

FORM B

Format of covering letter of the Annual Audit Report to be filled with the Stock Exchange

1	Name of the company	Shah Alloys Ltd
2	Annual financial statements for the year ended	31st March, 2013
3	Type of Audit qualification	Qualified
4	Frequency of qualification	Repetitive
	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:	1. Para of Independent Auditors' Report under the heading "Opinion" (Page no. 15 of Annual Report) No foreign exchange loss has been provided in the financial statements on the Principal amount of 1,00,00,000 USD and on the Premium amount of 48,25,500 USD of the Foreign Currency Convertible Bonds(FCCB) which had become due for payment on September 22, 2011 and remain unpaid as at March 31, 2013. Non provision of the foreign exchange loss on the aforesaid Foreign Currency Convertible Bonds (FCCB) and the Premium amount relates to the period from September 23, 2011 to March 31, 2013. This is contrary to Accounting Standard (AS) 11, "The Effects of Changes in Foreign Exchange Rates", which requires that each foreign currency monetary items should be reported using the closing rate as at the balance sheet date. Had this Accounting Standard been followed, the Exchange loss for the financial year 2012-13 would have been more by ₹4,79,27,876/-. Accordingly, loss for the current financial year 2012-13 has been under-stated by ₹4,79,27,876/- and reserves and surplus has been overstated by ₹8,25,60,244/- Reply (Page No. 4 of Annual Report) Dues on account of maturity of Foreign Currency Convertible Bonds (FCCB) on 22.09.2011 have been frozen on maturity and accordingly exchange rate fluctuation has not been considered thereafter. Payment of FCCB shall be considered as per the scheme that may be considered by Hon'ble BIFR.



		2. "Para ix – (a)" of Annexure to Independent Auditors' Report (Page no. 18 of Annual Report) According to the records of the company, undisputed Statutory dues including provident fund, employees State Insurance, Investors Education & Protection Fund, Income-tax, Wealth-tax, Service Tax, Sales-tax, Customs duties, excise duty, Cess and other statutory dues have not been generally regularly deposited during the year with the appropriate authorities. On the basis of records produced before us for our verification and according to the information & explanation given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2013 for a period of more than six months from the date of becoming payable. Reply (Page No. 4 of Annual Report) Payments of Statutory dues were marginally delayed on account of slow recovery/collection. However, the same have been paid. 3. "Para xi" of Annexure to Independent Auditors' Report (Page no. 19 of Annual Report) Notes and reply is as per attached Sheet. 4. "Para iii - c" of Annexure to Independent Auditors' Report (Page no. 17 of Annual Report) On the basis of information and explanation given to us and on the basis of records produced before us in respect of loans granted by the company in the earlier years to a party covered under the register maintained under section 301 of the Companies Act, 1956, recovery of the said loan has been fixed by the Corporate Debt Restructuring (CDR) Cell. As per the terms of CDR, the company has to recover ₹10,00,00,000/- in the financial year 2011-12 and ₹20,00,00,000/- in the financial year 2012-13. However till date, the company has not recovered the same.
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		Reply (Page No. 46 of Annual Report) No. 35 (d): The company had extended an inter corporate loan of ₹95,00,00,000/- to SAL Steel Limited in earlier years out of which at present, the balance outstanding is ₹80,00,00,000/-. The terms of the Repayment of the same amount of is ₹10,00,00,000/- in FY 2012, ₹20,00,00,000/- each in FY 2013 to 2015 and ₹10,00,00,000/- in FY 2016. The company shall make all efforts to bring back the amount faster. The Monitoring committee shall monitor the same on half yearly basis. As per the terms of the CDR, the company had to recover ₹ 10,00,00,000/- in FY 2012 and ₹20,00,00,000/- in FY 2013 from SAL Steel Ltd. However, the company has not received / recovered the same from SAL Steel Ltd. <i>Above note to the accounts is self explanatory and give suitable explanation to the qualification.</i>
	Additional comments from the board/audit committee chair:	N.A



"Para – xi" of Annexure to Independent Auditors' report

- xii. Consequent upon the sanction of the restructuring package given under CDR mechanism by banks & financial institution, the company was required to start repaying the loans sanctioned by banks/institutions and debenture holders from June 2011 onwards, however the company has made default in repaying the dues as per the terms stipulated in the CDR rework proposal. The Amount and the period of default in respect of Term Loan, WCTL and Non convertible Debentures are as under:

Particulars	Period to which the default relates	Default (Amount in ₹)	Period for which the default subsists
Term Loan	2011-12	17,37,96,290	91-731 days
	2012-13	19,60,41,787	1-270 days
Working Capital Term Loan	2011-12	18,64,03,089	91-731 days
	2012-13	22,36,83,707	1-270 days
Non Convertible Debenture	2011-12	10,41,66,667	91-731 days
	2012-13	12,50,00,000	1-270 days

As per the CDR Terms, Interest on Term Loan, Working capital term loan (WCTL) and Non convertible debentures (NCD) had to be parked up to May 2011 into a separate account called Funded Interest Term loan (FITL). However, from June 2011 onwards , the interest on Term Loan, Working capital term loan (WCTL) and Non convertible debentures(NCD) has to be serviced as and when due..

However, the company has defaulted in payment of interest on Term Loan, Working capital term loan (WCTL) and Non convertible debentures (NCD). The Amount and the period of default are as listed under:

Particulars	Period to which the default relates	Default (Amount in ₹)	Period for which the default subsists
Interest on Term Loan	2011-12	12,04,69,127	91-731 days
	2012-13	15,73,65,814	1-335 days
Interest on Working Capital Term Loan	2011-12	14,95,31,027	91-731 days
	2012-13	17,89,46,966	1-335 days
Interest on Non Convertible Debenture	2011-12	8,18,90,411	91-731 days
	2012-13	9,80,00,000	91-365 days



As per the terms of the CDR, Interest on funded interest term loan (FITL) was required to be paid as and when it was due. The company has made the default in payment of interest on FITL. The amount and the period of default are as mentioned below:

Particulars	Period to which the default relates	Default (Amount in ₹)	Period for which the default subsists
Interest on Funded Interest Term Loan(FITL)	2010-11	4,31,63,185	91-1065 days
	2011-12	7,98,16,025	91-731 days
	2012-13	8,25,18,348	1-335 days

As per the terms of the CDR, Interest on working capital facilities was required to be paid as and when it was due. The company has made the default in payment of interest on the working capital facilities. The amount and the period of default are as mentioned below:

Particulars	Period to which the default relates	Default (Amount in ₹)	Period for which the default subsists
Interest on working capital facilities	2010-11	22,69,93,827	1-1064 days
	2011-12	37,17,47,750	1-701 days
	2012-13	39,44,65,64	1-335 days

Moreover, the Company, in September 2006, has raised US \$ 10 million through Unsecured Zero Coupon Foreign Currency Convertible Bonds (FCCB), due on 22nd September, 2011. On full conversion of FCCB, the FCCB will be converted in to 26,41,143 Equity shares of ₹ 10 each at a premium of ₹ 165 per share, at the option of the Bondholders at any time before the maturity of the bonds. On Conversion, Capital will increase by ₹ 2,64,11,430 and Share Premium by ₹ 43,57,88,570/-. If Bonds are not converted, the company will have to repay the bonds at a premium & in US Dollars. The company has provided the premium till 22nd September, 2011 which has been adjusted against Security Premium in accordance with Section 78 of the Companies Act, 1956.



However, the company has defaulted in repayment of the foreign currency convertible bond (FCCB) dues on its maturity. The default is subsisting since 556 days.

Reply (Page No. 4 of Annual Report)

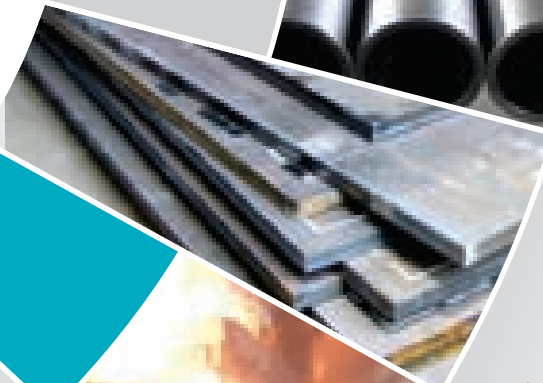
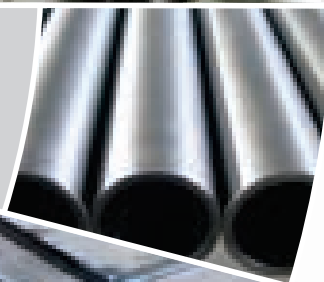
As per the scheme sanctioned by CDR (EG) consortium bankers were required to give working capital for the optimal utilization of production capacity. However, in the absence of non availability of funds from the members, the accruals were not in line with the sanctioned scheme and hence Company could not utilize optimally its production capacity. In view of this, Company was not able to make payments to banks/institutions and debenture holders as per the sanctioned scheme. However, before due date of repayment, Company had approached Hon'ble BIFR for declaring it as a Sick company and was declared so before the due date, i.e., June 2011. On account of sick status, payments were not made as per CDR, Company is negotiating with lenders for settlement of dues through Hon'ble BIFR. Once lenders' dues are settled, company would be able to manage funds and optimize production capacity.

To be signed by-

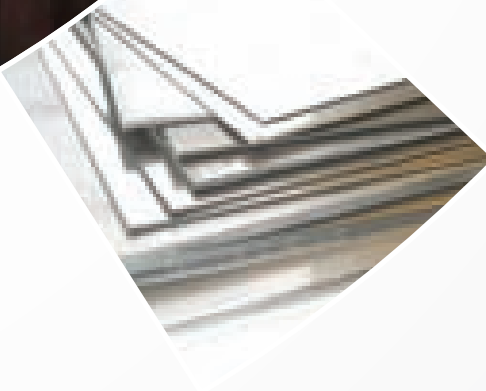
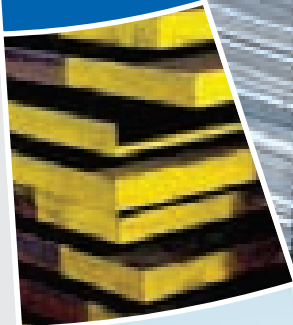
- Jt. Managing Director Shri K. S. Kamath: K. S. Kamath
- CFO Shri Yashpal Mehta: Yashpal Mehta
- Auditor of the company Shri Umesh Talati: Umesh Talati
- Audit Committee Chairman Shri G. M. Shaikh: G. M. Shaikh



annual report
2012-2013



- Stainless Steel
- Alloy & Special Steel
- Armour Steel
- Abrasion & wear Resistant Steel
- Tool Steel



SHAH ALLOYS

**23rd Annual Report****BOARD OF DIRECTORS**

Shri Rajendra V. Shah
 Shri K S Kamath
 Shri Ashok Sharma
 Shri G M Shaikh
 Shri N D Shah
 Shri Dilipkumar Sinha
 Shri Harshad Shah
 Shri Tajpal Shah
 Shri Bhaskar Ghosh
 Shri O P Dua
 Shri Tilak Raj Sahni
 Shri Arkhita Khandual

Chairman
 Jt. Managing Director
 Whole Time Director
 Director
 Director (Ceased from 22nd May, 2013)
 Director
 Director
 Director
 Director
 Nominee Director – UBI (Ceased from 5th September, 2012)
 Nominee Director – UBI(w.e.f. 5th September, 2012)
 Nominee Director – IDBI Bank

COMPANY SECRETARY

Vinod Kumar Shah

REGISTERED OFFICE

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

CORPORATE OFFICE

Shah Alloys Limited
 Corporate House,
 Sola- Kalol Road, Santej,
 Tal. Kalol,
 Dist. Gandhinagar- 382 721

WORKS

Shah Industrial Estate, Block No. 2221,
 Sola- Kalol Road, Santej,
 Ta. Kalol, Dist. Gandhinagar- 382 721

AUDITORS

Talati & Talati
 Chartered Accountants
 Ambika Chambers
 Nr. Old High Court, Navarangpura.
 Ahmedabad: 380 009

BANKERS TO THE COMPANY

1. Union Bank of India
2. State Bank of India
3. Bank of Baroda
4. Punjab National Bank
5. IDBI Bank Ltd
6. Bank of Maharashtra
7. Axis Bank Ltd

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

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NOTICE

NOTICE is hereby given that Twenty-Third Annual General Meeting of the Members of **SHAH ALLOYS LIMITED** will be held on Tuesday, 24th September, 2013 at 9:30 A.M. at SAL Institute & Engineering Research, Opp. Science City, Ahmedabad-380 060, to transact the following business:-

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2013, Statement of Profit & Loss for the year ended on that date and the Reports of Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Shri Ashok Sharma, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Tejpal Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Dilip Kumar Sinha, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Statutory Auditors, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

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

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIM/HER SELF AND PROXY NEED NOT BE A MEMBER.** The proxies to be effective should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
2. Shareholders are requested to bring their copy of Annual Report to the meeting.
3. Members/Proxies should fill the Attendance Slip for attending the meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 17th September, 2013 to Tuesday, 24th September, 2013 (both days inclusive).
5. Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
6. Pursuant to Clause 49 of the Listing Agreement, the details of the directors seeking appointment/reappointment at the Meeting are given in detail, is annexed hereto.
7. Members seeking any information or clarification on the Accounts are requested to send in written queries to the Company, at least one week before the date of the meeting. Replies will be provided in respect of such written queries received only at the meeting.
8. Those shareholders who have not encashed their dividend warrants for the financial year 2005-06 are advised to submit their claim to the Registrar / Company immediately quoting their folio number. The Unpaid / Unclaimed Dividend for the year will become due for transfer to Investor Education & Protection Fund Account in November, 2013. Once the unclaimed dividend is transferred to the fund, no claim shall lie against the fund or the Company in respect of the individual amounts which were unclaimed or unpaid.

By order of the Board

Sd/-

Vinod Kumar Shah
Company Secretary

Date: 28th May 2013

Place: Santej

Registered Office:

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



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

Name of Director	Ashok Sharma	Tejpal Shah	Dilip Kumar Sinha
Date of Birth	04.01.1956	01.06.1953	15.08.1945
Relationship with other Directors Inter se	None	None	None
Profile & Expertise in Specific functional Areas	He has more than 29 years of experience in senior positions in finance and accounts in various companies. Corporate finance related areas in various industries.	More than 33 years of rich experience in Trading business.	He has more than 37 years of experience of working in State Bank of India on various positions.
Qualification	C.A., C.S., B.Com	B.Com	M.A, CAIIB
No. of Equity Shares held in the Company	Nil	Nil	Nil
List of other Companies in which Directorships are held	Nil	S.A.L. Steel Ltd	Parenteral Drugs (India) Limited
List of committees of Board of Directors (across all other Companies) in which Chairmanship/Membership is held	Nil	Nil	Nil



DIRECTORS' REPORT

Dear Members,

Your Directors present 23rd Annual Report together with the Audited Statement of Accounts for the year ended **31st March, 2013**.

FINANCIAL HIGHLIGHTS

₹ In Crores

PARTICULARS	Current Year 31.03.13	Previous Year 31.03.12
Total Turnover and other Receipts	656.94	833.30
Gross Profit/Loss (Before deducting any of the following)	(45.92)	(115.88)
A. Interest and Financial charges	92.36	92.22
B. Depreciation, Amortisation and Impairment	30.64	31.74
C. Tax Liability		
I. Current Tax	0.00	0.00
II. Deferred Tax	(68.30)	(78.52)
III. Prior year Tax adjustment	0.00	0.05
Net Profit available for appropriation	(100.62)	(161.38)
Provision for Investment Allowance Reserve	Nil	Nil
Net Profit.		
A. Add: Brought forward from last year's balance	(428.78)	(267.40)
B. Less: Transferred to: General Reserve	Nil	Nil
Transfer to Debenture Redemption Reserve	Nil	Nil
Balance Carried forward	(529.40)	(428.78)

PERFORMANCE

Due to the financial crisis manufacturing capacity was underutilized. As you are aware that Company has been declared Sick Unit under the provisions of Sick Industrial Company (Special Provisions) Act, 1985, it has become difficult for the company to arrange the funds. Board expects that once DRS is passed or otherwise dues are settled with the lenders, Company would be in a position to give better results.

CORPORATE GOVERNANCE

The Board of Directors supports the broad principles of corporate governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

Your company has been practicing the principles of good corporate governance over the years.

DIRECTORS

Shri Ashok Sharma, Shri Tejpal Shah and Shri Dilip Kumar Sinha will be the Directors retiring by rotation and being eligible offer themselves for re-appointment at the ensuing Annual General Meeting.

PARTICULARS OF THE EMPLOYEES

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

CONSERVATION OF ENERGY, R & D TECHNOLOGY ETC

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

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profits of the company for that period;



- c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for prevailing the detecting fraud and other irregularities;
- d) that they have prepared the annual accounts on a going concern basis.

AUDITORS

M/s. Talati & Talati, Chartered Accountants, Statutory Auditors of the Company, retires at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. Your Directors recommend their re-appointment. Your directors had appointed M/s. Ashish S. Bhavsar & Co. as Cost Auditor, for auditing cost accounting records of the Company for financial year 2012-13. The Report of 2011-12 has been submitted to the Central Government within stipulated time and report of 2012-13 will be submitted to the Central Government on or before the due date.

Board in its meeting held on 28th May, 2013 have decided to appoint M/s. Ashish Bhavsar & Associates, Cost Accountants for auditing cost accounting records of the Company for the financial year 2013-14 and an application for seeking said appointment will be made to the Central Government by the Company. The Company has received a letter to the effect that their appointment would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956.

EXPLANATION TO THE AUDITORS' REMARKS

The Directors submit their explanations to the qualifications made by the Auditors in their report for the year 2012-13. The Para nos. of Auditors' Report and reply are as under:

Under the heading 'Opinion'

Dues on account of maturity of Foreign Currency Convertible Bonds (FCCB) on 22.09.2011 have been frozen on maturity and accordingly exchange rate fluctuation has not been considered thereafter. Payment of FCCB shall be considered as per the scheme that may be considered by Hon'ble BIFR.

Para - ix (a)

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

Para xi

As per the scheme sanctioned by CDR (EG) consortium bankers were required to give working capital for the optimal utilization of production capacity. However, in the absence of non availability of funds from the members, the accruals were not in line with the sanctioned scheme and hence Company could not utilize optimally its production capacity. In view of this, Company was not able to make payments to banks/institutions and debenture holders as per the sanctioned scheme. However, before due date of repayment, Company had approached Hon'ble BIFR for declaring it as a Sick company and was declared so before the due date, i.e., June 2011. On account of sick status, payments were not made as per CDR, Company is negotiating with lenders for settlement of dues through Hon'ble BIFR. Once lenders' dues are settled, company would be able to manage funds and optimize production capacity.

FIXED DEPOSIT

The Company has not accepted any deposits during the year.

REGULATORY STATEMENT

Pursuant to provision of clause 32 of Listing Agreement(s) the Cash Flow Statement for the year ended 31.03.2013 is annexed hereto.

The equity shares of your company are listed on the following stock exchanges and the listing fees have been paid by the company for the year 2013-2014.

➤ Bombay Stock Exchange Ltd.

P. J. Tower, Dalal Street, Mumbai – 400 001.

➤ National Stock Exchange of India Ltd"

"Exchange Plaza"

Bandra Kurla Complex, C-1, Block-G,

Bandra (East), Mumbai – 400 051.

ACKNOWLEDGMENT

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

For, SHAH ALLOYS LIMITED

Sd/-

Rajendra V Shah

CHAIRMAN

Date: 28th May 2013

Place: Santej



ANNEXURE TO THE DIRECTORS' REPORT

Statement pursuant to Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

(I) POWER & FUEL CONSUMPTION

		2012-13	2011-12
1	ELECTRICITY		
	(a) Purchased		
	Unit (Kwh)	10,70,83,025	13,09,96,467
	Total Amount (₹)	72,89,32,581	120,86,96,987
	Rate / Unit (₹)	6.81	9.23
	(b) Own Generation		
	(i) <i>Through Diesel Generator Unit (Kwh)</i>	NIL	NIL
	Unit Per Ltr of Furnace Oil	NIL	NIL
	Cost / Unit (₹)	NIL	NIL
	(ii) <i>Through Steam Turbine / Generator Unit (Kwh)</i>	NIL	NIL
	Unit Per Kg of Lignite	NIL	NIL
	Cost Lignite / Unit (₹)	NIL	NIL
2	COAL (Including Coal Fines)		
	Quantity (MT)	NIL	NIL
	Total Cost (₹)	NIL	NIL
	Average Rate (₹)	NIL	NIL
3	FURNACE OIL		
	(used in the generation of power)		
	Quantity (K Ltr)	NIL	NIL
	Total Cost (₹)	NIL	NIL
	Average Rate (₹)	NIL	NIL
4	OTHERS - LIGNITE		
	(used in the generation of steam)		
	Quantity (K Tons)	NIL	NIL
	Total Cost (₹)	NIL	NIL
	Average Rate (₹)	NIL	NIL

(II) CONSUMTION PER M.T. OF PRODUCTION

Particulars of Product	2012-13	2011-12
Electricity (in Unit)	1,378	1,535
Furnace Oil	NIL	NIL
Coal (Specify quantity)	NIL	NIL
Others	NIL	NIL


B. TECHNOLOGY ABSORPTION

(I) Research and Development (R & D)	2012-13	2011-12
1. Specific areas in which R&D carried out by the company	NIL	NIL
2. Benefits derived as a result of the above R&D	NIL	NIL
3. Future plan of action:		
a) Capital	NIL	NIL
b) Recurring	NIL	NIL
c) Total NIL	NIL	
d) Total R&D expenditure as a percentage	NIL	NIL
(II) Technology absorption, adaptation	2012-13	2011-12
Company has not carried out research, development & innovation activities.		
1. Efforts, in brief, made towards technology absorption, adaptation and innovation.	NIL	NIL
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.	NIL	NIL
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:	NIL	NIL
a) Technology imported		
b) Year of import		
c) Has technology has been fully absorbed		
d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.	NIL	NIL

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(₹ in crores)

(I) EARNINGS & OUTGO	2012-13	2011-12
a. Earnings	16.08	35.14
b. Outgo	3.76	7.78

For, SHAH ALLOYS LIMITED

Date: 28th May 2013
Place: Santej

Sd/-
Rajendra V Shah
 CHAIRMAN



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

After registering growth rates of 13.3% and 9.9% in FY 10 and FY 11, Indian steel consumption grew at only 5.5% during FY 12 on the back of a slowdown in demand from its key consuming industries namely construction, capital goods and automobiles. The Indian iron or mining industry is undergoing a difficult phase given regulatory intervention in various states. India's steel-making capacity is slated to cross 100mt in 2013 which will require about 160-170mt of iron ore. However, there could be a shortage of about 30mt given the on-going challenges in the mining sector.

World Steel Association has forecasted steel consumption in India to grow at 5% in 2013. Steel producers may see a spurt in demand in the medium-term if the Indian government implements its USD1 trillion infrastructure investment plan in a timely manner. The demand for flat steel from automobile, white goods and capital goods sectors is likely to remain modest in 2013, given the continued slow economic growth.

The global Steel industry has witnessed reasonable demand growth and Steel making capacities have gradually shifted to emerging markets such as China and India. However, the high cost of raw materials and increased volatility in prices has put pressure on margins.

COMPANY'S PERFORMANCE AND HIGHLIGHTS

Due to the status of sick undertaking, working of the company has been adversely affected. Performance of the company has been affected due to financial crunch, increase in price in raw materials and non-availability of raw material in time etc. Due to the unavailability of raw material intermittently, Company could make optimum use of power under Open Access.

SWOT ANALYSIS

Strength

- Good Industry experience & knowledge of Promoters.
- Limited players in speciality steel manufacturing domain.
- Established manufacturing infrastructure.
- Backward integration support.
- Diverse Supplier base.
- Long standing contracts for purchase of raw material

Weaknesses

- Heavy debt burden.
- High power cost.
- Dependency on third party for raw material.

Opportunities

- Unexplored Markets.
- Demand visibility is firming up for domestic as well as global market
- Per capital consumption of stainless steel in the country is increasing and application of Stainless Steel is expanding.

Threats

- Rising raw material, fuel and power prices.
- High Cost of Capital.
- Long tenure of rehabilitation.
- Unforeseen general macro-economic factors and political turmoil.
- Global economic slow down.

RISKS AND CONCERNS

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

- Working Capital risks
- Government Policy and Political Structure risk
- Competition risk
- Debtor risk



- Exchange Rate fluctuation risk
- Geographic Concentration risk

The Company is taking appropriate steps to guard against these identified risks.

SEGMENT-WISE PERFORMANCE

Brief highlights of segment-wise financial performance of Company are as under:

(₹ in crores)

PARTICULARS	2012-13	2011-12
TOTAL INCOME	584.53	757.81
Stainless Steel Plant	587.53	744.77
Medical Store & Lab	NIL	13.04
PROFIT BEFORE TAX	(168.98)	(239.84)
Stainless Steel Plant	(168.98)	(242.15)
Medical Store & Lab	NIL	2.31
Capital Employed	(445.04)	(344.36)
Stainless Steel Plant	(455.58)	(356.25)
Medical Store & Lab	10.54	11.89

INTERNAL CONTROL SYSTEM

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

FUTURE OUTLOOK

The steel sector is on a high the world over. According to industry forecasts, world steel demand is to grow further by 5% in 2013. What is exciting in this is that the Indian steel industry has entered into a new development stage. While China continues to register maximum growth overall in the steel industry globally, Indian steel demand is likely to grow by 6.7% annually till 2016-17, faster than the expected growth in Chinese demand during the same period, according to a report on steel industry by CARE Research.

According to the Planning Commission, country's steel production is expected to grow by around 60 million tones (MT) during the 12th Financial Year Plan (FYP). Besides production, India's domestic steel consumption will continue to grow steadily in years to come. Huge investment in infrastructure, focus on industrialization, increasing urbanization and favourable demography, increase in volume of automobile majors will drive the demand for specialized steel. Indian Railways has an ambitious investment plan to invest \$328 billion through 2020 under its vision 2020 programme, hence, contributing to demand of steel in the country.

There are reasons to believe good demand of steel in near future. Demand of steel in the major industries like infrastructure, construction, housing, automotive, steel tubes and pipes, consumer durables, packaging and ground transportation is likely to increase. Target for \$ 1 trillion of investments in infrastructure during the 12th Five Year Plan will boost demand. Infrastructure projects (like Golden Quadrilateral and Dedicated Freight Corridor) will give boost to the demand in the steel sector in near future and Projected New Greenfield & up-gradation of existing Airport shall keep the momentum up.

CAUTIONARY NOTE

Statements in Management Discussion and Analysis Report describing the Company's expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence Company's operations include global and domestic supply & demand conditions affecting selling prices of finished goods, input availability and prices, changes in the government regulations, tax laws, economic development within the country and other factors such as litigations and industrial relations.



REPORT ON CORPORATE GOVERNANCE

1) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The philosophy of Corporate Governance as manifested in the company's functioning is to achieve business excellence by enhancing long term shareholders value and interest. Good corporate governance has always been an integral part of the company's business philosophy. The company attaches significant importance to issue of corporate governance and has always focused on good corporate governance. Your company has consistently made efforts in ensuring transparency, accountability and responsibility in dealing with its Employees, Stakeholders Customers and Community at large.

2) BOARD OF DIRECTORS

The Board of Directors is entrusted with the ultimate responsibility of the management. The Board consists of ten directors, comprising two Executive Directors, one Non-Executive Director and seven Independent Directors. The Board represents an optimal mix of Professionalism Knowledge and Experience.

NUMBER OF BOARD MEETINGS

Shah Alloys Limited held Five Board Meetings during the year ended 31st March, 2013. These meetings were on the maximum time gap between any two meetings was not more than four calendar months. None of the Directors of the Company was a member of more than ten Committees nor was the Chairman of more than five Committees across all companies in which they are Directors.

The Composition of the Board and other relevant details relating to Directors are given below:-

Name of Director	Category	Numbers of Board Meetings		No. of other Directorships held	Committee Memberships held in other		Whether attended last AGM companies
		Held during the year	Attended during the Year		as member	as Chairman	
Shri Rajendra V.Shah	Promoter Non-Executive Chairman	5	5	1	Nil	Nil	Yes
Shri Kondadi S Kamath	Non Promoter Executive Director	5	5	Nil	Nil	Nil	Yes
Shri Ashok A Sharma	Non Promoter Wholetime Director	5	5	Nil	Nil	Nil	Yes
Shri G.M. Shaikh	Non-Executive & Independent	5	5	Nil	Nil	Nil	Yes
Shri Harshad M. Shah	Non-Executive & Independent	5	5	1	1	Nil	No
Shri Tejpal S. Shah	Non-Executive & Independent	5	5	1	Nil	Nil	No.
Shri N.D.Shah**	Non-Executive & Independent	5	0	1	Nil	Nil	No
Shri Dilip Kumar Sinha	Non-Executive & Independent	5	5	1	Nil	Nil	No
Shri Bhaskar Ghosh	Non-Executive & Independent	5	0	Nil	Nil	Nil	No
Shri O. P. Dua *	Nominee Director of UBI	5	3	Nil	Nil	Nil	No
Shri T. R. Sahni*	Nominee Director of UBI	5	2	Nil	Nil	Nil	No
Shri Arakhita Khandual	Nominee Director of IDBI	5	4	1	Nil	Nil	No.

* Nominated Shri T. R. Sahni vice Shri O. P. Dua w.e.f. 05.09.2012 by UBI.

** Shri N. D. Shah ceased from Directorship w.e.f. 22nd May, 2013.

**BOARD PROCEDURE**

The Board meets at least once a quarter to review the Quarterly performance and the financial results. The Agenda for the Board/committee meeting is generally accompanied by background notes and other materials information which is circulated among the Directors in advance.

During the financial year ended 31st March 2013, Five Board meetings were held – 15.05.2012, 30.06.2012, 14.08.2012, 05.11.2012, and 09.02.2013

AUDIT COMMITTEE

The Role and terms of reference of Audit Committee cover the areas mentioned under clause 49 of the Listing Agreement and Section 292A of the Companies Act 1956, besides other terms as may be referred by the Board of Directors from time to time. The Board of Directors of the Company has constituted Audit Committee comprising three Non-Executive Directors viz Shri G.M. Shaikh – Chairman, Shri Rajendra V. Shah, and Shri Tejpal Shah having required knowledge and experience. Audit Committee comprise of expert specializing in accounting/financial management. The Chairman of the Audit Committee is a non executive and independent Director.

The Audit Committee met Five times during the year on 15.05.2012, 30.06.2012, 14.08.2012, 05.11.2012, and 09.02.2013. The Composition and attendance of Audit Committee Meeting are given below:

Name of Director	Designation	No. of Meetings	Meetings attended
Shri G.M. Shaikh	Chairman	5	5
Shri Rajendra V. Shah	Member	5	5
Shri Natverlal D. Shah *	Member	5	0
Shri Tejpal Shah	Member	5	0

* Shri N. D. Shah has resigned from Directorship of the Company w.e.f. 22.05.2013. Shri Tejpal Shah was appointed as member of audit committee w.e.f. 28.05.2013.

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

REMUNERATION COMMITTEE

The Remuneration Committee comprises of three independent Non-executive directors viz. Shri G.M. Shaikh –Chairman, Shri Tejpal Shah and Shri Harshad M. Shah.

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

REMUNERATION TO THE DIRECTORS

The details of remuneration paid to Directors for the year ended March 31, 2013 are as follows:

Name of Director	Sitting Fees ₹	Salaries & Perquisites ₹	Commission ₹	Total ₹
Shri Rajendra V. Shah	Nil	Nil	Nil	Nil
Shri Kondadi S. Kamath	Nil	12,92,400	Nil	12,92,400
Shri Ashok Sharma	Nil	12,00,000	Nil	12,00,000
Shri G. M. Shaikh	25,000	Nil	Nil	25,000
Shri Harshad M. Shah	12,500	Nil	Nil	12,500
Shri Natvarlal D. Shah*	Nil	Nil	Nil	Nil
Shri Dilip Kumar Sinha	12,500	Nil	Nil	12,500
Shri Tejpal S. Shah	12,500	Nil	Nil	12,500
Shri Bhaskar Ghosh	Nil	Nil	Nil	Nil
Shri O. P. Dua	7,500	Nil	Nil	7,500
Shri T. R. Sahni	5,000	Nil	Nil	5,000
Shri Arakhita Khandual	10,000	Nil	Nil	10,000

- The agreement with Managing Director/Executive Directors/Whole Time Directors are for period of 5 years.
- The Company does not have a scheme for grant of Stock option to the Directors.
- * Shri N. D. Shah has resigned from Directorship of the Company w.e.f. 22.05.2013.

SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Shareholders' / Investors' Grievance Committee comprises of independent non-executive directors Shri G.M. Shaikh – Chairman, Shri Tejpal Shah and Shri Ashok A. Sharma as Executive Director.

Name and designation of Compliance Officer:

Mr. Vinod Kumar Shah, Company Secretary and Compliance officer

No. of shareholders' complaints received during the year	: 3 Complaints
No. of complaints not resolved to the satisfaction of shareholders	: NIL
No. of pending Complaints	: NIL

**CODE OF CONDUCT**

The Company has already adopted a Code of Conduct which was made applicable to all its Directors, whether executive or non-executive and all Senior Management Personnel of the Company. The said code has been communicated to all Board members and senior management personnel of the Company.

DISCLOSURES

- A) All details relating to financial and commercial transaction where Directors may have a pecuniary interest are provided to the Board. Details of related parties transactions have been reported in the Notes to the Accounts. There is no transaction of a material nature with any of the related party, which is in conflict with the interest of the company.
- B) There is no instance of non-compliance with the requirements of the regulatory authority on a matter relating to the capital market during last three years.
- C) The Company has laid down the procedures to inform the Board members about the risk assessment and minimization procedures. The Board is periodically informed about business and other risks and its minimization procedures.
- D) The company has followed the Accounting standard issued by Institute of Chartered Accountants of India (ICAI) in preparations of financial statement.

3) GENERAL BODY MEETINGS

The location and time of the General Meetings held during the last three years is as follows:

AGM / EGM	Date	Venue	Time	No. of special resolutions passed
AGM	September 24, 2010	SAL Institute & Engineering Research, Opp. Science City, Ahmedabad-380060	9.30 AM	—
AGM	September 24, 2011	SAL Institute & Engineering Research, Opp. Science City, Ahmedabad-380060	9.30 AM	—
AGM	September 24, 2012	SAL Institute & Engineering Research, Opp. Science City, Ahmedabad-380060	9.30 AM	—

During year ended 31st March, 2013 no resolution was passed by the company's shareholders through postal ballot.

MANAGEMENT**Management discussion and analysis**

The Management Discussion and Analysis forms part of this Report and is provided separately elsewhere in this report.

4) MEANS OF COMMUNICATION

- 1) The Board of Directors of the Company approves and takes on record the quarterly, half yearly and yearly financial results in the Performa prescribed by Clause 41 of the Listing Agreement within prescribed time limit.
- 2) The approved financial results are forthwith sent to the Listed Stock Exchanges and are published in the leading national English newspapers. In addition the same are published in local language (Gujarati) newspaper. The same are not sent to the shareholders separately.
- 3) The Company's website www.shahalloys.com contains a separate dedicated section named "Investors" where information for shareholders is available. Press releases, if any, are also displayed at Company's website as well as published in newspapers.

5) GENERAL SHAREHOLDER INFORMATION

The Company is registered in the State of Gujarat having Corporate Identification Number (CIN) as allotted by Ministry of Corporate Affairs (MCA) as L27100GJ1990PLC014698.

Annual General meeting

Date : 24th September, 2013

Time : 9.30 A.M.

Venue : SAL Institute & Engineering Research, Opp Science City, Ahmedabad-380060.


Financial Year

The financial year of the Company is 1st April to 31st March.

- **Financial Calendar (tentative & subject to change)**
 - (a) First Quarter Results : August 2013
 - (b) Second Quarter Results : November 2013
 - (c) Third Quarter Results : February 2014
 - (d) Fourth Quarter results : May 2014
- **Date of Book Closure** : 17/09/2013 to 24/09/2013
(Both days inclusive)
- **Listing on Stock Exchange** : The National Stock Exchange of India Ltd (NSE)
Bombay Stock Exchange Ltd. (BSE)

The Company has paid the Annual Listing fees to the Stock Exchanges for the financial year 2013-2014.

Stock Code

The National Stock Exchange of India (NSE) : SHAHALLOYS
 Bombay Stock Exchange Ltd. : 513436
 Demat ISIN No. for NSDL and CDSL : INE 640C01011

Monthly Highs and Lows for the period April 2012 to March 2013

(₹ per share)

Month	Price at BSE		Price at NSE	
	Month's High Price	Month's Low Price	Month's High Price	Month's Low Price
Apr' 12	7.72	6.29	7.60	6.00
May' 12	7.44	6.00	6.90	6.00
June' 12	7.75	6.06	7.55	6.05
July' 12	7.80	6.77	7.60	6.95
Aug' 12	8.50	6.25	8.05	6.00
Sept' 12	7.40	5.90	7.40	5.85
Oct' 12	8.70	6.81	8.55	6.95
Nov' 12	8.70	7.09	8.00	7.00
Dec' 12	8.64	6.61	8.80	6.45
Jan' 13	7.84	6.02	7.50	6.25
Feb' 13	7.19	5.00	7.25	5.00
Mar' 13	5.50	4.62	5.40	4.75

Share Transfer System

As per the SEBI guidelines shares are transferred by M/s. Bigshare Services Pvt. Ltd., our Registrars & Share Transfer Agent. The total number of shares transferred in the physical form during the year was -1400.

Distribution and Shareholding Pattern as on 31.03.2013

No. of equity shares held	No. of Folios	%	No. Shares	%
Upto 500	7320	82.69	1345925	6.80
501 – 1000	793	8.96	650315	3.28
1001 – 2000	374	4.23	576916	2.91
2001 – 3000	126	1.42	324174	1.64
3001 – 4000	62	0.70	221048	1.12
4001 – 5000	39	0.44	181727	0.92
5001 – 10000	73	0.83	527516	2.66
10001 and above	65	0.73	15969919	80.67
TOTAL	8852	100.00	19797540	100.00
No. of shareholders in physical mode	1743		508332	2.57
No. of shareholders in electronic mode	7109		19289208	97.43

**SHAH ALLOYS LIMITED**

- Shareholding pattern as on 31.03.2013 is as follows

Category	No. of Shares	%
Promoters	10620306	53.64
Directors / Relatives	108940	0.55
Indian Public	4323484	21.84
Domestic Companies	2866274	14.48
Nationalized Bank/ Insurance Company	1746624	8.82
NRI	131912	0.67
Total	19797540	100.00

- Dematerialization of shares and liquidity : 97.43 % of the paid-up capital has been dematerialized as on 31.03.2013.
- Outstanding GDRs/ADRs/ Warrants or any Convertible Instruments, conversion dates and likely impact on equity : None
- Plant Locations : Shah Industrial Estate, Block No. 2221, Sola-Kalol Road, Santej, Ta. Kalol, Dist. Gandhinagar-382721
- Shareholders' correspondence should be addressed to : **[1] Bigshare Services Pvt. Ltd.**
E-2/3, Ansa Industrial Estate, Sakivihar Road, Sakinaka, Andheri (E), Mumbai 400 072.
Email: info@bigshareonline.com
[2] Regd. Office :
5/1, Shreeji House, B/H.M.J. Library, Ashram Road, Ahmedabad - 380 006.
[3] Corp. Office :
Shah Alloys Limited
Corporate House, Sola-Kalol Road, Santej, Ta. Kalol, Dist. Gandhinagar-382 721.

Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participant.

Annexure to Corporate Governance Report

DECLARATION REGARDING COMPLIANCE WITH THE COMPANY'S CODE OF CONDUCT BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL

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

For, SHAH ALLOYS LIMITED

Place: Santej
Date: 28.05.2013

Sd/-
K. S. Kamath
Jt. Managing Director

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

To
The Board of Directors

I hereby certify that:

- a. I have reviewed Financial Statements and the Cash Flow Statement for the year ended **31st March 2013** and that to the best of my knowledge and belief:
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c. I accept responsibility for establishing and maintaining internal controls for financial reporting and that I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee deficiencies in the design or operation of such internal controls, if any, of which I am aware and the steps they have taken or propose to take to rectify these deficiencies.
- d. I have indicated to the auditors and the Audit committee –
 - i. significant changes in internal control over financial reporting during the year;
 - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For, SHAH ALLOYS LIMITED

Sd/-

K. S. Kamath

Jt. Managing Director

Place: Santej**Date:** 28.05.2013**CERTIFICATE ON CORPORATE GOVERNANCE**

To
Members
Shah Alloys Limited

We have examined the compliance of the conditions of Corporate Governance by Shah Alloys Limited for the year ended 31st March, 2013 as stipulated in clause 49 of the Listing Agreement of the Company with stock exchanges in India.

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

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

We state that no investor grievances are pending for period exceeding one month against the Company, as per the records maintained by Shareholder / Investors Grievance Committee and certified by the Company.

On the basis of our review and according to the information and explanations provided to us, the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement(s) with the Stock Exchange have been complied with all material respect by the Company.

For, K. K. PATEL AND ASSOCIATES

Company Secretaries

Sd/-

Kiran Kumar Patel

PROPRIETOR

CP No. 6352

Place : Gandhinagar**Date :** 28.05.2013



INDEPENDENT AUDITORS' REPORT

To the Members of
M/S. SHAH ALLOYS LIMITED
AHMEDABAD

Report on the Financial Statements

We have audited the accompanying financial statements of M/s SHAH ALLOYS 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 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

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

We report that:

No foreign exchange loss has been provided in the financial statements on the Principal amount of 1,00,00,000 USD and on the Premium amount of 48,25,500 USD of the Foreign Currency Convertible Bonds (FCCB) which had become due for payment on September 22, 2011 and remain unpaid as at March 31, 2013. Non provision of the foreign exchange loss on the aforesaid Foreign Currency Convertible Bonds (FCCB) and the Premium amount relates to the period from September 23, 2011 to March 31, 2013. This is contrary to Accounting Standard (AS) 11, "The Effects of Changes in Foreign Exchange Rates", which requires that each foreign currency monetary items should be reported using the closing rate as at the balance sheet date. Had this Accounting Standard been followed, the Exchange loss for the financial year 2012-13 would have been more by ₹ 4,79,27,876/-. Accordingly, loss for the current financial year 2012-13 has been under-stated by ₹ 4,79,27,876/- and reserves and surplus has been overstated by ₹ 8,25,60,244/-.

Without qualifying our opinion, we would like to draw your attention to Note No. 40, regarding expense on account of purchase of Power in the last financial year 2011-12 due to which the results of the company are not comparable to the extent of ₹ 31,09,85,750/-

- (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 loss 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 Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. In our opinion, proper books of account as required by law have been kept any so far as appears from our examination of those books.
 - c. The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d. In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in section 211(3C) of the Act;
 - e. On the basis of the written representations received from the directors as on March 31, 2013, 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 Section 274(1)(g) of the Act.

For, Talati & Talati
Chartered Accountants
Firm Regn No.: 110758W

Sd/-
Umesh Talati

Partner
Membership No.: 034834

Place: Ahmedabad
Date: May 28, 2013



Annexure to Independent Auditor's Report

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

- i. In respect of its Fixed Assets
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets on the basis of available information.
 - (b) As explained to us, a major portion of the fixed assets has been physically verified by the management during the year in accordance with a phased program of verification adopted by the company. In our opinion, the frequency of verification is reasonable having regard to the size of the company & nature of its assets. As informed to us, no material discrepancies were noticed on such physical verification.
 - (c) According to the information and explanations given to us, the Company has not disposed off a substantial part of its fixed assets during the year and the going concern status of the Company is not affected.
- ii. In respect of its inventories:
 - (a) As explained to us, inventories (excluding goods in transit) were physically verified by the management at reasonable intervals during the year.
 - (b) In our opinion & according to the information & explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable & adequate in relation to the size of the company & nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the company is maintaining proper records of inventory. The discrepancies, noticed on verification, between the physical stocks and the book records were not material.
- iii. In respect of Loans secured or unsecured , granted or taken by the company to / from companies, firm or other parties covered in the register maintained under section 301 of the Companies Act, 1956:
 - (a) According to the information & explanations given to us and on the basis of records produced before us, the company has granted a loan to a company in earlier years, covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 80,00,00,000/- and the year-end balance of loan granted to such party is ₹ 80,00,00,000/-.
 - (b) In our opinion, the rate of interest and other terms and conditions on which loan has been granted to the company listed in the register maintained under section 301 of the Act are not prejudicial to the interest of the company.
 - (c) *On the basis of information and explanation given to us and on the basis of records produced before us in respect of loans granted by the company in the earlier years to a party covered under the register maintained under section 301 of the Companies Act, 1956, recovery of the said loan has been fixed by the Corporate Debt Restructuring (CDR) Cell. As per the terms of CDR, the company has to recover ₹ 10,00,00,000/- in the financial year 2011-12 and ₹ 20,00,00,000/- in the financial year 2012-13 .However till date, the company has not recovered the same.*
 - (d) Based on our audit procedures and the information and explanation made available to us, reasonable steps have been taken by the Management of the company for recovery of the principal amount.
 - (e) According to information and explanation given to us and on the basis of records produced before us during the Year 2012-13, the company has taken loan from two parties covered in the register maintained under section 301 of the Companies Act, 1956 amounting to ₹ 1,25,00,000/- . The Maximum amount involved during the year and the year-end balance of loans taken from such parties is ₹ 1,25,00,000/-.
 - (f) In our opinion, the rate of interest and other terms and conditions on which loan has been taken from the parties listed in the register maintained under section 301 of the Act are not prejudicial to the interest of the company.
 - (g) On the basis of records produced before us and on the basis of information and explanation given to us and as per the schedule stipulated for the terms and condition in respect of loans taken by the company, the repayment of the said loan is not due for repayment during 2012-13.



- iv. In our opinion & according to the information & explanations given to us, there are adequate internal control systems commensurate with the size of the company & nature of its business for the purchase of inventory, fixed assets and also for the sales of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls systems.
- v. In respect of the contracts or arrangements referred to in section 301 of the Companies Act, 1956:
- (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under section 301 of the Companies Act, 1956.
- (b) In our opinion, and according to information and explanation given to us, the transactions of Purchase of goods and materials, sale of goods and materials and services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to ₹ 5,00,000/- or more in respect of each party, have been made at prices which are reasonable, having regard to the prevailing market prices for such goods, materials & services or the prices at which the transactions for similar goods, materials & services have been made with other parties.
- vi. According to information and explanation given to us, the Company has not accepted any deposit from the public during the year. Therefore, the provisions of Clause (vi) of paragraph 4 of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.
- vii. The Company has appointed internal auditors and has carried out internal audit during the year. In our opinion, based on the size, nature and extent of the business, the internal audit system of the company is commensurate with the size and nature of the business.
- viii. 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 under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that the prescribed cost records have been 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. In respect of the Statutory dues:
- (a) According to the records of the company, *undisputed Statutory dues including provident fund, employees State Insurance, Investors Education & Protection Fund, Income-tax, Wealth-tax, Service Tax, Sales-tax, Customs duties, excise duty, Cess and other statutory dues have not been generally regularly deposited during the year with the appropriate authorities.* On the basis of records produced before us for our verification and according to the information & explanation given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2013 for a period of more than six months from the date of becoming payable.
- (b) On the basis of records produced before us for our verification and according to the information and explanations given to us, the details of disputed Income Tax, Sales Tax, Excise and Service Tax dues aggregating to ₹ 40,36,36,953/- (Net of Payments) that have not been deposited as on 31st March, 2013 on account of matters pending before appropriate authorities, are as under.

Sr. No.	Name of the Statute	Nature of the Dues	Period to which the amount relates	Forum where the dispute is pending	Amount involved (in ₹)
1	Income Tax Act, 1961	Income Tax	1997-98	Gujarat High court	1,30,000/-
2	Sales Tax Act	Sales Tax	1995-96	Deputy commissioner of Sales Tax (Tribunal) Ahmedabad	6,99,000/-
3	Gujarat Value Added Tax Act, 2003	Value Added Tax	2006-07	Deputy Commissioner, VAT Ahmedabad	4,06,27,791/-
4	Gujarat Value Added Tax Act, 2003	Value Added Tax	2007-08	Deputy Commissioner, VAT Ahmedabad	33,91,08,911/-
5	Central Excise Act, 1944	Excise Duty and Service Tax	2004-05 to 2011-12	Central Excise & Service tax Appellate Tribunal / Joint / Deputy Commissioner of Central Excise	2,30,71,251/-



- x. The company's accumulated losses at the end of financial year are more than fifty percent of its net worth. It has incurred cash losses amounting to ₹ 138,07,80,940/- during the current year and the company has incurred ₹ 207,77,08,543/- cash losses in the immediately preceding previous year.
- xi. *Consequent upon the sanction of the restructuring package given under CDR mechanism by banks & financial institution, the company was required to start repaying the loans sanctioned by banks/institutions and debenture holders from June 2011 onwards, however the company has made default in repaying the dues as per the terms stipulated in the CDR rework proposal. The Amount and the period of default in respect of Term Loan, WCTL and Non convertible Debentures are as under:*

Particulars	Period to which the default relates	Default (Amount in ₹)	Period for which the default subsists
Term Loan	2011-12	17,37,96,290	91-731 days
	2012-13	19,60,41,787	1-270 days
Working Capital Term Loan	2011-12	18,64,03,089	91-731 days
	2012-13	22,36,83,707	1-270 days
Non Convertible Debenture	2011-12	10,41,66,667	91-731 days
	2012-13	12,50,00,000	1-270 days

As per the CDR Terms, Interest on Term Loan, Working capital term loan (WCTL) and Non convertible debentures (NCD) had to be parked up to May 2011 into a separate account called Funded Interest Term loan (FITL). However, from June 2011 onwards, the interest on Term Loan, Working capital term loan (WCTL) and Non convertible debentures(NCD) has to be serviced as and when due.

However, the company has defaulted in payment of interest on Term Loan, Working capital term loan (WCTL) and Non convertible debentures (NCD). The Amount and the period of default are as listed under:

Particulars	Period to which the default relates	Default (Amount in ₹)	Period for which the default subsists
Interest on Term Loan	2011-12	12,04,69,127	91-731 days
	2012-13	15,73,65,814	1-335 days
Interest on Working Capital Term Loan	2011-12	14,95,31,027	91-731 days
	2012-13	17,89,46,966	1-335 days
Interest on Non Convertible Debenture	2011-12	8,18,90,411	91-731 days
	2012-13	9,80,00,000	91-365 days

As per the terms of the CDR, Interest on funded interest term loan (FITL) was required to be paid as and when it was due. The company has made the default in payment of interest on FITL. The amount and the period of default are as mentioned below:

Particulars	Period to which the default relates	Default (Amount in ₹)	Period for which the default subsists
Interest on Funded Interest Term Loan (FITL)	2010-11	4,31,63,185	91-1065 days
	2011-12	7,98,16,025	91-731 days
	2012-13	8,25,18,348	1-335 days

As per the terms of the CDR, Interest on working capital facilities was required to be paid as and when it was due. The company has made the default in payment of interest on the working capital facilities. The amount and the period of default are as mentioned below:

Particulars	Period to which the default relates	Default (Amount in ₹)	Period for which the default subsists
Interest on working capital facilities	2010-11	22,69,93,827	1-1064 days
	2011-12	37,17,47,750	1-701 days
	2012-13	39,44,65,648	1-335 days



Moreover, the Company, in September 2006, has raised US \$ 10 million through Unsecured Zero Coupon Foreign Currency Convertible Bonds (FCCB), due on 22nd September, 2011. On full conversion of FCCB, the FCCB will be converted in to 26,41,143 Equity shares of ₹ 10 each at a premium of ₹ 165 per share, at the option of the Bondholders at any time before the maturity of the bonds. On Conversion, Capital will increase by ₹ 2,64,11,430 and Share Premium by ₹ 43,57,88,570/-. If Bonds are not converted, the company will have to repay the bonds at a premium & in US Dollars. The company has provided the premium till 22nd September, 2011 which has been adjusted against Security Premium in accordance with Section 78 of the Companies Act, 1956.

However, the company has defaulted in repayment of the foreign currency convertible bond (FCCB) dues on its maturity. The default is subsisting since 556 days.

- xii. In our opinion & according to the information & explanation given to us, no loans & advances have been granted by the company on the basis of security by way of pledge of shares, debentures & other securities.
- xiii. In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund/ society, etc. Therefore, the provisions of Clause (xiii) of paragraph 4 of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.
- xiv. According to the information & explanations given to us, the company is not dealing or trading in shares, securities debentures & other investments. Therefore, the provisions of Clause (xiv) of paragraph 4 of the Companies (Auditors Report) Order, 2003 are not applicable to the Company
- xv. In our opinion, the terms & conditions on which the company has given guarantee for loans taken by others from Banks or financial institutions are not prejudicial to the interest of the company.
- xvi. According to the information & explanations given to us, the Company has not raised any term loan during the year under audit.
- xvii. According to the information and explanations given to us and on an overall examination of the financial statements and other records of the company and after placing reliance on the reasonable assumptions made by the company, we are of the opinion that funds raised on short term basis have not been used for long term investment.
- xviii. During the period covered under audit report, the company has not made any preferential allotment of shares to the parties and Companies covered in the register maintained under section 301 of the Act.
- xix. During the period covered under audit report, the company has not issued any debentures accordingly the provisions of clause (xix) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- xx. During the period covered under audit report, the company has not raised any money by way of public issue during the year.
- xxi. In our opinion and according to the information and explanations given to us and based on the management representation, no material fraud on or by the company has been noticed or reported during the financial year covered by the audit.

For, Talati & Talati
Chartered Accountants
(Firm Reg. No : 110758W)

Sd/-
Umesh Talati

Partner
Membership No: 034834

Place: Ahmedabad
Date: May 28, 2013

Cash Flow Statement for the year ended 31st March 2013

(Pursuant to the listing Agreement with Stock Exchange)

(Amount in ₹)

Particulars	2012-13		2011-12	
A CASH FLOW FROM OPERATING ACTIVITIES:				
Net Profit (Loss) before Tax and Extraordinary items		(1 68 92 14 822)		(2 39 74 90 047)
Adjustments for :				
Depreciation	30 64 04 587		31 73 93 342	
Unrealised Foreign (Gain) / Loss	14 43 792		4 00 29 010	
Profit on Sale of Assets	0		(1 94 666)	
Interest expenses	92 35 86 862		92 22 32 592	
Interest Income	(1 02 55 345)	1 22 11 79 896	(1 12 14 483)	1 26 82 45 795
		(46 80 34 926)		(1 12 92 44 252)
Operating Profit Before Working Capital Changes				
Adjustments for :				
Trade and other receivables	44 39 27 912		(14 87 83 707)	
Inventories	4 99 10 730		79 55 33 584	
Trade Payable and others	(34 72 37 671)	14 66 00 971	38 48 71 628	1 03 16 21 505
Cash Generated From Operations		(32 14 33 955)		(9 76 22 748)
Direct Taxes Paid		0		0
Cash Flow Before Extraordinary Items		(32 14 33 955)		(9 76 22 748)
Less: Prior period items		5 62 280		8 96 502
Net Cash from Operating Activities(A)		(32 19 96 235)		(9 85 19 249)
B CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of Fixed Assets	0		(28 360)	
Sale of Fixed Assets	0		11 20 000	
Movement of Long term Loans and Advances	0		5 09 46 860	
Interest Income	1 02 55 345	1 02 55 345	1 12 14 483	6 32 52 983
Net Cash from Investing Activities(B)		1 02 55 345		6 32 52 983
C CASH FLOW FROM FINANCING ACTIVITIES:				
Proceeds from Long term Borrowings (Net of repayments)	1 13 90 33 112		98 11 65 203	
Proceeds from Bank/ FIS borrowings for Working Capital	7 39 57 000		(2 08 23 674)	
Interest Paid	(92 35 86 862)	28 94 03 251	(92 22 32 592)	3 81 08 937
Net Cash from Financing Activities(C)		28 94 03 251		3 81 08 937
Net Increase in Cash and Equivalent (A+B+C)		(2 23 37 640)		28 42 670
Cash And Cash Equivalents as at the Beginning of the year		3 07 95 620		2 79 52 950
Cash And Cash Equivalents as at the Close of the year		84 57 980		3 07 95 620
Note:				
Cash & Bank balances:				
a) Balance with Banks :		31.03.2013		31.03.2012
- In Current accounts		49 60 860		42 44 752
- In EEFC accounts		2 15 069		3 96 130
b) Cash on hand		9 04 443		13 82 309
c) Earmarked balances with bank (unpaid dividend)		2 94 608		5 15 295
d) Other bank balances:				
- In Margin Money		20 83 000		2 42 57 134
Total		84 57 980		3 07 95 620

As per our Report of even date

For, Talati & Talati

Chartered Accountants

FRNo: 110758W

Umesh Talati

Partner

M.No. 34834

Place : Ahmedabad

Date : May 28, 2013

For and on behalf of the Board

Shah Alloys Limited

Rajendra V. Shah

Chairman

K.S. Kamath

Jt. Managing Director

Ashok Sharma

Whole Time Director

Vinod Kumar Shah

Company Secretary

Place : Santej

Date : May 28, 2013


Balance Sheet as at March 31, 2013
(Amount in ₹)

	Note No.	As at 31st March 2013	As at 31st March 2012
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds:			
(a) Share Capital	3	19 79 75 400	19 79 75 400
(b) Reserves and Surplus	4	(4 64 42 30 449)	(3 63 74 83 993)
		(4 44 62 55 049)	(3 43 95 08 593)
(2) Non-Current Liabilities:			
(a) Long Term Borrowings	5	4 15 40 51 666	4 81 50 01 029
(b) Other Long Term Liabilities	6	17 05 00 000	17 55 00 000
(c) Long Term Provisions	7	1 47 30 592	1 56 50 053
		4 33 92 82 258	5 00 61 51 082
(3) Current Liabilities:			
(a) Short Term Borrowings	8	3 18 41 97 894	3 11 02 40 893
(b) Trade Payables	9	1 14 95 17 665	1 27 03 39 637
(c) Other Current Liabilities	10	4 89 63 37 641	3 32 13 80 856
(d) Short Term Provisions	11	3 75 13 545	3 15 40 301
		9 26 75 66 745	7 73 35 01 687
TOTAL		9 16 05 93 954	9 30 01 44 176
II. ASSETS			
(1) Non-Current Assets:			
(a) Fixed Assets	12		
(i) Tangible Assets		2 45 50 71 397	2 76 14 75 984
(ii) Capital work-in-progress		18 31 84 363	18 31 84 363
(b) Non-Current Investments	13	39 95 06 276	39 95 06 276
(c) Long Term Loans and Advances	14	30 24 99 175	50 24 99 175
(d) Deferred Tax Assets (Net)	15	3 05 75 62 998	2 37 45 32 352
		6 39 78 24 209	6 22 11 98 150
(2) Current Assets:			
(a) Inventories	16	1 24 79 79 546	1 29 78 90 276
(b) Trade Receivables	17	67 85 12 814	1 09 66 52 096
(c) Cash and Bank Balances	18	84 57 980	3 07 95 620
(d) Short Term Loans and Advances	19	82 77 51 024	65 34 56 067
(e) Other Current Assets	20	68 381	1 51 967
		2 76 27 69 745	3 07 89 46 026
TOTAL		9 16 05 93 954	9 30 01 44 176
The accompanying notes are an integral part of these financial statements.	1 to 41		

As per our Report of even date
For, Talati & Talati

Chartered Accountants

FRNo: 110758W

Umesh Talati

Partner

M.No. 34834

Place : Ahmedabad

Date : May 28, 2013

**For and on behalf of the Board
Shah Alloys Limited**
Rajendra V. Shah

Chairman

K.S. Kamath

Jt. Managing Director

Ashok Sharma

Whole Time Director

Vinod Kumar Shah

Company Secretary

Place : Santej

Date : May 28, 2013



Statement of Profit and Loss for the year ended 31st March, 2013

(Amount in ₹)

	Note No.	Year ended on 31 st March 2013	Year ended on 31 st March 2012
I. Revenue from operations	22	6 52 82 27 778	8 30 11 02 414
Less: Excise duty		(68 28 91 046)	(72 30 22 006)
		5 84 53 36 732	7 57 80 80 408
II. Other income	23	4 11 70 843	3 19 15 289
III. Total revenue (I + II)		5 88 65 07 575	7 60 99 95 697
IV EXPENDITURE :			
Cost of materials consumed	24	4 08 49 29 028	5 03 92 19 141
Purchases of Stock-in-Trade		0	8 12 81 882
Changes in inventories of finished goods, work-in-progress and stock-in-trade.	25	(5 18 22 508)	65 01 68 574
Employee benefits expense	26	25 07 92 191	26 56 07 561
Finance costs	27	92 35 86 862	92 22 32 592
Depreciation and Amortization Expense		30 64 04 587	31 73 93 342
Other Expenses	28	2 06 18 32 237	2 73 15 82 652
Total Expenses		7 57 57 22 397	10 00 74 85 744
V Profit/(Loss) before exceptional items and tax (III-IV)		(1 68 92 14 822)	(2 39 74 90 047)
VI Prior period items	29	5 62 280	8 96 502
VII Profit / (Loss) before tax (V-VI)		(1 68 97 77 102)	(2 39 83 86 549)
VIII Tax expense:			
(1) Deferred tax		(68 30 30 646)	(78 52 03 103)
(2) Short/(Excess) provision of Income Tax		0	5 71 524
IX Profit / (Loss) for the period (VIII-IX)		(1 00 67 46 456)	(1 61 37 54 970)
X Earnings per equity share of face value of ₹ 10 each	30		
Basic & Diluted		(50.85)	(81.51)
The accompanying notes are an integral part of these financial statements.	1 to 41		
As per our Report of even date		For and on behalf of the Board Shah Alloys Limited	
For, Talati & Talati		Rajendra V. Shah	
Chartered Accountants		Chairman	
FRNo: 110758W		K.S. Kamath	
		Jt. Managing Director	
Umesh Talati		Ashok Sharma	
Partner		Whole Time Director	
M.No. 34834		Vinod Kumar Shah	
		Company Secretary	
Place : Ahmedabad		Place : Santej	
Date : May 28, 2013		Date : May 28, 2013	

**Notes to financial statement for the year ended 31st March 2013****1 1.1 CORPORATE INFORMATION**

The company is engaged in manufacturing of wide range of Stainless Steel, Alloy & Special steel, Carbon/ Mild Steel and Armour Steel in Flat and Long products. It is one of the key suppliers to many renowned companies in India and overseas. It exports various products to more than 50 countries around the world. Company has been successful in developing protection Armour Steel which is mainly required for defense purpose. Company has been registered with Defense Research and Development Organization as approved vendor and it is expected that good business will be available to the company. To reduce the cost of power, company has been making efforts to purchase power through Open Access which would be cheaper than the present cost of power.

1.2 BASIS OF PREPARATION OF FINANCIAL STATEMENT

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

2 SIGNIFICANT ACCOUNTING POLICIES**2.1 Use of Estimates**

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

2.2 Revenue Recognition

Sales are stated net of rebate and trade discount and include Central Sales Tax, State Value Added Tax. With regard to sale of products, income is reported when practically all risks and rights connected with the ownership have been transferred to the buyers. this usually occurs upon dispatch, after the price has been determined. Export Benefits are accounted / recognized on accrual basis. Dividend income is recognized when right to receive is established. Interest income is recognized on accrual basis.

2.3 Excise Duty

Excise Duties recovered are included in the sale of products & then shown as deduction on the face of Statement of Profit & Loss Excise duties in respect of Finished Goods lying in stock/bonded warehouse are shown separately under the head "Other expenses" and included in the valuation of finished goods.

2.4 Valuation of Inventories

Inventories of Raw Materials and Stores are valued at cost or net realizable value whichever is lower after considering the credit of VAT and Cenvat. Inventories of finished goods are valued at lower of cost or net realizable value, including excise duties at the applicable rates.

Cost of Finished Goods and semi finished goods are valued at lower of cost or net realizable value. Cost of finished goods is determined using weighted average price method. Cost includes cost of material consumed, labour and systematic allocation of fixed and variable production overheads.

2.5 Fixed Assets

Tangible Fixed Assets acquired by the Company are reported at acquisition value, with deductions for accumulated depreciation [other than "freehold land" where no depreciation is charged] and impairment losses, if any. The acquisition value includes the purchase price (excluding refundable taxes), and expenses directly attributable to assets to bring it to the factory and in the working condition for its intended use. Where the construction or development of any such asset requiring a substantial period of time to set up for its intended use, is funded by borrowings if any, the corresponding borrowing cost are capitalized up to the date when the asset is ready for its intended use.



Capital work in progress includes cost of assets at sites, construction expenditure, for acquisition of capital assets.

Pre-operative expenditure & trial run expenditure on the Project is capitalized amongst the various heads of fixed assets on the commencement of commercial production of respective project.

2.6 Depreciation and Amortization

Depreciation has been provided on Fixed Assets on Straight Line Method (other than mentioned in point (a) below as per the rates specified in Schedule XIV of the Companies Act, 1956 as amended from time to time.

- (a) Depreciation in respect of Plant and Machineries has been provided on the basis of triple shift working. (Except for H.R. Plate Mill, Cold Rolling Mill & Sheet Coil Project on which depreciation has been provided on single shift working on the basis of certificate received from management) Depreciation in respect of fixed assets acquired/ put to use during the year is charged on pro-rata basis with reference to the date of installation of the fixed assets.
- (b) No Depreciation has been provided in respect of assets whose accumulated depreciation exceeds 95% of original cost.

2.7 Cash flow statement

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

2.8 Investments

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

2.9 Foreign currency transactions

Transactions in the foreign currency which are covered by forward contracts are accounted for at the contracted rate; the difference between the forward rate and the exchange rate at the date of transaction is recognized in the profit & loss account over the life of the contract. Transactions in the foreign currency other than those covered by forward contract rates are translated to the reporting currency based on the exchange rate on the date of the transaction. Exchange differences arising on settlement thereof during the year are recognized as income or expenses in the Profit and Loss Account.

Cash and bank balances, receivables and liabilities (monetary items) in foreign currencies as at the year end are translated at closing-date rates, and unrealized translation differences are included in the Profit and Loss Account.

2.10 Employee Benefits

(a) Short Term

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

(b) Long Term

The Company has both defined contribution and defined benefit plans. These plans are financed by the Company in the case of defined contribution plans.

(c) Defined Contribution Plans

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

**(d) Defined Benefit Plans**

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

(e) Other Employee Benefit

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

2.11 Borrowing cost

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

2.12 Taxation

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

2.13 Impairment of Assets

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

2.14 Earning per share

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

2.15 Provisions, Contingent Liability and Contingent Asset

A provision is recognized when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding long term benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognized but are disclosed in the notes to the Financial Statements. A contingent asset is neither recognized nor disclosed.



SHAH ALLOYS LIMITED

Notes forming part of the Financial Statements

Note 3 : SHARE CAPITAL	As at March 31, 2013	As at March 31, 2012
The Authorised, Issued, Subscribed and fully Paid up Share Capital comprises of equity shares having a par value of ₹10 each as follows:		
Authorised		
35,000,000 Equity Shares of ₹ 10/- each (P.Y: 35,000,000 Equity Shares of ₹ 10/- each)	35 00 00 000	35 00 00 000
Total	35 00 00 000	35 00 00 000
Issued, Subscribed & Fully Paid-Up		
19,797,540 Equity Shares of ₹ 10/- each fully paid up (P.Y: 19,797,540 Equity Shares of ₹ 10/- each)	19 79 75 400	19 79 75 400
[It comprises of 1,977,500 equity shares of ₹ 10/- each fully paid (P.Y. 1,977,500 equity shares) converted from Global Depositary Receipts (GDRs). Outstanding number of GDRs is Nil (P.Y.- Nil)]		
Total	19 79 75 400	19 79 75 400

a) Reconciliation of Number of Shares:

Equity Shares	As at March 31, 2013		As at March 31, 2012	
	Number of shares	Amount (₹)	Number of shares	Amount (₹)
Shares outstanding at the beginning of the year	1 97 97 540	19 79 75 400	1 97 97 540	19 79 75 400
Changes during the year	-	-	-	-
Shares outstanding at the end of the year	1 97 97 540	19 79 75 400	1 97 97 540	19 79 75 400

b) Rights, Preferences and restrictions attached to shares

Equity Shares

The company has one class of equity share having a par value of ₹ 10 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of directors is subject to the approval of shareholders in the ensuing Annual general meeting, except in case of interim dividend. In the case of liquidation, the equity shareholders are eligible to receive the remaining assets of the company after distribution of all preferential amounts, in proportion to their shareholding.

c) Details of Shares held by Shareholders holding more than 5% in the Company

Name of the Shareholder	As at March 31, 2013		As at March 31, 2012	
	No of shares held	Percentage of Shares held	No of shares held	Percentage of Shares held
Mr. Rajendra V. Shah #	94 44 364	47.71%	94 44 364	47.71%
Mrs. Ragini R. Shah	11 46 006	5.79%	11 46 006	5.79%

including 7.74 % shares held as Karta



Note 4 : RESERVES & SURPLUS	As at March 31, 2013	As at March 31, 2012
i) Capital Reserve:	500	500
	500	500
ii) Security Premium Reserve:		
As per Last Balance Sheet	5 02 61 008	9 47 17 244
Add/(Less): Transfer on Premium of FCCB	0	(4 44 56 236)
	5 02 61 008	5 02 61 008
iii) Debenture Redemption Reserve:	60 00 00 000	60 00 00 000
	60 00 00 000	60 00 00 000
iv) Surplus / (Deficit) in Statement of Profit & Loss:		
As per Last Balance Sheet	(4 28 77 45 501)	(267 39 90 531)
Add : Loss during the year	(1 00 67 46 456)	(161 37 54 970)
	(5 29 44 91 957)	(428 77 45 501)
Total (i) + (ii) + (iii) + (iv)	(4 64 42 30 449)	(3 63 74 83 993)
Note 5 : LONG TERM BORROWINGS	As at March 31, 2013	As at March 31, 2012
(A) SECURED :		
I) Debentures		
- Non Convertible Debentures	64 58 33 334	77 08 33 334
II) Term Loans		
a) From Banks		
- Rupee Term Loan	97 13 69 688	115 93 76 725
- Funded Interest Term Loan	120 35 14 830	133 72 38 700
- Working Capital Term Loan	115 56 99 152	137 93 82 858
b) From Financial Institutions	4 15 12 875	4 95 47 625
	401 79 29 879	469 63 79 242
(B) UNSECURED:		
Inter Corporate Deposits		
- From Related Parties	1 25 00 000	0
- From Others	7 00 00 000	7 00 00 000
Loans & Advances from related parties		
- From Directors	5 36 21 787	4 86 21 787
	13 61 21 787	11 86 21 787
Total	415 40 51 666	481 50 01 029

(A) SECURED :
a) Nature of security and terms of repayment for secured borrowings
I) Non Convertible Debentures

First Mortgage and charge on the company's all immovable and movable properties (other than working capital assets), both present and future, ranking pari-passu with all term lenders. Second charges on Working Capital assets of the company. Pledge of promoter's entire shareholding ranking pari passu with all Corporate Debts Restructuring lenders. Unconditional and irrevocable personal guarantee of the promoter-director Shri Rajendra Shah. Non Convertible Debentures is repayable in equal monthly installment starting from June 2011 till May 2019.

Maturity profile of Non Convertible Debentures are as set out below :

Financial Year	Rate of Interest	
	9%	10%
2014-15	2 50 00 000	10 00 00 000
2015-16	2 50 00 000	10 00 00 000
2016-17	2 50 00 000	10 00 00 000
2017-18	2 50 00 000	10 00 00 000
2018-19	2 50 00 000	10 00 00 000
2019-20	41 66 667	1 66 66 667



b) Period and Amount of default as on the Balance sheet

Particulars	Default in repayment of principal	Period of default	Default in payment of principal	Period of default
2011-12	10 41 66 667	91-731 days	8 18 90 411	91-731 days
2012-13	12 50 00 000	1-270 days	9 80 00 000	91-365 days
Total	22 91 66 667		17 98 90 411	

II) Term Loan from Bank / Financial Institution

First Mortgage and charge on the company's all immovable and movable properties (other than working capital assets), both present and future, ranking pari-passu with all term lenders.(except Punjab National Bank's Corporate loan which has exclusive charge on 26,00,000 shares of Shah Alloys Limited. Thus First charge on fixed assets is not extended to Punjab national bank over the Corporate loan) Second charges on WC assets of the company. Pledge of promoter's entire shareholding ranking pari passu with all CDR lenders except for 26,00,000 shares on which Punjab national bank has exclusive charge. Unconditional and irrevocable personal guarantee of the promoter-director Shri Rajendra Shah.

Term Loan is repayable in equal monthly installment starting from June 2011 till May 2019.

Terms of repayment for term loans are as set out below

Particulars	2014-15	2015-16	2016-17	Beyond 2016-17
Rupee term Loan (Rate of Interest @ 10 %)	18 80 07 037	18 80 07 037	18 80 07 037	40 73 48 577
Term Loans from Financial Institution (Rate of Interest @ 8.75 %)	80 34 750	80 34 750	80 34 750	1 74 08 625
Working Capital Term Loan (Rate of Interest @ 10 %)	22 36 83 707	22 36 83 707	22 36 83 707	48 46 48 031
Funded Interest Term Loan (Rate of Interest @ 6 %)	26 74 47 740	26 74 47 740	26 74 47 740	40 11 71 610
Total	68 71 73 234	68 71 73 234	68 71 73 234	131 05 76 843

The company has made a default in repayment as follows:

Particulars	Period to which default relates	Default in repayment of principal	Period of default	Default in repayment of interest	Period of default
Rupee term Loan	2011-12	16 71 00 665	91-731 days	11 57 69 349	91-731 days
	2012-13	18 80 07 037	1-270 days	15 17 41 489	1-335 days
Term Loans from Financial Institution	2011-12	66 95 625	91-731 days	46 99 778	91-731 days
	2012-13	80 34 750	1-270 days	56 24 325	1-335 days
Working Capital Term Loan	2011-12	18 64 03 089	91-731 days	14 95 31 027	91-731 days
	2012-13	22 36 83 707	1-270 days	17 89 46 966	1-335 days
Funded Interest Term Loan*	2010-11	0		4 31 63 185	91-1065 days
	2011-12	0		7 98 16 025	91-731 days
	2012-13	0		8 25 18 348	1-335 days
Total		77 99 24 873		81 18 10 492	


(B) UNSECURED :
Deposits:

The company has taken inter corporate deposit during the year from two related parties as mentioned herewith: SAL Care Pvt Ltd of ₹ 25,00,000 and SAL Corporation Pvt Ltd of ₹ 1,00,00,000. This party is covered under the register maintained under section 301 of the Companies Act, 1956.

Loan from Directors

Loans from Director are interest free. The amount of loan is repayable after a period of 1 year from the date of Balance Sheet.

Note 6 : OTHER LONG TERM LIABILITIES	As at March 31, 2013	As at March 31, 2012
Trade Deposits	17 05 00 000	17 55 00 000
Total	17 05 00 000	17 55 00 000

Note 7 : LONG TERM PROVISIONS	As at March 31, 2013	As at March 31, 2012
Provision for Employee Benefits		
- Gratuity	1 47 30 592	1 56 50 053
Total	1 47 30 592	1 56 50 053

Note 8 : SHORT TERM BORROWINGS	As at March 31, 2013	As at March 31, 2012
SECURED		
Loans repayable on Demand		
From Banks		
- Cash Credit Facilities	318 41 97 894	311 02 40 893
Total	318 41 97 894	311 02 40 893

a) Nature of security and terms of repayment for secured borrowings
Cash Credit Facilities

Hypothecation first charges on company's entire stocks of raw material, stock in progress, finished goods, book debts/ receivables and all current assets stored in the company's factory premises, at all plants and / or elsewhere including those in transit covered by documents of title thereto, local and export usance bill ranking pari-passu in favor of all the working capital banks. Second charge on the entire movable and immovable assets both present and future on pari-passu basis. Pledge of promoter's entire shareholding ranking pari-passu with all CDR lenders. Unconditional and irrevocable personal guarantee of the promoter-director Shri Rajendra Shah.

b) Period and Amount of default as on the Balance sheet

Particulars	Period to which default relates	Default in payment of interest on working capital facilities	Period of default
Interest on Working capital facilities	2010-11	22 69 93 827	1-1064 days
	2011-12	37 17 47 750	1-701 days
	2012-13	39 44 65 648	1-335 days
Total		99 32 07 225	



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Note 9 : Trade Payables	As at March 31, 2013	As at March 31, 2012
Due to Micro, Small and Medium Enterprises *	0	0
Other than Micro, Small and Medium Enterprises	114 95 17 665	127 03 39 637
Total	114 95 17 665	127 03 39 637

* The Company has not received information from the Suppliers regarding their status under The Micro, Small & Medium Enterprises Development Act, 2006. Hence, disclosures, if any relating to amounts unpaid as at the balance sheet date together with interest paid or payable as per the requirement under the said Act, have not been made.

Sundry Creditors includes dues to Associate concerns in which director of the Company are interested:	As at March 31, 2013	As at March 31, 2012
- SAL Steel Limited	7 19 16 397	13 91 77 532
- SAL Hospital & Medical Institute (A Division of SAL Care Pvt. Ltd.)	72 56 449	72 56 449
- SAL Pharmacy (A Division of SAL Corporation Pvt. Ltd.)	3 12 558	40 625

Note 10 : OTHER CURRENT LIABILITIES	As at March 31, 2013	As at March 31, 2012
(a) Current Maturities of Long Term Debts		
- Non Convertible Debentures	12 50 00 000	12 50 00 000
- Term Loan from Banks	18 80 07 037	18 80 07 037
- Working Capital Term Loan	22 36 83 706	22 36 83 706
- Term Loan from Financial Institutions	80 34 750	80 34 750
- Funded Interest Term Loan	13 37 23 870	0
	67 84 49 363	54 47 25 493
(b) Interest accrued & due on Borrowings	179 17 78 381	99 62 02 898
	179 17 78 381	99 62 02 898
(c) Income received in Advance	3 15 32 605	2 84 82 235
(d) Unpaid Dividends*	2 94 608	5 15 294
(e) Unpaid Matured Debentures & Interest Accrued thereon		
- Matured Non Convertible Debentures	22 91 66 666	10 41 66 667
- Interest Accrued on Matured Non Convertible Debentures	47 20 74 103	39 20 74 103
	70 12 40 769	49 62 40 770
(f) Unpaid Foreign Currency Convertible Bonds #		
- Foreign Currency Convertible Bond (FCCB)	48 82 05 000	48 82 05 000
Add: Premium Payable on FCCB	23 55 83 323	23 55 83 323
	72 37 88 323	72 37 88 323
(g) Other Payables		
- Term Loan from Bank	36 81 16 935	16 71 00 665
- Working Capital Term Loan	41 00 86 795	18 64 03 088
- Term Loan from Financial Institution	1 47 30 375	66 95 625
- Credit balance in current account with Bank	0	2 16 594
- Statutory Dues Payable**	5 76 86 738	6 86 64 423
- Deferred Sales Tax Liability	6 71 98 787	6 71 98 787
- Unpaid Expenses	5 14 33 962	3 51 46 661
	96 92 53 592	53 14 25 843
Total	489 63 37 641	332 13 80 856



The Company, in September 2006, has raised US \$ 10 million through Unsecured Zero Coupon Foreign Currency Convertible Bonds (FCCB), due in September, 2011. On full conversion of FCCB, the FCCB will be converted in to 26,41,143 Equity shares of ₹10 each at a premium of ₹ 165 per share , at the option of the Bondholders at any time before the maturity of the bonds. On Conversion, Capital will increase by ₹ 2,64,11,430 and Share Premium by ₹ 43,57,88,570/-. If Bonds are not converted, the company will have to repay the bonds at a premium & in US Dollars. The company has provided the premium till September, 2011 which has been adjusted against Security Premium in accordance with Section 78 of Companies Act, 1956.

Since Bond holders have yet not exercised the option no further interest has been accounted for. Accordingly Foreign Currency Convertible Bonds (FCCB) is due for repayment to Bond Holders. However, no payment has been made to Bond Holders.

* Liability towards Investors Education and Protection Fund u/s 205C of the Companies Act 1956 (not due as on 31.03.2013 / 31.03.2012)

** It includes amount in the nature of Statutory dues such as withholding taxes, service tax, VAT, Excise duty, etc.

Note 11 : SHORT TERM PROVISIONS	As at March 31, 2013	As at March 31, 2012
Provision for Employee Benefits		
- Gratuity	28 72 558	27 82 606
- Leave Encashment	54 12 223	54 16 560
- Others*	2 91 95 114	2 32 98 535
Others		
- Provision for Wealth Tax	33 650	42 600
Total	3 75 13 545	3 15 40 301

* It includes bonus & other incentives to employees

Note 12 : FIXED ASSETS

Tangible Assets :

Particulars	Freehold Land	Factory Building	Office/ Residential Building	Plant and Machinery	Laboratory Equipments	Vehicles	Office Equipments	Furniture & Fixtures	TOTAL
Cost of Assets									
As at 1st April 2011	4 22 81 653	22 76 72 041	3 26 91 753	5 16 72 69 123	49 16 603	4 38 74 068	2 09 94 302	1 97 24 274	5 55 94 23 817
Addition	0	0	0	0	0	0	28 360	0	28 360
Disposal / Adjustments	0	0	0	0	0	35 20 634	0	0	35 20 634
As at 31st March 2012	4 22 81 653	22 76 72 041	3 26 91 753	5 16 72 69 123	49 16 603	4 03 53 434	2 10 22 662	1 97 24 274	5 55 59 31 543
Addition	0	0	0	0	0	0	0	0	0
Disposal / Adjustments	0	0	0	0	0	0	0	0	0
As at 31st March 2013	4 22 81 653	22 76 72 041	3 26 91 753	5 16 72 69 123	49 16 603	4 03 53 434	2 10 22 662	1 97 24 274	5 55 59 31 543
Depreciation									
As at 1st April 2011	0	5 85 93 719	17 25 641	2 36 53 99 719	36 89 884	3 02 46 796	1 17 10 195	82 91 563	2 47 96 57 517
Charge for the year	0	73 67 309	5 32 876	30 37 29 095	2 33 539	33 62 661	9 30 439	12 37 423	31 73 93 342
Disposal / Adjustments	0	0	0	0	0	25 95 300	0	0	25 95 300
As at 31st March 2012	0	6 59 61 028	22 58 517	2 66 91 28 814	39 23 423	3 10 14 157	1 26 40 634	95 28 986	2 79 44 55 559
Charge for the year	0	73 67 309	5 32 876	29 36 45 671	2 33 539	26 71 037	7 56 401	11 97 754	30 64 04 587
Disposal / Adjustments	0	0	0	0	0	0	0	0	0
As at 31st March 2013	0	7 33 28 337	27 91 393	2 96 27 74 485	41 56 962	3 36 85 194	1 33 97 035	1 07 26 740	3 10 08 60 146
Net Block									
As at 31st March 2012	4 22 81 653	16 17 11 013	3 04 33 236	2 49 81 40 309	9 93 180	93 39 277	83 82 028	1 01 95 288	2 76 14 75 984
As at 31st March 2013	4 22 81 653	15 43 43 704	2 99 00 360	2 20 44 94 638	7 59 641	66 68 240	76 25 627	89 97 534	2 45 50 71 397

Capital work-in-progress	31.03.2013	31.03.2012
Plant & Machinery	12 59 00 355	12 59 00 355
Amount of borrowing cost capitalized	5 72 84 008	5 72 84 008
Total	18 31 84 363	18 31 84 363

Notes:

- 1) Cost of Fixed Assets and pre-operative expenses, being technical matter, are capitalized or allocated to Capital work in progress on the basis of data certified by technical person & the Management.
- 2) Borrowing cost includes interest and other bank charges to the extent that they are regarded as an adjustment to interest costs which are directly related to the acquisition & construction of a qualifying asset.



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Note 13 : NON CURRENT INVESTMENTS	As at March 31, 2013	As at March 31, 2012
Trade Investments		
Quoted		
Investment in Equity instruments of Associate Company 3,02,56,989 Equity shares of Face value ₹ 10/- each in SAL Steel Limited (P.Y: 3,02,56,989 Equity shares)	39 94 96 276	39 94 96 276
Other Investments		
Unquoted		
Investment in Government securities National Savings Certificate (Deposited with Sales Tax Department)	10 000	10 000
Total	39 95 06 276	39 95 06 276

Aggregate amount of Quoted Investment and Market Value ₹ 6,41,44,817/- (P.Y. ₹ 15,15,87,515/-)

Aggregate amount of Unquoted Investment ₹ 10,000/- (P.Y. ₹ 10,000/-)

Note 14 : LONG-TERM LOANS & ADVANCES (Unsecured, considered good unless otherwise stated)	As at March 31, 2013	As at March 31, 2012
Security Deposits	24 99 175	24 99 175
Loans & advance to related parties		
- Inter corporate loan*	30 00 00 000	50 00 00 000
Total	30 24 99 175	50 24 99 175

* The company has advanced an interest free Intercompany loan in earlier years to its Associate Concern.

Note 15 : DEFERRED TAX	As at March 31, 2013	As at March 31, 2012
Deferred tax assets		
Unabsorbed Depreciation and Business Loss	224 17 22 586	191 71 28 727
Unabsorbed Capital Loss	27 569	26 315
On account of disallowances under the Income tax act, 1961	124 00 48 536	89 84 22 221
Gross deferred tax asset (A)	348 17 98 691	281 55 77 263
Deferred tax liabilities		
Fixed Asset: Impact of difference between tax depreciation and depreciation charged for the financial reporting	42 42 35 693	44 10 44 911
Gross deferred tax liability (B)	42 42 35 693	44 10 44 911
Net Deferred Tax (A-B)	305 75 62 998	237 45 32 352

Note 16 : INVENTORIES (valued at lower of cost or net realizable value)	As at March 31, 2013	As at March 31, 2012
(Inventories are taken, valued and certified by the management)		
Raw Materials		
i) In stock	12 11 74 608	17 89 21 605
ii) In Transit	80 40 461	2 46 96 923
Work in Progress	22 96 05 939	13 62 88 607
Finished Goods	45 52 39 575	49 67 34 399
Stores & spares	43 39 18 963	46 12 48 742
Total	124 79 79 546	129 78 90 276



Note 17 : TRADE RECEIVABLES	As at March 31, 2013	As at March 31, 2012
Unsecured considered good		
Trade Receivable outstanding for more than six months from the date they became due for payments	53 30 188	3 90 86 929
Others	62 31 82 626	105 75 65 167
Doubtful	1 11 27 320	1 16 07 976
Total	68 96 40 134	110 82 60 072
Less: Provision for claim / Doubtful debts	1 11 27 320	1 16 07 976
Total	67 85 12 814	109 66 52 096

Sundry Debtors include dues from Associate concerns:	2012-13 Amount	2011-12 Amount
- Kesar SAL Hospital	15 54 407	15 54 407
- SAL Pharmacy (A Division of SAL Corporation Pvt. Ltd.)	23 870	23 870
- SAL Hospital & Medical Institute (A Division of SAL Care Pvt Ltd.)	7 70 78 336	9 38 76 150

Note 18 : CASH AND BANK BALANCES	As at March 31, 2013	As at March 31, 2012
Cash & Cash Equivalents		
a) Balance with Banks :		
- In Current accounts	49 60 860	42 44 752
- In EEFC accounts	2 15 069	3 96 130
b) Cash on hand	9 04 443	13 82 309
c) Earmarked balances with bank (unpaid dividend)	2 94 608	5 15 295
d) Other bank balances:		
- In Margin Money	20 83 000	2 42 57 134
Total	84 57 980	3 07 95 620

* Margin Money deposits with a carrying amount of ₹ 20,83,000/- (P.Y.: ₹ 2,42,57,134) are given as margin against bank guarantee

Note 19 : SHORT TERM LOANS AND ADVANCES (Unsecured considered good, unless otherwise stated)	As at March 31, 2013	As at March 31, 2012
Loans & advances to related parties		
- Intercompany Loan	50 00 00 000	30 00 00 000
Others		
Advances to suppliers	6 74 62 640	7 89 04 771
Balances with government authorities	20 83 25 667	19 28 47 279
Prepaid expenses	10 57 183	15 52 665
Deposits	3 39 50 226	6 10 44 862
Other Loans and Advance*	1 69 55 308	1 91 06 490
Total	82 77 51 024	65 34 56 067

* Includes Loan & advances given to Employees



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Note 20 : OTHER CURRENT ASSETS	As at March 31, 2013	As at March 31, 2012
Interest Accrued		
- On Deposits	61 531	1 45 117
- On N.S.C.	6 850	6 850
Total	68 381	1 51 967

Note 21 : CONTINGENT LIABILITIES AND COMMITMENTS (to the extent not provided for)	As at March 31, 2013	As at March 31, 2012
Contingent Liabilities		
(a) Claims against the company not acknowledged as debts		
- Claim by Parties	275 13 12 692	273 42 22 336
(b) Guarantees		
- Corporate guarantee given to consortium Banks for SAL Steel Ltd.	207 50 00 000	207 50 00 000
- Bank guarantee given	20 83 000	2 00 82 313
(c) Other money for which the company is contingently liable		
- Disputed Income Tax Demand (net of Payment)	1 30 000	1 30 000
- Disputed sales tax demand (net of Advance)	38 04 35 702	38 04 35 702
- Disputed matter with excise and service tax	2 30 71 251	1 31 97 095

Note 22 : REVENUES FROM OPERATION	For the Year ended on 31 st March 2013	For the Year ended on 31 st March 2012
I. Sale of Products		
(a) Manufactured Goods		
- Domestic	6 32 67 80 334	7 78 36 70 778
- Export	16 66 89 608	36 07 13 449
(b) Sale of Trading Goods	0	10 21 28 787
	6 49 34 69 942	8 24 65 13 014
II. Sale of service		
- Job work	2 37 16 752	1 43 36 282
- Revenues from Pathology Division	0	2 83 05 646
	2 37 16 752	4 26 41 928
III. Other Operating Revenues		
- Export incentive	1 10 41 084	1 19 47 472
	1 10 41 084	1 19 47 472
Total	6 52 82 27 778	8 30 11 02 414

Note 22.1 : Particulars of Sale of Products	For the Year ended on 31 st March 2013	For the Year ended on 31 st March 2012
Sales of Iron & Steel		
- Bars, Beams, Angles & wire rods	15 27 99 901	41 09 62 749
- S.S Flats	1 33 95 84 510	1 07 63 69 807
- M.S / S.S Plates	1 74 98 19 182	3 32 46 04 171
- S.S.HR / CR Coils	3 14 09 19 289	3 32 22 25 758
- S.S Slabs, Billets, Bloom, Ingots etc	11 03 47 060	1 02 21 742
Sales of Medicines	0	10 21 28 787
Total	6 49 34 69 942	8 24 65 13 014



Note 23 : OTHER INCOMES	For the Year ended on 31st March 2013	For the Year ended on 31st March 2012
Interest Income	1 02 55 345	1 12 14 483
VAT credit recovered	2 78 48 202	2 05 06 140
Other Non operating income		
- Foreign Exchange Fluctuation Gain (Net)	30 67 296	0
- Profit on sale of Fixed Asset	0	1 94 666
Total	4 11 70 843	3 19 15 289
Note 24 : COST OF MATERIAL CONSUMED	For the Year ended on 31st March 2013	For the Year ended on 31st March 2012
Opening Stock	20 36 18 528	30 33 03 049
Purchases	4 01 05 25 569	4 92 87 01 354
Purchase of Pathology Chemicals & Consumables	0	1 08 33 266
	4 21 41 44 097	5 24 28 37 669
Less : Closing Stock	12 92 15 069	20 36 18 528
Total	4 08 49 29 028	5 03 92 19 141
Note 25 : CHANGES IN THE INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS & STOCK-IN-TRADE.	For the Year ended on 31st March 2013	For the Year ended on 31st March 2012
A) Opening Stocks		
- Finished Goods	49 67 34 399	97 14 05 445
- Work in process	13 62 88 607	30 27 05 805
- Stock in trade	0	90 80 330
Sub-Total (A)	63 30 23 006	1 28 31 91 580
B) Less: Closing Stocks		
- Finished Goods	45 52 39 575	49 67 34 399
- Work in process	22 96 05 939	13 62 88 607
- Stock in trade	0	0
Sub-Total (B)	68 48 45 514	63 30 23 006
Total (A)-(B)	(5 18 22 508)	65 01 68 574
Note 26 : EMPLOYEES BENEFIT EXPENSES	For the Year ended on 31st March 2013	For the Year ended on 31st March 2012
Salaries & Wages	23 55 32 301	25 26 37 011
Contribution to Provident & Other Funds	76 80 182	76 25 327
Staff Welfare Expenses	75 79 708	53 45 223
Total	25 07 92 191	26 56 07 561

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

Defined Contribution Plan

Contribution to defined contribution plan, recognised as expense for the year are as under:

Particulars	2012-13	2011-12
Employer's Contribution to Provident Fund	76 70 822	76 15 967
Contribution for Key Managerial Person	9 360	9 360

The Company's Provident Fund is exempted under section 17 of Employees' Provident Fund and Miscellaneous Provisions Act, 1952. Conditions for grant of exemption stipulate that the employer shall make good deficiency, if any, in the interest rate declared by the trust vis-a-vis statutory rate.



Defined Benefit Plan

The Company has adopted Accounting Standard 15 (AS-15) (Revised) "Employee Benefits" which is mandatory from accounting periods starting from Dec 7, 2006. Accordingly, the Company has provided for gratuity and leave encashment based on actuarial valuation done as per Projected Unit Credit Method.

I. Reconciliation of opening and closing balance of Defined Benefit Obligation

Particulars	Gratuity (Unfunded)	
	2012-13	2011-12
Opening defined benefit obligation	1 84 32 659	1 78 63 505
Excess / Short provision	0	0
Service cost	25 23 488	35 05 685
Interest cost	14 50 244	14 73 739
Actuarial (Gain) / Loss	(20 61 308)	(34 79 980)
Benefits paid	(27 41 933)	(9 30 290)
Closing defined benefit obligation	1 76 03 150	1 84 32 659

II. Reconciliation of opening and closing balance of fair value of plan assets

Particulars	Gratuity (Unfunded)	
	2012-13	2011-12
Opening fair value of plan assets	Not applicable as Gratuity Liability is unfunded	Not applicable as Gratuity Liability is unfunded
Expected return		
Actuarial Gain / (Loss)		
Employer contribution		
Benefits paid		
Closing fair value of plan assets		

III. Reconciliation of fair value of assets and obligation

Particulars	Gratuity (Unfunded)	
	2012-13	2011-12
Fair value of plan assets	Not applicable as Gratuity Liability is unfunded	Not applicable as Gratuity Liability is unfunded
Present value of obligation		
Amount recognised in balance sheet		

IV. Expense recognised during the year (under the head "Employee benefit expense" of Notes '26')

Particulars	Gratuity (Unfunded)	
	2012-13	2011-12
Service cost	25 23 488	35 05 685
Interest cost	14 50 244	14 73 739
Expected return on plan assets	0	0
Actuarial (Gain) / Loss	(20 61 308)	(34 79 980)
Net cost included in 'Employee Benefit Expense'	19 12 424	14 99 444


V. Investment Details

Particulars	% invested	
	2012-13 (%)	2011-12 (%)
Public sector securities	Not applicable	Not applicable
Special deposit schemes	as Gratuity	as Gratuity
State Govt. securities	Liability is	Liability is
FDR with banks	not funded	not funded
Balance with banks		
Total		

VI. Actuarial Assumptions

Particulars	Gratuity (Unfunded)	
	2012-13	2011-12
Mortality Table (LIC)	1994-96	1994-96
Discount rate (per annum)	8.10%	8.50%
Expected rate of return on plan assets (per annum)	0.00%	0.00%
Rate of escalation in salary (per annum)	7.00%	7.00%

VII. Amount for the current and previous four year are as follows:-

Gratuity (Unfunded)	31.03.2013 Amount	31.03.2012 Amount	31.03.2011 Amount	31.03.2010 Amount	31.03.2009 Amount
Defined Benefit obligation	1 76 03 150	1 84 32 659	1 78 63 505	1 56 34 897	1 24 36 304
Plan asset	0	0	0	0	0
Surplus/(deficit)	(1 76 03 150)	(1 84 32 659)	(1 78 63 505)	(1 56 34 897)	(1 24 36 304)
Experience adjustment on plan liability	(27 09 878)	(30 24 713)	(3 00 181)	0	0
Experience adjustment on plan assets	0	0	0	0	0

VIII. Expected Employer's Contribution for the financial year

On the basis of previous year's trend company is expecting to contribute the same amount as in 2012-13 to the defined contribution plan. However, for the defined benefit plan company is not liable to contribute any amount as the plans are unfunded.

The estimate of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

Note 27 : FINANCE COSTS	For the Year ended on 31 st March 2013	For the Year ended on 31 st March 2012
(1) Interest expenses		
(a) Term loans		
- From Banks	41 32 06 803	41 18 12 968
- From Financial institution	56 24 325	56 39 734
(b) Working capital facilities	39 44 90 074	39 03 30 517
(c) Debentures	9 80 00 000	9 82 68 494
(d) Others	40 37 618	39 36 382
	91 53 58 820	90 99 88 095
(2) Other Borrowing Cost	82 28 042	1 22 44 497
Total	92 35 86 862	92 22 32 592



SHAH ALLOYS LIMITED

Note 28 : OTHER EXPENSES	For the Year ended on 31 st March 2013	For the Year ended on 31 st March 2012
Consumption of stores & spare parts	99 40 48 480	1 13 74 91 309
Power & fuel	72 89 32 581	1 20 86 96 987
Factory Labour expense	7 82 49 294	8 36 21 816
Freight and handling charges	9 58 05 934	11 00 32 751
Provision for Excise Duty on finished goods	(35 75 586)	(3 50 63 138)
Factory Expenses	93 90 463	1 41 63 735
<u>Repairs and maintenance :</u>		
- to Factory Building	28 05 315	15 21 228
- to Plant & Machinery	1 41 07 656	1 39 84 154
- to Others	81 79 060	61 23 072
	2 50 92 031	2 16 28 454
Donation	42 253	32 653
Selling costs	53 12 880	79 15 444
Packing Cost	1 47 14 080	1 46 37 077
Freight outward expenses	7 15 16 874	9 00 59 144
Travelling & conveyance	1 11 10 275	1 14 54 894
Legal, Consultancy and Professional Fees	81 32 742	1 29 37 132
Miscellaneous expenses	86 53 733	46 66 811
Advertisement, Stationery and Communication	64 83 752	57 98 646
Payment to Auditors #	8 26 000	7 41 000
Rent	11 49 600	10 89 600
Rates and Taxes [includes Wealth Tax ₹ 33,650] [P.Y. Wealth Tax ₹ 42,600]	14 80 483	40 52 191
Insurance	18 74 792	32 41 734
Provision for Bad debt / Doubtful Loan & Advances	17 93 680	0
Sundry Balances Written off (Net)	7 97 896	32 84 664
Foreign exchange fluctuation loss (Net)	0	3 10 99 748
Total	2 06 18 32 237	2 73 15 82 652
# Payment to Auditors :	For the Year ended on 31st March 2013	For the Year ended on 31st March 2012
As Auditor		
- Statutory Audit	6 50 000	6 50 000
For other services	1 76 000	91 000
Includes Re imbursement of Expences ₹ 41,000/- (P.Y ₹ 30,000/-)		
Total	8 26 000	7 41 000
Note 29 : PRIOR PERIOD ITEM	For the Year ended on 31st March 2013	For the Year ended on 31st March 2012
(a) Debit relating to earlier years	5 62 280	17 59 738
(b) Credit relating to earlier years	0	8 63 236
Total	5 62 280	8 96 502



Note 30 : EARNING PER SHARE	Unit	For the Year ended on 31st March 2013	For the Year ended on 31st March 2012
Net profit / (Loss) for the year attributable to Equity Shareholders	₹	(1 00 67 46 456)	(1 61 37 54 970)
Weighted Average Number of Equity Shares outstanding	Nos.	1 97 97 540	1 97 97 540
Basic & Diluted earnings per share (face value of ₹ 10 each)	₹	(50.85)	(81.51)

Note 31: INFORMATION REGARDING STOCK
a) Capacity (As Certified by Management)

Class of products	Annual Licensed capacity (MT)		Annual Installed Casting (MT)	
	2012-13	2011-12	2012-13	2011-12
S.S.Flats, Bars & Castings, Hot Rolled M.S. Plates, S.S. H.R. Coil	N.A	N.A	3 00 000	3 00 000

b) Production

Class of products	2012-13 Qty. (MT)	2011-12 Qty. (MT)
(a) Bars, Beams, Angles & wire rods, S.S.Slab, Billets, Casting etc.	3 608.584	311.127
(b) S.S.Flats	18 443.642	14 455.498
(c) M.S./ S.S. Plates	20 168.298	36 334.297
(d) S.S. H.R. / C.R. Coil	35 511.187	34 253.899
TOTAL	77 731.711	85 354.821

c) Turnover (Excluding Trading Turnover)

Class of Goods	2012-13		2011-12	
	Quantity (MT)	Amount (in ₹)	Quantity (MT)	Amount (in ₹)
1. Finished Goods				
(a) Bars, Beams, Angles & wire rods	1 701.910	15 27 99 901	4 677.192	41 09 62 750
(b) S.S.Flats	18 281.915	1 33 95 84 510	14 840.225	1 07 63 69 807
(c) M.S./ S.S. Plates	20 865.781	1 74 98 19 182	39 729.729	3 32 46 04 171
(d) S.S. H.R. / C.R. Coil	35 649.115	3 14 09 19 289	36 775.228	3 32 22 25 758
2. Semi-Finished Goods				
S.S. Slab, Billets, Ingots etc	285.720	11 03 47 060	40.140	1 02 21 741
TOTAL	76 784.441	6 49 34 69 942	96 062.514	8 14 43 84 227



SHAH ALLOYS LIMITED

d) Opening and Closing Stock

Class of Goods	Opening Stock				Closing Stock			
	As at 01-04-2012		As at 01-04-2011		As at 31-03-2013		As at 31-03-2012	
	Quantity (MT)	Amount (in ₹)	Quantity (MT)	Amount (in ₹)	Quantity (MT)	Amount (in ₹)	Quantity (MT)	Amount (in ₹)
1. Finished Goods								
(a) Bars, Beams, Angles & wire rods	576.523	3 65 36 397	1 466.377	7 60 54 612	199.248	1 76 05 581	576.523	3 65 36 397
(b) S.S.Flats	745.138	4 48 13 278	1 129.865	6 71 80 037	906.865	5 62 58 752	745.138	4 48 13 278
(c) M.S./ S.S. Plates	1 748.951	11 33 63 276	5 144.383	32 13 51 079	1 051.468	5 90 61 780	1 748.951	11 33 63 276
(d) S.S. H.R. / C.R. Coil	3 648.108	24 83 67 888	6 169.437	41 81 03 020	3 510.180	27 22 35 489	3 648.108	24 83 67 888
(e) Excise Duty on Finished Goods		5 36 53 560		8 87 16 697		5 00 77 974		5 36 53 560
2. Semi-Finished Goods								
S.S. Slab, Billets, Ingots etc	2 002.783	13 62 88 607	5 519.134	30 27 05 805	4 001.012	22 96 05 939	2 002.783	13 62 88 607
TOTAL	8 721.503	63 30 23 006	19 429.196	1 27 41 11 250	9 668.773	68 48 45 515	8 721.503	63 30 23 006

e) Consumption of Raw materials

Particulars	2012-13		2011-12	
	Quantity (MT)	Amount (in ₹)	Quantity (MT)	Amount (in ₹)
Scrap	64 330.545	2 02 32 61 186	76 520.485	2 62 04 10 650
Ferro Chrome	15 574.405	1 13 71 38 609	16 598.174	1 17 67 45 536
Others	12 404.637	92 45 29 233	15 266.398	1 23 12 29 689
Pathology Chemical & Consumable		0		1 08 33 266
TOTAL	92 309.587	4 08 49 29 028	1 08 385.057	5 03 92 19 141

f) Details of Goods Traded Goods

Particulars	Medical Stores		M S Plate #	
	Amount (in ₹) 2012-13	Amount (in ₹) 2011-12	Amount (in ₹) 2012-13	Amount (in ₹) 2011-12
Opening stock	0	60 08 322	0	30 72 008
Purchase	0	8 12 81 882	0	0
Turnover	0	10 21 28 787	0	0
Closing Stock	0	0	0	0

Note : MS Plate has been Captively consumed

g) Value of imports calculated on C.I.F. basis during the financial year in respect of

Particulars	For the Year ended on 31 st March 2013	For the Year ended on 31 st March 2012
Raw Materials	1 16 34 743	3 19 60 457
Stores & Spares	2 31 57 940	4 24 60 014

h) Expenditure in foreign currency during the financial year

Particulars	For the Year ended on 31 st March 2013	For the Year ended on 31 st March 2012
Travelling Expenses	8 09 212	5 98 224
Commission on Export Sales.	17 86 750	15 79 863
Other Expenses	2 54 315	12 06 972



i) Value of Raw Materials, Stores, Chemical & Spares consumed during the year

Particulars	2012-13		2011-12	
	Amount (in ₹)	% of consumption	Amount (in ₹)	% of consumption
Raw Material-Manufacturing Activity				
Imported	1 25 20 250	0.31%	3 20 61 871	0.64%
Indigenous	4 07 24 08 778	99.69%	5 00 71 57 270	99.36%
Total	4 08 49 29 028	100.00%	5 03 92 19 141	100.00%

Trading Goods purchased

Imported	-	-	0	0.00%
Indigenous	-	-	8 12 81 882	100.00%
Total	-	-	8 12 81 882	100.00%

Stores & Spare parts

Imported	2 47 42 382	2.49%	4 58 43 311	4.03%
Indigenous	96 93 06 098	97.51%	1 09 16 47 998	95.97%
Total	99 40 48 480	100.00%	1 13 74 91 309	100.00%

j) Earning in Foreign Exchange

Particulars	For the Year ended on 31 st March 2013	For the Year ended on 31 st March 2012
FOB Value of exports	16 07 64 578	35 13 55 260



SHAH ALLOYS LIMITED

Note 32 : SEGMENT DISCLOSURES FOR THE YEAR ENDED 31/03/2013

I) Primary Segment Business

REVENUE	Stainless Steel Unit		Medical Stores & Pathology Laboratory Unit		Total	
	31/03/2013	31/03/2012	31/03/2013	31/03/2012	31/03/2013	31/03/2012
Domestic	6 35 04 97 086	7 79 80 07 060		12 97 94 953	6 35 04 97 086	7 92 78 02 013
Export (Incl. Export Incentives)	17 77 30 692	37 26 60 921	0	0	17 77 30 692	37 26 60 921
Total Sales	6 52 82 27 778	8 17 06 67 981	0	12 97 94 953	6 52 82 27 778	8 30 04 62 934
Add: Inter Segment Sales	0	0	0	6 39 480	0	6 39 480
Total Segment Revenue	6 52 82 27 778	8 17 06 67 981	0	13 04 34 433	6 52 82 27 778	8 30 11 02 414
Result						
Segment Result	(76 51 40 240)	(1 49 82 41 851)	0	2 31 37 894	(76 51 40 240)	(1 47 51 03 957)
Less:						
Interest	92 35 86 862	92 22 32 592	0	0	92 35 86 862	92 22 32 592
Unallocable Other Exp.	0	0	0	0	10 50 000	10 50 000
Profit Before Taxation	(1 68 87 27 102)	(2 42 04 74 443)	0	2 31 37 894	(1 68 97 77 102)	(2 39 83 86 549)
Income Tax						
Current Tax					0	0
Short Provision for earlier years written off.					0	5 71 524
Deferred Tax					(68 30 30 646)	(78 52 03 103)
Net Profit					(1 00 67 46 456)	(1 61 37 54 970)
Other Information						
Segment Assets	9 04 65 02 161	9 17 01 36 989	10 79 17 584	12 46 79 583	9 15 44 19 746	9 29 48 16 572
Segment Liabilities	13 60 23 15 996	12 73 56 75 899	24 92 173	27 54 172	13 60 48 08 169	12 73 84 30 071
Capital Expenditure	0	0	0	28 360	0	28 360
Depreciation	30 64 04 587	31 69 47 157	0	4 46 185	30 64 04 587	31 73 93 342
Non Cash Expenses other than Depreciation	0	0	0	0	0	0

The company has disclosed business segment as the primary segment. Segments have been identified taking into account the nature of products, differing risks and returns and the organisation structure. The expenses, which are not directly attributable to the business segments, are shown as unallocated expenses.

II) Information about Secondary Geographical Segments

Particulars	Year Ended 31/03/2013	Year Ended 31/03/2012
Revenue by Geographical Segment		
India	6 39 16 67 929	7 96 03 56 782
Outside India	17 77 30 692	37 26 60 921
Total	6 56 93 98 621	8 33 30 17 703
Addition to Fixed Assets and Intangible Assets		
India	0	28 360
Outside India	0	0
Carrying Amount of Fixed assets		
India	2 45 50 71 397	2 76 14 75 984
Outside India	0	0

Notes:

1) Geographical Segments considered for disclosures are as follows :

Sales within India include Sales to customer located within India.

Sales outside India include Sales to customers located outside India

2) Revenue comprises

Sales	652 82 27 778
Other Income	4 11 70 843
Total	656 93 98 621


Note 33 : RELATED PARTY DISCLOSURES

As per Accounting Standard 18, the disclosures of transactions with the related parties are given below

i) Concern where significant interest exists

Sr. no	Name of the Concern	Nature of Relationship
1	SAL Steel Limited	Associate
2	SAL Pharmacy (A Division of SAL Corporation Pvt. Ltd.)	Enterprise with significant influence
3	Adarsh Foundation	Enterprise with significant influence
4	SAL Hospital & Medical Institute (A Division of SAL Care Pvt Ltd.)	Enterprise with significant influence
5	Kesar SAL Hospital (A Division of Adarsh Foundation)	Enterprise with significant influence

ii) Key Management Personnel and Relatives

1	Mr. Rajendra V. Shah	Chairman
2	Mr. K. S. Kamath	Jt. Managing Director

iii) Disclosure of Related Party Transactions

Sr. no	Nature of Transaction	Parties mentioned at a (i) above		Key management personnel	
		2012-13	2011-12	2012-13	2011-12
1	Purchase of goods	1 15 36 355	77 46 56 127	0	0
2	Purchase of Power	36 77 00 000	79 02 82 250	0	0
3	Deposits given / (returned)	0	(1 00 00 000)	0	0
4	Sales of Goods	45 34 46 382	9 41 31 059	0	0
5	Rent paid	9 60 000	9 60 000	19 600	19 600
6	Loan Availed	1 25 00 000	0	50 00 000	3 25 00 000
7	Remuneration to Directors	0	0	12 92 400	12 92 400

iv) Disclosures of material transactions with related parties during the year

Sr. No.	Description	Related Parties	Amount in ₹
1	Purchase of Goods	SAL Steel Ltd	1 12 64 422
		SAL Pharmacy (A Division of SAL Corporation Pvt. Ltd.)	2 71 933
2	Purchase of power	SAL Steel Ltd	36 77 00 000
3	Sales of goods	SAL Steel Ltd	45 34 32 696
		SAL Hospital & Medical Institute	13 686
4	Rent paid	SAL Steel Ltd	9 60 000
		Mr. Rajendra V Shah	9 600
		Rajendra V Shah HUF	10 000
5	Remuneration to Directors	Mr. K S Kamath	12 92 400
6	Loan Availed	Mr. Rajendra V Shah	50 00 000
		SAL Corporation Pvt. Ltd.	1 00 00 000
		SAL Care Pvt Ltd.	25 00 000

34. In the opinion of the Board of Directors, the current assets, loans and advances are approximately of the value stated, if realized in the ordinary course of business and the provisions for depreciation and all known and ascertained liabilities are adequate and not in excess of the amounts reasonably necessary.

35. Corporate Debt Restructuring (CDR) Cell through their lead bank, Union Bank of India had sanctioned a comprehensive debt restructuring scheme vide their letter No. BY.CDR (ABP) No. 1084 dated 22.1.2008. As per scheme company was supposed to make monthly payment of interest & installment by 01st October 2009. Looking to prevailing condition and reciprocal obligation not fulfilled by the CDR lenders & consequential losses incurred by the company in the year 2008, company had



SHAH ALLOYS LIMITED

again approached CDR Cell for extension of moratorium period and CDR Cell had approved the rework proposal of the company vide their letter dated BY.CDR (ABP) NO.380/2009-10 dated 03-07-2009. The principal terms of the 2nd CDR Scheme and its compliances are as under :

- Deferring repayment of Term loan ₹ 1,56,05,13,132/- Working capital term loan ₹ 1,77,82,65,205/- and Non Convertible Debentures ₹ 1,00,00,00,000/- for another 20 months, (from original due date for repayment of 01.10.2009) i.e. up to 31.05.2011. Repayment shall start from June 2011 and end on May 2019.
- Interest for the moratorium period i.e. up to May 2011 shall be converted into Funded interest term loan (FITL) carrying interest rate of 6% p.a. repayable in 20 equal quarterly installments commencing from December 2013 quarter. Interest on FITL shall be serviced as and when due.

Consequent upon the sanction of the restructuring package, the company had to start repaying the aforesaid loans sanctioned by banks/institutions and debenture holders from June 2011 onwards however the company has made default in repaying the dues as per the terms stipulated in the CDR rework proposal. The Amount and the period of default in respect of Term Loan, WCTL and Non convertible Debentures are as under :

Particulars	Period to which the default relates	Default (Amount in ₹)	Period for which the default subsists
Term Loan	2011-12	17,37,96,290	91-731 days
	2012-13	19,60,41,787	1-270 days
Working Capital Term Loan	2011-12	18,64,03,089	91-731 days
	2012-13	22,36,83,707	1-270 days
Non Convertible Debenture	2011-12	10,41,66,667	91-731 days
	2012-13	12,50,00,000	1-270 days

As per the CDR Terms, Interest on Term Loan, Working capital term loan (WCTL) and Non convertible debentures (NCD) had to be parked up to May 2011 into a separate account called Funded Interest Term loan (FITL). However, from June 2011 onwards, the interest on Term Loan, Working capital term loan (WCTL) and Non convertible debentures (NCD) has to be serviced as and when due.

However, the company has defaulted in payment of interest on Term Loan, Working capital term loan (WCTL) and Non convertible debentures (NCD). The Amount and the period of default are as listed under:

Particulars	Period to which the default relates	Default (Amount in ₹)	Period for which the default subsists
Interest on Term Loan	2011-12	12,04,69,127	91-731 days
	2012-13	15,73,65,814	1-335 days
Interest on Working Capital Term Loan	2011-12	14,95,31,027	91-731 days
	2012-13	17,89,46,966	1-335 days
Interest on Non Convertible Debenture	2011-12	8,18,90,411	91-731 days
	2012-13	9,80,00,000	91-365 days

As per the terms of the CDR, Interest on funded interest term loan (FITL) was required to be paid as and when it was due. The company has made the default in payment of interest on FITL. The amount and the period of default are as mentioned below :

Particulars	Period to which the default relates	Default (Amount in ₹)	Period for which the default subsists
Interest on Funded Interest Term Loan (FITL)	2010-11	4,31,63,185	91-1065 days
	2011-12	7,98,16,025	91-731 days
	2012-13	8,25,18,348	1-335 days

As per the terms of the CDR, Interest on working capital facilities was required to be paid as and when it was due. The company has made the default in payment of interest on the working capital facilities. The amount and the period of default are as mentioned below:

Particulars	Period to which the default relates	Default (Amount in ₹)	Period for which the default subsists
Interest on working capital facilities	2010-11	22,69,93,827	1-1064 days
	2011-12	37,17,47,750	1-701 days
	2012-13	39,44,65,648	1-335 days



- c) Rate of interest on Term Loan, Non Convertible Debenture and WCTL will be 10% p.a. for the term lenders who are presently charging more than 10% p.a. payable monthly. Existing rates will continue for those lenders who are charging less than 10% p.a. payable monthly and FITL will carry interest at the rate of 6 % per annum.
- d) The company had extended an inter corporate loan of ₹ 95,00,00,000/- to SAL Steel Limited in earlier years out of which at present, the balance outstanding is ₹ 80,00,00,000/-. The terms of the Repayment of the same amount of is ₹ 10,00,00,000/- in FY 2012, ₹ 20,00,00,000/- each in FY 2013 to 2015 and ₹ 10,00,00,000/- in FY 2016. The company shall make all efforts to bring back the amount faster. The Monitoring committee shall monitor the same on half yearly basis.
As per the terms of the CDR, the company had to recover ₹ 10,00,00,000/- in FY 2012 and ₹ 20,00,00,000/- in FY 2013 from SAL Steel Ltd. However, the company has not received / recovered the same from SAL Steel Ltd.
- e) As per the terms of the CDR, the company has brought in Promoters' contribution during the year 2009-10.
36. The company had filed a reference with BIFR u/s 15(1) of the Sick Industrial Companies (Special Provision) Act, 1985. The Honorable BIFR vide its order number 13/2010 dated 31st August, 2010 has declared that the company has become sick industrial company u/s 3(1)(o) of SICA. [Sick Industrial Companies (Special Provision) Act, 1985]
37. Balances of Secured Loan, Unsecured Loans, Bank balances, Sundry debtors, Creditors and Loans and advances are subject to confirmation from respective parties.
38. Certain balance of Debtors, Loans and Advances and Creditors are non moving/ slow moving since long, however in view of the management the same is recoverable / payable and hence no provision for the same is made in the books of accounts.
39. Foreign currency exposure at the year end not hedged by derivative instruments :

Particulars	As at March 31, 2013	As at March 31, 2012
Advance payment to suppliers		
Rupees	69,09,983	85,07,687
US Dollar	1,22,280	86,956
Euro	3,728	0
Japan Yen	0	65,02,240
Receivables against export of goods		
Rupees	1,27,76,300	3,45,38,488
US Dollar	2,34,905	6,75,153
Advance received from customers		
Rupees	94,25,892	94,44,657
US Dollar	1,73,304	1,84,623
FCCB Payable (Including Interest)		
Rupees	72,37,88,323	72,37,88,323
US Dollar	1,48,25,500	1,48,25,500

40. The company had entered into a power purchase agreement with SAL Steel Limited on February 21st 2006 which enunciates minimum guarantee and uninterrupted supply of power. In pursuance of this contract during the last financial year 2011-12, Shah Alloys Limited has incurred an expense of short lifting of power from SAL Steel limited due to which the results of the company are not comparable to the extent of ₹ 31,09,85,750/-. This expense of short lifting of power from SAL Steel Limited is included in Power expense.
41. The Company has re-classified previous year figures to conform to this year's classification. Previous year figures have been re-arranged and re-grouped, wherever necessary to make them comparable with those of current year as per revised Schedule-VI.

As per our report attached to the Balance Sheet

Signatures to Notes 1-41

The accompanying notes are an integral part of these financial statements.

As per our Report of even date

For, Talati & Talati

Chartered Accountants

FRNo: 110758W

Umesh Talati

Partner

M.No. 34834

Place : Ahmedabad

Date : May 28, 2013

For and on behalf of the Board

Shah Alloys Limited

Rajendra V. Shah

Chairman

K.S. Kamath

Jt. Managing Director

Ashok Sharma

Whole Time Director

Vinod Kumar Shah

Company Secretary

Place : Santej

Date : May 28, 2013

**SHAH ALLOYS LIMITED****SHAH ALLOYS LIMITED**

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

ATTENDANCE SLIP

PLEASE FILL IN ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

Joint shareholders may obtain additional Slip at the venue of the meeting.

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

NAME & ADDRESS OF SHAREHOLDER / PROXY : _____

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

I/We hereby record my/our presence at the **Twenty Third Annual General Meeting** of the Company held on Tuesday, 24th September, 2013 at 9.30 A.M. at SAL Institute & Engineering Research, Opp. Science City, Ahmedabad - 380060.

Signature of Shareholder / Proxy

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

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

SHAH ALLOYS LIMITED

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

PROXY FORM

DP Id* _____ Master Folio No. _____
Client Id* _____

I/We _____ of _____
being a member/members of Shah Alloys Limited hereby appoint _____ of _____ or failing him/her _____ of _____ as my/our proxy to vote for me/us and on my/our behalf at the **Twenty third Annual General Meeting** of the Company to be held on Tuesday, 24th September, 2013 at 9.30 A.M. at SAL Institute & Engineering Research, Opp. Science city, Ahmedabad - 380060 or at any adjournment thereof.

Signed this _____ day of _____ 2013 _____

Signature

Affix
Revenue
Stamp

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

INSTRUCTIONS:

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



SHAH ALLOYS

If Undelivered please return to :
Corporate Office

Shah Alloys Limited

Corporate House, Sola-Kalol Road,
Santej - 382721, Ta. Kalol, Dist. Gandhinagar
www.shahalloys.com

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To,