not been considered above since it is borne by the company besides funding to LIC and SBI Life Insurance Co. Ltd.

26.2 SEML ESOP Scheme 2012

- a. The company has established an Employee Stock Option Plan ('ESOP') in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, which has been approved by the Board of Directors and the shareholders. Appointment & Compensation Committee of the company comprising of independent non-executive members of the Board of Directors administer the ESOP. All options under the ESOP are exercisable for equity shares. The company plans to grant upto 7,17,000 options to eligible employees and directors of the company and subsidiaries of the company.
- b. The options granted under the SEML ESOP Scheme 2012 shall vest as under:
 - i) 1/3rd at the end of one year from the date of grant.
 - ii) 1/3rd at the end of two years from the date of grant.
 - iii) 1/3rd at the end of three years from the date of grant.
- c. The employees have a period of 2 years to exercise the options from the date of vesting, after which unexercised options will lapse.
- d. Options in respect of the shares vested at each vesting date can be exercised in maximum four tranches subject to the exercise period of 2 years from the date of vesting. Each option is exercisable for one equity share of ₹ 10 each fully paid up on payment of exercise price of share determined with respect to the date of grant.
- e. The movement in the scheme is set out as under:

| Particulars | SEML ESOP SCHEME 2012 | | | |
|---|--------------------------|-------------------------------|--------------------------|-------------------------------|
| | Year ended 31 March 2013 | | Year ended 31 March 2012 | |
| | Options Number | Exercise price Amount (in ₹) | Options Number | Exercise price Amount (in ₹) |
| Outstanding at the beginning of year | NIL | NIL | N. A. | N. A. |
| Granted during the year | 3,33,360 | 125.00 | N. A. | N. A. |
| Exercised during the year | NIL | NIL | N. A. | N. A. |
| Forfeited during the year | NIL | NIL | N. A. | N. A. |
| Expired during the year | NIL | NIL | N. A. | N. A. |
| Outstanding at the end of the year | 3,33,360 | 125.00 | N. A. | N. A. |
| Exercisable at the end of the year | NIL | NIL | N. A. | N. A. |
| Number of equity shares of ₹ 10/- each fully paid up to be issued on exercise of option | 3,33,360 | 125.00 | N. A. | N. A. |
| Exercise price at the date of exercise | N. A. | N. A. | N. A. | N. A. |
| Weighted average remaining contractual life (months) | 41 | N.A. | N. A. | N. A. |

f. Pro forma accounting for stock option grants

The company has applied the intrinsic value-based method of accounting for determining compensation cost for its ESOP Plan. Had the compensation cost been determined using fair value approach, the company's net income and basic/diluted earnings per share as reported would have reduced to the proforma amounts as indicated:

| S.No. | Particulars | Year Ended | Year Ended |
|-------|---|---------------|---------------|
| | | 31 March 2013 | 31 March 2012 |
| | | Amount | Amount |
| 1 | Net profit as reported | 12,453.02 | N. A. |
| 2 | Add : stock based employee compensation expense debited to Statement of Profit and Loss | 2.84 | N. A. |
| 3 | Less : stock based employee compensation expense based on fair value | 0.97 | N. A. |
| 4 | Difference between (2) & (3) | 1.87 | N. A. |
| 5 | Adjusted pro forma profit | 12,454.89 | N. A. |
| 6 | Difference between (1) & (5) | 1.87 | N. A. |
| 7 | Basic earnings per share as reported | 34.74 | N. A. |
| 8 | Proforma earnings per share | 34.74 | |
| 9 | Diluted earnings per share as reported | 34.74 | N. A. |
| 10 | Proforma diluted earnings per share | 34.74 | N. A. |

g. The fair value of the options, calculated by an external expert was estimated on the date of grant using the Black Scholes model with the following significant assumptions:

| Particulars | Year Ended | Year Ended |
|-----------------------------|---------------|---------------|
| | 31 March 2013 | 31 March 2012 |
| Risk free interest rate (%) | 8% | N. A. |
| Expected life (months) | 41 | N. A. |
| Volatility (%) | 8% | N. A. |
| Dividend pay out (%) | 30% | N. A. |

The volatility of the options is based on the historical volatility of the share price for the last one year.

h. Details of weighted average exercise price and fair value of the stock options granted at price below market price:

| Particulars | Year Ended | Year Ended |
|-----------------------|---------------|---------------|
| | 31 March 2013 | 31 March 2012 |
| Total options granted | 3,33,360 | N. A. |
| Exercise price (₹) | 125.00 | N. A. |
| Fair value (₹) | 126.43 | N. A. |

27 Finance costs

| | 2012-13 | 2011-12 |
|---|-----------------|-----------------|
| | ₹ in Lacs | ₹ in Lacs |
| Interest expense | 5,078.66 | 4,881.81 |
| Other borrowing costs | 255.79 | 212.65 |
| Amortisation of ancilliary borrowing costs | 55.09 | 45.26 |
| Exchange differences to the extent considered as an adjustment to borrowing costs | 924.38 | 1,887.95 |
| Total | 6,313.92 | 7,027.67 |

28 Depreciation and amortisation

| | 2012-13 | 2011-12 |
|-----------------------------------|-----------------|-----------------|
| | ₹ in Lacs | ₹ in Lacs |
| Depreciation of tangible assets | 6,168.58 | 6,086.85 |
| Amortisation of intangible assets | 239.34 | 236.51 |
| Total | 6,407.92 | 6,323.36 |

29 Other expenses

| | 2012-13 | 2011-12 |
|---|------------------|------------------|
| | ₹ in Lacs | ₹ in Lacs |
| Stores & spares consumption | 7,559.87 | 6,610.90 |
| Power | 1,135.39 | 1,404.37 |
| Manufacturing expenses | | |
| Plant process & services | 1,024.52 | 916.30 |
| Material handling expenses | 2,619.03 | 1,871.84 |
| Other manufacturing expenses | 3,992.27 | 4,299.07 |
| Increase / (decrease) of excise duty on inventory | (227.34) | 185.02 |
| Mining expenses | 3,312.79 | 2,371.19 |
| Repairs & maintenance | | |
| Building | 139.45 | 141.24 |
| Plant & machinery | 764.02 | 604.39 |
| Others | 250.60 | 203.64 |
| Rent | 104.93 | 90.78 |
| Rates & taxes | 2,254.75 | 1,502.35 |
| Insurance charges | 75.81 | 101.30 |
| Miscellaneous expenses | | |
| Travelling & conveyance expenses | 434.75 | 370.98 |
| Legal & professional expenses | 373.00 | 346.82 |
| Administrative and other expenses | 569.29 | 599.75 |
| Selling expenses | | |
| Carriage outward | 854.19 | 890.57 |
| Selling commission & brokerage | 336.32 | 228.44 |
| Other selling expenses | 82.83 | 309.74 |
| Exchange differences (net) | 625.11 | 774.76 |
| Payments to auditor | 14.90 | 13.45 |
| Provision for diminution in value of current investment | 4.97 | 27.93 |
| Total | 26,301.45 | 23,864.83 |

29.1 Stores & spares consumption

| | 2012-13 | | 2011-12 | |
|--|-----------------|----------------|-----------------|----------------|
| | ₹ in Lacs | % | ₹ in Lacs | % |
| Stores & spares - indigenous consumption | 6,764.94 | 89.48% | 5,988.23 | 90.58% |
| Stores & spares - imported consumption | 794.93 | 10.52% | 622.67 | 9.42% |
| Total | 7,559.87 | 100.00% | 6,610.90 | 100.00% |

29.2 Payments to the auditor

| | 2012-13 | 2011-12 |
|---------------------------|--------------|--------------|
| | ₹ in Lacs | ₹ in Lacs |
| As Auditor: | | |
| Audit fee | 12.00 | 10.00 |
| Tax audit fee | 2.00 | 2.00 |
| Other services | - | 0.48 |
| Reimbursement of expenses | 0.90 | 0.97 |
| Total | 14.90 | 13.45 |

30 Earnings per share (EPS)

| | 2012-13 | 2011-12 |
|--|-------------|-------------|
| Net profit after tax as per Statement of Profit & Loss attributable to equity shareholders (₹ in Lacs) | 12,453.02 | 11,439.89 |
| Nominal value of equity shares (₹) | 10 | 10 |
| Weighted average number of equity shares used as denominator for calculating EPS | 3,58,50,000 | 3,58,50,000 |
| Basic and diluted earnings per share (₹) | 34.74 | 31.91 |

31. Segment reporting

Segment information has been prepared in conformity 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.

A) Business segment primary

(₹ in Lacs)

| Particulars | 2012-2013 | | | 2011-2012 | | |
|---|------------------|------------------|--------------------|------------------|------------------|--------------------|
| | Steel | Ferro | Total | Steel | Ferro | Total |
| Revenue | | | | | | |
| Sales & other income | 93,809.56 | 41,013.85 | 1,34,823.41 | 70,011.92 | 35,298.87 | 1,05,310.79 |
| Inter segment sales | - | 475.94 | 475.94 | - | 520.81 | 520.81 |
| Others unallocated | | | 3,571.13 | | | 4,706.90 |
| Total revenue | 93,809.56 | 41,489.79 | 1,38,870.48 | 70,011.92 | 35,819.68 | 1,10,538.50 |
| Result | | | | | | |
| Segment result | 16,505.10 | 7,686.58 | 24,191.68 | 12,751.09 | 3,203.75 | 15,954.84 |
| Unallocated expenses net off unallocated income | | | (1,253.00) | | | 2,253.53 |
| Operating profit | | | 22,938.68 | | | 18,208.37 |
| Interest & forex fluctuation loss (net) | | | (6,939.03) | | | (7,802.44) |
| Profit before tax & extraordinary item | | | 15,999.65 | | | 10,405.93 |
| Add: extra ordinary item | | | - | | | - |
| <u>Provision for taxation</u> | | | | | | |
| For current year | | | (4,084.86) | | | (2,084.58) |
| For deferred taxation | | | 665.11 | | | (1,388.74) |
| Income tax for earlier years | | | - | | | - |
| MAT credit entitlement | | | (126.88) | | | 4,507.27 |
| Profit after taxation | | | 12,453.02 | | | 11,439.88 |

| Other information | | | | | | |
|---|-----------|-----------|--------------------|-----------|-----------|--------------------|
| Segment assets | 80,040.73 | 15,984.96 | 96,025.70 | 79,938.72 | 18,537.49 | 98,476.21 |
| Unallocated assets | | | 36,409.09 | | | 35,006.83 |
| Total assets | | | 1,32,434.79 | | | 1,33,483.04 |
| Segment liabilities | 4,670.35 | 6,507.30 | 11,177.65 | 4,366.11 | 8,873.73 | 13,239.84 |
| Unallocated liabilities | | | 2,517.92 | | | 2,505.37 |
| Total liabilities | | | 13,695.57 | | | 15,745.20 |
| Capital expenditure | 2,220.87 | 504.89 | 2,725.76 | 5,093.40 | 398.24 | 5,491.63 |
| Depreciation / amortisation | 3,856.03 | 548.26 | 4,404.28 | 3,544.01 | 533.58 | 4,077.60 |
| Unallocated capital exp. & depreciation | | | 3,151.39 | | | 8,647.63 |
| Non-cash expenditure other than depreciation / (amortisation) | | | - | | | - |

32. Capitalization of expenditure

During the year, company has capitalized the following expenses to the cost of fixed asset/ capital work-in-progress (CWIP) because these were attributable to the installation of fixed assets. Consequently, expenses disclosed under the respective notes are net of amounts capitalized by the company.

(₹ in Lacs)

| Particulars | 2012-13 | 2011-12 |
|---------------------------------------|----------------|-----------------|
| Salaries | 275.70 | 303.06 |
| Finance cost | 145.98 | 269.45 |
| Other expenses (exchange fluctuation) | 39.48 | 1,864.81 |
| Total | 461.16 | 2,437.32 |

33. Interest in joint ventures

| Name of the Company | Proportion of ownership interest as at 31st March | |
|--|---|-------------|
| | 2013 | 2012 |
| i) Raipur Infrastructure Company Limited | 33.33% | 33.33% |
| ii) Madanpur South Coal Company Limited | 20.63% | 20.63% |

The above joint venture companies are incorporated in India. The company's share of assets and liabilities as on 31st March, 2013 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.

(₹ in Lacs)

| Particulars | As at 31st March | |
|-------------------------|------------------------------------|---------------|
| | 2013 | 2012 |
| Assets | | |
| Non current assets | 610.62 | 600.14 |
| Current assets | 204.46 | 163.35 |
| Total | 815.08 | 763.49 |
| Liabilities | | |
| Non current liabilities | 7.43 | 7.48 |
| Current liabilities | 1.16 | 8.64 |
| Total | 8.59 | 16.12 |
| Income | 112.47 | 105.73 |
| Expenses | 44.70 | 36.94 |
| Contingent liabilities | 899.88 | 899.88 |
| Capital commitments | 7.29 | 7.08 |

34. Related party disclosure

a) Names of related parties and description of relationship

| S.No. | Description of Relationship | Names of Related Parties |
|-------|--|---|
| 1 | Subsidiaries | Sarda Energy & Minerals Hongkong Limited, Hongkong Sarda Global Ventures Pte Limited, Singapore Sarda Metals & Alloys Limited Sarda Energy Limited Parvatiya Power Limited Madhya Bharat Power Corporation Limited Sarda Hydro Power Private Limited Raipur Fabritech Private Limited Raipur Industrial Gases Private Limited |
| 2 | Controlled entities | Chhattisgarh Hydro Power LLP Shri Ram Electricity LLP |
| 3 | Associate companies | Chhattisgarh Investments Limited Chhattisgarh Bricks Private Limited (Upto 14.12.2012) |
| 4 | Related enterprises where significant influence exists | R.R. Sarda & Company |
| 5 | Key management personnel | Mr. Kamal Kishore Sarda Mr. Gopal Krishna Chhanghani (Upto 31.12.2012) Mr. Pankaj Sarda Mr. Ghanshyam Das Mundra |
| 6 | Relative of key management personnel | Mrs. Uma Sarda Mrs. Veena Sarda |
| 7 | Joint ventures | Raipur Infrastructure Company Limited Madanpur South Coal Company Limited |

b) Material transactions with related parties

(₹ in Lacs)

| Particulars | Subsidiaries & Controlled Entities | Related Enterprises Where significant influence exists | Associates | Key Management Personnel | Relatives of Key Management Personnel | Joint Venture |
|------------------------------|------------------------------------|--|--------------------------|--------------------------|---------------------------------------|---------------|
| Loans/advances given | 11,518.80 (8,564.11) | | 15,565.53 (18,031.21) | | | |
| Loans/advances received back | 3,096.57 (2,267.99) | | 19,526.22 (15,938.61) | | | |
| Material transferred/sold | 1,901.26 (24.14) | | 0.70 (--- | | | |
| Materials purchased | 103.86 (--) | | | | | |
| Interest received | 106.95 (1,263.04) | | 879.18 (1,160.43) | | | |
| Dividend income | - (2,665.50) | | | | | |
| Remuneration | | | | 421.46 (301.84) | | |
| Rent paid | | 9.60 (9.60) | 62.80 (48.77) | 1.80 (1.80) | 11.04 (10.20) | |

| | | | |
|---------------------------|--------------------------|--------------|--------------------|
| Services offered | | 3.56 | 3.00 |
| | | (--) | (3.00) |
| Corporate guarantee given | 6,412.00 (258.56) | | 900.00 (900.00) |
| Investments made | 18,951.54 (12,150.41) | | 8.67 (169.00) |
| Investments disposed | | 0.40 (--) | |

Outstanding as at 31.03.2013

| | | | | |
|--|--------------------------|------------------------|--------------------|--------------------|
| Receivable | 6,346.01 (14,370.92) | 4,047.99 (7,273.94) | 12.08 (9.64) | - (5.10) |
| Corporate guarantee given | 6,811.59 (398.09) | | | 900.00 (900.00) |
| Investments | 28,988.80 (20,688.39) | 0.50 (0.90) | | 519.64 (507.15) |
| Share application money pending allotments | 10,648.88 (38.89) | | | 12.69 (16.50) |
| Payable | | | 195.73 (178.43) | |

Note: Figures in bracket represents previous year's figures.

Out of the above items, transactions in excess of 10% of the total related party transactions are as under:

(₹ in Lacs)

| Particulars | Year Ended 31 st March 2013 | Year Ended 31 st March 2012 |
|--|---|---|
| Loans/Advances given | | |
| Sarda Energy and Minerals Hongkong Limited | 1,630.00 | 1,979.22 |
| Sarda Metals and Alloys Limited | 9,758.45 | --- |
| Sarda Energy Limited | --- | 6,575.43 |
| Chhatisgarh Investments Limited | 15,565.53 | 18,031.21 |
| Loans/Advances received back | | |
| Sarda Energy and Minerals Hongkong Limited | 542.60 | 1979.22 |
| Sarda Metals and Alloys Limited | 2,414.72 | 213.61 |
| Chhatisgarh Investments Limited | 19,526.22 | 15,938.61 |
| Materials transferred/sold | | |
| Sarda Metals and Alloys Limited | 1,901.26 | 24.14 |
| Chhatisgarh Investments Limited | 0.70 | --- |
| Materials received/purchased | | |
| Sarda Metals and Alloys Limited | 103.86 | --- |
| Interest received | | |
| Sarda Energy and Minerals Hongkong Limited | 7.78 | 47.22 |
| Sarda Metals and Alloys Limited | 72.55 | 457.46 |
| Sarda Energy Limited | --- | 736.80 |
| Chhatisgarh Investments Limited | 879.18 | 1,160.43 |
| Parvatiya Power Limited | 26.62 | 21.56 |
| Dividend income | | |
| Sarda Energy and Minerals Hongkong Limited | --- | 2,665.50 |

| | | |
|---|----------|----------|
| Remuneration paid | | |
| Shri Kamal Kishore Sarda | 343.35 | 217.20 |
| Rent paid | | |
| Shri Kamal Kishore Sarda | 1.80 | 1.80 |
| R.R.Sarda & Co. | 9.60 | 9.60 |
| Chhatisgarh Investments Limited | 62.80 | 48.77 |
| Smt.Uma Sarda | 8.64 | 8.64 |
| Smt. Veena Sarda | 2.40 | 1.20 |
| Services offered | | |
| Raipur Infrastructure Company Limited | 3.00 | 3.00 |
| Corporate guarantee given | | |
| Madanpur South Coal Company Limited | 900.00 | 900.00 |
| Sarda Metals and Alloys Limited | 6,412.00 | 258.56 |
| Investment made | | |
| Sarda Metals and Alloys Limited | 8,434.37 | 7,500.00 |
| Sarda Energy Limited | 9,677.88 | --- |
| Madhya Bharat Power Corporation Limited | 70.00 | 4,633.50 |
| Chhattisgarh Hydro Power LLP | 763.64 | --- |
| Raipur Infrastructure Company Limited | --- | 169.00 |
| Madanpur South Coal Company Limited | 8.67 | --- |
| Investment disposed | | |
| Chhattisgarh Bricks Private limited (Associate upto 14.12.2012) | 0.40 | --- |

OUTSTANDINGS

(₹ in Lacs)

| Particulars | Year Ended 31 st | Year Ended 31 st |
|--|-----------------------------|-----------------------------|
| | March 2013 | March 2012 |
| Investments | | |
| Sarda Metals and Alloys Limited | 20,000.00 | 12,500.00 |
| Madhya Bharat Power Corporation Limited | 6,471.50 | 6,401.50 |
| Raipur Infrastructure Company Limited | 210.70 | 210.70 |
| Madanpur South Coal Company Limited | 308.94 | 296.45 |
| Receivables | | |
| Sarda Metals and Alloys Limited | 2,790.38 | 1,941.32 |
| Sarda Energy Limited | --- | 9,543.72 |
| Dividend receivable (Sarda Energy & Minerals Hongkong Limited) | 1,085.58 | 2,543.50 |
| Chhatisgarh Investments Limited | 4,047.99 | 7,273.94 |
| Share application money pending allotment | | |
| Madanpur South Coal Company Limited | 12.69 | 16.50 |
| Sarda Metals and Alloys Limited | 971.00 | 36.63 |
| Sarda Energy Limited | 9,677.88 | --- |
| Madhya Bharat Power Corporation Limited | --- | 2.26 |
| Corporate guarantee given | | |
| Madanpur South Coal Company Limited | 900.00 | 900.00 |
| Sarda Metals and Alloys Limited | 6,412.00 | 398.09 |
| Payables | | |
| Remuneration | 195.73 | 178.43 |

35. Capital and other commitments

- a) Estimated amount of contracts remaining to be executed on capital account, net of advance given ₹ 298.18 Lacs (P.Y. ₹ 501.91 Lacs).
- b) Company has commitments of Nil (P.Y. ₹ 1,812 Lacs) for further investment in subsidiary Sarda Metals & Alloys Limited and ₹ 5,440 Lacs (P.Y. ₹ 5,510 Lacs) in Madhya Bharat Power Corporation Limited.

36. Proposed dividend

Board of directors have recommended dividend of ₹ 3/- (P.Y. ₹ 3/-) per share for equity share of ₹ 10/- each totaling ₹ 1,075.50 Lacs (P.Y. ₹ 1,075.50 Lacs) for the period ended March 31, 2013. Tax on proposed dividend will be ₹ 182.78 Lacs (P.Y. ₹ 174.48 Lacs).

37. Contingent liabilities

(₹ in Lacs)

| Particulars | 31.03.2013 | 31.03.2012 |
|--|------------|------------|
| Guarantees given by company's bankers | 1,428.45 | 704.89 |
| Share of guarantees given by the jointly controlled entity | 900.00 | 900.00 |
| Guarantees given to DGFT on behalf of wholly owned subsidiary for meeting export obligation | 98.88 | 98.88 |
| Guarantees given to Assistant Commissioner of Customs on behalf of wholly owned subsidiary | 300.71 | 299.21 |
| Penal Interest for non creation of securities for rupee term loan from IDFC | 391.86 | 65.43 |
| Bills discounted with the company's bankers under Letters of Credit | 3,778.28 | 1,625.77 |
| Corporate Guarantee given to Axis Bank Ltd. for disbursement of term loan to Sarda Metals & Alloys Ltd., wholly owned subsidiary of the company (SMAL) | 6,412.00 | -- |
| Claims against the company not acknowledged as debt & disputed in appeals | 163.49 | 85.29 |
| Excise duty & service tax demand | 388.92 | 353.90 |
| VAT, CST & Entry Tax | 138.55 | 200.20 |
| Income tax | 3,498.27 | 3,986.14 |
| Energy development cess | 2,913.60 | 2,189.80 |

- i) Guarantee (equal to company's share in Joint Venture) given by the company to IDBI Bank Limited against guarantee issued by the Bank in favour of Government of India on behalf of Madanpur South Coal Company Limited (The Joint Venture Company for Coal Mining) ₹ 900.00 Lacs (P.Y. ₹ 900.00 Lacs).
- ii) Guarantee given to Director General of Foreign Trade ₹ 98.88 Lacs (P.Y. ₹ 98.88 Lacs) and Assistant Commissioner of Customs ₹ 300.71 Lacs (P.Y. ₹ 301.13 Lacs) on behalf of Sarda Metals & Alloys Limited, wholly owned subsidiary of the company for fulfillment of Export Obligation against import of capital goods under Export Promotion Capital Goods Scheme.
- iii) Excise Duty & Service Tax
- a) Excise duty demand of ₹ 20.56 Lacs (P.Y. ₹ 20.56 Lacs) raised on account of Cenvat credit availed, which the company has disputed in High Court.
- b) Excise Duty demand of ₹ 166.24 Lacs (P.Y. ₹ 165.38 Lacs) raised on account of Cenvat credit availed which the company has disputed and has filed appeal before the Central Excise & Service Tax Appellate Tribunal (CESTAT).

- c) Excise Duty demand of ₹ 111.17 Lacs (P.Y. ₹ 97.87 Lacs) raised on account of Cenvat credit availed which the department has disputed and has filed appeal before the CESTAT.
- d) ₹ 6.97 Lacs (P.Y. ₹ 6.97 Lacs) on account of duty on VAT collected by the company against which the company has filed an appeal before the CESTAT.
- e) ₹ 6.66 Lacs (P.Y. ₹ 6.96 Lacs) 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) (CCE(A)). The Central Excise department has filed appeal before the CESTAT against decision of the CCE(A).
- f) Excise Duty demand of ₹ 38.60 Lacs (P.Y. ₹ 10.10 Lacs) raised on account of Cenvat credit availed has been disputed before Commissioner (Appeals), Raipur.
- g) Excise Duty demand of ₹ 7.62 Lacs (P.Y. ₹ 7.62 Lacs) raised on account of Cenvat credit availed has been disputed before Commissioner (Appeals), Raipur.
- h) Service Tax demand of ₹ 31.09 Lacs (P.Y. ₹ 38.44 Lacs) raised on account of Service Tax on foreign services availed, which the department has disputed and has filed appeal before CESTAT.
- iv) Value Added Tax/Central Sales Tax/Entry Tax
Value Added Tax/Central Sales Tax/ Entry Tax demands of ₹ 138.55 Lacs (P.Y. ₹ 200.20 Lacs) are pending in appeal against assessment of various years.
- v) Income Tax
₹ 1,216.34 Lacs (P.Y. ₹ 1,896.34 Lacs) for the Assessment Year 2008-09 and ₹ 2,080.80 Lacs (P.Y. ₹ 2,080.80 Lacs) for the Assessment Year 2009-10 and ₹ 201.13 Lacs (P.Y. Nil) for the Assessment Year 2010-11 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. For Assessment Year 2009-10 and 2010-11, the company has filed appeals before CIT (Appeals) and for Assessment Year 2008-09 the appeal is pending before ITAT. The CIT (Appeals) has decided the similar issue in favour of the company for the Assessment Year 2007-08. This issue has also been decided in favour of the company by the Income Tax Appellate Tribunal for earlier assessment years.
- vi) Energy development cess of ₹ 2,913.60 Lacs (P.Y. ₹ 2,189.80 Lacs) net of amount deposited ₹ 294.34 Lacs (P.Y. ₹ 294.34 Lacs) demanded by the Chief Electrical Inspector, Govt. of Chhattisgarh for the period May 2006 to March 2013. The Honorable High Court of Chhattisgarh has held the levy of Energy Development Cess as unconstitutional vide its Order dated 20th June 2008. The State Govt. has filed a Special Leave Petition before the Honorable Supreme Court.

38. Derivative instruments and unhedged foreign currency exposure

- a) Derivatives outstanding as at the reporting date

| Particulars | Purpose | 31.03.2013 | | 31.03.2012 | |
|----------------------------------|--|-------------|-------------|-------------|-------------|
| | | USD in Lacs | INR in Lacs | USD in Lacs | INR in Lacs |
| Forward contract to sell USD | To hedge loan given to Wholly owned subsidiary company | 40.00 | 2,171.20 | 35.40 | 1,813.36 |
| Forward contract to purchase USD | To hedge foreign currency term loan | 21.81 | 1,200.00 | Nil | Nil |

b) Particulars of unhedged foreign currency exposure as at the reporting date

| Particulars | Currency | 31.03.2013 | | 31.03.2012 | |
|---------------------|----------|-----------------------------|-------------|-----------------------------|-------------|
| | | Foreign Currency in Lacs | INR in Lacs | Foreign Currency in Lacs | INR in Lacs |
| ECB loan | USD | 280.00 | 15,198.40 | 373.33 | 18,991.47 |
| ECB loan | JPY | 5,350.00 | 3,090.70 | 7,133.33 | 4,379.15 |
| Trade payable | USD | 273.74 | 14,858.56 | 192.73 | 9,804.17 |
| Trade receivable | USD | 46.41 | 2,519.36 | 27.16 | 1,381.69 |
| Dividend receivable | USD | 20.00 | 1,085.60 | 50.00 | 2,543.50 |

39. Disclosure as per clause 32 of the listing agreement

Loans and advances in the nature of loans given to subsidiaries, associates and others

| Name of the entities | Relationship | Amount outstanding as at 31.03.2013 | Maximum amount outstanding during the year | Investment by the loanee in the shares of the Company |
|--|--------------|--|---|--|
| | | ₹ in Lacs | ₹ in Lacs | No. of shares |
| Sarda Energy & Minerals Hongkong Limited | Subsidiary | 2,180.38 | 2,180.58 | --- |
| Sarda Global Ventures Pte Limited | Subsidiary | 81.72 | 115.19 | --- |
| Parvatiya Power Limited | Subsidiary | 202.90 | 202.90 | --- |
| Madhya Bharat Power Corporation Limited | Subsidiary | --- | 32.23 | --- |
| Sarda Metals & Alloys Limited | Subsidiary | 2,790.39 | 5,312.73 | --- |
| Sarda Energy Limited | Subsidiary | --- | 9,677.88 | --- |
| Raipur Fabritech Private Limited | Subsidiary | --- | 0.17 | --- |
| Raipur Industrial Gases Private Limited | Subsidiary | --- | 0.17 | --- |
| Sarda Hydro Power Private Limited | Subsidiary | 5.05 | 5.05 | --- |
| Natural Resources Energy Private Limited | Associate | --- | 0.50 | --- |
| Chhatisgarh Investments Limited | Associate | 4,047.99 | 8,966.44 | 1,04,90,657 |
| Bhawans' R K Sarda Vidya Mandir | Others | 1,035.08 | 1,035.08 | --- |

40. Dues to micro and small enterprises as defined under the MSMED Act, 2006

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, 2013 as micro, small or medium enterprises. Consequently the amount paid/ payable to these parties during the year is NIL.

41. Foreign currency income & expenditure

Income in Foreign Exchange (Accrual Basis)

(₹ in Lacs)

| Particulars | 2012-13 | 2011-12 |
|-------------------------------|-----------|-----------|
| FOB value of exports (direct) | 14,946.27 | 11,351.10 |
| Interest received | 7.78 | 47.22 |
| Dividend | --- | 2,665.50 |

Expenditure in foreign currency (accrual basis)

(₹ in Lacs)

| Particulars | 2012-13 | 2011-12 |
|--|--------------------------|--------------------------|
| Value of imports calculated on CIF basis | | |
| Raw materials | 19,407.88 | 8,349.33 |
| Components, stores & spare parts | 683.76 | 733.66 |
| Capital goods | 223.29 | 469.70 |
| Expenditure | | |
| Travelling expenses | 6.39 | 7.25 |
| Commission | 1.91 | 5.31 |
| Others | 27.78 | 12.01 |
| Interest | 1,139.78 | 812.22 |
| Net dividend remitted | | |
| Year of remittance | 2012-13 | 2011-12 |
| Period to which it relates | 01.04.2011 to 31.03.2012 | 01.04.2010 to 31.03.2011 |
| Number of non-resident shareholders | One | One |
| Number of equity shares held on which dividend was due | 18,04,891 | 18,04,891 |
| Amount remitted | 54.15 | 54.15 |

SIGNATURE TO NOTES "1" TO "41"

AS PER OUR REPORT OF EVEN DATE ATTACHED

FOR AND ON BEHALF OF THE BOARD

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

 MANISH JAIN
 Partner
 Membership No. 118548

 RAIPUR
 DATED : 25th May, 2013

 K. K. SARDA
 Chairman &
 Managing Director

 RAIPUR
 DATED : 25th May, 2013

 PANKAJ SARDA
 Wholetime Director

 P. K. JAIN
 CFO & Company Secretary

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

| S. No. | Particulars/Name of the subsidiary company | SEMHKL Hongkong | SGV Singapore | SMAL India | SEL India | CHP LLP India | MBPCL India | PPL India | SHPLL India | SRE LLP India | RFPL India | RIGPL India |
|--------|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| 1 | Financial year of the subsidiary company/LLP ended on | 31 st March, 2013 | 31 st March, 2013 | 31 st March, 2013 | 31 st March, 2013 | 31 st March, 2013 | 31 st March, 2013 | 31 st March, 2013 | 31 st March, 2013 | 31 st March, 2013 | 31 st March, 2013 | 31 st March, 2013 |
| 2 | Date from which it became subsidiary company/LLP | 17 th Sept. 2007 | 12 th June, 2008 | 15 th June, 2009 | 31 st March, 2010 | 31 st March, 2010 | 31 st March, 2010 | 31 st March, 2010 | 1 st March, 2011 | 21 st Sept. 2010 | 25 th Aug. 2011 | 13 th Dec. 2011 |
| 3 | Number of equity shares held by holding company in the subsidiary company | | | | | | | | | | | |
| | Quantity | 10,00,000 | 100 | 2,00,45,000 | 50,000 | NA | 2,79,14,000 | 7,83,182 | 1,59,120 | NA | 11,000 | 5,100 |
| | Face value (per share) | HK\$ 1 | US\$ 100 | ₹ 10/- | ₹ 10/- | NA | ₹ 10/- | ₹ 10/- | ₹ 10/- | NA | ₹ 10/- | ₹ 10/- |
| | Fully paid up / partly paid up | fully paid-up | fully paid-up | fully paid up | fully paid up | NA | fully paid up | fully paid up | fully paid up | NA | fully paid up | fully paid up |
| 4 | Extent of holding of Sarda Energy & Minerals Limited | 100.00% | 100.00% | 100.00% | 100.00% | 60.92% | 58.73% | 51.00% | 60.00% | 51.00% | 52.38% | 51.00% |
| 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\$ 4,52,52,398 | US\$ 35,485 | ₹ 3,95,74,391/- | Nil | Nil | ₹ (2,74,364)- | ₹ 1,78,40,681/- | Nil | Nil | Nil | Nil |
| ii) | Not dealt with in accounts of the holding company | Nil | Nil | 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\$ 13,72,13,610/- | US\$ (4,10,906) | ₹ (13,12,784)- | Nil | Nil | ₹ (7,68,352)- | ₹ 3,63,04,902/- | Nil | Nil | N.A. | N.A. |
| ii) | Not dealt with in accounts of the holding company | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | N.A. | N.A. |
| 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. | | | | | | | | | | | |

Note:

- SEMHKL - Sarda Energy & Minerals Hongkong Ltd.
- SGV - Sarda Global Venture Pte. Ltd.
- SMAL - Sarda Metals & Alloys Ltd.
- SEL - Sarda Energy Ltd.
- CHP LLP - Chhattisgarh Hydro Power LLP
- MBPCL - Madhya Bharat Power Corporation Ltd.
- PPL - Parvatiya Power Ltd.
- SHPLL - Sarda Hydro Power Pvt.Ltd.
- SRE LLP - Shri Ram Electricity LLP
- RFPL - Raipur Fabritech Pvt. Ltd.
- RIGPL - Raipur Industrial Gases Pvt. Ltd.

Summary of Financial Information of Subsidiary Companies As on 31.03.2013

(₹ in Laacs)

| S. No. | Particulars/Name of the subsidiary company | SEMHKL | | SGV | | SMAL | | SEL | | CHP LLP | | MBPCL | | PPL | | SHPPL | | SRE LLP | | RFPL | | RIGPL | |
|--------|--|-----------|-----------|-----------|-----------|----------|----------|-----------|----------|---------|--------|-------|-------|-------|-------|-------|-------|---------|-------|-------|-------|-------|-------|
| | | Hongkong | Singapore | India | Singapore | India | India | India | India | India | India | India | India | India | India | India | India | India | India | India | India | India | India |
| 1 | Capital | 68.00 | 5.42 | 2,004.50 | 2,004.50 | 5.00 | 2,141.34 | 4,753.00 | 153.56 | 26.52 | 346.63 | 2.10 | 1.00 | | | | | | | | | | |
| 2 | Reserves | 12,407.69 | (203.78) | 19,349.12 | 19,349.12 | 9,677.88 | - | 6,082.32 | 2,021.04 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 3 | Total assets | 32,496.56 | 1,808.36 | 72,244.48 | 72,244.48 | 9,688.84 | 2,157.22 | 27,892.93 | 3,071.10 | 31.62 | 346.71 | 2.18 | 1.08 | | | | | | | | | | |
| 4 | Total liabilities | 20,020.87 | 2,006.72 | 50,890.86 | 50,890.86 | 5.96 | 15.88 | 17,057.61 | 896.50 | 5.10 | 0.08 | 0.08 | 0.08 | | | | | | | | | | |
| 5 | Investments | 12,892.51 | - | 0.05 | 0.05 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 6 | Turnover | 3,342.17 | 31.31 | 3,277.92 | 3,277.92 | - | - | - | 640.93 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 7 | Profit before tax | 3,168.48 | 21.01 | 599.18 | 599.18 | - | - | (2.74) | 221.58 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 8 | Provision for tax | - | 1.74 | 203.44 | 203.44 | - | - | - | 43.63 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 9 | Profit after tax | 3,168.48 | 19.27 | 395.74 | 395.74 | - | - | (2.74) | 177.95 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 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 31.03.2013, i.e. 1HK\$ = INR 6.800 [SEMHKL] and 1US\$ = INR 54.280 [SGV]

Note:

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.
9. SRE LLP - Shri Ram Electricity LLP
10. RFPPL- Raipur Fabritech Pvt. Ltd.
11. RIGPL- Raipur Industrial Gases Pvt. Ltd.

Independent Auditors' Report

To the Board of Directors

Sarda Energy & Minerals Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of SARDA ENERGY & MINERALS LIMITED (the "Company") and its subsidiaries (collectively referred to as "the group"), which comprise the Consolidated Balance Sheet as at March 31, 2013, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the group in accordance with accounting principles generally accepted in India including Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained are sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on consideration of the reports of the other auditors on the financial statements of the subsidiaries, associates and joint ventures as noted below, the 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, 2013;
- (b) in the case of the Consolidated Statement of Profit and Loss, 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.

Other matters

Financial statements of Madhya Bharat Power Corporation Limited (subsidiary) reflect total assets of ₹ 27,892.94 Lacs as at March 31, 2013, total revenue ₹ (2.74) Lacs for the year then ended, have been audited by us.

We did not audit the financial statements of certain subsidiaries, which reflect total assets of ₹ 1,21,848.18 Lacs as at March 31, 2013, total revenues of ₹ 7,292.35 Lacs for the year then ended 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.

We did not audit the financial statements of joint ventures which reflect the company's share of assets amounting to ₹ 815.08 Lacs as at March 31, 2013, the company's share of revenue amounting to ₹ 112.47 Lacs for the year then ended as considered in the consolidated accounts and financial statements of an associate in which the share of profit/loss is nil. 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.

Our opinion is not qualified in respect of other matters.

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

MANISH JAIN
Partner

Membership No. 118548

Place : Raipur

Dated : 25th May, 2013

Consolidated Balance Sheet

as at 31st March 2013

| Particulars | Note | 31.03.2013 ₹ in Lacs | 31.03.2012 ₹ in Lacs |
|-------------------------------------|------|-------------------------|-------------------------|
| I. Equity and liabilities | | | |
| 1. Shareholders' funds | | | |
| Share capital | 3 | 3,585.00 | 3,585.00 |
| Reserves and surplus | 4 | 1,01,729.52 | 86,354.49 |
| | | 1,05,314.52 | 89,939.49 |
| 2. Minority interest | | 6,386.31 | 5,798.73 |
| 3. Non-current liabilities | | | |
| Long term borrowings | 5 | 91,245.19 | 80,588.79 |
| Deferred tax liabilities | 6 | 4,531.80 | 5,002.38 |
| Other long term liabilities | 7 | 3,469.81 | 7,097.00 |
| Long term provisions | 8 | 1,202.92 | 854.57 |
| | | 1,00,449.72 | 93,542.74 |
| 5. Current liabilities | | | |
| Short term borrowings | 9 | 33,569.20 | 25,324.71 |
| Trade payables | | 11,389.15 | 8,364.47 |
| Other current liabilities | 10 | 20,767.46 | 10,176.59 |
| Short term provisions | 11 | 705.05 | 491.80 |
| | | 66,430.86 | 44,357.57 |
| | | 2,78,581.41 | 2,33,638.53 |
| II. Assets | | | |
| Non-current assets | | | |
| 1. Fixed assets | 12 | | |
| Tangible assets | | 1,38,160.74 | 75,415.86 |
| Intangible assets | | 4,613.12 | 4,564.99 |
| Capital work-in-progress | | 25,982.76 | 61,024.55 |
| Intangible assets under development | | 283.60 | 253.94 |
| | | 1,69,040.22 | 1,41,259.34 |
| Non-current investments | 13 | 49.50 | 49.29 |
| Deferred tax assets | | 0.27 | 0.25 |
| Long term loans and advances | 14 | 20,042.29 | 23,409.15 |
| Other non-current assets | 15 | 284.36 | 1,241.87 |
| | | 1,89,416.64 | 1,65,959.90 |
| 2. Current assets | | | |
| Current investments | 16 | 12,963.79 | 13,245.95 |
| Inventories | 17 | 24,750.77 | 22,724.23 |
| Trade receivables | 18 | 7,662.62 | 4,356.39 |
| Cash and bank balances | 19 | 22,954.64 | 7,978.19 |
| Short term loans and advances | 20 | 20,497.95 | 19,273.94 |
| Other current assets | 21 | 335.00 | 99.93 |
| | | 89,164.77 | 67,678.63 |
| | | 2,78,581.41 | 2,33,638.53 |

SIGNIFICANT ACCOUNTING POLICIES

1 & 2

THE ACCOMPANYING NOTES ARE FORMING INTEGRAL PART OF FINANCIAL STATEMENTS

AS PER OUR REPORT OF EVEN DATE ATTACHED

FOR AND ON BEHALF OF THE BOARD

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

MANISH JAIN
Partner
Membership No. 118548

K. K. SARDA
Chairman &
Managing Director

PANKAJ SARDA
Wholetime Director

P. K. JAIN
CFO & Company Secretary

RAIPUR
DATED : 25th May, 2013

RAIPUR
DATED : 25th May, 2013

Consolidated Statement of Profit & Loss

for the year ended 31st March 2013

| Particulars | Note | 31.03.2013 ₹ in Lacs | 31.03.2012 ₹ in Lacs |
|---|------|-------------------------|-------------------------|
| I. Revenue from operations (gross) | 22 | 1,54,537.13 | 1,20,473.92 |
| Less: excise duty | | 14,014.65 | 9,648.99 |
| Revenue from operations (net) | | 1,40,522.48 | 1,10,824.93 |
| II. Other income | 23 | 4,869.99 | 4,732.25 |
| III. Total revenue (I + II) | | 1,45,392.47 | 1,15,557.18 |
| IV. Expenses: | | | |
| Cost of materials consumed | 24 | 76,571.89 | 62,877.40 |
| Purchases of stock-in-trade | | 1,881.34 | 1,404.77 |
| Changes in inventories of finished goods, work-in-progress and stock-in-trade | 25 | 1,591.15 | (41.24) |
| Employee benefits expense | 26 | 5,169.72 | 4,144.40 |
| Finance costs | 27 | 6,887.71 | 7,156.67 |
| Depreciation and amortisation expense | 28 | 6,906.43 | 6,535.89 |
| Other expenses | 29 | 27,408.24 | 25,626.36 |
| | | 1,26,416.48 | 1,07,704.25 |
| Less: Trial run expenses (net of revenue) capitalised | | 1,079.41 | - |
| Total expenses | | 1,25,337.07 | 1,07,704.25 |
| V. Profit before tax (III - IV) | | 20,055.40 | 7,852.93 |
| VI. Tax expense: | | | |
| Current tax | | 4,273.65 | 2,158.86 |
| Deferred tax (net) | | (470.58) | 1,388.85 |
| MAT credit entitlement | | 14.36 | (4,507.27) |
| VII. Profit for the period (V - VI) | | 16,237.97 | 8,812.49 |
| VIII. Less: share of loss of associates | | - | 0.11 |
| IX Less: minority interest | | 86.06 | 97.51 |
| X Net profit after minority interest and share of loss of associates | | 16,151.91 | 8,714.87 |
| XI. Earnings per equity share | | | |
| Basic & diluted | | 45.05 | 24.31 |

SIGNIFICANT ACCOUNTING POLICIES

1 & 2

THE ACCOMPANYING NOTES ARE FORMING INTEGRAL PART OF FINANCIAL STATEMENTS

AS PER OUR REPORT OF EVEN DATE ATTACHED

FOR AND ON BEHALF OF THE BOARD

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

MANISH JAIN
Partner
Membership No. 118548

K. K. SARDA
Chairman &
Managing Director

PANKAJ SARDA
Wholtime Director

P. K. JAIN
CFO & Company Secretary

RAIPUR
DATED : 25th May, 2013

RAIPUR
DATED : 25th May, 2013

Consolidated Cash Flow Statement

for the year ended 31st March 2013

| Particulars | 31.03.2013 ₹ in Lacs | 31.03.2012 ₹ in Lacs |
|---|-------------------------|-------------------------|
| A. Cash flow from operating activities : | | |
| Net profit before tax as per statement of profit & loss | 20,055.40 | 7,852.93 |
| <u>Adjusted for :</u> | | |
| Depreciation | 6,906.43 | 6,535.89 |
| Interest income | (2,201.32) | (3,727.89) |
| Finance costs | 6,166.06 | 7,156.67 |
| Unrealised exchange (gain)/loss | 616.02 | 12.44 |
| Dividend income | (5.10) | (30.46) |
| (Profit) / loss on sale of investments | (1,754.94) | (625.18) |
| (Profit) / loss on sale of fixed assets | (218.95) | (7.47) |
| Employee stock option outstanding | 2.84 | - |
| Effect of exchange differences on translation of subsidiaries | 57.64 | 614.89 |
| Adjustment for previous year in P&L | 180.00 | - |
| Profit pertaining to associates/minority interest & pre acquisition profits (net) | (86.06) | (97.63) |
| | 9,662.62 | 9,831.27 |
| Operating profit before working capital changes | 29,718.02 | 17,684.19 |
| <u>Adjusted for :</u> | | |
| Increase/(decrease) in trade & other payables | 3,599.56 | 10,170.91 |
| (Increase)/decrease in inventories | (2,013.59) | 3,153.66 |
| (Increase)/decrease in trade and other receivables | (3,320.55) | 43.05 |
| (Increase)/decrease in loans, advances & other current assets | 889.68 | (1,983.45) |
| | (844.89) | 11,384.17 |
| Cash generated from operations | 28,873.13 | 29,068.36 |
| Direct taxes (net) | (4,211.29) | (1,631.53) |
| Net cash from operating activities | 24,661.84 | 27,436.83 |
| B. Cash flow from investing activities : | | |
| Investment in fixed assets including capital WIP | (33,440.93) | (54,204.73) |
| Sale of fixed assets | 616.20 | 79.18 |
| (Increase)/decrease in investments | 281.95 | 7,090.01 |
| (Profit) / Loss on sale of investments | 1,754.94 | - |
| Creditors for capital goods | (4,046.98) | - |
| Loan given to subsidiaries and other parties | 367.94 | (4,083.79) |
| Interest received | 2,201.32 | 3,727.89 |
| Dividend received | 5.10 | 30.46 |
| Increase/(decrease) in minority interest | 587.58 | 3,042.03 |
| Capital reserve on acquisition of subsidiaries | 200.53 | (67.73) |
| Net cash used in investing activities | (31,472.35) | (44,386.68) |
| C. Cash flow from financing activities : | | |
| Increase in securities premium account | 32.10 | - |
| Proceeds from long term borrowings | 27,839.20 | 38,203.12 |
| Repayment of long term borrowings | (7,124.25) | (6,736.85) |
| Short term borrowings (net) | 8,258.97 | (1,021.26) |
| Interest paid | (5,970.69) | (5,874.33) |
| Dividend & dividend tax paid | (1,249.17) | (1,249.97) |
| Net cash from financing activities | 21,786.16 | 23,230.71 |
| Increase/(decrease) in cash and cash equivalents (A+B+C) | 14,975.65 | 6,370.86 |
| Cash and cash equivalents at the beginning of the year (as per note 19) | 7,932.76 | 1,561.90 |
| Cash and cash equivalents at the end of the year (as per note 19) | 22,908.41 | 7,932.76 |
| Increase/(decrease) in cash and cash equivalents | 14,975.65 | 6,370.86 |

Consolidated Cash Flow Statement

for the year ended 31st March 2013 (contd..)

| Notes: | | |
|---|------------------|-----------------|
| (a) Cash and cash equivalents include the following : | | |
| Cash in hand | 44.24 | 46.72 |
| Balances with banks | 22,910.40 | 7,931.47 |
| Less : Unclaimed dividend | (46.23) | (45.43) |
| | 22,908.41 | 7,932.76 |
| (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 AND ON BEHALF OF THE BOARD

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

MANISH JAIN
Partner
Membership No. 118548

RAIPUR
DATED : 25th May, 2013

K. K. SARDA
Chairman &
Managing Director

RAIPUR
DATED : 25th May, 2013

PANKAJ SARDA
Wholetime Director

P. K. JAIN
CFO & Company Secretary

Notes to Consolidated Financial Statements

for the year ended 31st March 2013

Significant accounting policies:

1) Basis of consolidation

The Consolidated Financial Statements comprise individual financial statements of Sarda Energy & Minerals Limited ('the company'), its subsidiaries, jointly controlled entities and associates as on March 31, 2013. 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, being non-integral foreign operation, are translated at year end exchange rates and all other items in Statement of Profit and Loss are translated at average annual exchange rate. The resultant gains and losses are shown separately as Foreign Currency Translation Reserve under Reserves and Surplus.
- ii. The financial statements of jointly controlled entities 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 27 on 'Financial Reporting of Interests in Joint Ventures' as notified by the Companies (Accounting Standard) Rules, 2006 using the proportionate consolidation method.
- iii. The group'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, 2013.
- 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 group.

2) Other significant accounting policies :-

These are set out under "Significant Accounting Policies" as given in the company's standalone financial statements.

3) Share capital

| | 31.03.2013 | | 31.03.2012 | |
|---|--------------------|-----------------|--------------------|-----------------|
| | No. | ₹ in Lacs | No. | ₹ in Lacs |
| Authorised | | | | |
| Equity shares of ₹ 10/- each | 5,00,00,000 | 5,000.00 | 5,00,00,000 | 5,000.00 |
| Issued, subscribed and fully paid up | | | | |
| Equity shares of ₹ 10/- each | 3,58,50,000 | 3,585.00 | 3,58,50,000 | 3,585.00 |
| | 3,58,50,000 | 3,585.00 | 3,58,50,000 | 3,585.00 |

a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

| | 31.03.2013 | | 31.03.2012 | |
|---|-------------|-----------|-------------|-----------|
| | No. | ₹ in Lacs | No. | ₹ in Lacs |
| Shares outstanding at the beginning of the year | 3,58,50,000 | 3,585.00 | 3,58,50,000 | 3,585.00 |
| Shares issued during the year | - | - | - | - |
| Shares bought back during the year | - | - | - | - |
| Shares outstanding at the end of the year | 3,58,50,000 | 3,585.00 | 3,58,50,000 | 3,585.00 |

b Terms/rights attached to equity shares

The company has only one class of shares - equity shares - having a par value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the board of directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31st March 2013, the amount of per share dividend proposed for distribution to equity shareholders is ₹ 3/- (P.Y. ₹ 3/-).

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c Details of shareholders holding more than 5% shares in the company

| Name of Shareholder | 31.03.2013 | | 31.03.2012 | |
|--|--------------------|--------------|--------------------|--------------|
| | No. of Shares held | % of Holding | No. of Shares held | % of Holding |
| Equity shares of ₹ 10/- each fully paid | | | | |
| Chhatisgarh Investments Limited | 1,04,90,657 | 29.26 | 1,04,90,657 | 29.26 |
| Sarda Agriculture and Properties Pvt. Limited | 26,35,150 | 7.35 | 26,35,150 | 7.35 |
| Orange Mauritius Investments Limited | 21,65,680 | 6.04 | 21,65,680 | 6.04 |
| Infrastructure Development Finance Company Limited | 18,42,105 | 5.14 | 18,42,105 | 5.14 |
| Asia Minerals Limited | 18,04,891 | 5.03 | 18,04,891 | 5.03 |

4) Reserves and surplus

| | 31.03.2013 | 31.03.2012 |
|---|------------------|------------------|
| | ₹ in Lacs | ₹ in Lacs |
| Capital reserve | | |
| Balance as per last financial statements | 391.68 | 459.41 |
| Add/(less): adjustment during the year | 200.52 | (67.73) |
| Closing balance | 592.20 | 391.68 |
| Securities premium account | | |
| Balance as per last financial statements | 19,135.83 | 19,135.83 |
| Add : adjustment during the year | 32.10 | - |
| Closing balance | 19,167.93 | 19,135.83 |
| Debenture redemption reserve | | |
| Balance as per last financial statements | 1,250.00 | 625.00 |
| Add : transfer from surplus balance in statement of profit & loss | 625.00 | 625.00 |
| Closing balance | 1,875.00 | 1,250.00 |

| | | |
|--|------------------|--------------------|
| Employee stock option outstanding | | |
| Balance as per last financial statements | - | - |
| Add: compensation for options granted during the year | 14.00 | - |
| Less: deferred employees stock compensation | (11.16) | - |
| | 2.84 | - |
| General reserve | | |
| Balance as per last financial statements | 11,057.75 | 9,557.75 |
| Add: Transfer from surplus balance in Statement of Profit & Loss | 1,500.00 | 1,500.00 |
| Closing balance | 12,557.75 | 11,057.75 |
| Foreign currency translation reserve | 687.39 | 629.75 |
| Surplus in the statement of profit and loss | | |
| Balance as per last financial statements | 53,889.48 | 47,299.61 |
| Add : adjustment during year | 180.00 | - |
| Add : profit for the year | 16,151.91 | 8,714.87 |
| <u>Less: appropriations</u> | | |
| Equity dividend | (1,075.50) | - |
| Tax on proposed equity dividend | (174.48) | - |
| Transfer to debenture redemption reserve | (625.00) | (625.00) |
| Transfer to general reserve | (1,500.00) | (1,500.00) |
| Closing balance | 66,846.41 | 53,889.48 |
| | Total | 1,01,729.52 |
| | | 86,354.49 |

5) Long term borrowings

| | Non-Current portion | | Current Maturities | |
|--|---------------------|------------------|--------------------|-----------------|
| | 31.03.2013 | 31.03.2012 | 31.03.2013 | 31.03.2012 |
| | ₹ in Lacs | ₹ in Lacs | ₹ in Lacs | ₹ in Lacs |
| Bonds/debentures (secured) | | | | |
| 1,250 (1,250) 9.55 % Redeemable non-convertible debentures of ₹ 10/- Lacs each | 12,500.00 | 12,500.00 | - | - |
| Term loans (secured) | | | | |
| <u>From banks</u> | | | | |
| Indian rupee loan | 24,840.99 | 10,798.88 | 3,091.11 | 948.57 |
| Foreign currency loan | 9,524.55 | 19,458.80 | 9,964.55 | 5,842.66 |
| <u>From other parties</u> | | | | |
| Indian rupee loan from financial institutions | 43,437.44 | 36,477.00 | 4,425.34 | - |
| Hire purchase loans | - | - | 19.88 | - |
| | 90,302.98 | 79,234.68 | 17,500.88 | 6,791.23 |
| Deferred payment liabilities | | | | |
| Deferred sales tax loan (unsecured) | 940.97 | 1,319.26 | 378.28 | 268.25 |
| Loans & advances (unsecured) | | | | |
| <u>From related parties</u> | 1.24 | 34.85 | - | - |
| Total | 91,245.19 | 80,588.79 | 17,879.16 | 7,059.48 |

Terms of repayment

SEML-

- The non-convertible debentures are redeemable in three equal annual installments commencing from July, 2015. The company has an option to redeem these debentures earlier; however, no redemption will take place before the end of 3rd year from the date of allotment.
- External commercial borrowings availed in foreign currencies are payable in 5 annual installments (First three Installments are 1/6th of the loan amount and remaining 2 installments are 1/4th of the loan amount). First three installments have already been paid.

- c) Rupee term loan from a financial institution is payable in 12 equal quarterly installments commencing from September, 2013.
- d) Rupee term loan of ₹ 2,504.00 Lacs from bank is repayable in 11 quarterly installments starting from September, 2013 quarter. During the financial year 2013-14, 3 equal installments comprising 10% of the loan amount will be repaid, in 2014-15, 4 equal installments comprising 20% of the loan amount will be repaid and in financial year 2015-16, 4 equal installments comprising 70% of the loan amount will be repaid.
- e) Rupee term loan of ₹ 1,000 Lacs from Bank is payable in 3 equal monthly installments starting from March, 2014.
- f) Hire purchase loan of ₹ 41.93 Lacs from Bank is payable in 34 equal installments of ₹ 1.94 Lacs starting from June, 2012.
- g) Deferred sales tax loan is interest free and payable at the end of fifth year from the end of the financial year of accrual.

PPL-

The term loan from Union Bank of India is payable in 28 quarterly instalments from October, 2007.

The term loan from IDFC Ltd. is payable in 32 quarterly instalments starting from May, 2008.

MBPCL-

The term loan is repayable in 42 equal quarterly installments on 15th of every April, July, October, and January, commencing on the first standard due date after 48 months from the date of first disbursement to the project or the first repayment date falling 6 months after commencement of COD, whichever is earlier.

Security

SEML-

The non-convertible debentures are secured by a registered mortgage of an immovable property of the company situated at Ahmedabad.

Term loans from bank, working capital term loan from bank, financial institution, external commercial borrowing and debentures are secured by first pari-passu charge by way of hypothecation of entire movable and immovable 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.

Besides this, the term loan from bank, working capital term loan from bank and non convertible debentures are also secured by unconditional and irrevocable personal guarantees of Mr. K. K. Sarda & Mr. Manish Sarda.

Hire purchase loans from bank is secured by hypothecation of related vehicles.

SMAL-

1. Pari-passu first charge by way of registered mortgage of the office located at Kalomboli, Navi Mumbai, Equitable Mortgage of the immovable property of the company situated at APIIC Industrial Park at Kantakapalli village, Pari-Passu first charge on the moveable properties and assets of the company and pari-pasu second charge on the current assets of the company in favour of Axis Trustee Services Limited appointed as security trustee by the Lenders. Buyers' Credit are secured against letter of undertaking issued by banks.
2. Pledge of 51% of Shares held in the company by the holding company Sarda Energy & Minerals Limited in favour of Axis Trustee Services Limited appointed as security trustee by the lenders.
3. Corporate guarantee of the holding company Sarda Energy & Minerals Limited.
4. Personal guarantee of director Mr. K. K. Sarda.

PPL-

The loan is secured by hypothecation of company's movable assets (present & future) and equitable mortgage on the immovable assets of the company both ranking pari-passu and also secured by pledge of equity shares of the company

held by all the shareholders of the company. These term loans are further secured by personal guarantee of a director of the company.

MBPCL-

Term loans are secured by hypothecation of movable project assets, including movable plant and machinery, machinery spares etc. both present and future. Moreover, 51% of the promoter's equity interest representing 51% of the project equity capital is pledged in favour of the security agent at all times, until the settlement date.

6) Deferred tax liabilities

| | 31.03.2013 | 31.03.2012 |
|--|-----------------|-----------------|
| | ₹ in Lacs | ₹ in Lacs |
| Deferred tax liabilities at the beginning of the year | 5,002.38 | 3,613.28 |
| Deferred tax liabilities during the year on account of timing difference | (470.58) | 1,389.10 |
| Deferred tax liabilities at the end of the year | 4,531.80 | 5,002.38 |

7) Other long term liabilities

| | 31.03.2013 | 31.03.2012 |
|-----------------------------|-----------------|-----------------|
| | ₹ in Lacs | ₹ in Lacs |
| Creditors for capital goods | 2,732.49 | - |
| Others | | |
| Security deposit received | | |
| Deposits from vendors | 668.90 | 7,055.67 |
| Deposit from employees | 52.22 | 28.09 |
| Other payables | 16.20 | 13.24 |
| Total | 3,469.81 | 7,097.00 |

8) Long term provisions

| | 31.03.2013 | 31.03.2012 |
|--|-----------------|---------------|
| | ₹ in Lacs | ₹ in Lacs |
| Provision for employee benefits | | |
| Leave encashment / Gratuity | 204.88 | 150.82 |
| Other provisions | | |
| Statutory liabilities | 732.95 | 703.75 |
| Mines restoration expenses | 98.97 | - |
| OB reserve | 166.12 | - |
| Total | 1,202.92 | 854.57 |

9) Short term borrowings

| | 31.03.2013 | 31.03.2012 |
|--|------------------|------------------|
| | ₹ in Lacs | ₹ in Lacs |
| Loans repayable on demand (secured) | | |
| From banks | | |
| Hire purchase loan | - | 1.83 |
| Short term loans | 16,799.10 | 7,388.56 |
| Working capital loans | 6,824.15 | 6,793.83 |
| Working capital buyers credit loans | 7,556.79 | 3,416.66 |
| Total | 31,180.04 | 17,600.88 |

| | | |
|--|------------------|------------------|
| Loans repayable on demand (unsecured) | | |
| <u>From banks</u> | | |
| Short term loans | 2,000.00 | 6,999.98 |
| From related parties | 29.68 | 50.97 |
| Other loans and advances (unsecured) | | |
| Advances from customers | 359.48 | 672.88 |
| | 2,389.16 | 7,723.83 |
| Total | 33,569.20 | 25,324.71 |

Security

SEML-

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 way of joint equitable mortgage of immovable properties located at Industrial Growth Centre, Siltara, Raipur. These facilities are also secured by irrevocable personal guarantees of Mr. K.K.Sarda and Mr. Manish Sarda.

SEMHKL-

All secured bank loans are repayable within one year and secured by the investments held for trading by the company. In the opinion of directors, the company should be able to obtain refinancing of the respective loans.

10) Other current liabilities

| | 31.03.2013 | 31.03.2012 |
|---|-------------------|-------------------|
| | ₹ in Lacs | ₹ in Lacs |
| Current maturities of long-term debt (refer note no. 5) | 17,879.16 | 7,059.48 |
| Interest accrued but not due on borrowings | 890.31 | 694.93 |
| Unpaid dividends | 46.23 | 45.43 |
| <u>Other payables</u> | | |
| Indirect taxes payable | 106.42 | 836.53 |
| TDS payable | 209.63 | 348.88 |
| Salary & reimbursements | 972.83 | 828.87 |
| Deposits from vendors | 35.32 | 32.00 |
| Expenses payable | 627.96 | 330.47 |
| INR payable to bank in forex | (0.40) | - |
| Total | 20,767.46 | 10,176.59 |

11) Short term provisions

| | 31.03.2013 | 31.03.2012 |
|--|-------------------|-------------------|
| | ₹ in Lacs | ₹ in Lacs |
| Provision for employee benefits | | |
| Leave encashment / Gratuity | 23.99 | 3.48 |
| Others | | |
| Provision for expenses | 681.06 | 488.32 |
| Total | 705.05 | 491.80 |

12) Fixed assets Tangible fixed assets

(₹ in Lacs)

| Particulars | Gross Block | | | Depreciation | | | Net Block | | |
|---|---------------------|--------------------------------|------------------------------------|---------------------|---------------------|------------------------------|--------------------------|---------------------|---------------------|
| | As on 01.04.2012 | Addition during the year | Transfer / Sale / Adjustment | As on 31.03.2013 | Up to 01.04.2012 | Depreciation for the year | Transfer / Adjustment | As on 31.03.2013 | As on 31.03.2012 |
| Freehold land | 6,262.96 | 270.72 | 26.08 | 6,507.60 | - | - | - | 6,507.60 | 6,262.96 |
| Leasehold land | 1,525.40 | 40.76 | - | 1,566.16 | 34.66 | 10.68 | 45.34 | 1,520.82 | 1,490.74 |
| Building | 15,830.57 | 12,869.22 | 90.07 | 28,609.72 | 2,599.46 | 555.29 | 2.67 | 25,457.64 | 13,231.11 |
| Plant & machinery | 79,938.82 | 56,033.35 | 192.12 | 1,35,780.05 | 26,521.96 | 5,850.11 | 42.89 | 1,03,450.87 | 53,416.88 |
| Furniture, fixture & equipment | 1,162.34 | 261.70 | 0.18 | 1,423.86 | 619.33 | 121.76 | (1.36) | 681.41 | 543.01 |
| Vehicles | 976.96 | 246.91 | 136.45 | 1,087.42 | 505.80 | 148.47 | 109.25 | 542.40 | 471.16 |
| Total | 1,05,697.05 | 69,722.66 | 444.90 | 1,74,974.81 | 30,281.21 | 6,686.31 | 153.45 | 1,38,160.74 | 75,415.86 |
| Depreciation taken to preoperative expenses | | | | | | 19.24 | | | |
| Net depreciation during the year | | | | | | 6,667.07 | | | |
| Previous year | 95,812.29 | 10,620.05 | 735.29 | 1,05,697.05 | 24,371.98 | 6,339.95 | 430.72 | 30,281.21 | 71,440.32 |
| Capital work in progress (including capital stock) | | | | 25,982.76 | | | | 25,982.76 | 61,024.55 |

Intangible fixed assets

(₹ in Lacs)

| Particulars | Gross Block | | | Depreciation | | | Net Block | | |
|-------------------------------------|---------------------|--------------------------------|------------------------------------|---------------------|---------------------|------------------------------|--------------------------|---------------------|---------------------|
| | As on 01.04.2012 | Addition during the year | Transfer / Sale / Adjustment | As on 31.03.2013 | Up to 01.04.2012 | Depreciation for the year | Transfer / Adjustment | As on 31.03.2013 | As on 31.03.2012 |
| Goodwill | - | 234.73 | - | 234.73 | - | - | - | 234.73 | - |
| Computer Software | 228.46 | 52.77 | - | 281.23 | 160.12 | 48.69 | - | 208.81 | 68.34 |
| Minig Rights & Development | 4,885.82 | - | - | 4,885.82 | 392.85 | 190.67 | - | 583.52 | 4,492.98 |
| Rights to use land | 3.67 | - | - | 3.67 | - | - | - | 3.67 | 3.67 |
| Total | 5,117.95 | 287.50 | - | 5,405.45 | 552.97 | 239.36 | - | 792.33 | 4,664.99 |
| Previous year | 3,840.91 | 22.08 | 1,254.96 | 5,117.95 | 315.09 | 236.55 | 1.33 | 552.97 | 3,525.82 |
| Intangible assets under development | | | | 283.60 | | | | 283.60 | 253.94 |

13) Non current investments

| | 31.03.2013 | 31.03.2012 |
|---|--------------|--------------|
| | ₹ in Lacs | ₹ in Lacs |
| Trade investments | | |
| Investment in equity instruments at cost (unquoted) | | |
| Fully paid up with face value of ₹ 10/- each unless otherwise specified | | |
| <u>In associates</u> | | |
| Nil (P.Y. 4,000) Equity Shares of Chhattisgarh Bricks Pvt. Ltd. | - | 0.40 |
| 5,000 (P.Y. 5,000) Equity shares of Natural Resources Energy Pvt. Ltd. | 0.50 | 0.39 |
| <u>In other companies</u> | | |
| 4,85,000 (P.Y. 4,85,000) Equity shares of Chhattisgarh Ispat Bhumi Ltd. | 48.50 | 48.50 |
| Non trade investment | | |
| Investment in government or trust securities | | |
| Investment in NSC | 0.50 | - |
| Total | 49.50 | 49.29 |

14) Long term loans and advances

| | 31.03.2013 | 31.03.2012 |
|---------------------------------------|------------------|------------------|
| | ₹ in Lacs | ₹ in Lacs |
| Capital advances | | |
| Unsecured, considered good | 15,739.69 | 18,829.56 |
| Security deposits | | |
| Unsecured, considered good | 756.17 | 581.00 |
| Other loans and advances | | |
| Unsecured, considered good | | |
| MAT credit entitlement | 1,591.69 | 2,641.69 |
| Advance income tax (net of provision) | 993.50 | 20.22 |
| Advance stripping expenses | - | 259.14 |
| Prepaid expenses | 59.88 | 69.90 |
| Other advances | 901.36 | 1,007.64 |
| Total | 20,042.29 | 23,409.15 |

15) Other non current assets

| | 31.03.2013 | 31.03.2012 |
|----------------------------|---------------|-----------------|
| | ₹ in Lacs | ₹ in Lacs |
| Others | | |
| Unsecured, considered good | | |
| Unamortised expenses | 74.31 | 1,241.87 |
| Margin money deposit | 210.05 | - |
| Total | 284.36 | 1,241.87 |

16) Current investments

| | 31.03.2013 | 31.03.2012 |
|---|------------------|------------------|
| | ₹ in Lacs | ₹ in Lacs |
| Investment in equity instruments (quoted) | | |
| (valued at lower of cost and market value) | | |
| <u>In other companies</u> | | |
| 32,813 (P.Y. 32,813) Equity shares of Abhishek Mills Ltd. | 32.81 | 32.81 |
| 3,688 (P.Y. 3,688) Equity shares of Indian Metals & Ferro Alloys Ltd. | 1.84 | 1.84 |
| 12,400 (P.Y. 12,400) Equity shares of Mangalam Cement Ltd. | 24.47 | 24.47 |
| Less: provision for dimunition in the value of investments | 32.90 | 27.93 |
| | 26.22 | 31.19 |
| Investment in debentures / bonds (quoted) | 13,819.85 | 14,549.22 |
| (Valued at lower of cost and market value) | | |
| Less : provision for diminution in the value of investments | 927.33 | 1,394.71 |
| Total | 12,892.52 | 13,154.51 |
| Investments in mutual funds | | |
| 27.314 units (P.Y. 27.314 units) of Birla Sun Life Mutual Fund | 0.05 | 0.05 |
| NIL Units (P.Y. 1,63,592.43 Units) of ICICI Mutual Fund | - | 20.04 |
| 8,725.447 Units (P.Y. 8,737.157 Units) of UTI Mutual Fund | 40.00 | 40.16 |
| 49,990 units (P.Y. NIL) of KBC Mutual Fund | 5.00 | - |
| | 45.05 | 60.25 |
| Total | 12,963.79 | 13,245.95 |
| Aggregate amount of quoted investments | 13,878.97 | 14,608.34 |
| Aggregate market value of quoted investments | 12,918.74 | 13,185.69 |

17) Inventories

| | 31.03.2013 | 31.03.2012 |
|--|------------------|------------------|
| | ₹ in Lacs | ₹ in Lacs |
| (valued at lower of cost and net realisable value) | | |
| Raw materials and components | 9,898.78 | 7,039.39 |
| Finished / Semi finished goods | 12,202.86 | 13,675.50 |
| Stock-in-trade | 33.67 | 152.18 |
| Stores and spares | 2,614.64 | 1,857.16 |
| Material in transit | 0.82 | - |
| Total | 24,750.77 | 22,724.23 |

18) Trade receivables

| | 31.03.2013 | 31.03.2012 |
|--|-----------------|---------------|
| | ₹ in Lacs | ₹ in Lacs |
| Trade receivables outstanding for a period exceeding six months from the date they are due for payment | | |
| Unsecured, considered good | 1,374.50 | 266.29 |
| Unsecured, considered doubtful | 276.50 | 349.33 |
| Less: provision for doubtful debts | 276.50 | 349.33 |
| Total | 1,374.50 | 266.29 |

| | | |
|--|-----------------|-----------------|
| Trade receivables outstanding for a period less than six months from the date they are due for payment | | |
| Unsecured, considered good | 6,288.12 | 4,090.10 |
| | 6,288.12 | 4,090.10 |
| Total | 7,662.62 | 4,356.39 |

19) Cash and bank balances

| | 31.03.2013 | 31.03.2012 |
|---------------------|------------------|-----------------|
| | ₹ in Lacs | ₹ in Lacs |
| Balances with banks | | |
| In current accounts | 22,641.79 | 1,891.27 |
| In fixed deposit | 222.38 | 5,994.77 |
| In unpaid dividend | 46.23 | 45.43 |
| Cash in hand | 44.24 | 46.72 |
| Total | 22,954.64 | 7,978.19 |

20) Short term loans and advances

| | 31.03.2013 | 31.03.2012 |
|--|------------------|------------------|
| | ₹ in Lacs | ₹ in Lacs |
| <u>Loans and advances to related parties (Refer note no.35)</u> | | |
| Unsecured, considered good | 335.51 | 147.26 |
| | 335.51 | 147.26 |
| <u>Others</u> | | |
| Unsecured, considered good | | |
| Earnest money deposit | 42.67 | 76.42 |
| Advances to employees | 99.66 | 97.45 |
| Advances to vendors | 5,126.03 | 4,176.21 |
| Claims & recoverables | 676.18 | 787.02 |
| Loans & advances to others | 8,156.36 | 8,524.30 |
| Advance royalty paid | 91.10 | 327.53 |
| Prepaid expenses | 260.91 | 419.11 |
| Balances with tax authorities | 5,709.53 | 4,718.64 |
| Doubtful advances to vendors | 89.53 | 75.99 |
| Less:provision for doubtful advances | 89.53 | 75.99 |
| | 20,162.44 | 19,126.68 |
| Total | 20,497.95 | 19,273.94 |

21) Other current assets

| | 31.03.2013 | 31.03.2012 |
|-----------------------------------|---------------|--------------|
| | ₹ in Lacs | ₹ in Lacs |
| Employees gratuity scheme | 38.58 | - |
| INR receivable from bank in forex | 242.48 | 44.77 |
| LC negotiation charges receivable | 0.34 | - |
| Unamortised expenses | 53.60 | 55.16 |
| Total | 335.00 | 99.93 |

22) Revenue from operations (Gross)

| | 31.03.2013 | 31.03.2012 |
|--------------------------|--------------------|--------------------|
| | ₹ in Lacs | ₹ in Lacs |
| Sale of products | | |
| Sponge iron | 34,782.35 | 33,911.01 |
| Ferro alloys | 36,952.91 | 35,644.45 |
| Steel billets | 7,394.87 | 8,291.05 |
| Wire rod / HB wire | 36,848.82 | 29,950.21 |
| Pellet | 18,841.14 | 4,254.55 |
| Others | 17,902.65 | 6,532.28 |
| Other operating revenues | 1,814.39 | 1,890.37 |
| Total | 1,54,537.13 | 1,20,473.92 |

23) Other income

| | 31.03.2013 | 31.03.2012 |
|---|-------------------|-------------------|
| | ₹ in Lacs | ₹ in Lacs |
| Interest income | 2,201.32 | 3,727.89 |
| Dividend income | | |
| From others | 5.10 | 30.46 |
| Net gain on sale of investments | 1,754.94 | 625.18 |
| Other non-operating income (net of expenses directly attributable to such income) | 908.63 | 348.72 |
| Total | 4,869.99 | 4,732.25 |

24) Cost of raw material consumed

| | 31.03.2013 | 31.03.2012 |
|----------------|-------------------|-------------------|
| | ₹ in Lacs | ₹ in Lacs |
| Iron ore | 36,865.18 | 26,140.01 |
| Manganese ore | 14,147.52 | 15,344.46 |
| Coal | 16,578.50 | 15,090.04 |
| Scrap | 5,616.17 | 5,092.42 |
| Other material | 3,364.52 | 1,210.47 |
| Total | 76,571.89 | 62,877.40 |

24.1) Raw material consumption

| | 2012-13 | | 2011-12 | |
|--------------------------------------|------------------|----------------|------------------|----------------|
| | ₹ in Lacs | % | ₹ in Lacs | % |
| Raw material -indigenous consumption | 58,296.68 | 76.13% | 50,043.60 | 79.59% |
| Raw material -imported consumption | 18,275.21 | 23.87% | 12,833.80 | 20.41% |
| Total | 76,571.89 | 100.00% | 62,877.40 | 100.00% |

25) Changes in inventories of finished goods, semi-finished goods and stock-in-trade

| | 31.03.2013 | 31.03.2012 |
|--------------------------------------|-------------------|-------------------|
| | ₹ in Lacs | ₹ in Lacs |
| Inventories at the end of the year | | |
| Finished goods / semi-finished goods | 12,202.86 | 13,675.50 |
| Trading goods | 33.67 | 152.18 |
| Total | 12,236.53 | 13,827.68 |

| | | |
|---|-------------------|------------------|
| Inventories at the beginning of the year | | |
| Finished goods / semi-finished goods | 13,675.50 | 13,786.44 |
| Trading goods | 152.18 | - |
| | 13,827.68 | 13,786.44 |
| Increase/(decrease) in inventories | (1,591.15) | 41.24 |

26) Employee benefit expense

| | 31.03.2013 | 31.03.2012 |
|--|-----------------|-----------------|
| | ₹ in Lacs | ₹ in Lacs |
| Salaries, incentives & managerial remuneration | 4,755.08 | 3,790.49 |
| Contributions to - | | |
| Provident fund | 228.11 | 206.39 |
| Superannuation scheme | 9.64 | 9.73 |
| Gratuity fund | 66.84 | 29.37 |
| Staff welfare expenses | 110.05 | 108.42 |
| Total | 5,169.72 | 4,144.40 |

27) Finance costs

| | 31.03.2013 | 31.03.2012 |
|---|-----------------|-----------------|
| | ₹ in Lacs | ₹ in Lacs |
| Interest expense | 5,645.09 | 5,119.85 |
| Other borrowing costs | 263.15 | 225.61 |
| Amortisation of ancilliary borrowing costs | 55.09 | 45.26 |
| Exchange differences to the extent considered as an adjustment to borrowing costs | 924.38 | 1,765.95 |
| Total | 6,887.71 | 7,156.67 |

28) Depreciation and amortisation

| | 31.03.2013 | 31.03.2012 |
|-----------------------------------|-----------------|-----------------|
| | ₹ in Lacs | ₹ in Lacs |
| Depreciation of tangible assets | 6,667.07 | 6,299.38 |
| Amortisation of intangible assets | 239.36 | 236.51 |
| Total | 6,906.43 | 6,535.89 |

29) Other expenses

| | 31.03.2013 | 31.03.2012 |
|--|------------|------------|
| | ₹ in Lacs | ₹ in Lacs |
| Stores & spares consumption | 7,564.05 | 6,610.90 |
| Power & fuel | 1,549.91 | 1,405.03 |
| Manufacturing expenses | | |
| Plant process & services | 1,026.18 | 918.29 |
| Material handling expenses | 2,621.43 | 1,871.84 |
| Other manufacturing expenses | 3,992.27 | 4,299.07 |
| Increase/ (decrease) of excise duty on inventory | (227.34) | 185.02 |
| Mining expenses | 3,312.79 | 2,371.21 |
| Repairs & maintenance | | |
| Building | 139.45 | 141.24 |
| Plant & machinery | 837.07 | 646.02 |

| | | |
|---|------------------|------------------|
| Others | 275.28 | 267.61 |
| Rent | 134.47 | 137.88 |
| Rates & taxes | 2,329.63 | 1,502.37 |
| Insurance charges | 87.76 | 106.00 |
| Miscellaneous expenses | | |
| Travelling & conveyance expenses | 448.19 | 378.93 |
| Legal & professional expenses | 400.51 | 519.96 |
| Administrative and other expenses | 664.40 | 604.95 |
| Selling expenses | | |
| Carriage outward | 854.42 | 890.57 |
| Selling commission & brokerage | 336.32 | 228.80 |
| Other selling expenses | 236.23 | 310.87 |
| Exchange differences (net) | 790.57 | 774.76 |
| Payment to auditors | 29.68 | 32.40 |
| Provision for diminution in value of current investment | 4.97 | 1,422.64 |
| Total | 27,408.24 | 25,626.36 |

29.1) Stores & spares consumption

| | 2012-13 | | 2011-12 | |
|---|-----------------|----------------|-----------------|----------------|
| | ₹ in Lacs | % | ₹ in Lacs | % |
| Stores & Spares -Indigenous consumption | 6,769.13 | 89.49% | 5,988.23 | 90.58% |
| Stores & Spares -Imported consumption | 794.92 | 10.51% | 622.67 | 9.42% |
| Total | 7,564.05 | 100.00% | 6,610.90 | 100.00% |

30) Earnings per share (EPS)

| | 2012-13 | 2011-12 |
|---|-------------|-------------|
| Net profit after tax as per statement of profit & loss attributable to equity shareholders (₹ in Lacs) | 16,151.91 | 8,714.87 |
| Nominal value of equity shares (₹) | 10 | 10 |
| Weighted average number of equity shares used as denominator for calculating EPS | 3,58,50,000 | 3,58,50,000 |
| Basic and diluted earnings per share (₹) | 45.05 | 24.31 |

31) Segment reporting

Segment information has been prepared in conformity 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.

A) Business segment primary

(₹ in Lacs)

| Particulars | 2012-2013 | | | 2011-2012 | | |
|----------------------|------------------|------------------|--------------------|------------------|------------------|--------------------|
| | Steel | Ferro | Total | Steel | Ferro | Total |
| Revenue | | | | | | |
| Sales & other income | 93,809.56 | 41,042.65 | 1,34,852.21 | 70,011.92 | 35,298.87 | 1,05,310.79 |
| Inter segment sales | - | 475.94 | 475.94 | - | 520.81 | 520.81 |
| Others unallocated | | | 5,670.27 | | | 5,514.13 |
| Total revenue | 93,809.56 | 41,518.59 | 1,40,998.42 | 70,011.92 | 35,819.68 | 1,11,345.73 |

| Result | | | | | | |
|---|-----------|-----------|--------------------|-----------|-----------|--------------------|
| Segment result | 16,505.10 | 7,580.81 | 24,085.90 | 12,751.09 | 3,203.75 | 15,954.84 |
| Unallocated expenses net off unallocated income | | | 3,647.78 | | | (170.48) |
| Operating profit | | | 27,733.68 | | | 15,784.36 |
| Interest & forex fluctuation loss (net) | | | (7,678.28) | | | (7,931.43) |
| Profit before tax & extraordinary item | | | 20,055.40 | | | 7,852.93 |
| Add: extra ordinary item | | | - | | | - |
| <u>Provision for taxation</u> | | | | | | |
| For current year | | | (4,273.65) | | | (2,158.86) |
| For deferred taxation | | | 470.58 | | | (1,388.85) |
| MAT credit entitlement | | | (14.36) | | | 4,507.28 |
| Share of loss of associates | | | | | | |
| Others unallocated | | | - | | | (0.11) |
| Minority interest | | | | | | |
| Others unallocated | | | (86.06) | | | (97.52) |
| Profit after taxation | | | 16,151.91 | | | 8,714.87 |
| Other information | | | | | | |
| Segment assets | 80,040.73 | 40,511.85 | 1,20,552.58 | 80,633.98 | 32,261.58 | 1,12,895.56 |
| Unallocated assets | | | 1,54,117.45 | | | 83,639.11 |
| Total assets | | | 2,74,670.03 | | | 1,96,534.67 |
| Segment liabilities | 4,670.35 | 8,508.65 | 13,179.00 | 4,167.28 | 13,423.41 | 17,590.69 |
| Unallocated liabilities | | | 12,296.40 | | | 5,728.88 |
| Total liabilities | | | 25,475.40 | | | 23,319.57 |
| Capital expenditure | 2,220.87 | 21,978.29 | 24,199.16 | 5,577.93 | 11,451.67 | 17,029.61 |
| Depreciation / amortisation | 3,856.03 | 629.72 | 4,485.75 | 3,544.01 | 533.58 | 4,077.60 |
| Unallocated capital exp. & depreciation | | | 12,774.51 | | | 33,358.58 |
| Non-cash expenditure other than depreciation / (amortisation) | | | NIL | | | NIL |

32) The financial statements of the following subsidiaries have been considered in consolidation:-

| Name of Subsidiaries | Country of Origin | Proportion of ownership interest as at 31 st March | |
|--|-------------------|---|---------|
| | | 2013 | 2012 |
| Sarda Energy & Minerals Hongkong Limited | Hong Kong | 100.00% | 100.00% |
| Sarda Global Ventures Pte Limited | Singapore | 100.00% | 100.00% |
| Sarda Metals and Alloys Limited | India | 100.00% | 100.00% |
| Sarda Energy Limited | India | 100.00% | 100.00% |
| Chhattisgarh Hydro Power LLP | India | 60.92% | 60.92% |
| Parvatiya Power Limited | India | 51.00% | 51.00% |
| Madhya Bharat Power Corporation Limited | India | 58.73% | 58.48% |
| Shri Ram Electricity LLP | India | 51.00% | 51.00% |
| Sarda Hydro Power Private Limited | India | 60.00% | 60.00% |
| Raipur Fabritech Private Limited | India | 52.38% | 52.38% |
| Raipur Industrial Gases Private Limited | India | 51.00% | 51.00% |

33) Interest in joint ventures

The financial statements of the following joint ventures have been considered in consolidation:-

| Name of Joint ventures | Proportion of ownership interest as at 31 st March | |
|---------------------------------------|--|--------|
| | 2013 | 2012 |
| Raipur Infrastructure Company Limited | 33.33% | 33.33% |
| Madanpur South Coal Company Limited | 20.63% | 20.63% |

The above joint venture companies are incorporated in India. The group's share of the assets and liabilities as on 31st March, 2013 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.

(₹ in Lacs)

| Particulars | As at 31 st March | |
|-------------------------|------------------------------|---------------|
| | 2013 | 2012 |
| Assets | | |
| Non current assets | 610.62 | 600.14 |
| Current assets | 204.46 | 163.35 |
| Total | 815.08 | 763.49 |
| Liabilities | | |
| Non current liabilities | 7.43 | 7.48 |
| Current liabilities | 1.16 | 8.64 |
| Total | 8.59 | 16.12 |
| Income | 112.47 | 105.73 |
| Expenses | 44.70 | 36.94 |
| Contingent liabilities | 899.88 | 899.88 |
| Capital commitments | 7.29 | 7.08 |

34) Investments in associates

The company 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 | Proportion of ownership interest as at 31 st March | |
|--|--|------|
| | 2013 | 2012 |
| Chhattisgarh Bricks Private Limited (Associate up to 14.12.2012) | ---- | 40% |
| Natural Resources Energy Private Limited | 50% | 50% |

35) Related party disclosure

a) Names of related parties and description of relationship

| S.No. | Description of Relationship | Names of Related Parties |
|-------|--|--|
| 1 | Related enterprises where significant influence exists | Sarda Agriculture & Properties Private Limited R.R. Sarda & Company |
| 2 | Key management personnel | Binod Goswami Ghanshyam Das Mundra Gopal Krishna Chhanghani Kamal Kishore Sarda Manish Sarda Neeraj Sarda Pankaj Sarda Sheen Agrawal Uma Sarda |
| 3 | Relative of key management personnel | Shakuntala Devi Sarda Sonal Sarda Veena Sarda |
| 4 | Associates | Chhatisgarh Investments Limited |

b) Material transactions with related parties

(₹ in Lacs)

| Particulars | Related Enterprises where significant influence exists | | | Key Management Personnel | |
|--|--|--------------------------|---------------------------------------|--------------------------|---------------------------------------|
| | Associates | Key Management Personnel | Relatives of Key Management Personnel | Key Management Personnel | Relatives of Key Management Personnel |
| Remuneration | | 487.03 (352.54) | 6.61 (5.32) | | |
| Rent paid | 65.80 (52.08) | 9.60 (9.60) | 1.80 (1.80) | 11.04 (10.20) | |
| Loans granted | 16,046.73 (18,380.21) | | | | |
| Loans received back | 19,918.06 (16,065.87) | | | | |
| Loans taken | 487.50 (3,308.67) | 959.52 (--) | | | |
| Loans repaid | 487.50 (3,317.26) | 959.52 (--) | | | |
| Interest paid | | 19.95 (--) | | | |
| Interest received | 906.30 (1,160.43) | | | | |
| Sale of goods | 0.70 (--) | | | | |
| Outstanding as on 31st March | | | | | |
| Receivables | | | 12.08 (9.64) | | |
| Loans receivables | 4,383.50 (7,495.68) | | | | |
| Loans payables | | | | | |
| Payables | | | 195.73 (178.43) | | |

Note: Figures in bracket represents previous year's figures.

36) Capital and other commitments

- a) Estimated amount of contracts remaining to be executed on capital account, net of advances given ₹ 15,396 Lacs (PY ₹ 35,075 Lacs).
- b) Group's total future minimum lease payment under non cancellable operating lease of premises is NIL (PY ₹ 5.85 Lacs)

37) Proposed dividend

Board of Directors have recommended dividend of ₹ 3/- (P.Y. ₹ 3/-) per share for equity share of ₹ 10/- each totaling ₹ 1,075.50 Lacs (P.Y. ₹ 1,075.50 Lacs) for the period ended March 31, 2013. Tax on proposed dividend will be ₹ 182.78 Lacs (P.Y. ₹ 174.48 Lacs).

38) Contingent liabilities

(₹ in Lacs)

| Particulars | 31.03.2013 | 31.03.2012 |
|---|------------|------------|
| Guarantees given by group's bankers | 1,493.99 | 770.43 |
| Share of guarantees given by the jointly controlled entity | 900.00 | 900.00 |
| Guarantees given to DGFT on behalf of wholly owned subsidiary for meeting export obligation | 98.88 | 98.88 |
| Guarantees given to Asst Commissioner of Custom on behalf of wholly owned subsidiary | 300.71 | 299.21 |
| Penal Interest for non creation of securities for rupee term loan from IDFC | 391.86 | 65.43 |
| Corporate guarantee given to Axis Bank Ltd. for disbursement of term loan to Sarda Metals & Alloys Ltd., wholly owned subsidiary of the company | 6,412.00 | NIL |
| Bills discounted with the group's bankers under letters of credit | 3,778.28 | 1,625.77 |
| Claim against the group not acknowledged as debt & disputed in appeal | 4,576.94 | 1,504.59 |
| Excise duty & Service tax demand | 388.92 | 353.90 |
| VAT, CST & Entry tax | 138.55 | 200.20 |
| Income tax | 3,498.27 | 3,986.14 |
| Energy development cess | 2,913.60 | 2,189.80 |

- i) Guarantee (equal to group's share in joint venture) given by the group to IDBI Bank Limited against guarantee issued by the bank in favour of Government of India on behalf of Madanpur South Coal Company Limited (the joint venture company for coal mining) ₹ 900.00 Lacs (PY ₹ 900.00 Lacs).
- ii) Guarantee given to Director General of Foreign Trade ₹ 98.88 Lacs (PY ₹ 98.88 Lacs) and Asst. Commissioner of Customs ₹ 300.71 Lacs (PY ₹ 299.21 Lacs) on behalf of Sarda Metals & Alloys Limited, wholly owned subsidiary of the group for fulfillment of export obligation against import of capital goods under "Export promotion Capital Goods Scheme".
- iii) Excise duty & Service tax
- a) Excise duty demand of ₹ 20.56 Lacs (PY ₹ 20.56 Lacs) raised on account of cenvat credit availed, which the group has disputed in High Court.
- b) Excise duty demand of ₹ 166.25 Lacs (PY ₹ 165.38 Lacs) raised on account of cenvat credit availed which the group has disputed and has filed appeal before the Customs Excise & Service Tax Appellate Tribunal (CESTAT).
- c) Excise duty demand of ₹ 111.17 Lacs (PY ₹ 97.87 Lacs) raised on account of cenvat credit availed which the department has disputed and has filed appeal before the CESTAT.

- d) Demand has been raised for ₹ 6.97 Lacs (PY ₹ 6.97 Lacs) on account of duty on VAT collected by the group against which the group has filed an appeal before the CESTAT.
- e) Demand has been raised for ₹ 6.66 Lacs (PY ₹ 6.96 Lacs) on account of duty on sale of waste and scrap by the group. The case has been decided in favour of the group by Commissioner of Central Excise (Appeals) (CCE(A)). The Central Excise department has filed appeal before the CESTAT against decision of the CCE(A).
- f) Excise duty demand of ₹ 38.60 Lacs (PY ₹ 10.10 Lacs) raised on account of cenvat credit availed has been disputed before Commissioner (Appeals), Raipur.
- g) Excise duty demand of ₹ 7.62 Lacs (PY ₹ 7.62 Lacs) raised on account of cenvat credit availed has been disputed before Commissioner (Appeals), Raipur.
- h) Service tax demand of ₹ 31.09 Lacs (PY ₹ 38.44 Lacs) raised on account of service tax on foreign services availed, which the group has disputed and has filed appeal before the CESTAT.
- i) Value added tax/Central sales tax/Entry tax
Value added tax/Central sales tax/Entry tax demand of ₹ 138.55 Lacs (PY ₹ 200.20 Lacs) are pending in appeal against assessment of various years.
- ii) Income tax
₹ 1,216.34 Lacs (P.Y. ₹ 1,896.34 Lacs) for the Assessment Year 2008-09 and ₹ 2,080.80 Lacs (P.Y. ₹ 2,080.80 Lacs) for the Assessment year 2009-10 and ₹ 201.13 Lacs (P.Y. NIL) for the Assessment Year 2010-11 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. For Assessment year 2009-10 and 2010-11, the group has filed appeals before CIT (Appeals) and for Assessment year 2008-09 the appeal is pending before ITAT. The CIT (Appeals) has decided the similar issue in favour of the group for the Assessment Year 2007-08. This issue has also been decided in favour of the group by the Income Tax Appellate Tribunal for earlier Assessment years.
- iii) Energy Development Cess of ₹ 2,913.60 Lacs (PY ₹ 2,189.80 Lacs) net of amount deposited ₹ 294.34 Lacs (PY ₹ 294.34 Lacs) demanded by the Chief Electrical Inspector, Govt. of Chhattisgarh for the period May 2006 to March 2013. 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.

39) Provision for contingencies - NIL

40) Derivative instruments and unhedged foreign currency exposure

- a) Derivatives outstanding as at the reporting date of the group are as under:

| Particulars | Purpose | 31.03.2013 | | 31.03.2012 | |
|----------------------------------|-------------------------------------|-------------|-------------|-------------|-------------|
| | | USD in Lacs | INR in Lacs | USD in Lacs | INR in Lacs |
| Forward contract to purchase USD | To hedge foreign currency term loan | 21.81 | 1,200.00 | NIL | NIL |

b) Particulars of unhedged foreign currency exposure as at the reporting date

(in Lacs)

| Particulars | Currency | 31.03.2013 | | 31.03.2012 | |
|-----------------------------|----------|-----------------------------|-------------|-----------------------------|-------------|
| | | Foreign Currency in Lacs | INR in Lacs | Foreign Currency in Lacs | INR in Lacs |
| ECB & other bank loans | USD | 596.73 | 32,390.24 | 467.18 | 23,765.45 |
| ECB | JPY | 5,350.00 | 3,090.70 | 7,133.33 | 4,379.15 |
| Trade & other payable | EURO | 17.81 | 1,237.75 | 18.62 | 1,262.01 |
| Trade & other payable | USD | 292.66 | 15,885.38 | 273.99 | 13,937.87 |
| Investment held for trading | USD | 246.20 | 13,363.51 | 252.54 | 12,846.81 |
| Trade & other receivables | USD | 104.99 | 5,698.71 | 11.50 | 584.84 |
| Cash & cash equivalents | EURO | --- | --- | 5.12 | 346.70 |
| Cash & cash equivalents | USD | 310.09 | 16,831.89 | 13.55 | 689.15 |

41) Previous year figures have been recasted / regrouped / restated wherever necessary to make them comparable.

SIGNATURE TO NOTES "1" TO "41"

AS PER OUR REPORT OF EVEN DATE ATTACHED

FOR AND ON BEHALF OF THE BOARD

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

MANISH JAIN
Partner
Membership No. 118548

K. K. SARDA
Chairman &
Managing Director

PANKAJ SARDA
Wholetime Director

P. K. JAIN
CFO & Company Secretary

RAIPUR
DATED : 25th May, 2013

RAIPUR
DATED : 25th May, 2013

ELECTRONIC CLEARING SERVICES (ECS) MANDATE FORMAT

Sharepro Services (India) Pvt. Ltd.
 Sam Hita Warehousing Complex
 Warehouse No.52 & 53, Plot No.13AB
 2nd Floor, Sakinaka
 Mumbai 400 072

Dear Sirs,

FORM FOR ELECTRONIC CLEARING SERVICES FOR PAYMENT OF DIVIDEND

Please fill-in the information in CAPITAL LETTERS in ENGLISH ONLY. Please TICK whichever is applicable

| For shares held in physical form | For Office use only |
|----------------------------------|---------------------|
| Folio No. | ECS reference no. |

| For shares held in electronic form |
|------------------------------------|
| DP Id |
| CL Id |

| | |
|--|--|
| Name of first holder | |
| Bank Name | |
| Branch Name | |
| Branch Code | |
| Account Type (Savings/Current/Cash Credit) | |
| Account No. | |
| MICR Code | |
| Effective date of this mandate | |

Please attach a Xerox copy of a cheque or a blank cheque of your bank duly cancelled for ensuring accuracy of the bank details.

I/We hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied as above, Sarda Energy & Minerals Ltd. and /or Sharepro Services (India) Pvt. Ltd. will not be held responsible. I/We agree to avail the ECS facility provided by RBI as and when implemented by RBI / Sarda Energy & Minerals Ltd.

I/We further undertake to inform the Company any change in my Bank / branch and account number.

Signature of first holder :

Date :

Note: On dematerialisation of existing physical shares, for which you have availed ECS facility the above form needs to be re-submitted.

SARDA ENERGY & MINERALS LIMITED

Regd. Office: 73-A, Central Avenue, Nagpur (M.H.)

ATTENDANCE SLIP

(To be handed over at the entrance of the Meeting hall)

Folio No./DPID –Client ID _____

I certify that I am a registered Shareholder of the Company and hold _____ shares.

I hereby record my presence at the 40th ANNUAL GENERAL MEETING of the Company, at 73-A, Central Avenue, Nagpur (M.H.) to be held on 28th September, 2013 and at any adjournment thereof._____
Name of the Member/proxy in Block Letter_____
Member's/Proxy's signature**NOTES:**

1. A member/proxy wishing to attend the meeting must complete this Attendance Slip and hand it over at the entrance duly signed.
2. If you intend to appoint a proxy, please complete the proxy form given below and deposit it at the Company's Registered Office at least 48 hours before the meeting.

SARDA ENERGY & MINERALS LIMITED

Regd. Office: 73-A, Central Avenue, Nagpur (M.H.)

PROXY FORM

Folio No./DPID –Client ID _____

I/We _____
of _____ in the district of _____ being a member/members of Sarda Energy & Minerals Limited hereby appoint _____ of _____ in the district of _____ or failing him/her _____ of _____ in the district of _____ to act as my/our Proxy to attend and vote for me/us and on my/our behalf at the 40th ANNUAL GENERAL MEETING of the Company, to be held on 28th September, 2013 and at any adjournment thereof.

Signed : _____

Place : _____

Dated : _____

| |
|---------------------------|
| Affix Revenue Stamp |
|---------------------------|

NOTE: This proxy form duly completed must be received at the Company's Registered Office at least 48 hours before the meeting.

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corporate information

Board of Directors

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

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.
HDFC Bank Ltd.

Registered Office

73-A, Central Avenue
Nagpur –440 018 (M.H.)
Phone: +91-712-2722407
Fax: +91-712-2722107
Email: nagpur@seml.co.in

Works

Industrial Growth Centre, Siltara
Raipur - 493 111 (C.G.)
Phone: +91-771-2216100
Fax: +91-771-2216198
Email: info@seml.co.in

Corporate Office

125, B-Wing, Mittal Court, Nariman Point
Mumbai - 400 021, Maharashtra, India
Phone: +91-22-22880080-81
Fax: +91-22-22826680

Delhi Office

E-585, Ground Floor
Greater Kailash, Part -II
New Delhi - 110 048
Phone: +91-11-32634937
Fax: +91-11-30824411

Visakhapatnam Office

Sarda Metals & Alloys Ltd.
D.No.50-96-4/1, Floor- II & III
Sri Gowri Nilayam,
Seethammadhara NE
Visakhapatnam-530013
Phone: +91-891-2858200
Fax: +91-891-2700864

Hongkong Office

Sarda Energy & Minerals Hong Kong Limited
5th Floor, Dah Sing Life Building,
99-105 Des Voeux Road, Central,
Hong Kong

Singapore Office

Sarda Global Venture Pte Ltd
17 Phillip Street,
#05-01, Grand Building
Singapore – 048695

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



73/A, Central Avenue
Nagpur - 4400 18
Maharashtra, India
Visit us at: www.seml.co.in

FORM A

| | | |
|----|--|--|
| 1. | Name of the Company: | Sarda Energy & Minerals Limited Scrip Code: BSE: 504614 NSE: SARDAEN |
| 2. | Annual financial statements for the year ended | 31st March, 2013 |
| 3. | Type of Audit observation | Un-qualified / Matter of Emphasis |
| 4. | Frequency of observation | Whether appeared first time <u>N.A./</u> repetitive <u>N.A./</u> since how long period <u>N.A.</u> |

For Sarda Energy & Minerals Limited



(Kamal Kishore Sarma)
Chairman cum Managing Director

For Sarda Energy & Minerals Limited



(Padam Kumar Jain)
CFO & Company Secretary

For M. M. Jain & Associates
Chartered Accountants
FRN No.: 112588W



(Manish Jain) (Partner)
Membership No. 118548



For Sarda Energy & Minerals Limited



(A. K. Basu)
Chairman - Audit Committee