

annual report **2012-2013**



S.A.L. STEEL LIMITED



BOARD OF DIRECTORS

Shri Rajendra V. Shah
Dr. K C Thatoi
Shri Sujal Shah
Shri Babulal M. Singhal
Shri Anilkumar S. Pandya
Shri Piyush Chandarana
Shri Ambalal C. Patel
Shri Harshad M. Shah
Shri Jethalal M. Shah
Shri Tejpal S. Shah
Shri Shrikant N. Jhaveri
Shri Bhaskar Ghosh

Chairman
Managing Director—ceased on 30.04.2013

COMPANY SECRETARY

Hardik Modi

REGISTERED OFFICE

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

ADMINISTRATIVE OFFICE

S.A.L. Steel Limited
Corporate House,
Sola-Kalol Road,
Village Santej,
Dist.-Gandhinagar-382 721.

PLANT

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

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. State Bank of Hyderabad

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 Tenth Annual General Meeting of Members of **S.A.L. STEEL LTD.** will be held on Tuesday, the 24th September 2013 at 10:00 a.m. at SAL Institute & Engineering Research, Opp. Science City, Ahmedabad 380 060, to transact the following business(s):-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 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 Director in place of Shri Sujal Shah, who retires by rotation and is eligible for re-appointment.
3. To appoint Director in place of Shri Harshad Shah, who retires by rotation and is eligible for re-appointment.
4. To appoint Director in place of Shri Tejpal Shah, who retires by rotation and is eligible for re-appointment.
5. To appoint Statutory Auditors, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

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

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 authorised representatives are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
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 are requested to send their queries/clarification in writing 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.

By order of the Board

Sd/-

Hardik Modi

Company Secretary

Date: 28.05.2013

Place: Santej

Registered Office:

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



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

Name of Director	Sujal Shah	Harshad Shah	Tejpal Shah
Date of Birth	30.12.1966	01.07.1952	01.06.1953
Relationship with other Directors Inter se	None	None	None
Profile & Expertise in Specific functional Areas	Has more than 23 years of experience in areas of Purchase & Administration.	36 years of experience in trading of Steel products and in construction company	More than 33 years of rich experience in Trading business.
Qualification	B.Sc (Physics)	B.Com	B.Com
No. of Equity Shares held in the Company	45000	Nil	Nil
List of other Companies in which Directorships are held	Nil	Shah Alloys Ltd	Shah Alloys Ltd
List of committees of Board of Directors (across all other Companies) in which Chairmanship/Membership is held	Nil	Remuneration Committee (Member) ➤ Shah Alloys Ltd.	Audit Committee (Member) ➤ Shah Alloys Ltd. Remuneration Committee (Member) ➤ Shah Alloys Ltd. Shareholders' / Investors' Grievance Committee (Member) ➤ Shah Alloys Ltd.

**DIRECTORS' REPORT****Dear Members,**

Your Directors present 10th Annual Report on the operations and performance together with the Audited Financial Statements for the year ended on 31st March 2013.

FINANCIAL HIGHLIGHTS**₹ In Lacs**

PARTICULARS	Current Year 31.03.13	Previous Year 31.03.12
Total Turnover and other Receipts	38067.18	33393.71
Gross Profit/Loss(Before deducting any of the following)	847.03	4253.37
A. Interest and Financial charges	3184.62	2311.69
B. Depreciation, Amortisation and Impairment	1929.51	1805.93
C. Tax Liability		
I. Current Tax	0.00	16.00
II. Deferred Tax	(1435.02)	48.70
III. Prior year Tax adjustment	0.40	(26.74)
Prior period adjustment	26.76	55.89
Net Profit available for appropriation	(2859.24)	41.90
Provision for Investment Allowance Reserve	Nil	Nil
Net Profit/Loss		
A. Add : Brought forward from last year's balance	1226.80	1184.90
B. Less : Transferred to: General Reserve	Nil	Nil
Transfer to Debenture Redemption Reserve	Nil	Nil
Balance Carried forward	(1632.44)	1226.80

OPERATIONAL OVERVIEW

During the year under review Net Turnover of the Company has been increased to ₹ 38,067.18 Lacs as compared to previous year's turnover which was ₹ 33,393.71 Lacs. There is decline in profit, mainly attributed to factors like higher basic raw materials prices like Coal and Iron ore, inflationary conditions, cost burdens, shortage of working capital and lower margin, increased interest burden etc.

DIVIDEND

Due to loss, your Directors have not recommended dividend for the financial year 2012-13.

DIRECTORS

Shri Sujal Shah, Shri Harshad Shah and Shri Tejpal Shah will be Directors retiring by rotation and being eligible offer themselves for re-appointment at the ensuing Annual General Meeting.

Your Directors recommend above re-appointments and request members to consider the same as stated in Notice of the Annual General Meeting.

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

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

**PARTICULARS OF THE EMPLOYEES**

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- a) In the preparation of the annual accounts for the financial year ended 31st March 2013, the applicable accounting standards have been followed along with proper explanation relating to material departure;
- b) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and profit and loss account of the Company for that period;
- c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) The Directors have prepared the annual accounts on a going concern basis.

AUDITORS

M/s. Talati & Talati, 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'

Company was incorporated as backward integration project for Shah Alloys Limited (SAL). The finished product of our company becomes Raw material for SAL. However, due to financial crisis, SAL is not functioning on its optimum capacity and as such, company is not getting sufficient orders to optimize its production capacity. This has adversely affected production of the Company. Thus accruals are not enough to pay back the amount to SAL after making payment of interest and instalments to its lenders. Due to low realization and low market demand, Company was struggling with matching cash flow. Since Company is not able to make payment of interest and instalments to bankers, company approached to CDR cell for restructuring of debts. Flash report has already been admitted by CDR cell and company has to submit final report. Company is expecting that restructuring will be approved by CDR cell shortly and company will be able to improve production capacity and pay off the dues on the appointed dates as per scheme that may be approved by CDR cell. At the same time, Company would be developing market for its products in nearby areas.

Para ix (a)

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



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Para xi

On account of underutilization of capacities, the cash flow was mismatch resulting delay in payment of interest. In the CDR EG meeting flash report as submitted by the Company has been accepted and it is expected that once CDR proposal is accepted, Company shall come out from financial crises resulting optimum capacity utilization.

FIXED DEPOST

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

REGULATORY STATEMENT

In conformity with provision of Clause 32 in the 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 Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE)

The Company has paid the listing fees for the year 2013-14 to above stock exchanges.

APPRECIATION

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

For and on behalf of the Board

Date: 28th May 2013

Place: Santej

Sd/-
Rajendra V Shah
CHAIRMAN



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

- (a) Energy conservation measures taken:-

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

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

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

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

The company is operating 40 MW Captive Power Plant in parallel with GETCO Grid and with the consumption of own power, your Company saves substantial amount from the same. In addition, company is purchasing power from Power Exchange under Short Term Open Access. Power under this mode is cheaper than power from Distribution company.

- (d) Total energy consumption and energy consumption per unit of production:

(I) POWER & FUEL CONSUMPTION

	Particulars	2012-13	2011-12
1	ELECTRICITY		
	(a) Purchased		
	Unit (Kwh)	48 51 600	18 69 160
	Total Amount (₹)	4 83 26 590	2 28 74 374
	Rate / Unit (₹)	9.96	12.24
	(b) Own Generation		
	(i) Through Diesel Generator Unit (Kwh)		
	Unit Per Ltr of Diesel Oil	Nil	Nil
	Cost / Unit (₹)	Nil	Nil
	(ii) Through Steam Turbine / Generator Unit (Kwh)	1 31 986	1 20 744
	Unit Per Kg of Lignite	2.00	1.58
	Cost Lignite / Unit (₹)	1 285	1 319
	Cost Coal / Unit (₹)	2 124	1 426
	Cost Coal & Lignite / Unit (₹)	3 409	2 745
2	COAL (Including Coal Fines)		
	Quantity (MT)	86 441.64	58 281
	Total Cost (₹)	28 02 94 026	17 22 31 872
	Average Rate (₹)	3 242.58	2 955.20
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 Tonns)	65 881.95	76 635
	Total Cost (₹)	16 95 96 944	15 92 12 283
	Average Rate (₹)	2 574.26	2 077.54



S.A.L. STEEL LIMITED

(II) CONSUMPTION PER M.T. OF PRODUCTION

Particulars of Product	2012-13	2011-12
Electricity (in Unit)	Nil	Nil
Furnace Oil	Nil	Nil
Coal (Specify quantity)	Nil	Nil
Others	Nil	Nil

B. TECHNOLOGY ABSORPTION

(I) Research and Development (R & D)

Particulars	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		
b) Recurring		
c) Total		
d) Total R&D expenditure as a percentage of total turnover	NIL	NIL

(II) Technology absorption, adaptation

Particulars	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 lakhs)

	2012-13	2011-12
1) EARNINGS & OUTGO		
a) Foreign Exchange earnings	211.22	Nil
b) Foreign Exchange outgo	6017.98	1727.47

2) TOTAL FOREIGN EXCHANGE USED AND EARNED

As per notes on account

For and on behalf of the Board

Sd/-

Rajendra V. Shah

CHAIRMAN

Date: 28th May 2013

Place: Santej



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

Sponge iron is an intermediate product as source of metallics for electric steel making. Our Company is merchant producers selling sponge iron in the open market. Further, company is a coal based sponge iron producer using coal as reductant. During the year, the production of Sponge Iron shrank due to acute shortage of iron ore and gas. Iron Ore availability has improved this year. But many sponge iron plants have either closed or facing the threat of closure due to shortage of iron ore and coal. The company operates two kilns with an installed capacity of 1,80,000 tonnes per annum to produce sponge iron. The waste gas from sponge making kilns has significant energy in the form of heat. This energy is recovered in waste heat recovery boilers to generate steam, which then passes through the generator for producing power. Apart from this company has two power plants, both coal based with a combined capacity of 40 MW power including power from waste heat recovery system. Surplus power is sold. The power revenue also contributed to bottom line. Iron ore and coal are two important raw materials in production of sponge iron. A part of coal was sourced from domestic open market and balance from overseas markets.

Ferro alloy refers to various alloys of iron, which are used in the production of mild steel, carbon steel, special alloy steel and stain less steel. India's steel production is increasing every year, thereby the consumption of Ferro Alloys is also increasing. The Ferro Alloy industry has a capacity of 5.15 million tonnes. It is accounting for nearly 10% of the world's ferro alloy production and is among the 10 largest producers of the material in the world. India's Ferro Alloy supply constitutes of Ferro chrome about 32%, Ferro Manganese and Silicon Manganese about 62% and rest others. India enjoys as fifth largest in chrome ore with a 100 million tonnes estimated reserve and the sixth largest in manganese ore with an estimated 176 million tonnes reserve.

The Industry has enough capacity to produce Ferro Alloys required for domestic Steel Industry. However, certain basic raw materials, i.e., ores viz., Manganese Ore, Chrome Ore, Molybdenum Ore/Moly Oxide, Tungsten Ore, Wolframite Ore, Scheelite Ore, Nickel Oxide, Vanadium ore, etc., required for producing Ferro Alloys are attracting an import Customs Duty of 2.5 %.

Manganese is an essential non-substitutable element in steel making. MOIL is the major producer of Manganese Ore. The Manganese Ore produced by other Mines in the country is low in grade and high in Iron content. It is pertinent to mention here that Indian Ferro Alloys Industry has grappled with various issues, such as non-availability of power with competitive rate, suitable quality and quantity of Manganese Ore, minimum duty protection, etc. Besides, the Industry has to compete with the integrated producers having captive Manganese Ore Mines situated in South Africa, Australia, Brazil, CIS, etc., to sell acceptable quality of Manganese Alloys in the world market for earning the valuable foreign exchange for the country.

There is now only one major producer of Chrome Ore in the country namely, Orissa Mining Corporation Ltd. (OMC), State owned Industry.

Company is having 61890 MTPA installed capacity for Ferro alloys Production. Company is mainly manufacturing Ferro Chrome, Ferro Manganese, Ferro Silico manganese etc. and its application is in the production of steel as deoxidants and used as alloying agents to impart particular physical properties to finished steel products. Company has 25000 MTPA capacity of Rolling Mill where M S Angle, S S Angle, Round Bar etc. are being manufactured.

DISCUSSION ON COMPANY'S PERFORMANCE

During the year under review, Company's net revenue has increased from ₹ 33,393.72 lacs to ₹ 38067.18 lacs. However, profit has been decreased substantially. This decreased margin in profits is attributed mainly on account of high cost of raw material, low price realization owing to slack market conditions and increase of interest burden. Due to financial crunch, company has been forced to go for corporate debt restructuring. Directors are pleased to inform that in the CDR EG Meeting flash report as submitted by the Company has been admitted.

SWOT ANALYSIS OF COMPANY

Strength

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



S.A.L. STEEL LIMITED

Weaknesses

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

Opportunities

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

Threats

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

RISKS AND CONCERNS

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

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

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

INTERNAL CONTROL SYSTEM

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

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

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

FUTURE OUTLOOK

Sponge Iron is an essential products in the steel manufacturing however sponge iron is used as additive for the purpose of reduction of carbon contains than raw material. Alternatively, furnaces use mainly M.S. Scrap for manufacturing ingots / billets.

However, due to heavily increasing production capacity of Iron Ore Pellets (Raw Materials of Sponge Iron) and the same time demand of the raw materials is same / the rates of sponge iron are declining. At the same time, prices of scrap is increasing due to shortage of materials as well high conversion ration of \$USD. This has resulted use of sponge iron in the furnace as raw material rather than additive. Further, at one place, manufacturer of ingots / ballots and rolling mills are increasing, however at the same time, sponge iron manufacturers are at static position. As such, in the coming year's demand of sponge iron will be increased.

CAUTIONARY NOTE

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



CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

2. BOARD OF DIRECTORS

COMPOSITION AND CATEGORY

The composition of the Board of Directors of the Company represents an appropriate mix of executive and non-executive directors to ensure the independence of the Board and to separate the board functions of governance and management. The Board currently comprises of Four Executive Directors and Seven Non-Executive Directors including the Chairman of the Board.

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

BOARD PROCEDURE

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

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

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

During the financial year ended March 31, 2013, Five Board Meetings were held respectively on 15/05/2012, 30/06/2012, 14/08/2012, 05/11/2012 and 09/02/2013. The gap between two Board Meetings did not exceed four months.

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

Name of Director	Category	No. of Board Meetings attended during the year	Whether attended last AGM	No. of other Directorships held	Committee** Memberships held in other Companies	
					as member	as Chairman
Shri Rajendra V.Shah	Non Executive Promoter Chairman	5	Yes	1	1	Nil
Shri K.C.Thatoi*	Managing Director	4	No	Nil	Nil	Nil
Shri Sujal A. Shah	Non Promoter Executive Director	5	Yes	Nil	Nil	Nil
Shri Babulal M. Singhal	Non Promoter Executive Director	5	No	Nil	Nil	Nil
Shri Anilkumar Pandya	Non Promoter Executive Director	5	No	Nil	Nil	Nil
Shri Piyush R. Chandarana	Non Promoter Executive Director	3	No	Nil	Nil	Nil
Shri Ambalal C. Patel	Independent & Non Executive Director	5	Yes	10	6	2
Shri Tejpal S. Shah	Independent & Non Executive Director	5	No	1	2	Nil
Shri Harshad M. Shah	Independent & Non Executive Director	5	No	1	Nil	Nil
Shri Jethalal M. Shah	Independent & Non Executive Director	5	Yes	Nil	Nil	Nil
Shri Shrikant N. Jhaveri	Independent & Non Executive Director	5	Yes	Nil	Nil	Nil
Shri Bhaskar Ghosh	Independent & Non Executive Director	Nil	No	1	Nil	Nil

* Dr K C Thatoi has resigned from position of Managing Director w.e.f. 30.04.2013.

** Committee includes Audit Committee and Shareholders'/Investors Grievance Committee only.



3. COMMITTEES OF THE BOARD

AUDIT COMMITTEE

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

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

During the period under review, five Audit Committee meetings were held respectively on 15/05/2012, 30/06/2012, 14/08/2012, 05/11/2012 and 09/02/2013.

The composition of the Audit Committee and attendance at its meetings is given hereunder :

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

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

REMUNERATION COMMITTEE

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

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

DETAILS OF REMUNERATION PAID TO DIRECTORS DURING 2012-13

(Amount in ₹)

Name of Director	Terms	Remuneration	Sitting Fees	Total
Shri Rajendra V. Shah	Not liable to retire by rotation	Nil	Nil	NIL
Dr. K C Thatoi*	Retirement by rotation	39,43,547	Nil	39,43,547
Shri Sujal A. Shah	Retirement by rotation	4,32,000	Nil	4,32,000
Shri Babulal M. Singhal	Retirement by rotation	5,09,698	Nil	5,09,698
Shri Anilkumar Pandya	Retirement by rotation	4,70,640	Nil	4,70,640
Shri Piyush R. Chandarana	Retirement by rotation	6,00,000	Nil	6,00,000
Shri Ambalal C. Patel	Retirement by rotation	Nil	50,000	50,000
Shri Tejpal S. Shah	Retirement by rotation	Nil	25,000	25,000
Shri Harshad M. Shah	Retirement by rotation	Nil	50,000	50,000
Shri Jethalal M. Shah	Retirement by rotation	Nil	50,000	50,000
Shri Shrikant N. Jhaveri	Retirement by rotation	Nil	50,000	50,000
Shri Bhaskar Ghosh	Retirement by rotation	Nil	Nil	Nil

* Dr. K C Thatoi has resigned from the position of Managing Director w.e.f. 30.04.2013

SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

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

Name and designation of Compliance Officer :

Mr. Hardik Modi, Company Secretary

No. of shareholders' complaints received during the year : 2 Complaints

No. of complaints not resolved to the satisfaction of shareholders : Nil

No. of pending Complaints : Nil

**4. GENERAL BODY MEETING****• Date, Time and Venue of the last three Annual General Meetings :**

Year	Date	Time	Venue
2011-12	September 24 th , 2012	10.00 A.M	SAL Institute & Engineering Research, Opp. Science City, Ahmedabad 380 060
2010-11	September 24 th , 2011	10.00 A.M	SAL Institute & Engineering Research, Opp. Science City, Ahmedabad 380 060
2009-10	September 24 th , 2010	10.00 A.M	SAL Institute & Engineering Research, Opp. Science City, Ahmedabad 380 060

During the year ended 31st March, 2013, no resolution was passed by the Company's shareholders through Postal Ballot pursuant to provisions of section 192A of the Companies Act, 1956.

DISCLOSURES**RELATED PARTY TRANSACTIONS**

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

NON COMPLIANCE BY THE COMPANY, PENALTIES, STRICTURES

The Company has complied with the requirements of the Stock Exchange/SEBI/any statutory authorities on all matters related to capital markets. There are no penalties or strictures imposed on the Company by Stock Exchange or SEBI.

5. CODE OF CONDUCT

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

6. CERTIFICATE ON CORPORATE GOVERNANCE

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

7. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

8. CERTIFICATION

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

9. COMPLIANCE WITH CLAUSE 49

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

10. MEANS OF COMMUNICATION

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

11. GENERAL INFORMATION FOR SHAREHOLDERS AND INVESTORS

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



S.A.L. STEEL LIMITED

a) Annual General Meeting

Date : 24th September, 2013
Time : 10.00 A.M.
Venue : SAL Institute & Engineering Research, Opp. Science City, Ahmedabad-380 060.

b) Financial Year

For accounting and financial reporting purpose, Company follows Financial Year which starts from 1st April each year and ends on 31st March of every succeeding year.

The Quarterly Results for the financial year 2013-14 will be taken on record by the Board of Directors as per the following schedule :

Quarter ending 30 th June 2013	: By 14 th August 2013
Quarter ending 30 th September 2013	: By 14 th November 2013
Quarter ending 31 st December 2013	: By 14 th February 2014
Quarter ending 31 st March 2014	: By 15 th May 2014

c) **Date of Book Closure / Record Date** : 17-09-2013 to 24-09-2013
 (Both days inclusive)

d) **Dividend Payment Date** : Not Applicable

e) **Listing on Stock Exchange** : **Bombay Stock Exchange Ltd. (BSE)**
 Phiroze Jeejeebhoy Towers Dalal Street, Mumbai- 400001
Scrip Code-532604
 : **National Stock Exchange of India Ltd. (NSE)**
 "Exchange Plaza", Bandra Kurla Complex, Bandra (E),
 Mumbai-400051
NSE SYMBOL-SALSTEEL

Demat ISIN No. for NSDL and CDSL : INE658G01014

f) Listing Fees to Stock Exchanges

Company has paid listing fees in respect of financial year 2013-2014 to the Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

g) Custodial Fees to Depositories

Company has paid Custodian Fees for the financial year 2013-14 to both depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

h) Share Price Data (₹ per share)

Month	SSL Price at BSE		SSL Price at NSE	
	Month's High Price	Month's Low Price	Month's High Price	Month's Low Price
Apr' 12	5.30	4.25	5.35	4.05
May' 12	4.99	3.70	4.65	3.80
June' 12	4.35	3.35	4.45	3.55
July' 12	4.79	3.72	4.80	3.60
Aug' 12	4.29	3.31	4.40	3.10
Sept' 12	4.18	3.42	4.20	3.35
Oct' 12	4.25	3.60	4.15	3.60
Nov' 12	4.05	3.53	4.30	3.50
Dec' 12	4.10	3.57	4.15	3.60
Jan' 13	4.35	3.17	4.40	3.00
Feb' 13	3.45	2.70	3.70	2.55
Mar' 13	3.25	2.00	3.35	2.00


i) Shareholding pattern as on 31st March, 2013

Sr. No.	Particulars	No. of Shares of ₹ 10/- each	% holding
1	Indian Promoters	42959889	50.56%
2	Resident Individuals	29309688	34.50%
3	Bodies Corporates	10445587	12.29%
4	Banks	5000	0.01%
5	HUF	1909482	2.25%
6	Non Resident Indians	284313	0.33%
7	Clearing Members	52741	0.06%
	Total	84966700	100.00%

j) Distribution of shareholding as on 31st March, 2013

Shareholding (Range)	No. of Shares	%	No. of Members	%
Upto 5000	5963018	7.02	23098	71.00
5001 - 10000	4321835	5.09	4837	14.87
10001 - 20000	3646701	4.29	2234	6.87
20001 - 30000	2104232	2.48	798	2.45
30001 - 40000	1320057	1.55	361	1.11
40001 - 50000	1837132	2.16	384	1.18
50001 - 100000	3411198	4.01	455	1.40
100001 & ABOVE	62362527	73.40	364	1.12
Total	84966700	100.00%	32531	100.00%

k) Dematerialization of Shares and Liquidity

On March 31st 2013, nearly 99.72% of the shareholders of Company were holding Company's shares in demat form. In the same way, Promoters & Promoters-group shareholding was also fully dematerialized. Also, the aggregate dematerialized shareholding of the Company stood at 99.72% of the total no. of shares. Brief position of Company's dematerialized shares is given below:

Sr. No.	Description	No. of Holders	Shares	% holding
1	NSDL	21747	57661733	67.86
2	CDSL	10764	27068034	31.86
3	PHYSICAL	20	236933	0.28
	Total	32531	84966700	100%

l) Share Transfer System

All transfers of shares held in physical form are dealt by our Registrar and Share Transfer Agents. Presently the share transfers received in physical form are processed and registered within prescribed time periods (15) days from the date of receipt subject to the documents being valid and complete in all respects. Depositories control share transfers in Demat Mode. The Company obtains from a Company Secretary in Practice half yearly certificate of compliance in respect of compliance with share transfer formalities as required under Clause 47(c) of the Listing Agreement with Stock Exchanges and files a copy of the certificate with the stock exchanges.

m) Reconciliation of Share Capital Audit Report

As stipulated by Securities and Exchange Board of India, Company is required to carry out Reconciliation of Share Capital Audit (RSCA) from a practicing Company Secretary. This audit is carried out every quarter and the report thereon of Practicing Company Secretary is submitted to the stock exchanges. The audit, inter alia, confirms that the total listed and paid-up capital of the company is in agreement with the aggregate of the total number of shares in dematerialized form (held with NSDL and CDSL) and total number of shares in physical form.



S.A.L. STEEL LIMITED

n) Outstanding warrants or any convertible instruments, conversion date and likely impact on equity

Company has allotted convertible warrants up to ₹ 32/- crores in its Board meeting held on 3rd February, 2012 to the strategic investors on the terms and conditions as are mentioned in the notice convening general meeting dated 5th January, 2012. An amount equal to minimum subscription has been received from the warrant holders against aforesaid allotment. Conversion of the said warrants will be in effect after exercise of option by the warrant holder on or before 2nd August, 2013. After conversion of the said warrants into equity shares, paid up equity share capital will increase up to ₹ 116,96,67000/-.

o) Plant Location

The Company's plant is located at:

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

p) Registered & Administrative Offices

Registered Office:

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

Administrative Office:

S.A.L. Steel Limited
Corporate House, Sola-Kalol Road, Village Santej,
Dist: Gandhinagar, Gujarat – 382721

q) Address for Investor Correspondence

In case any problem or query shareholders can contact at:

Name : Shri Hardik Modi,
Company Secretary and Compliance officer

Address : S.A.L. Steel Limited
Corporate House, Sola-Kalol Road, Santej,
Dist. Gandhinagar, Gujarat 382 721

Phone : 91-02764-661100/11

Fax : 91-02764-661110

Email : sal.investor@salsteel.co.in

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

Name : Karvy Computershare Private Limited

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

Phone : 91-040-44655000

Fax : 91-040-23420859

Email : mailmanager@karvy.com

Website : www.karvycomputershare.com

Annexure to Corporate Governance Report

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

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

For S.A.L. Steel Limited

Place: Santej

Date: 28.05.2013

Sd/-
Anil Kumar Pandya
Director

**CERTIFICATE ON CORPORATE GOVERNANCE**

To
Members

S.A.L. Steel Limited

We have examined the compliance of the conditions of Corporate Governance by S.A.L. Steel Limited for the year ended 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.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the conditions of Corporate Governance as stipulated in the above listing agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2013 no investor grievances are pending against the company for the period exceeding one month, as per the records maintained by the Company and presented to the Investors/Shareholders Grievance Committee. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

FOR, K. K. PATEL AND ASSOCIATES

Company Secretaries

Sd/-

Kiran Kumar Patel

Proprietor

CP No. 6352

Place : Gandhinagar

Date : 28.05.2013

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 S.A.L. Steel Limited

Sd/-

Anil Kumar Pandya

Director

Place: Santej

Date: 28.05.2013



**To the Members of
M/s S.A.L. STEEL LIMITED
Ahmedabad**

Report on the Financial Statements

We have audited the accompanying financial statements of M/s S.A.L. Steel 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:

Subject to Note No.29 for Non disclosure of Reportable Segments as required under Accounting Standard – 17 'Segment Reporting', there is no impact on the Statement of Profit and Loss due to non disclosure.

Without qualifying our opinion, we would like to draw your attention to Note No. 38, regarding income on account of sale 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 by the Company so far as appears from our examination of those books.
- c. The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d. in our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards 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 Reg. No. : 110758W)
Sd/-
Umesh Talati
Partner
Membership No : 034834

Place : Ahmedabad
Date : May 28, 2013



Annexure to Independent Auditors' Report

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

- 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 and nature of its assets. As informed to us, no material discrepancies were noticed on such physical verification.
 - c) According to the information and explanations given to us, Fixed Assets disposed off during the year were not substantial & therefore 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 and Goods lying at Port) were physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of the verification is reasonable.
 - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
 - c) In our opinion and according to the information and explanations given to us, the company has maintained proper records of inventories. As explained to us, there was no material discrepancies noticed on Physical Verification of Inventories as compared with the book records.
- iii) In respect of Loans, Secured or Unsecured, granted or taken by company to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 :
 - a) According to the information and explanations given to us and on the basis of the records produced before us, the company has not granted any Loan, Secured or Unsecured to the companies or firms or other parties covered in the register maintained under section 301 of the Companies Act 1956 and hence sub-clause (b), (c) & (d) are not applicable.
 - e) According to information and explanation given to us and on the basis of records produced before us, the company has taken loans from two companies in earlier years, covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 81,12,40,644/- and the year-end balance of loan taken from such parties is ₹ 81,12,40,644/-. During the Year 2012-13, the company has taken furthermore loan from a company which is covered in the register maintained under section 301 of the Companies Act, 1956 amounting to ₹ 1,50,00,000/-. The Maximum amount involved during the year is ₹ 2,38,14,941/- and the year-end balance of loan taken from such party is ₹ 53,34,168/-
 - f) In our opinion, the rate of interest and other terms and conditions on which loan has been taken from the company 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 terms and condition of the schedule stipulated for repayment in respect of loans taken by the company, the repayment of the principal portion of the loan from a company covered in the register maintained under section 301 of the Companies Act, 1956 was due to the extent of ₹ 10,00,00,000/- during the year 2011-12 and ₹ 20,00,00,000/- during the year 2012-13, however till date, the company has not made any payment towards this dues.*
- iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchases of inventory, fixed assets and 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 system.
- 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 and Sale of goods, materials, fixed assets and Services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to ₹ 5,00,000/- or more in respect of each party, have been made at prices which are reasonable as per the information available with the company, having regard to the prevailing market prices for such goods, materials, fixed assets and services or the prices at which the transactions for similar goods, materials, fixed assets and services have been made with other parties.
- vi) 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, Investor 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 dues of ₹ 31,46,57,207/- have not been deposited as on 31st March, 2013 on account of matters pending before the appropriate authorities. The details of which 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	Central Excise Act, 1944	Central Excise Duty	2006-07	Appellate Tribunal Ahmedabad	5,55,781
2	Central Excise Act, 1944	Central Excise Duty	2008-09	Appellate Tribunal Ahmedabad	10,41,057
3	Custom Act, 1962	Custom Duty	2011-12	Appellate Tribunal Ahmedabad	50,00,000
4	Central Excise Act, 1944	Central Excise Duty	2012-13	Appellate Tribunal Ahmedabad	4,49,84,993
5	Gujarat Value Added Tax Act, 2003	Value Added Tax	2006-07	Jt. Value Added Tax Commissioner (Appeal)	3,65,63,595
6	Central Excise Act, 1944	Central Excise Duty	2008-09 to 2010-11	Supreme Court	22,54,00,000

- x) On the basis of information and explanations given to us and on the basis of records produced before us, the company's accumulated losses at the end of the financial year are not more than fifty percent of its net worth. The company has incurred cash losses amounting to ₹ 22,86,05,895/- during the current year. The company has not incurred any cash losses in the immediately preceding financial year.
- xi) *On the basis of the information and explanation given to us and on the basis of records produced before us, the company has defaulted in repayment of Principal portion of the Term Loan to the extent of ₹ 12,05,00,000/- as at the year end. The company has also defaulted in payment of interest on term loan to the extent of ₹ 5,40,47,181/- as at the year end. The period of default on repayment of principal and payment of interest is ranging for a period from 90 days to 182 days and 31 days to 90 days respectively. The company has made a delayed payment of Principal amount of Term Loan to the*



S.A.L. STEEL LIMITED

extent of ₹ 7,89,37,427/- and interest amount of ₹ 13,93,27,614/-. The period of delay in payment of principal and payment of interest is ranging for a period from 65 days to 178 days and 3 days to 173 days respectively. Moreover, the company has also defaulted in payment of interest on working capital facilities to the extent of ₹ 1,78,48,057/- as at the year end. The period of default on repayment of principal and payment of interest is ranging for a period from 1 day to 151 days. The company has defaulted in honouring L/C payments to the extent of ₹ 11,12,84,367/- as at the balance sheet date. The period of default in honouring L/C payments is ranging for a period from 19 days to 53 days. The company has made a delayed payment in honouring L/C to the extent of ₹ 55,14,04,565/- during the year. The period of default in honouring L/C payments is ranging for a period from 1 day to 101 days.

- xii) In our opinion and according to the information & explanation given to us, no loans and 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) The company has given corporate guarantee for ₹ 80,00,00,000/- in the earlier years. In our opinion, the terms and conditions on which the company has given guarantee is not prejudicial to the interest of the company. The guarantee amount keeps on reducing to the extent SAL Steel Limited repays Inter corporate deposit to Shah Alloys Limited. The Guarantee ceases to exist upon repayment of entire amount of Inter corporate deposit to Shah Alloys Limited
- 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 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 paragraph 4 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 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


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

Particulars	Note No.	As at 31 st March 2013	As at 31 st March 2012
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	3	84 96 67 000	84 96 67 000
(b) Reserves and surplus	4	12 50 88 228	41 10 11 596
(c) Money received against share warrants		8 00 00 000	8 00 00 000
		<u>105 47 55 228</u>	<u>134 06 78 596</u>
(2) Non-current liabilities			
(a) Long-term borrowings	5	100 65 86 031	149 22 63 228
(b) Deferred tax liabilities (Net)	6	0	9 48 93 222
(c) Other Long Term Liabilities	7	7 00 00 000	7 00 00 000
(d) Long-term provisions	8	62 83 380	43 19 394
		<u>108 28 69 411</u>	<u>166 14 75 844</u>
(3) Current liabilities			
(a) Short-term borrowings	9	60 81 32 390	45 83 96 254
(b) Trade payables	10	52 99 79 072	68 05 54 930
(c) Other current liabilities	11	110 56 11 232	66 94 66 102
(d) Short-term provisions	12	51 15 042	53 28 917
		<u>224 88 37 736</u>	<u>181 37 46 203</u>
TOTAL		<u>438 64 62 375</u>	<u>481 59 00 643</u>
II. ASSETS			
Non-current assets			
(1) (a) Fixed assets	13		
(i) Tangible assets		173 75 52 854	152 90 78 837
(ii) Intangible assets		19 59 653	42 65 653
(iii) Capital work-in-progress		<u>104 00 48 577</u>	<u>134 04 44 801</u>
		277 95 61 084	287 37 89 291
(b) Long-term loans and advances	14	35 35 20 855	48 36 94 912
(c) Deferred Tax Assets (Net)	6	4 86 08 567	0
		<u>318 16 90 506</u>	<u>335 74 84 203</u>
(2) Current assets			
(a) Inventories	15	54 18 50 292	71 24 02 138
(b) Trade receivables	16	39 54 19 011	48 98 98 811
(c) Cash and bank balances	17	4 89 26 414	6 57 28 798
(d) Short-term loans and advances	18	21 85 76 152	18 80 97 514
(e) Other current assets	19	0	22 89 179
		<u>120 47 71 869</u>	<u>145 84 16 440</u>
TOTAL		<u>438 64 62 375</u>	<u>481 59 00 643</u>
The accompanying notes are an integral part of these financial statements	1 to 39		

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 the Board of Directors
Rajendra V. Shah

Chairman

Sujal A. Shah

Director

B.M. Singhal

Director

Anil Pandya

Director

Piyush Chandarana

Director

Hardik Modi

Company Secretary

Place : Santej
Date : May 28, 2013


Statement of Profit and Loss for the year ended 31st March, 2013
(Amount in ₹)

Particulars	Note No.	Year ended on 31 st March 2013	Year ended on 31 st March 2012
I. Revenue from operations		4 13 55 98 070	350 84 02 832
Less: Excise duty		(34 11 11 335)	(23 26 44 733)
Revenue from operations(net)	20	3 79 44 86 735	327 57 58 099
II. Other income	21	1 22 31 367	6 36 13 491
III. Total revenue (I + II)		3 80 67 18 102	333 93 71 590
IV. Expenses:			
Cost of materials consumed	22	2 42 73 68 981	211 33 09 458
Purchases of stock-in-trade		45 01 00 794	5 08 01 797
Changes in inventories of finishedgoods, work-in-progress and stock-in-trade.	23	(6 33 55 839)	2 17 15 045
Employee benefits expense	24	12 15 48 375	9 02 66 739
Finance costs	25	31 84 62 353	23 11 69 217
Depreciation and amortization expense		19 29 50 664	18 05 92 727
Other expenses	26	78 63 52 719	63 79 41 079
Total expenses		4 23 34 28 047	332 57 96 062
V. Profit/(Loss) before exceptional items and tax (III-IV)		(42 67 09 945)	1 35 75 528
VI. Prior period items	27	26 75 555	55 89 501
VII. Profit/(Loss) before tax (V-VI)		(42 93 85 500)	79 86 027
VIII. Tax expense:			
(1) Current tax		0	16 00 000
(2) Deferred tax		(14 35 01 788)	48 70 503
(3) Income tax of earlier years		39 656	(26 74 330)
IX. Profit/(Loss) for the period (VII-VIII)		(28 59 23 368)	41 89 854
X. Earnings per equity share(Face value of ₹ 10/- each)	32		
Basic		(3.3651)	0.0493
Diluted		(3.3651)	0.0465
The accompanying notes are an integral part of these financial statements	1 to 39		

As per our Report of even date
For Talati & Talati

Chartered Accountants
FRNo: 110758W

Umesh Talati

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Hardik Modi

Company Secretary

Place : Santej
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 BEFORE TAX & EXTRA ORDINARY ITEMS	(42 67 09 945)	1 35 75 528
Add/(Less):		
Depreciation and amortization expense	19 29 50 664	18 05 92 727
Debit / Credit Balance written off	(3 28 948)	(1 73 47 124)
Unrealised Foreign Exchange (Gain) / Loss	30 25 693	4 77 582
Financial Cost	31 84 62 353	23 11 69 217
Profit on sale of Fixed Assets (Net)	0	(3 52 30 068)
Bad Debts	64 70 427	0
Provision for Doubtful Debts and Advances	83 49 006	0
Interest Income	(1 04 42 059)	(90 79 406)
	51 84 87 136	35 05 82 928
	9 17 77 191	36 41 58 456
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		
Adjustments for :		
Trade and Other Receivables	5 14 70 903	(24 85 05 297)
Inventories	17 05 51 846	(18 38 73 590)
Trade Payables and other liabilities	(7 48 17 575)	24 76 48 101
	14 72 05 174	(18 47 30 786)
CASH GENERATED FROM OPERATIONS	23 89 82 365	17 94 27 670
Less: Income Tax Paid	39 656	29 64 299
CASH FLOW BEFORE EXTRA ORDINARY ITEMS	23 89 42 709	17 64 63 371
Add / (Less):		
Prior period items	(26 75 555)	(55 89 501)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	23 62 67 155	17 08 73 870
(B) CASH FLOW FROM INVESTING ACTIVITIES:		
1) Sale Proceeds of Assets	0	5 87 37 191
2) Interest Income	1 04 42 059	90 79 406
3) Purchase of Fixed Assets	(27 23 159)	(2 42 94 527)
4) Investment in Capital Work in Progress	(9 59 99 296)	(15 62 72 183)
	(8 82 80 396)	(11 27 50 113)
NET CASH FLOW FROM INVESTING ACTIVITIES (B)		
(C) CASH FLOW FROM FINANCING ACTIVITIES:		
1) Proceeds from Working Capital Loans	12 96 31 225	(4 16 67 735)
2) Proceeds from Long Term Loans	(11 93 84 862)	(3 65 34 209)
3) Proceeds from Issue of Share warrants	0	8 00 00 000
4) Financial Expense	(31 84 62 353)	(23 11 69 217)
5) Proceeds from Vehicles Loans (net)	(68 52 121)	40 69 293
6) Proceeds from Short term borrowings (net)	2 01 04 911	14 78 38 678
7) Movement of Loans and Advances	13 01 74 056	2 16 51 640
	(16 47 89 144)	(5 58 11 550)
NET CASH FLOW FROM FINANCING ACTIVITIES (C)		
NET INCREASE / DECREASE IN CASH & CASH EQUIVALENTS(A+B+C)	(1 68 02 384)	23 12 207
Cash & Cash Equivalent in the Beginning of the year	6 57 28 798	6 34 16 591
Cash & Cash Equivalent in the Closing of the year	4 89 26 414	6 57 28 798
Note :		
Cash and Bank Balances:	31.03.2013	31.03.2012
Balances with banks(in Current Accounts)	50 13 606	22 13 589
Cash on Hand	6 22 132	19 22 263
Other bank balances :		
Margin Money	4 32 90 676	6 15 92 946
Total	4 89 26 414	6 57 28 798

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 the Board of Directors

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Director

Hardik Modi

Company Secretary

Place : Santej

Date : May 28, 2013

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013:****1 1.1 CORPORATE INFORMATION**

The company is engaged in manufacturing Sponge Iron, Ferro Alloys, MS & SS Angle and power and the same are sold in the domestic market. Because of the Captive power generation, company has advantage of low power cost per unit of manufacturing. Company is generating 40 MW Power from waste Heat recovery Boiler & Fluidized Bed Combustion boiler with economic price. Power generated is used for captive consumption and surplus power is sold resulting profit.

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 (GAAP) in India, the provisions of the Companies Act 1956, and the applicable Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006. All Incomes 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 assumptions that affect the reported amount of Assets and Liabilities, Revenues and Expenses and disclosure of contingent liabilities. Such estimation and assumptions are based on management's evaluation of relevant facts and circumstances as on date of Financial Statements. Difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

2.2 Revenue Recognition

Revenue is recognized only when it can be reliably measured and it is reasonable to expect ultimate collection. The Company recognizes Sales at the point of transfer of significant risks and rewards of ownership to the customers. Sales are inclusive of Excise Duty and Sales Tax and net of rebate/returns and trade discount. Revenue in respect of excise duty refund is recognized on accrual basis. Sales tax / Value added tax paid is charged to Profit and Loss Accounts. Dividend income is recognized when right to receive is established. Interest income is recognized on time proportion basis taking into account, the amount outstanding and the rate applicable.

2.3 Excise Duty

Excise Duty recovered are included in sales. Excise Duty in respect of increase / decrease in Finished Goods are shown separately under the head "Other expenses" and included in Valuation of Finished goods.

2.4 Fixed Assets

- (a) Fixed assets are stated at cost (net of Cenvat credit), less accumulated depreciation and impairment loss, if any. [Other than "freehold land" where no depreciation is charged]. Costs include all expenses incurred to bring the assets to its present location and condition.
- (b) Capital Work in progress net off capital advances are stated at cost. (Capital Advances are shown separately under Long Term Loans and Advances).
- (c) Cost of Trial run Production incurred during the initial period of production has been capitalized amongst the various heads of fixed assets.
- (d) Pre-operative expenditure incurred on projects has been / will be capitalized amongst the various heads of fixed assets on the commencement of the projects.
- (e) All costs including financing costs, till commencement of commercial production are capitalized.
- (f) Intangible assets are stated at cost of acquisition less accumulated amortization.

2.5 Valuation of Inventories

Raw Materials and Trading goods are valued at lower of cost or net realizable value after considering the credit of VAT and CENVAT. Stores and Spares are valued at Cost. Inventories of Finished Goods and Work in Process are valued at lower of cost or net realizable value. Stock in transit and Stock lying at third party Premises are valued at cost. Cost of Finished Goods is determined using the absorption costing principle. Cost includes cost of material consumed, labour and systematic allocation of variable and fixed production overheads including excise duty at applicable rates.

2.6 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.

2.7 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.

2.8 Employee Benefits**(a) Short term**

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

(b) long term

The Company has both defined contribution and defined benefit plans.

(c) Defined contribution plans

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to Employees Provident Fund. The



Company's payments to the defined contribution plans are reported as expenses during the period in which the employee performs the services that the payment covers.

(d) Defined benefit plans

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

(e) Other employee benefits

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.

2.9 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 reassess realization.

2.10 Depreciation

- (a) Depreciation on depreciable assets (other than mentioned in point "b" below) has been provided on straight-line method in accordance with the provisions of section 205(2)(b) of the Companies Act, 1956, at the rates specified in Schedule XIV to the Companies Act, 1956.
- (b) Depreciation in respect of plant and machineries has been provided on the basis of triple shift working (except for Plant and Machineries of Sponge Iron & Ferro Alloys Project on which depreciation has been provided on continuous process plant working and depreciation on Rolling Mill Plant has been provided on single shift working on the basis of certificate received from management). Depreciation in respect of fixed assets acquired / put to use during the years is charged on pro-rata basis with reference to the date of installation of fixed assets.
- (c) Intangible assets are amortized for a period of 5 years.

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

2.12 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.

2.13 Earning per share

Basic earnings 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 outstanding for basic EPS purpose. Diluted earnings per Share is calculated by dividing net profit attributable to equity Shareholders (after adjustment for diluted earnings) by the weighted average number of Equity shares outstanding for diluted EPS purpose.

2.14 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.

2.15 Provisions, Contingent Liability and Contingent Asset

- (a) Provision involving substantial degree of estimation in measurement is recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.
- (b) Contingent liabilities are not recognized but are disclosed in the notes.
- (c) Contingent Assets are neither recognized nor disclosed in the financial statements.



Notes forming part of the Financial Statements

Note 3 : SHARE CAPITAL	As at 31 March, 2013	As at 31 March, 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 : 14,00,00,000 Equity Shares of ₹ 10/- each (Previous year : 14,00,00,000 Equity Shares of ₹ 10/- each)	1 40 00 00 000	1 40 00 00 000
Issued, Subscribed & Fully paid-up: 8,49,66,700 Equity Shares of ₹ 10/- each fully paid up (Previous year : 8,49,66,700 Equity Shares of ₹ 10/- each fully paid up)	84 96 67 000	84 96 67 000
Total	84 96 67 000	84 96 67 000

a) Reconciliation of number of shares:

Equity Shares:	As at 31 March, 2013		As at 31 March, 2012	
	Number of shares	Amount (₹)	Number of shares	Amount (₹)
Shares outstanding at the beginning of the year	8 49 66 700	84 96 67 000	8 49 66 700	84 96 67 000
Changes during the Year	-	-	-	-
Shares Outstanding at the end of the year	8 49 66 700	84 96 67 000	8 49 66 700	84 96 67 000

b) Terms/rights, preferences and restrictions attached to securities:

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 Shareholders holding more than 5% in the Company:

Particulars	As at March 31, 2013		As at March 31, 2012	
	No of shares held	% of Holding	No of shares held	% of Holding
Equity shares				
Shah Alloys Limited	3 02 56 989	35.61	3 02 56 989	35.61
SAL Care Pvt Limited	1 27 02 900	14.95	1 27 02 900	14.95
Total	4 29 59 889	50.56	4 29 59 889	50.56

d) Terms of securities convertible into equity shares:

Convertible warrants

On February 3 2012, 3,20,00,000 convertible warrants were issued for cash at ₹ 10/- each to strategic investors and to persons belonging to promoters and promoters group category aggregating to ₹ 32,00,00,000 convertible into 3,20,00,000 no. of equity shares of face value of ₹ 10/- each, out of which the company has received amount equivalent to 25% of the total consideration per warrant. Accordingly company has received money to the extent of ₹ 8,00,00,000 and allotted 3,20,00,000 warrants of ₹ 10/- each on February 3, 2012. The lock in requirements of above warrants and/or equity shares arising on conversion of warrants into equity shares be in accordance with the provisions of SEBI(ICDR) Regulations, 2009 [at the sole option of warrant holder(s) at any time within a period of 18 months from the date of allotment of warrants.]

The Company has fully utilised money received against issue of convertible warrant of ₹ 8,00,00,000 towards working capital requirements.



(Amount in ₹)

Note 4 : RESERVES & SURPLUS	As at March 31, 2013	As at March 31, 2012
(A) Security Premium Reserve: Balance as per last financials	28 78 20 080	28 78 20 080
(B) Other reserves:		
(i) General Reserve: Balance as per last financials	5 11 096	5 11 096
(ii) Surplus/(Deficit) in Statement of Profit & Loss : Balance as per last financials	12 26 80 420	11 84 90 566
Add : Profit/(Loss) for the Year	(28 59 23 368)	41 89 854
Closing Balance	(16 32 42 948)	12 26 80 420
Total	12 50 88 228	41 10 11 596

Note 5 : Long term borrowings	As at March 31, 2013	As at March 31, 2012
(A) Secured :		
(i) From banks		
Term loans	68 91 79 025	96 74 55 544
Vehicle loans	25 10 798	90 74 707
(ii) From other parties (Financial institutions)		
Vehicle loans	13 17 713	21 54 482
(B) Unsecured:		
(i) Deferred payment liabilities: Deferred sales tax liability	1 35 78 495	1 35 78 495
(ii) Loans and advances from related parties: Inter Corporate Deposit	30 00 00 000	50 00 00 000
Total	100 65 86 031	1 49 22 63 228

Secured Borrowings:

(a) Nature of security and terms of repayment for secured borrowings:

Term loan

Term Loans are Secured by first charge on all the Immovable and Movable assets present & future ranking parri passu with charges created/to be created in favour of other institution/banks subject to prior charge on current assets in favour of the company's bankers for working capital borrowings. A new term loan of ₹ 50 cr is secured by pledge of 1,07,56,989 shares of SAL Steel Limited held by Shah Alloys Limited (restricted to new term loan only) and personal guarantees of (i) Shri Rajendrabhai V. Shah (ii) Smt. R.R. Shah (iii) Shri Jayesh V. Shah (iv) and Corporate Guarantee of M/s Shah Alloys Limited. (Amounting to ₹ 207,50,00,000/-) Term Loan is carrying rate of Interest (at present) from 14% to 16% p.a. repayable over a period of 6 years.

Terms of repayment for term loans as set out below :

(Amount in ₹)

Particulars	2nd Year	3rd Year	4th Year	Beyond 4 Years
Base Rate +6.75%	7 88 00 000	7 88 00 000	2 92 00 000	-
Base Rate +5.25%	5 28 00 000	6 51 00 000	1 69 00 000	-
Base Rate +6.90%	12 00 00 000	13 59 00 000	4 98 00 000	2 14 79 025
PLR+ 1.5%	1 28 00 000	1 40 00 000	63 00 000	73 00 000
Total	26 44 00 000	29 38 00 000	10 22 00 000	2 87 79 025

(b) Period and amount of default as on the balance sheet date:

The company has made a default in repayment of Principal amount of Term Loan to the extent of ₹ 12,05,00,000/- as at the balance sheet date. The company has also defaulted in payment of interest on term loan to the extent of ₹ 5,40,47,181/- as at the balance sheet date. The period of default on repayment of principal and payment of interest is ranging for a period from 90 days to 182 days and 31 days to 90 days respectively. Moreover, the company has made a delayed payment of Principal amount of Term Loan to the extent of ₹ 7,89,37,427/- and interest amount of ₹ 13,93,27,614/-. The period of delay in payment of principal and payment of interest is ranging for a period from 65 days to 178 days and 3 days to 173 days respectively.



S.A.L. STEEL LIMITED

Vehicle loan :

Vehicle loans from "banks" are secured by hypothecation of vehicles and are repayable over a period of 3 years carrying rate of interest 10 to 12% p.a.

Vehicle loans from "financial institutions" are secured by hypothecation of vehicles and are repayable over a period of 3 years carrying rate of interest 10 to 12 %p.a.

Terms of repayment for vehicle loans as set out below :

(Amount in ₹)

Particulars	2nd Year	3rd Year
Vehicle loans	35 36 748	2 91 763

Unsecured Borrowings:

(a) Deferred sales tax liability :

Deferred sales tax liability is interest free and payable in six equal annual installments of ₹ 22,63,082/- each payable from 1st May, 2016.

(b) Loans and advances from related parties:

The company has taken an interest free inter corporate deposit.

Terms of repayment for loan taken from related party is as set out below :

(Amount in ₹)

Particulars	2014-15	2015-16
Inter Corporate Deposit	20 00 00 000	10 00 00 000

The company has defaulted in repayment of Inter corporate deposit to the extent of ₹ 10,00,00,000/- and ₹ 20,00,00,000/- which was due for repayment in the Financial year 2011-12 and 2012-13 respectively. Consequently, the same is shown under Current Liabilities.

(Amount in ₹)

Note 6 : Deferred tax liabilities/(Asset) (Net)	As at March 31, 2013	As at March 31, 2012
Deferred tax liabilities		
Fixed Asset: Impact of difference between tax depreciation and depreciation charged for the financial reporting	24 66 37 679	25 29 93 932
Gross deferred tax liability (A)	24 66 37 679	25 29 93 932
Deferred tax assets		
Unabsorbed Business Loss	27 02 26 057	15 55 45 013
Gratuity, Leave Encashment and interest	2 50 20 189	25 55 697
Gross deferred tax asset (B)	29 52 46 246	15 81 00 710
Net deferred tax liability/(Asset) (A-B)	(4 86 08 567)	9 48 93 222
Note 7 : Other Long term Liabilities	As at March 31, 2013	As at March 31, 2012
Others:		
Trade Deposit	7 00 00 000	7 00 00 000
Total	7 00 00 000	7 00 00 000
Note 8 : Long term provisions	As at March 31, 2013	As at March 31, 2012
Provision for employee benefits :		
Provision for gratuity	47 04 066	33 54 046
Provision for leave encashment	15 79 314	9 65 348
Total	62 83 380	43 19 394



(Amount in ₹)

Note 9 : Short term borrowings	As at March 31, 2013	As at March 31, 2012
(A) Secured: Loans repayable on demand From Banks: Working capital facilities	43 18 69 720	30 22 38 495
(B) Unsecured: Loans and advances from related parties: - From directors - Inter corporate deposit	83 19 081 1 65 74 812	83 19 081 2 77 95 150
Deposits: - Inter corporate deposit	15 13 68 777	12 00 43 528
Total	60 81 32 390	45 83 96 254

Nature of security provided for short term borrowings :

Cash Credit facilities are Secured by hypothecation of entire current assets of the company on parri passu basis with the consortium member banks & second charge on fixed assets of the company on parri passu basis with consortium member banks subject to first charge on parri passu basis with the Union bank of India and State bank of India for their respective Loans. The Loans are further secured by personal guarantee of i) Shri Rajendrabhai V. Shah ii) Smt. R. R. Shah iii) Shri Jayesh.V. Shah and iv) Corporate guarantee of M/s Shah Alloys Limited(Amounting to ₹ 207,50,00,000/-)

Period and Amount of default as on the Balance sheet date:

The company has defaulted in payment of interest on working capital facilities to the extent of ₹ 1,78,48,057/- as at the balance sheet date. The period of default on payment of interest is ranging for a period from 1 to 151 days. Moreover, the company has defaulted in honouring L/C payments to the extent of ₹ 11,12,84,367/- as at the balance sheet date. The period of default in honouring L/C payments is ranging for a period from 19 days to 53 days. The company has made a delayed payment in honouring L/C to the extent of ₹ 55,14,04,565/- during the year. The period of default in honouring L/C payments is ranging for a period from 1 day to 101 days.

Inter corporate loan :

The company has taken loan during the year from a related party as mentioned herewith : SAL Care Private Limited of ₹ 1,50,00,000. This party is covered under the register maintained under section 301 of the Companies Act, 1956.

Note 10 : 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	52 99 79 072	68 05 54 930
Total	52 99 79 072	68 05 54 930

* 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.

Note 11 : Other current liabilities	As at March 31, 2013	As at March 31, 2012
(a) Current Maturities of Long term Debt	45 92 55 301	39 57 54 690
(b) Interest accrued and due on borrowings	6 92 23 307	1 69 13 856
(c) Income received in advance	8 69 25 756	4 59 92 066
(d) Other payables: - Term Loans from Banks - Statutory dues & unpaid expense - Creditors for capital goods - Inter corporate deposit(Related Party)	12 05 00 000 6 13 19 878 83 86 990 30 00 00 000	2 45 60 397 7 62 06 617 1 00 38 476 10 00 00 000
Total	1 10 56 11 232	66 94 66 102

Note 12 : Short term provisions	As at March 31, 2013	As at March 31, 2012
Provision for Employee Benefits : Provision for bonus Provision for gratuity Provision for leave encashment	41 95 275 5 56 948 1 78 650	30 60 708 3 91 544 1 05 365
Others: Provision for income tax(net off advance tax) Provision for wealth tax	59 169 1 25 000	16 94 852 76 448
Total	51 15 042	53 28 917



S.A.L. STEEL LIMITED

Note 13 : FIXED ASSETS

Tangible Assets :

Particulars	Freehold Land	Buildings	Plant and Machineries	Furniture and Fixtures	Vehicles	Office Equipment	Computer	Total
Cost of Assets								
As at 1 st April 2011	5 20 94 602	44 31 32 186	208 23 69 465	61 96 300	7 83 24 635	33 38 763	93 28 001	267 47 83 952
Addition	0	0	0	0	2 34 50 516	5 77 387	2 66 625	2 42 94 528
Disposal/Adjustments	0	0	0	0	20 11 006	0	0	20 11 006
As at 31st March 2012	5 20 94 602	44 31 32 186	208 23 69 465	61 96 300	9 97 64 145	39 16 150	95 94 626	269 70 67 474
Addition	0	0	39 63 95 521	0	24 17 612	92 375	2 13 172	39 91 18 680
Disposal/Adjustments	0	0	0	0	0	0	0	0
Other adjustment	0	0	0	0	0	0	0	0
As at 31st March 2013	5 20 94 602	44 31 32 186	247 87 64 986	61 96 300	10 21 81 757	40 08 525	98 07 798	309 61 86 154
Depreciation								
As at 1 st April 2011	0	6 90 76 998	88 80 57 373	20 69 730	2 67 26 647	7 15 455	39 59 589	99 06 05 792
Charge for the year	0	62 71 061	16 03 55 793	3 92 225	95 79 389	1 63 841	15 24 418	17 82 86 727
Disposal/Adjustments	0	0	0	0	(9 03 883)	0	0	(9 03 883)
As at 31st March 2012	0	7 53 48 059	104 84 13 166	24 61 955	3 54 02 153	8 79 296	54 84 007	116 79 88 636
Charge for the year	0	2 33 27 175	15 43 56 418	3 92 225	1 08 05 040	1 87 113	15 76 693	19 06 44 664
Disposal/Adjustments	0	0	0	0	0	0	0	0
As at 31st March 2013	0	9 86 75 234	120 27 69 584	28 54 180	4 62 07 193	10 66 409	70 60 700	135 86 33 300
Net Block								
As at 31 st March 2012	5 20 94 602	36 77 84 127	103 39 56 299	37 34 345	6 43 61 992	30 36 854	41 10 619	152 90 78 837
As at 31 st March 2013	5 20 94 602	34 44 56 952	127 59 95 402	33 42 120	5 59 74 564	29 42 116	27 47 098	173 75 52 854

INTANGIBLE ASSETS :

PARTICULARS	SOFTWARE	TOTAL
Cost of Assets		
As at 1 st April 2011	1 15 30 000	1 15 30 000
Addition	0	0
Disposal/Adjustments	0	0
Other adjustment		
As at 31st March 2012	1 15 30 000	1 15 30 000
Addition	0	0
Disposal/Adjustments	0	0
Other adjustment	0	0
As at 31st March 2013	1 15 30 000	1 15 30 000
Depreciation		
As at 1 st April 2011	49 58 347	49 58 347
Charge for the year	23 06 000	23 06 000
Disposal/Adjustments	0	0
As at 31st March 2012	72 64 347	72 64 347
Charge for the year	23 06 000	23 06 000
Disposal/Adjustments	0	0
As at 31st March 2013	95 70 347	95 70 347
Net Block		
As at 31 st March 2012	42 65 653	42 65 653
As at 31 st March 2013	19 59 653	19 59 653



CAPITAL WORK IN PROGRESS	31.03.2013	31.03.2012
Building and Plant & Machinery	63 60 27 807	80 71 81 973
Pre-operative Expenses	26 48 24 543	36 30 04 435
Amount of borrowing cost capitalized	13 91 96 227	17 02 58 393
Total	104 00 48 577	134 04 44 801

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.

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.

Advances to Project suppliers are shown under Long term loans & advances included in Capital advances.

(Amount in ₹)

Note 14 : Long Term Loans and Advances (Unsecured, considered good unless otherwise stated)	As at March 31, 2013	As at March 31, 2012
Capital Advances	33 83 58 894	46 86 26 101
Security Deposits	1 51 61 961	1 50 68 811
Total	35 35 20 855	48 36 94 912

Note 15 : Inventories (At lower of cost or net realisable value) (As taken, valued and certified by the management)	As at March 31, 2013	As at March 31, 2012
Raw Materials		
i) In stock	11 52 25 395	17 00 77 214
ii) In Transit / with third party	-	18 62 39 454
Work in Progress	44 92 722	1 15 76 736
Finished Goods	22 69 20 756	17 06 18 948
Stores and Spares	15 28 85 838	14 57 02 250
Others:		
By Products	4 23 25 581	2 81 87 536
Total	54 18 50 292	71 24 02 138

Note 16 : Trade receivables (Unsecured, considered good unless otherwise stated)	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	6 05 18 513	6 36 19 023
Others	33 49 00 498	42 62 79 788
Doubtful	10 21 746	0
	<u>39 64 40 757</u>	<u>48 98 98 811</u>
Less: Provision made for doubtful debts	10 21 746	0
Total	39 54 19 011	48 98 98 811

Sundry trade receivables include dues from Associate Concern in which directors of the company are interested of ₹ 7,19,16,404/- (Previous Year : ₹ 13,93,26,289)



Note 17 : Cash and bank balances	As at March 31, 2013	As at March 31, 2012
(A) Cash and cash equivalents:		
i) Balances with banks(in Current Accounts)	50 13 606	22 13 589
ii) Cash on Hand	6 22 132	19 22 263
	56 35 738	41 35 852
(B) Other bank balances :		
Margin Money*	4 32 90 676	6 15 92 946
Total	4 89 26 414	6 57 28 798

* Margin Money deposits with a carrying amount of ₹ 4,32,90,676/- (Previous Year : ₹ 6,15,92,946) are given as margin against Letter of Credit / Bank Guarantee opened with bank.

Note 18 : Short term loans and advances (Unsecured, considered good unless otherwise stated)	As at March 31, 2013	As at March 31, 2012
Others :		
Loans and Advances to Employees	8 94 898	19 49 170
Balance with Government Authority	8 72 19 081	9 29 35 043
Advances recoverable in cash or in kind	13 04 62 173	9 32 13 301
Total	21 85 76 152	18 80 97 514

Note 19 : Other Current Assets	As at March 31, 2013	As at March 31, 2012
Interest Receivable	0	22 89 179
Total	0	22 89 179

Contingent liabilities and commitments (to the extent not provided for) :

(A) Contingent liabilities:	As at March 31, 2013	As at March 31, 2012
(i) Claims against the company not acknowledged as debts:		
With Government Authorities	31 35 45 426	26 35 60 433
Others	10 17 39 814	5 35 88 531
(ii) Guarantees:		
Corporate guarantees given to banks for Shah Alloys Limited	80 00 00 000	80 00 00 000
Bank guarantee given	11 27 000	11 27 000
(iii) Other money for which company is contingently liable:		
Letter of credit	24 26 500	7 59 70 000

(B) Commitment:

Estimated amount of contracts, remaining to be executed on capital account and not provided for ₹ 22,83,57,801/- net of advance (Previous Year : ₹ 11,46,93,887/-).

Commercial Tax Department has challenged by way of Tax Appeal before High Court, the order of Tribunal dated 27.12.2010 wherein judgment dated 15.09.2010 of Joint Commissioner of Commercial Tax (Legal) was quashed and decided that non cooking coal used in the manufacturing process for Sponge Iron as raw material and eligible for ITC under Section 11 (3)(b). The result of the appeal will decide whether company has to claim amount of ITC or refund ITC already taken. However, amount of contingent liability cannot be ascertained.



(Amount in ₹)

Note 20 : Revenue from operations	For the Year ended on 31st March 2013	For the Year ended on 31st March 2012
Sale of products	413 49 77 640	350 73 91 832
Sale of services	0	10 11 000
Other operating revenues	6 20 430	0
	413 55 98 070	350 84 02 832
Less: Excise duty	34 11 11 335	23 26 44 733
Total	379 44 86 735	327 57 58 099

Note 20.1 : Particulars of Sale of Products	For the Year ended on 31st March 2013	For the Year ended on 31st March 2012
Sponge Iron	237 62 47 968	203 22 48 481
Ferro Alloys	85 31 82 463	40 26 60 228
Others	53 78 47 209	28 22 00 873
Power	36 77 00 000	79 02 82 250
Total	413 49 77 640	350 73 91 832

Note 21 : Other income	For the Year ended on 31st March 2013	For the Year ended on 31st March 2012
Interest income:		
Interest on FDR	30 83 936	50 67 840
Interest Income (Others)	73 58 123	40 11 566
Non operating income:		
Rent Income	9 60 000	9 60 000
Miscellaneous receipts	5 00 360	4 50 770
Profit due to sale of assets	0	3 57 76 191
Sundry balances written back(Net)	3 28 948	1 73 47 124
Total	1 22 31 367	6 36 13 491

Note 22 : Cost of material consumed	For the Year ended on 31st March 2013	For the Year ended on 31st March 2012
Raw material consumed		
Opening stock	15 52 71 745	8 66 94 594
Purchases and Direct Expense	238 22 85 208	218 18 86 609
Less : Closing stock	11 01 87 972	15 52 71 745
Total	242 73 68 981	211 33 09 458



(Amount in ₹)

Note 23 : Changes in inventories of finishedgoods, work-in-progress and Stock-in-Trade	For the Year ended on 31 st March 2013	For the Year ended on 31 st March 2012
A) Opening stock		
Finished goods	17 06 18 948	11 61 23 537
Work in progress	1 15 76 736	39 44 904
By-products	2 81 87 536	11 20 29 824
Sub-Total (A)	21 03 83 220	23 20 98 265
B) Less: Closing stock		
Finished goods	22 69 20 756	17 06 18 948
Work in progress	44 92 722	1 15 76 736
By-products	4 23 25 581	2 81 87 536
Sub-Total (B)	27 37 39 059	21 03 83 220
Total (A-B)	(6 33 55 839)	2 17 15 045

Note 24 : Employee benefits expense work-in-progress and Stock-in-Trade	For the Year ended on 31 st March 2013	For the Year ended on 31 st March 2012
Salaries,wages & bonus	10 76 31 256	8 33 93 904
Contribution to provident & other funds	45 79 476	30 67 387
Staff welfare expenses	93 37 643	38 05 448
Total	12 15 48 375	9 02 66 739

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

Defined contribution plan:

Particulars	2012-13	2011-12
Employer's Contribution to Provident Fund	23 68 293	16 87 655

Defined Benefit Plan:

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

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

Particulars	Gratuity (Unfunded)		Leave Encashment (Unfunded)	
	2012-13	2011-12	2012-13	2011-12
Opening defined benefit obligation at the beginning of the year	37 45 590	27 26 075	10 70 714	7 98 644
Current Service cost	15 11 987	11 66 149	6 48 460	4 98 795
Interest cost	3 18 014	2 24 901	91 011	65 888
Actuarial (Gain) / Loss	(3 06 068)	(2 83 389)	(52 220)	(2 92 613)
Benefits paid	(8 510)	(88 146)	-	-
Closing defined benefit obligation at the end of the year	52 61 013	37 45 590	17 57 965	10 70 714



II. Reconciliation of opening and closing balance of fair value of plan assets: (Amount in ₹)

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

III. Reconciliation of fair value of assets and obligation:

Particulars	Gratuity (Unfunded)		Leave Encashment (Unfunded)	
	2012-13	2011-12	2012-13	2011-12
Fair value of plan assets	-	-	-	-
Present value of obligation	52 61 013	37 45 590	17 57 965	10 70 713
Amount recognised in balance sheet	52 61 013	37 45 590	17 57 965	10 70 713

IV. Expense recognised during the year (under the head "Employee benefit expense" of Notes '24') :

Particulars	Gratuity (Unfunded)		Leave Encashment (Unfunded)	
	2012-13	2011-12	2012-13	2011-12
Service cost	15 11 987	11 66 149	6 48 460	4 98 795
Interest cost	3 18 014	2 24 901	91 011	65 888
Expected return on plan assets	-	-	-	-
Actuarial Gain / (Loss)	(3 06 068)	(2 83 389)	(52 220)	(2 92 613)
Net cost included in 'Employee Benefit Expense'	15 23 933	11 07 661	6 87 251	2 72 070

V. Investment details:

Particulars	Gratuity (Unfunded)		Leave Encashment (Unfunded)	
	2012-13	2011-12	2012-13	2011-12
GOI Securities				
Public Securities				
Special Deposit Schemes	Not applicable as Gratuity Liability is not funded		Not applicable as Gratuity Liability is not funded	
State Govt. Securities				
Private Sector Securities				
Insurance Policies				
Others				

VI. Actuarial assumptions:

Particulars	Gratuity (Unfunded)		Leave Encashment (Unfunded)	
	2012-13	2011-12	2012-13	2011-12
Mortality Table	LIC 1994-96	LIC 1994-96	LIC 1994-96	LIC 1994-96
Discount rate (per annum)	8.20%	8.50%	8.20%	8.50%
Expected rate of return on plan assets (per annum)	-	-	-	-
Rate of escalation in salary (per annum)	6.00%	6.00%	6.00%	6.00%



(Amount in ₹)

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

Particulars	31/03/2013	31/03/2012	31/03/2011	31/03/2010	31/03/2009
Gratuity (Unfunded)					
Defined Benefit obligation	52 61 013	37 45 590	27 26 075	20 82 822	14 44 084
Plan assets	0	0	0	0	0
Surplus / (Deficit)	(5,261,013)	(37 45 590)	(27 26 075)	(20 82 822)	(14 44 084)
Experience adjustments on plan liability	(464,632)	(1 87 834)	(5 35 509)	(3 47 638)	-
Experience adjustments on plan assets	-	-	-	-	-
Leave encashment (Unfunded)					
Defined benefit obligation	17 57 963	10 70 713	7 98 644	3 63 424	5 74 625
Experience adjustment on plan liability	(1 04 745)	(2 64 108)	73 242	(3 95 914)	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 (₹ 23,68,293/-) 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 25 : Finance costs	For the Year ended on 31 st March 2013	For the Year ended on 31 st March 2012
(A) Interest expense :		
Term loans	19 33 72 527	13 13 30 728
Working capital	7 29 15 013	4 74 48 124
Others	2 25 03 644	1 46 93 023
(B) Other borrowing cost:	2 96 71 169	3 76 97 342
Total	31 84 62 353	23 11 69 217



Note 26 : Other expenses	For the Year ended on 31 st March 2013	For the Year ended on 31 st March 2012
Consumption of stores & spares	6 69 90 734	3 26 29 494
Power & fuel (Including cost of power generation)	53 65 46 189	30 93 08 431
Labour charges	3 79 10 993	3 07 35 723
Rent expenses	24 40 467	33 19 809
"Rates & taxes(incl. wealth tax of ₹ 1,25,000/-) "[Previous year wealth tax ₹ 76,448/-]"	6 11 980	47 34 080
Legal, consultancy & professional charges	73 93 189	66 76 666
Commission and Brokerage expense	39 42 462	33 21 074
Bad debts	64 70 427	0
Payment to Auditors #	7 08 510	5 74 510
Freight outward	2 53 26 026	1 22 36 668
Sales tax	2 29 03 136	1 63 64 605
Service tax	27 91 160	7 57 892
Repairs		
- to Factory building	0	3 29 288
- to Plant & machinery	13 70 490	27 58 707
- to Others	1 04 54 638	82 15 173
Insurance	14 78 041	19 36 567
Excise duty adjustment for stock*	74 79 481	1 17 09 969
Excise duty expense**	0	14 00 98 115
Loss on sale of fixed assets	0	5 46 123
Foreign exchange fluctuation loss (Net)	55 45 324	2 02 94 013
Miscellaneous expenses	4 59 89 472	3 13 94 172
Total	78 63 52 719	63 79 41 079

* Excise duty adjustment for stock represents the difference between excise duty on opening and closing stock of finished goods.

** Excise duty expense pertains to availment of re-credit of amounts disallowed by the excise department.

# Payments to Auditors	For the Year ended on 31 st March 2013	For the Year ended on 31 st March 2012
As Auditors	4 50 000	4 50 000
For other services	2 58 510	1 24 510
Total	7 08 510	5 74 510

Note 27 : Prior period items	For the Year ended on 31 st March 2013	For the Year ended on 31 st March 2012
(a) Debit relating to earlier years	57 57 005	67 68 075
(b) Credit relating to earlier years	30 81 450	11 78 574
Total	26 75 555	55 89 501



Notes forming part of the financial statements [Contd...]

28. Foreign currency exposure at the year end not hedged by derivative instruments:

- a) The Company has entered into forward contracts to offset foreign currency risks arising from the amounts denominated in currencies other than the Indian Rupee. The counter parties to such forward contracts are banks. Consequent to the announcement issued by the Institute of Chartered Accountants of India on Accounting of Derivatives, details of derivatives contracts outstanding as on 31-03-2013 are as under :

Year	Currency	Exposure to Buy/Sell	No. of contracts	Amount in ₹	Amount in USD
2012-13	-	-	-	-	-
2011-12	USD	Buy	2	1,49,96,361	2,93,147

- b) Foreign currency exposure at the year-end not hedged by derivative instruments:

	As at March 31, 2013	As at March 31, 2012
Payables against import of goods and services		
Rupees	27,11,56,093	2,00,45,842
US Dollar	49,85,468	3,91,853

29. Segment reporting :

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

30. The Company has applied for the Debt Restructuring to CDR Cell and flash report has been admitted by the competent authority. The detailed terms and conditions of the restructuring plan are under process for the approval.

31. Related party disclosures :

- (a) List of Related Parties and Relationships:

- i. Concern where significant interest exists.

Name of the Concern	Nature of Relationship
Shah Alloys Limited	Associate
SAL Care Private Limited	Promoter Group company
SAL Corporation Private Limited	Promoter Group company

- ii. Key Management Personnel and Relatives.

1.	Shri Rajendra V. Shah	Chairman
2.	Shri K.C.Thatoi	Managing Director
3.	Shri Sujal Shah	Executive Director

- (b) Disclosure of Related Party Transactions

(Amount in ₹)

Nature of Transaction	Parties mentioned at a (i) above		Key management personnel	
	2012-13	2011-12	2012-13	2011-12
Purchases	45,34,46,382	2,41,48,254	0	0
Sales (incl. power)	37,92,36,355	155,63,15,106	0	0
Rent Income	9,60,000	9,60,000	0	0
Loan taken	1,50,00,000	2,75,00,000	0	0
Loan Repaid	2,90,00,000	0	0	0
Remuneration to directors	0	0	43,75,547	46,32,000
Interest expense	31,57,023	3,27,945	0	0



32. Earnings per share :

Particulars	Amount in ₹ 2012-13	Amount in ₹ 2011-12
- Net Profit for the year attributable to Equity shareholders	(28,59,23,368)	41,89,854
Weighted average number of Equity Shares outstanding for Basic EPS	8,49,66,700	8,49,66,700
Weighted average number of Equity Shares outstanding for Diluted EPS	8,49,66,700	9,00,37,738
Basic earnings per share (Face value of ₹ 10 each)	(3.3651)	0.0493
Diluted earnings per share (Face value of ₹ 10 each)	(3.3651)	0.0465

Note : In computing diluted earnings per share, only potential equity shares that are dilutive and that either reduces earnings per share or increases loss per share are included.

- 33.** Certain Balance of Debtors, Creditors, Loans & Advances for Capital expenditures are non- moving / sticky since last 3 years. However in view of the management, the same is recoverable / payable. Hence no provision for the same is made in the books of accounts.
- 34.** The company has opted for Tax Remission Scheme in place of original composite scheme of Sales Tax. Due to this change, the VAT collected by the Company becomes Income of the Company and accordingly credited to Statement of profit And Loss.
- 35.** 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.
- 36.** Balances of Unsecured Loans, Sundry debtors, Creditors and Loans and advances are subject to confirmation from respective parties.

37. Information regarding stock:

Capacity

Class of Products	Annual Licensed capacity [P.A.]		Annual Installed capacity	
	2012-2013	2011-2012	2012-2013	2011-2012
Sponge Iron	N.A.	N.A.	180,000 MT P A	180,000 MT P A
Ferro Alloys	N.A.	N.A.	61,890 MT P A	61,890 MT P A
Rolling Mill	N.A.	N.A.	25,000 MT P A	25,000 MT P A
Power Plant	N.A.	N.A.	40 MW P Hour	40 MW P Hour

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

Production (Net Saleable Production) :

Class of Products	2012-13 Qty (in M.T.)	2011-12 Qty. (in M.T.)
1 Finished Goods		
a) Sponge Iron		
Sponge Iron	96,533.000	82,151.630
b) Ferro Alloys		
Ferro Chrome	5,929.000	572.000
Silicon Manganese	6,437.500	5,127.000
Others	1,094.635	1648.625
c) Rolling Mill		
M S Angle, S S Angle, Round Bar etc	0.205	0.000
2 Waste Products & By-Products		
a) Iron Ore Fines	20,620.340	16,813.320
b) Coal and Others	31,085.800	36,272.757
3 Power MWH	59,409.125	79,882.750



S.A.L. STEEL LIMITED

Turnover (Gross) (Net of return) :

Class of Goods	2012-2013		2011-2012	
	QTY (in MT)	Value (₹)	QTY (in MT)	Value (₹)
1 Sponge Iron				
Sponge Iron	95,405.540	2,37,62,47,968	80,303.305	2,03,22,48,481
2 Ferro Alloys				
Ferro Chrome	5,748.340	45,22,97,499	823.070	6,59,97,267
Sillico Manganese	6,185.640	40,02,41,798	4,706.047	32,17,73,079
Others	21.000	6,43,166	505.020	1,48,89,882
3 Rolling Mill				
M S Angle, S S Angle, Round Bar etc	19.036	5,14,706	24.960	22,67,488
4 Waste Products/By-Product				
Iron Ore Fines	13,983.570	8,06,31,430	42,172.630	20,70,36,557
Coal and Others	547.910	66,72,718	7,446.620	2,11,17,280
TOTAL	1,21,911.036	3,31,72,49,285	1,35,981.652	2,66,53,30,034
Power Units MWH	59,409.125	36,77,00,000	79,882.750	79,02,82,250

Opening and Closing Stocks :

Class of Goods	Opening Stock				Closing Stock			
	As at 01.04.2011		As at 01.04.2012		As at 31.03.2012		As at 31-03-2013	
	QTY [MT]	Value (₹)	QTY [MT]	Value (₹)	QTY [MT]	Value (₹)	QTY [MT]	Value (₹)
1) Finished Goods								
a) Sponge Iron	1,442.022	2,75,19,695	3,290.347	7,79,92,627	3,290.347	7,79,92,627	4,417.807	9,91,16,397
b) Ferro Alloys	952.453	7,10,61,710	2265.941	7,32,94,542	2265.941	7,32,94,542	3772.096	9,64,63,743
c) Rolling Mill M S Angle, S.S Angle, Round Bar etc	43.791	21,30,022	18.831	9,14,625	18.831	9,14,625	0.000	0
2) Waste Products / By-Products								
Iron Ore Fines	26,671.412	11,20,23,852	1330.582	69,70,385	1330.582	69,70,385	7,967.352	4,23,25,581
Coal and Others	12,659.858	1,93,62,986	40,837.515	3,96,34,304	40,837.515	3,96,34,304	71,375.405	3,13,40,616
TOTAL	41,769.536	23,20,98,265	47,743.216	19,88,06,483	47,743.216	19,88,06,483	87,532.660	26,92,46,337

Work in progress :

Product	2012-13 (Amount in ₹)	2011-12 (Amount in ₹)
Sponge Iron	44 92 722	45 56 736
Ferro Alloys	0	70 20 000
TOTAL	44 92 722	1 15 76 736

Raw Material Consumed (Excluding trading goods & Captive Used) :

Class of Goods	2012-2013		2011-2012	
	QTY [MT]	Value (in ₹)	QTY [MT]	Value (in ₹)
Iron Ore	1,67,862	1,43,99,05,670	1,74,679.68	127,12,11,092
Steam Coal	82,220	53,72,76,776	77,772.64	63,25,32,661
Chrome Ore	17,667	17,94,21,415	1,230.34	1,40,39,800
Manganese Ore	11,162	14,24,84,776	11,376.53	108,447,795
Others		12,82,80,344		8,70,78,110
TOTAL		2,42,73,68,981		21,13,309,458


Details of Goods Traded

Goods Purchased	2012-13 (Amount in ₹)	2011-12 (Amount in ₹)
Steel & Iron	45,00,28,355	5,17,79,548

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

CIF VALUE OF IMPORTS	2012-13 (Amount in ₹)	2011-12 (Amount in ₹)
i) Raw Materials	60,17,97,609	17,27,46,893
ii) Capital Goods	-	-
iii) Components & Spares parts	-	-
Expenditure in Foreign Currency	-	-
Earning in Foreign Exchange	2,06,82,487	-
Amount remitted during the year in Foreign currency in respect of Dividend	-	-

Value of Raw Materials, Stores, and Chemical & Spares consumed during the year:

	Amount (in ₹)		% of Total Consumption	
	2012-13	2011-12	2012-13	2011-12
Raw Materials:				
i) Imported	60,17,97,609	17,27,46,893	24.79	8.18
ii) Indigenous	182,55,71,372	194,05,62,565	75.21	91.82
Total	2,42,73,68,981	211,33,09,458	100.00	100.00
Stores, Spares & Chemical:				
i) Imported	-	-	-	-
ii) Indigenous	6 69 90 734	3,26,29,494	100.00	100.00
Total	6 69 90 734	3,26,29,494	100.00	100.00

38. The company had entered into a power purchase agreement with Shah Alloys 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, SAL Steel Limited had recognized income on account of short wheeling of power by Shah Alloys Limited amounting to ₹ 31,09,85,750/-. This recovery of short wheeling of power by Shah Alloys Limited is included in Sale of power.
39. The Company has re-classified previous year figures to conform to this year's classification. Previous year figures have been re-grouped / rearranged, wherever necessary to make them comparable with those of current year.

Signatures to Notes - 1 to 39

Notes referred to herein above form an integral part of the 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 the Board of Directors

Rajendra V. Shah	Chairman
Sujal A. Shah	Director
B.M. Singhal	Director
Anil Pandya	Director
Piyush Chandarana	Director
Hardik Modi	Company Secretary

Place : Santej
Date : May 28, 2013



S.A.L. STEEL LIMITED

S.A.L. STEEL 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 **Tenth Annual General Meeting** of the Company held on Tuesday, 24th September, 2013 at 10.00 A.M. at SAL Institute & Engineering Research, Opp. Science City, Ahmedabad - 380060.

Signature of Shareholder / Proxy

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

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

S.A.L. STEEL 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 S.A.L. Steel Limited hereby appoint _____ of _____ or failing
him/her _____ of _____ as my/our
proxy to vote for me/us and on my/our behalf at the **Tenth Annual General Meeting** of the Company to be held on Tuesday,
24th September, 2013 at 10.00 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.

ANNUAL REPORT 2012-2013



S.A.L. STEEL LIMITED

If Undelivered please return to:
Administrative Office

S.A.L. Steel Limited

Corporate House, Sola-Kalol Road,
Santej - 382721, Ta. Kalol, Dist. Gandhinagar.
www.salsteel.co.in

Book-Post

To,

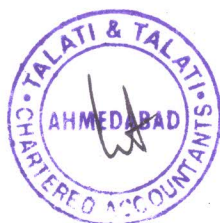
FORM B

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

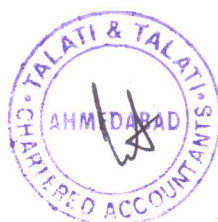
1	Name of the company	S.A.L. Steel Ltd
2	Annual financial statements for the year ended	31st March, 2013
3	Type of Audit qualification	Qualified
4	Frequency of qualification	Repetitive
	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:	<p>1. Para iii (g) of Annexure to Independent Auditors' Report (Page no. 19 of Annual Report)</p> <p>On the basis of records produced before us and on the basis of information and explanation given to us and as per the terms and condition of the schedule stipulated for repayment in respect of loans taken by the company , the repayment of the principal portion of the loan from a company covered in the register maintained under section 301 of the Companies Act, 1956 was due to the extent of ₹ 10,00,00,000/- during the year 2011-12 and ₹20,00,00,000/- during the year 2012-13, however till date, the company has not made any payment towards this dues.</p> <p>Reply (Page No. 4 of Annual Report)</p> <p>Company was incorporated as backward integration project for Shah Alloys Limited (SAL). The finished product of our company becomes Raw material for SAL. However, due to financial crisis, SAL is not functioning on its optimum capacity and as such, company is not getting sufficient orders to optimize its production capacity. This has adversely affected production of the Company. Thus accruals are not enough to pay back the amount to SAL after making payment of interest and installments to its lenders. Due to low realization and low market demand, Company was struggling with matching cash flow. Since Company is not able to make payment of interest</p>



		<p>and installments to bankers, company approached to CDR cell for restructuring of debts. Flash report has already been admitted by CDR cell and company has to submit final report. Company is expecting that restructuring will be approved by CDR cell shortly and company will be able to improve production capacity and pay off the dues on the appointed dates as per scheme that may be approved by CDR cell. At the same time, Company would be developing market for its products in nearby areas.</p>
		<p>2. "Para ix – (a)" of Annexure to Independent Auditors' Report (Page no. 20 of Annual Report)</p> <p>According to the records of the company, undisputed Statutory dues including Provident fund, Employees State Insurance, Investor 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.</p> <p>Reply (Page No. 4 of Annual Report)</p> <p>Payments of Statutory dues were marginally delayed on account of slow recovery/collection. However, the same have been paid.</p>
		<p>3. "Para-xi" of Annexure to Independent Auditors' Report (Page no. 20 of Annual Report)</p> <p>On the basis of the information and explanation given to us and on the basis of records produced before us, the company has defaulted in repayment of Principal portion of the Term Loan to the extent of ₹ 12,05,00,000/- as at the year end. The company has also defaulted in payment of</p>



	<p>interest on term loan to the extent of ₹5,40,47,181/- as at the year end. The period of default on repayment of principal and payment of interest is ranging for a period from 90 days to 182 days and 31 days to 90 days respectively. The company has made a delayed payment of Principal amount of Term Loan to the extent of ₹7,89,37,427/- and interest amount of ₹13,93,27,614/-.The period of delay in payment of principal and payment of interest is ranging for a period from 65 days to 178 days and 3 days to 173 days respectively. Moreover, the company has also defaulted in payment of interest on working capital facilities to the extent of ₹ 1,78,48,057/- as at the year end. The period of default on repayment of principal and payment of interest is ranging for a period from 1 day to 151 days. The company has defaulted in honouring L/C payments to the extent of ₹11,12,84,367/- as at the balance sheet date. The period of default in honouring L/C payments is ranging for a period from 19 days to 53 days .The company has made a delayed payment in honouring L/C to the extent of ₹ 55,14,04,565/- during the year. The period of default in honouring L/C payments is ranging for a period from 1 day to 101 days .</p> <p>Reply (Page No. 5 of Annual Report)</p> <p>On account of underutilization of capacities, the cash flow was mismatch resulting delay in payment of interest. In the CDR EG meeting flash report as submitted by the Company has been accepted and it is expected that once CDR proposal is accepted, Company shall come out from financial crises resulting optimum capacity utilization.</p> <p>4. Under the head "Opinion" of Independent Auditors' Report (Page no. 17 of Annual Report)</p> <p>Subject to Note No.29 for Non disclosure of Reportable Segments as required under Accounting Standard – 17 'Segment Reporting', there is no impact on the Statement of Profit and Loss due to non disclosure.</p>
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		<p>Reply (Page no. 39 of Annual Report)</p> <p>29. Segment reporting :</p> <p>The Company is manufacturing Ferro Alloys & Sponge Iron, which is basically used in Iron & Steel Industry. Further power generated in the company in its power plant is used for captive as well as trading purpose. In view of this, the company has to consider "Iron & Steel" and "Power" as Primary Reportable business segment, as per Accounting Standard - 17, Segment Reporting. However, due to substantial competition, risk, on-going position of Company and largely in the interest of the Company as well as interest of the stake holders involved, therefore, management has not made disclosure of Primary Reportable segment as per Accounting Standard - 17 "Segment Reporting" . Further, the Company has its business within the geographical territory of India Therefore; Company has considered "INDIAN GEOGRAPHY" as the only secondary reportable business segment, as per the Accounting Standard 17 "Segment Reporting".</p> <p><i>Above note to the accounts is self explanatory and give suitable explanation to the qualification.</i></p>
	Additional comments from the board/audit committee chair:	N.A
5	<p>To be signed by-</p> <ul style="list-style-type: none"> Whole Time Director CFO Auditor of the company Audit Committee Chairman 	<p>Shri Anil Kumar Pandya:</p> <p>Shri Yashpal Mehta:</p> <p>Shri Umesh Talati:</p> <p>Shri J. M. Shah:</p>

