

# 56<sup>th</sup> ANNUAL REPORT

## 2009-10

Mining



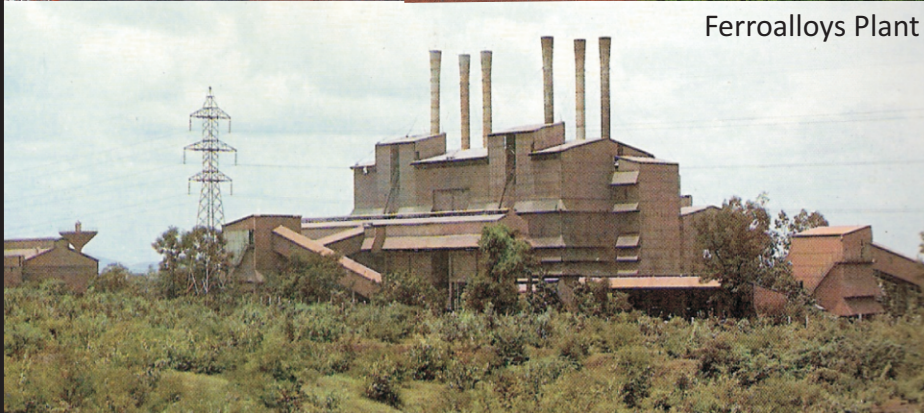
Mn Ore



Power Plant



Ferroalloys Plant



Ferroalloys



Afforestation



*The Sandur Manganese & Iron Ores Limited*



## INDEX

<b>Notice</b>	<b>...</b>	<b>1 – 5</b>
<b>Directors' Report</b>	<b>...</b>	<b>6 – 10</b>
<b>Corporate Governance Report</b>	<b>...</b>	<b>11 – 22</b>
<b>Management Discussion and Analysis Report</b>	<b>...</b>	<b>23 – 24</b>
<b>Auditors' Report</b>	<b>...</b>	<b>25 – 27</b>
<b>Balance Sheet</b>	<b>...</b>	<b>28</b>
<b>Profit &amp; Loss Account</b>	<b>...</b>	<b>29</b>
<b>Cash Flow Statement</b>	<b>...</b>	<b>30</b>
<b>Schedules and Notes to Accounts</b>	<b>...</b>	<b>31 – 46</b>
<b>Balance Sheet Abstract</b>	<b>...</b>	<b>47</b>
<b>Statement under Section 212(1)(e) of the Companies Act, 1956</b>	<b>...</b>	<b>48</b>
<b>Auditors' Report on Consolidated Financial Statements</b>	<b>...</b>	<b>49</b>
<b>Consolidated Financial Statements</b>	<b>...</b>	<b>50– 68</b>
<b>Directors' Report &amp; Financial Statements of SMPPL</b>	<b>...</b>	<b>69– 92</b>
<b>Nomination Form</b>	<b>...</b>	<b>93– 94</b>
<b>Proxy Form</b>	<b>...</b>	<b>95</b>





# *The Sandur Manganese & Iron Ores Limited*

## **ANNUAL REPORT 2009 – 10**

M. Y. Ghorpade  
Chairman Emeritus

### **DIRECTORS**

S. Y. Ghorpade  
Chairman & Managing Director

P. K. Devanathan  
Director (upto 6 January 2010)

Nazim Sheikh  
Executive Director

S. H. Mohan  
Technical Director

Syed Abdul Aleem  
Director

M. S. Rama Rao  
Director

E. B. Desai  
Director

Sushiladevi Ghorpade  
Director (upto 29 June 2010)

S. R. Sridhar  
Director (Mines)

N. C. Viswanathan  
Director

R. Subramanian  
Director

### **COMPANY SECRETARY & COMPLIANCE OFFICER**

Md. Abdul Saleem

### **FINANCIAL CONTROLLER & CFO**

K. Raman

### **AUDITOR**

M/s. Deloitte Haskins & Sells, Bangalore

### **SOLICITOR**

M/s. Mulla & Mulla & Craigie Blunt & Caroe  
Mumbai

### **AUDIT COMMITTEE**

R. Subramanian, Chairman (w.e.f.28 January 2010)

P. K. Devanathan, Chairman (upto 6 January 2010)

Syed Abdul Aleem, Member

M. S. Rama Rao, Member

N. C. Viswanathan, Member

### **REMUNERATION COMMITTEE**

E. B. Desai, Chairman

P. K. Devanathan, Member (upto 6 January 2010)

Syed Abdul Aleem, Member

M. S. Rama Rao, Member

### **INVESTORS' GRIEVANCE & SHARE TRANSFER COMMITTEE**

Syed Abdul Aleem, Chairman (w.e.f.28 Jan 2010)

P. K. Devanathan, Chairman (upto 6 January 2010)

S. Y. Ghorpade, Member

Nazim Sheikh, Member

M. S. Rama Rao, Member

### **BANKER**

State Bank of Mysore

### **SHARE TRANSFER AGENT**

Venture Capital & Corporate  
Investments Private Limited  
Hyderabad

**REGISTERED OFFICE:**  
LAKSHMIPUR, SANDUR – 583 119  
BELLARY DIST. KARNATAKA



## THE SANDUR MANGANESE & IRON ORES LIMITED

Regd.Office: Lakshmipur, Sandur - 583 119

Bellary Dist. Karnataka

### NOTICE

**Notice** is hereby given that the Fifty-sixth Annual General Meeting of the Members of the Company will be held on Wednesday, the 29<sup>th</sup> day of September 2010 at 11.00 A.M. at Anuradha Hall, Shivapur, Sandur - 583 119, to transact, with or without modifications, as may be permissible, the following business:

#### ORDINARY BUSINESS

1. To consider, approve and adopt the Audited Balance Sheet of the Company as at 31 March 2010, Profit and Loss Account for the year ended on that date, together with the reports of the Auditors' and the Directors' thereon.
2. To declare dividend on equity shares.
3. To appoint a director in place of Nazim Sheikh, who retires by rotation as director, and being eligible, offers himself for re-election.
4. To appoint a director in place of Syed Abdul Aleem, who retires by rotation as director, and being eligible, offers himself for re-election.
5. To appoint a director in place of E. B. Desai, who retires by rotation as director, and being eligible, offers himself for re-election.
6. To re-appoint M/s. Deloitte Haskins & Sells, Chartered Accountants, Bangalore (ICAI Registration No.008072S), as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

#### SPECIAL BUSINESS

7. To consider and, if thought fit, to pass the following resolution, which will be proposed as a **Special Resolution**:  
"RESOLVED THAT pursuant to the provisions of Sections 257 and 269 read with clause (c) of Part I of Schedule XIII to the Companies Act, 1956, consent of the Company be and is hereby accorded to S. Y. Ghorpade who was reappointed as Managing Director at the 54<sup>th</sup> Annual General Meeting of the Company, continuing as Managing Director till the expiry of his current tenure on 30 June 2011 and for such future terms of office as may be decided by the Board and the Shareholders, in conformity with the provisions of Schedule XIII to the Act, notwithstanding that he has attained the age of 70 years on 13 September 2010."
8. To consider and, if thought fit, to pass the following resolution, which will be proposed as a **Special Resolution**:  
"RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and any other law for the time being in force and subject to such approvals, consents, sanctions and permissions, as may be necessary, consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include Committee(s) of the Board of Directors or persons authorized by the Board of Directors) to make from time to time, in one or more tranches, investments of a sum not exceeding ₹50 crore in units of Mutual funds or in any other investment avenues as may be considered in the interest of the Company, notwithstanding that such investments shall be over and above sixty percent of the Company's paid up share capital and free reserves or hundred percent of the Company's free reserves, whichever is more."  
  
"RESOLVED FURTHER THAT the aforesaid investments shall be in addition to the present exposure of the Company by way of loans made, guarantees given, securities provided, investments made by the Company and approvals obtained for such purpose." and  
  
"RESOLVED FURTHER THAT the aforesaid investment be made by the Company out of internal resources or in such other manner as the Board thinks appropriate and the Board be and is hereby authorized to finalise the terms of the aforesaid investment and to settle any question or doubt and to execute such deeds, agreements, documents and writings and do all such acts, matters, deeds and things as may be necessary or desirable to implement this resolution or otherwise considered by the Board to be in the best interests of the Company."





9. To take on record resolution passed under Section 372A of the Companies Act, 1956, by the shareholders of the Company through postal ballot in accordance with the provisions of Section 192A of the Act, read with Companies (Passing of Resolution by Postal Ballot) Rules, 2001:

“RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and any other law for the time being in force, consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include Committee(s) of the Board of Directors or persons authorized by the Board of Directors) for making investment in the equity share capital of OM Holdings Limited, Australia (OMH) to the extent of ₹10.00 crore, in one or more tranches, notwithstanding that the same shall be over and above sixty percent of the Company’s paid up share capital and free reserves or hundred percent of the Company’s free reserves, whichever is more.”

“RESOLVED FURTHER THAT the aforesaid proposed transaction shall be in addition to the present exposure of the Company by way of loans made, guarantees given, securities provided, investments made by the Company and approvals obtained for such purpose.” and

“RESOLVED FURTHER THAT the aforesaid investment be made by the Company out of internal resources or in such other manner as the Board thinks appropriate and the Board be and is hereby authorized to finalise terms of the aforesaid transactions and to settle any question or doubt and to execute such deeds, agreements, documents and writings and do all such acts, matters, deeds and things as may be necessary or desirable to implement this resolution or otherwise considered by the Board to be in the best interests of the Company.”

#### NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. IN ORDER TO BE EFFECTIVE THE PROXIES SHOULD BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN **48 HOURS** BEFORE THE MEETING.
2. An Explanatory Statement in respect of item Nos.7 to 9 of the aforesaid Notice is annexed hereto in pursuance of Section 173(2) of the Companies Act, 1956 and as required under clause 49[IV(G)(i)] of the Listing Agreements with the Stock Exchanges brief particulars of directors who are proposed to be re-appointed are also provided.
3. Pursuant to the provisions of Section 154 of the Companies Act, 1956 and Clause 16 of the Listing Agreements with Stock Exchanges, the Register of Members and Share Transfer Books of the Company will be closed from **Wednesday, 22 September 2010 to Wednesday, 29 September 2010 (both days inclusive)**.
4. Members are requested to quote their Folio Number / Client ID, in all correspondence and intimate any change in their address to the Share Transfer Agent / Depository participant promptly.
5. The dividends as detailed below, if remaining unclaimed for 7 years from the date of declaration, are required to be transferred by the Company to Investor Education and Protection Fund (IEPF) and the relevant due dates for transfer of such amounts are as under:

Financial Year	Unclaimed Dividend as on 30 June 2010 (in ₹)	Date of declaration	Due date for transfer to IEPF
2009-10 (interim dividend)	1,35,655	29 January 2009	28 February 2016
2009-10 (final dividend)	1,45,480	25 September 2009	24 October 2016

6. 51,413 16% ‘B’ series Redeemable Preference Shares of ₹100/- each which were due for redemption on 31 December 2000, were redeemed at par with accrued dividend on 28 April 2008. As on 30 June 2010, the balance in the No Lien Account opened for the purpose of the said redemption was ₹2,09,314/-. The unclaimed amount, if any, is due to be transferred to IEPF on 27 May 2015.

By Order of the Board  
for The Sandur Manganese & Iron Ores Limited

**Md. Abdul Saleem**  
Company Secretary

Place: Bangalore  
Date : 29 July 2010



## EXPLANATORY STATEMENT

In terms of Section 173(2) of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to the Special Business mentioned in the accompanying Notice. Further, information required under clause 49[IV(G)(i)] of the Listing Agreements with the Stock Exchanges is also provided hereunder:

### ITEM No.3

**Nazim Sheikh**, born on 11 April 1954, is a qualified metallurgical engineer. He joined the Company in 1976 as an Executive Trainee and held several important positions including those of Executive Assistant to Managing Director, General Manager (Materials), Senior General Manager (Corporate) etc., before being co-opted as an Additional Director on the Board and appointed as Executive Director from 31 January 2001.

He has rich and varied experience in functional areas such as corporate affairs, materials management, commercial management, finance, administration and general management.

In order to continue to avail his rich experience, at the 54<sup>th</sup> Annual General Meeting of the Company held on 25 September 2008, he was re-appointed as an Executive Director for a further period of three years with effect from 1 July 2008 and accordingly his present term is due to expire on 30 June 2011.

He holds 3100 equity shares of the Company and is a member of Investors' Grievance & Share Transfer Committee of the Board of Directors of the Company. He is also a director on the Boards of Skand Private Limited, Sunshine Real Estates and Constructions Private Limited and Star Metalics and Power Private Limited.

Board commends his re-appointment as proposed at Item No.3 of the Notice

### Interest of Directors

Nazim Sheikh, is considered as interested in this resolution since it is relating to him.

### ITEM No.4

**Syed Abdul Aleem**, born on 16 May 1936, is a graduate in electrical engineering. After making a valuable contribution for a period of about 37 years in Karnataka Power Corporation Limited, Karnataka Power Transmission Corporation Limited and Karnataka Electricity Board he has retired as a Chief Engineer (Designs). He was co-opted as Director on the Board of the Company on 30 April 2003.

He possesses rich and varied experience in areas of planning, design, construction, operation and maintenance of large power plants. He is an independent director of the Company, the Chairman of Investors' Grievance & Share Transfer Committee and a member of Audit and Remuneration Committees of the Board of Directors of the Company. He is not a director on the Board of any other company. He does not hold any shares of the Company.

Board commends his re-appointment as proposed at Item No.4 of the Notice

### Interest of Directors

Syed Abdul Aleem, is considered as interested in this resolution since it is relating to him.

### ITEM No.5

**Eruch Byramsha Desai**, born on 1 April 1930 is an Advocate and Solicitor by profession. He is the Senior Partner of M/s. Mulla & Mulla & Craigie Blunt & Caroe, Mumbai and is well versed in corporate affairs. He was one of the early directors of the Company, from 21 November 1967 after it became a Public Limited Company, and eminently served the Company as its director for more than 33 years till 27 January 2001. Thereafter, he continued to be associated with the Company as a solicitor and advisor and has greatly contributed to the well being of the Company, especially during the difficult times when the Company was under rehabilitation.

E. B. Desai was once again co-opted as director on the Board of the Company on 28 April 2008. He is a director on the Boards of several Companies of repute including Century Textiles & Industries Limited, Hindalco Industries Limited, Hercules Hoists Limited, Kennametal Limited, Panasonic Battery India Limited, Supreme Industries Limited, Uni Abex





Alloy Products Limited and Utkal Alumina International Limited.

He is an independent director and the Chairman of the Remuneration Committee of the Board of Directors of the Company. He is holding 5,650 equity shares of the Company.

Board commends his re-appointment as proposed at Item No.5 of the Notice.

#### **Interest of Directors**

E. B. Desai, is considered as interested in this resolution since it is relating to him.

#### **ITEM No.7**

**Shivrao Y. Ghorpade**, born on 13 September 1940, is a qualified metallurgical engineer from the Colorado School of Mines, USA. He is one of the promoter-directors of the Company and is associated with the Company for over 46 years. He has rendered over three decades of creditable service as head of its Metal & Ferroalloys Plant and over 5 years as Technical Director. He has been Chairman & Managing Director of the Company since 31 January 2001.

He is a member of the Investors' Grievance & Share Transfer Committee. He holds 22,130 equity shares of the Company. He is the non-executive Chairman of Star Metallica and Power Private Limited (SMPPL), a subsidiary of the Company.

At the 54<sup>th</sup> Annual General Meeting of the Company held on 25 September 2008 a special resolution was passed for his reappointment as Managing Director of the Company for a period of three years with effect from 1 July 2008 and accordingly his current tenure is due to expire on 30 June 2011.

In the meanwhile, he is attaining the age of 70 years on 13 September 2010. As per clause (c) of Part I of Schedule XIII to the Companies Act, 1956, the maximum age limit for a person to be appointed as managing director or whole-time director or manager is 70 years. However, in case a person has attained the age of 70 years and where his appointment is approved by a special resolution passed by the Company in general meeting, no further approval of the Central Government shall be necessary for such appointment.

Though it has been observed that on a reference made by the Central Government under Section 269(7) of the Act, in the case of Kasturi & Sons Ltd., Re, (1995) 5 Comp LJ 316 (CLB-Del), the Company Law Board has in its order dated 26 November 1990 held that the requirements of Part I of Schedule XIII, including clause (c) thereof, are required to be complied with at the time of appointment / re-appointment without requiring the approval of the Central Government in terms of sub-section (2) of Section 269 of the Act.

Further, the Department of Company Affairs also has, vide its Circular No.3/89 dated 13 April 1989 clarified that the conditions specified in Schedule XIII are required to be satisfied only at the time of appointment. In case the appointee, after appointment, does not satisfy any of the said conditions, it will not debar the person concerned from continuing in office for the full tenure of his appointment.

However, since the earlier special resolution did not specifically relate to the age limit requirement as per Schedule XIII to the Act, as an abundant caution and as a good Corporate Governance, it is thought fit to pass a specific resolution as at Sl. No.7 of the notice and is commended for your acceptance.

Further, the Company is in receipt of a communication, in compliance of Section 257 read with 190 of the said Act, from a shareholder signifying the intention to propose the above resolution.

#### **Interest of Directors**

S. Y. Ghorpade, is considered as interested in this resolution since it pertains to his continuance as Managing Director even after his attaining the age of 70 years.

#### **ITEM No.8**

The Company has, in accordance with the special resolution passed at the 54<sup>th</sup> Annual General Meeting of the Company held on 25 September 2008, invested ₹95 crore, as on 26 July 2010, in various mutual funds which are resulting in a good yield to the Company. For optimum utilization of surplus funds available with the Company before it being utilized for the proposed projects i.e., for setting up a 2.5 lakh tonne medium sized special alloy steel plant, 1.7 million tonne feed iron



ore beneficiation plant and a 4 km long ropeway for transportation of ore to railway sidings, it was proposed to invest surplus funds to the extent of ₹50 crore (Rupees fifty crore only), in one or more tranches, in the units of such financial instruments, as may be considered safe and reasonable. The proposed investment of ₹50 crore will be in addition to the present exposure/approvals for the said purpose.

Since such investments are exceeding the limits prescribed under Section 372A of the Companies Act, 1956, this special resolution at item 8 is commended for members' approval.

#### **Interest of Directors**

None of the Directors has any specific interest in this resolution.

#### **ITEM No.9**

The Company is having cordial business relations for more than seven years with OM Materials (S) Pte Ltd., Singapore (OMS), a wholly owned subsidiary of OM Holdings Limited, Australia (OMH). With a view to translate these relations into a long-term cooperation and also to make strategic investments in Carbon Steel Material commodities viz., iron ore, manganese ore, coal, etc., through OMH and its subsidiaries, the Company entered into a Memorandum of Understanding (MoU) with OMH on 21 November 2008 for marketing the Company's low grade manganese ore in China and also for acquiring high grade manganese ore for Star Metallics and Power Private Limited (SMPPL), a subsidiary of the Company, for manufacturing of ferroalloys.

OMS is expected to be the 3<sup>rd</sup> or 4<sup>th</sup> largest manganese ore producer in the world, with further acquisition in Africa, in addition to its large tenements in Australia. OMH has also evinced keen interest in SMIORE's proposal for setting up iron ore beneficiation plant at Vyasankere, near Hospet and, besides equity participation upto a very negligible extent of about 3%, may help the Company to market at least 1/3 to 1/2 of the iron ore concentrate to steel plants in Malaysia / China. OMH is also in the process of acquiring coal fields in Indonesia and is willing to enter into a stable and long term arrangement for supply of coal to the power plant being set up by SMPPL.

Accordingly, it was proposed to invest to the extent of ₹10.00 crore in the equity share capital of OMH, as provided in the resolution, in order to provide an ideal opportunity for the Company to establish and strengthen its position in the international Carbon Steel Material commodities market.

Since the proposed investment was exceeding the limits prescribed under Section 372A of the Companies Act, 1956 and sub-section (1) of Section 192A permits the Company to get resolution passed by means of a postal ballot in accordance with the provisions of The Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, the Board recommended the Special Resolution as set out in the Notice for the approval of the shareholders.

The Company despatched postal ballot forms on 1 December 2009 and advised the shareholders to return the duly completed Postal Ballot forms to the Scrutinizer, on or before 31 December 2009.

The scrutinizer, Parameshwar G. Hegde, Practicing Company Secretary submitted his report dated 8 January 2010 stating that he has received 155 postal ballot forms from members holding 64,07,344 shares i.e., 73.23% of paid up share capital of the Company. Out of the above, 2 postal ballots were found to be invalid. Out of the valid votes, 150 members holding 64,05,944 shares have voted in favour of the resolution and 3 members holding 1,400 shares voted against the resolution.

The said report was placed before the Board of Directors at its meeting held on 28 January 2010 wherein S. Y. Ghorpade - Chairman & Managing Director announced that the said resolution has been passed with 99.98% votes cast in favour of the resolution.

The stock exchanges were informed about the postal ballot result on 28 January 2010 and the same was published in all editions of Financial Express newspaper on 9 February 2010.

By Order of the Board  
for The Sandur Manganese & Iron Ores Limited

Place: Bangalore  
Date : 29 July 2010

**Md. Abdul Saleem**  
Company Secretary





## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2010

The Directors are pleased to present their report and Audited Statement of Accounts for the year ended 31 March 2010:

### FINANCIAL RESULTS

		Current Year ₹ lakh	Previous Year ₹ lakh
a)	Net Sales/Income	28,747.07	42,781.78
b)	Other Income	1,542.82	286.90
	Total	30,289.89	43,068.68
c)	Expenditure		
	(i) Variable	19,673.66	15,096.34
	(ii) Fixed	5,119.55	4,478.01
	(iii) Depreciation / Amortization	1,042.12	988.51
	(iv) Interest	153.53	1.97
	Total	25,988.86	20,564.83
d)	Profit before taxes	4,301.03	22,503.85
e)	Less: i) Current Tax	1,900.00	8,825.00
	ii) Deferred Tax	(516.00)	(1,090.00)
	iii) Fringe Benefit Tax	-	21.80
f)	Net Profit	2,917.03	14,747.05
g)	Add: Balance brought forward from the previous year	14,641.15	1,743.66
h)	Profit before appropriation	17,558.18	16,490.71
i)	Less: Appropriations:		
	i) Dividend on preference shares	-	13.72
	ii) Dividend on equity shares	262.50	262.50
	iii) Tax on Dividends	43.60	46.94
	iv) Transfer to Capital Redemption Reserve	-	51.40
	v) Transfer to general reserve	292.00	1,475.00
	Total	598.10	1,849.56
j)	Profit carried to Balance Sheet	16,960.08	14,641.15

The Company earned profit before tax of ₹4,301.03 lakh after charging ₹1,042.12 lakh towards depreciation on fixed assets and amortization of mining lease rights and ₹153.53 lakh towards interest.

After taking into account charging off income tax of ₹1,900 lakh, deferred tax of (₹516 lakh), dividend on shares of ₹262.50 lakh, tax on dividends of ₹43.60 lakh and transfer to general reserve of ₹292.00 lakh, the profit carried to the Balance Sheet is ₹16,960.08 lakh.



## OPERATIONS

		Current Year (Tonnes)	Previous Year (Tonnes)
<b>Manganese Ore:</b>	Production	<b>1,97,078</b>	2,36,614
	Salvaged from dumps	<b>28,678</b>	4,212
	Sales	<b>2,83,445</b>	2,95,434
<b>Iron Ore :</b>	Production	<b>14,46,954</b>	11,72,845
	Salvaged from dumps	<b>36,234</b>	3,32,829
	Sales	<b>15,35,929</b>	14,48,817

Compared with the previous year, manganese ore production during the financial year 2009-10 decreased by 17% from 2,36,614 tonnes to 1,97,078 tonnes. 28,678 tonnes were salvaged from old waste dumps. Sale was 2,83,445 tonnes, including drawal from stock, which is 4% less than the previous year. Export constituted about 35% of revenue though about 38% of sales volume.

Production of iron ore increased by 2,74,109 tonnes compared to that of the previous year. Demand for low grade ores enabled usage of 36,234 tonnes of iron ore salvaged from old dumps, which had hitherto been lying unsold for a long period.

## FUTURE PROSPECTS

The Company possesses iron ore reserves with varying percentages of Fe. Keeping in mind the fact that the low grade ore may not always find a market, the Board of Directors has approved setting up an iron ore beneficiation plant at Vyasankere at a cost of about ₹165 crore, to result in value addition of about ₹50/55 crore per year. The beneficiation plant would be capable of upgrading 55/56 grade iron ore to about 62/63 grade concentrate for production of sinter or pellets or even sold as it is to others who possess sintering or pelletization facilities. Such diversification would result in value addition to its iron ore reserves and also extend the life of the mines.

Further, in order to ensure captive use and value addition to iron ore reserves the Board of Directors has approved setting up a 2.5 lakh tonnes per year medium sized special alloy steel plant at Vyasankere with a total investment of about ₹500 crore.

In addition to the above, the Board of Directors has also approved the setting up 4 km ropeway costing ₹30 crore which will facilitate transporting iron ore from mines to the railway siding.

The Company has sufficient land and water allotment at Vyasankere, about 30 km from the mines, situated on the NH-13 which is also in the close proximity to Hospet-Gunda railway line. Accordingly this would be an ideal location for setting up the said projects.

Further, Government of Karnataka was also pleased to grant its in-principle approval for the said projects.

## DIVIDEND

Board of Directors recommend a dividend of ₹3.00 per equity share of ₹10/- each for the financial year ended 31 March 2010, aggregating to ₹262.50 lakh. Subject to the approval of the shareholders at the Annual General Meeting, the dividend will be paid to members whose names appear in the Register of Members as on 29th September 2010 and in respect of shares held in dematerialized form, it will be paid to members whose names are furnished as beneficial owners, by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), as on that date.

The dividend pay out for the year under review has been formulated in accordance with the Company's policy to pay sustainable dividend linked to long term performance. The amount of dividend has also been considered keeping in view the Company's need for capital investments in the proposed projects which the Company intends to finance through internal accruals to the maximum extent possible.

## INVESTMENTS

In accordance with the agreement executed with Star Metalics and Power Private Limited (SMPPL), subsidiary of the Company for extending long term secured loan of ₹60.00 crore for the purpose of operating ferroalloys plant and setting up 32 MW coal based power plant, the Company invested ₹59.98 crore.





During the financial year under review, SMPPL allotted 55 lakh equity shares of ₹10/- each at a premium of ₹10/- per share against ₹11.00 crore share application money which was pending for allotment. Subsequent to the end of financial year, SMPPL has allotted 75 lakh equity shares of ₹10/- each at a premium of ₹10/- per share against part of the amounts due from them to the Company towards one 20MVA furnace sold by the Company. With this allotment the Company holds 3.25 crore equity shares constituting 74.29% of SMPPL's paid up equity share capital.

## **SUBSIDIARY**

SMPPL is expected to commission its 32 MW coal based thermal power plant at Vyasankere, near Hospet, during September 2010. Further, Government of Karnataka has accorded its in-principle approval for SMPPL to set up another 32MW thermal power plant at a cost of about ₹130 crore at the same location.

## **CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements, the audited Consolidated Financial Statements are provided in the Annual Report.

## **DIRECTORS**

Sushiladevi Ghorpade has ceased to be a director with effect from 29 June 2010.

Nazim Sheikh, Syed Abdul Aleem and E. B. Desai are liable to retire by rotation and, being eligible, offer themselves for re-election.

S. Y. Ghorpade is attaining the age of 70 years on 13 September 2010 and pursuant to the provisions of clause (c) of Part I of Schedule XIII to the Companies Act, 1956, consent of the Company by special resolution is sought for his continuing as Managing Director till the expiry of his current tenure on 30 June 2011 and for such future terms of office as may be decided by the Board and the Shareholders.

None of the directors of the Company are disqualified from being appointed as directors as specified under Section 274 of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 2000.

Board commends for passing of the respective resolutions proposed in the Notice of the Annual General Meeting.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors state that:

- ☐ In the preparation of accounts, the applicable accounting standards have been followed.
- ☐ Accounting policies selected were applied consistently.
- ☐ Reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of affairs of the Company as at the end of 31 March 2010 and of the profit for the year ended on that date.
- ☐ Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
- ☐ The annual accounts of the Company have been prepared on a going concern basis.

## **AUDITORS**

Messrs Deloitte Haskins & Sells, Chartered Accountants, retire at the conclusion of this Annual General Meeting and, being eligible, offer themselves for re-appointment.

## **CORPORATE GOVERNANCE**

The Directors' Report on Corporate Governance is annexed to this report. The certificate of the Auditors, Messrs Deloitte Haskins & Sells, Chartered Accountants, regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges is being annexed.

Further, Ministry of Corporate Affairs has introduced Corporate Governance Voluntary Guidelines, 2009 for voluntary adoption by the corporate sector. It has been observed by the Board that various practices of the Company are similar to the procedures / provisions prescribed in the said Guidelines. The Company will be reviewing its policies and practices in the context of other parameters / recommendations prescribed in the said Guidelines for appropriate adoption.



## CORPORATE SOCIAL RESPONSIBILITY

The Ministry of Corporate Affairs (MCA) has issued Voluntary Guidelines on Corporate Social Responsibility in December 2009 for voluntary adoption by the Corporate Sector to be socially, environmentally and ethically responsible in governance of operations and also to add value to the operations while contributing towards the long term sustainability of business. The Company has always been socially responsible as enumerated below. The Board of Directors has resolved to continue to be socially responsible in the years to come.

- The Company directly and indirectly supports three schools at the mines, four schools at Vyasankere (where it proposes to set up the new projects) and nearly six schools and colleges in and around Sandur. The institutions have been catering to the educational needs of employees' children as well as the children of Sandur and surrounding villages. During the financial year under review the Company has donated ₹100 lakh to Shivapur Shikshana Samithi, Sandur which runs many educational institutions including Sandur Residential School (SRS), which has developed into a premier institution of the region and a member of the prestigious Indian Public Schools' Conference (IPSC) which comprises of about 75% schools in the Country.
- Under Akshaya Patra programme, Company provides free mid-day meals to children studying in some of the aforesaid schools and two Government schools at Sandur.
- The Company's Community Health Centre namely "Arogya" at Sandur meets the medical requirements of employees free of cost and also the general public of Sandur and other adjacent villages. In association with Vittala of Bangalore, Arogya provides specialized eye care facility.
- The Company's welfare organisation called Sandur Kushala Kala Kendra was established for nurturing and development of traditional handicrafts, upliftment and gainful employment of rural artisans.
- The Company continues to provide a package of essential food grains, to suffice needs of a family of about five per month, at 1972 prices, to all its employees and workmen, including temporary workmen.
- The Company has undertaken to construct around 900 houses costing about ₹10-12 crore for the victims in flood affected regions of the State.
- The Company has contributed about ₹15 crore to Bellary Area Task Force (BATF) for the development of Bellary District in general and Sandur in particular.

## SECRETARIAL AUDIT

In accordance with Regulation 55A of SEBI (Depositories and Participants) Regulations, 1996 and Securities and Exchange Board of India (SEBI) Circular No. D&CC/FITTC/CIR-16/2002 and SEBI/MRD/Policy/Cir-13/2004 dated 31 December 2002 and 3 March 2004 respectively, the Company has obtained Secretarial Audit reports for all the quarters during the financial year under review from Ms. P. Renuka, Company Secretary in Practice. The same have been submitted to the stock exchanges and copies placed before the Board of Directors at the subsequent meetings.

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

Particulars relating to conservation of energy and technology absorption stipulated in the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 are not applicable as the Metal & Ferroalloys Plant was not operated by the Company. The particulars regarding expenditure and earnings in foreign exchange appear as items No.7 and 8 respectively in the Notes to the Accounts.

## EMPLOYEES

Information as required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, are given in the Annexure forming part of this report.

## ACKNOWLEDGEMENTS

The directors wish to thank the government and the banks for the support extended during the financial year to the Company.

The directors also wish to place on record their appreciation of the cordial labour-management relations and the good work put in by all employees of the Company.

for and on behalf of the Board

Place: Bangalore  
Date : 29 July 2010

**S. Y. GHORPADE**  
Chairman & Managing Director



## ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31 March 2010

Sl. No.	Name	Age (years)	Designation	Gross remuneration (₹)	Qualification	Experience (years)	Date of joining	Previous Employment
1.	S. Y. Ghorpade	69	Chairman & Managing Director	68,00,596	Professional Degree of Metallurgical Engineer from Colorado School of Mines, USA	47	1 August 1966	Tata Engineering and Locomotive Company (TELCO)
2.	Nazim Sheikh	56	Executive Director	61,04,894	B.E. (Metallurgy)	34	2 August 1976	NIL
3.	S. H. Mohan	62	Technical Director	60,93,422	M.Tech (Mechanical)	40	7 September 1970 / 15 November 1989	Ispat Profiles India Limited, Pune (1986-1989)
4.	S. R. Sridhar	60	Director (Mines)	29,83,000	B.Tech (Mining) from IIT, Kharagpur	36	24 May 1974	NIL





## REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE FOR THE YEAR 2009-10

### 1. Company's philosophy on code of governance

The Company believes that corporate governance is directing and controlling the business with the overriding objective of optimizing return for the shareholders. The Company aims to achieve this by providing long-term visibility of its business, ensuring effective relationship with stakeholders, establishing systems that help the Board in understanding risk appetite and monitoring risk at every stage of corporate evolution process.

The Company further believes in values such as fairness, kindness, efficiency, transparency, accountability and integrity in Corporate Governance.

### 2. Board of Directors

#### ☐ **Composition and Category of Directors**

As on 31 March 2010 the Board comprises of ten members, of whom four are whole time directors, viz., Chairman & Managing Director, Executive Director, Technical Director and Director (Mines), one non-executive promoter (ceased to be a director with effect from 29 June 2010) and the remaining five are independent non-executive directors. Chairman & Managing Director is one of the promoters of the Company. All the directors are highly qualified, professional and have vast experience in industry.

#### ☐ **The particulars of directors, their attendance at Board Meetings during the financial year and at the last Annual General Meeting are as under :**

Name of Directors	Category / Designation	Attendance	
		Board Meetings	Last AGM
S. Y. Ghorpade	Chairman & Managing Director	6	Yes
P. K. Devanathan (upto 6 January 2010)	Non-Executive & Independent	2	Yes
Nazim Sheikh	Executive Director	6	Yes
S. H. Mohan	Technical Director	5	Yes
Syed Abdul Aleem	Non-Executive & Independent	6	Yes
M. S. Rama Rao	Non-Executive & Independent	4	Yes
E. B. Desai	Non-Executive & Independent	5	No
Sushiladevi Ghorpade *	Non-Executive Promoter	3	No
T. R. Satish Chandran (upto 11 May 2009)	Non-Executive & Independent	NA	NA
S. R. Sridhar	Director (Mines)	5	Yes
N. C. Viswanathan (w.e.f. 28 May 2009)	Non-Executive & Independent	6	No
R. Subramanian (w.e.f. 28 May 2009)	Non-Executive & Independent	5	No

\* ceased to be a director with effect from 29 June 2010



- **Number of directorships and committee memberships held by the directors in domestic companies as at 31 March 2010 are as indicated below:**

Name of Director	Directorships (Excluding this Company)	Committee Memberships (Excluding this Company)	
		As Chairman	As Member
S. Y. Ghorpade	-	-	-
Nazim Sheikh	-	-	-
S. H. Mohan	-	-	-
Syed Abdul Aleem	-	-	-
M. S. Rama Rao	-	-	-
E. B. Desai*	8	4	4
Sushiladevi Ghorpade	-	-	-
S. R. Sridhar	1	-	-
N.C. Viswanathan	-	-	-
R. Subramanian	2	2	-

\*E. B. Desai ceased to be a director and also as Chairman of Audit Committee of one of the companies with effect from 16 April 2010.

### □ **Board Meetings**

Meetings of the Board of Directors are generally held at the Company's Corporate Office in Bangalore and are scheduled well in advance. The Board Meetings are held at least once in a quarter to review the quarterly performance and the financial results apart from transacting other items of business requiring the Board's attention. The Company Secretary in consultation with the Chairman & Managing Director and Executive Director prepares agenda for the meetings. The Board papers are circulated to directors in advance. Senior management personnel are invited to attend the Board Meetings and provide clarifications as and when required.

The Company has an Executive Chairman and half of the Board comprise of independent directors. The Company had no pecuniary relationship or transactions with any of the Non-Executive Directors during the year under review.

The information as required under Annexure 1A to Clause 49 of the listing agreements is being regularly placed before the Board. The Board also reviews the declarations made by the Chairman & Managing Director and the Company Secretary regarding compliance with all laws applicable to the Company on a quarterly basis.

The Board of Directors met six times during the financial year on 28 May 2009, 30 July 2009, 30 October 2009, 11 January 2010, 28 January 2010 and 30 March 2010. The interval between any two successive meetings did not exceed four months.

### **3. Audit Committee**

#### □ **Powers of the Audit Committee:**

- to investigate any activity within its terms of reference
- to seek information from any employee
- to obtain outside legal or other professional advice
- to secure attendance of outsiders with relevant expertise, if it considers necessary

#### □ **Terms of reference of the Audit Committee :**

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.



- c) Reviewing with the management the annual financial statements before submission to the Board, focusing primarily on:
  - any changes in accounting policies and practices
  - major accounting entries based on exercise of judgement by management
  - qualifications in draft audit report
  - significant adjustments arising out of audit
  - going concern assumption
  - compliance with accounting standards
  - compliance with stock exchange and legal requirements concerning financial statements
  - any related party transactions i.e., transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large
- d) Reviewing with the management matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
- e) Reviewing with the management and external and internal auditors, the adequacy of internal control systems.
- f) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- g) Discussion with internal auditors of any significant findings and follow up there on.
- h) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- i) Discussion with external auditors before the audit commences of the nature and scope of audit as well as having post-audit discussion to ascertain any area of concern.
- j) Reviewing the Company's financial and risk management policies.
- k) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- l) Reviewing Management Discussion and Analysis of financial condition and results of operations.
- m) Reviewing with the management, the quarterly financial statements before submission to the Board for approval.

☐ **Composition, name of the members and their attendance at meetings during the financial year are as under :**

Name	Designation	Category	No. of meetings attended
P. K. Devanathan (upto 6 January 2010)	Chairman*	Non-Executive & Independent	2
Syed Abdul Aleem	Member	Non-Executive & Independent	4
M. S. Rama Rao	Member	Non-Executive & Independent	2
T. R. Satish Chandran (upto 11 May 2009)	Member	Non-Executive & Independent	NA
N. C. Viswanathan	Member	Non-Executive & Independent	3
R. Subramanian	Member/Chairman*	Non-Executive & Independent	3

\* Consequent to resignation of P. K. Devanathan as director of the Company on 6 January 2010, R. Subramanian was elected as Chairman of the Audit Committee at its 36<sup>th</sup> meeting held on 28 January 2010.





The Company Secretary acts as Secretary to the Committee.

The meetings are scheduled well in advance and the whole-time directors, senior management personnel of the Company, Statutory Auditors and Internal Auditors are invited to attend the meetings.

The Audit Committee members are financially literate and have relevant finance and/or audit exposure. P. K. Devanathan, a financial expert was the Chairman of the Committee till 6 January 2010 and thereafter with effect from 28 January 2010 R. Subramanian, a financial expert is the Chairman of the Committee.

□ **Meetings held during the year 2009-10**

The Audit Committee met four times during the financial year on 28 May 2009, 30 July 2009, 30 October 2009 and 28 January 2010. The interval between any two successive meetings did not exceed four months. The quorum as required under clause 49(II)(B) was maintained at all the meetings.

#### 4. **Remuneration Committee**

□ **Brief description of terms of reference**

Remuneration Committee was constituted in April 2002 to consider and recommend to the Board, appointment, re-appointment and remuneration payable to whole-time directors.

□ **Composition, names of members and Chairman and their attendance**

The Committee consists of three independent non-executive directors, viz., E. B. Desai (Chairman), Syed Abdul Aleem (Member) and M. S. Rama Rao (Member). T. R. Satishchandran and P. K. Devanathan who were also members have ceased to be members of the Committee consequent to their resigning as directors from the Board with effect from 11 May 2009 and 6 January 2010 respectively.

The Company Secretary acts as Secretary to the Committee.

No meeting of the Remuneration Committee was held during the financial year 2009-10.

□ **Remuneration policy**

The remuneration policy is to pay salary / compensation and benefits adequately so as to attract, motivate and retain talent.

The remuneration payable to the whole-time directors was approved by the members at the 54<sup>th</sup> Annual General Meeting of the Company held on 25 September 2008.

**Details of remuneration paid to the whole-time directors for the year 2009-10:**

₹ lakh

Name of the Director	Salary	Perquisites	Contributions*	Term
S. Y. Ghorpade Chairman & Managing Director	15.00	48.37	4.64	3 years from 1 July 2008
Nazim Sheikh Executive Director	13.50	43.38	4.17	
S. H. Mohan Technical Director	13.50	43.27	4.17	
S. R. Sridhar Director (Mines)	9.00	18.40	2.43	3 years from 1 October 2008

\* Includes contribution to Provident and other Funds but does not include contribution towards Gratuity and Leave salary, as these are determined on an actuarial basis for the Company as a whole.



The Company does not have stock option scheme, there is no variable component in the remuneration and there is no severance fee. Service contracts exist with the whole-time directors which contain their terms and conditions including remuneration, notice period etc., as approved by the Members. The Agreements may be terminated by either party at any time by giving three months' notice to the other party.

#### **Remuneration to non-executive directors for the financial year 2009-10:**

The non-executive directors do not receive any remuneration from the Company other than sitting fee for attending meetings of the Board and its Committees thereon and reimbursement of expenses incurred on travelling and stay in case of outstation directors.

#### **Details of Sitting Fee paid to Non-executive directors during the financial year 2009-10:**

(₹)

P. K. Devanathan	50,000
Syed Abdul Aleem	1,20,000
M. S. Rama Rao	70,000
E. B. Desai	50,000
Sushiladevi Ghorpade	30,000
N.C. Viswanathan	90,000
R. Subramanian	80,000

E. B. Desai holds 5,650 equity shares and R. Subramanian holds 100 equity shares in the Company.

### **5. Investors' Grievance & Share Transfer Committee**

Investors' Grievance and Share Transfer Committee was constituted on 26 July 2006.

The Committee consists of four directors to oversee the redressal of shareholders' and investors' complaints, if any, and to consider and approve transfer and transmission of shares and issue of duplicate share certificates. Consequent to resignation of P. K. Devanathan as director of the Company, Syed Abdul Aleem was elected as Chairman of the Committee at its 14<sup>th</sup> Meeting held on 28 January 2010. The committee is headed by Syed Abdul Aleem who is an independent non-executive director. S. Y. Ghorpade, Nazim Sheikh and M. S. Rama Rao are its members. The Company Secretary acts as Secretary to the Committee.

To expedite the process of share transfers / transmissions, authority has been delegated by the Board severally to the Chairman and Managing Director, Executive Director and the Company Secretary who will be regularly attending to share transfers and transmissions, issue fresh share certificates in lieu of old share certificates lost / mutilated or on transfer, sub-division, consolidation, renewal, exchange etc., subject to the related deeds / documents being in order.

Venture Capital and Corporate Investments Private Limited (VCC IPL), one of the leading SEBI registered Category – I Registrar and Transfer Agents has been appointed as Share Transfer Agent of the Company to process share transfer requests on behalf of the Company with effect from 18 January 2008. The Chairman & Managing Director or Executive Director or Company Secretary approves the share transfer registers and a statement of share transfers / transmissions effected, share certificates issued in each quarter are placed before the Investors' Grievance & Share Transfer Committee for approval and are also placed before the Board of Directors for ratification at their next meeting.

The Investors' Grievance & Share Transfer Committee met four times during the financial year on 28 May 2009, 30 July 2009, 30 October 2009 and 28 January 2010. The interval between any two successive meetings did not exceed four months.



□ **Name and Designation of Compliance officer:**

Md. Abdul Saleem, Company Secretary

□ **Composition, names of the members and their attendance at meetings are as under:**

Name	Designation	Category	No. of meetings attended
P. K. Devanathan (upto 6 January 2010)	Chairman	Non-Executive & Independent	2
S. Y. Ghorpade	Member	Executive Director	4
Nazim Sheikh	Member	Executive Director	4
M. S. Rama Rao	Member	Non Executive & Independent	2
Syed Abdul Aleem*	Member	Non Executive & Independent	4

\* Elected as Chairman at the 14<sup>th</sup> Meeting of the Committee held on 28 January 2010.

□ **Number of shareholder complaints received, number solved to the satisfaction of the shareholders and number of pending transfers:**

The Company had 2 complaints pending on 1 April 2009, received 33 complaints during the year and redressed all the 35 to the satisfaction of the shareholders. No complaints were pending as on 31 March 2010.

There were no pending share transfer requests as on 31 March 2010.

## 6. General Body Meetings

□ **Location and time of the last three AGMs**

The Annual General Meetings for the last three years were held on 25 September 2009 at 11.00 a.m. 25 September 2008 at 11.00 a.m. and 27 September 2007 at 11.00 a.m. The meetings were held in Anuradha Hall, Shivapur, Sandur - 583 119. Ten special resolutions were passed at the past three Annual General Meetings.

□ **A special resolution was passed on 28 January 2010 by the Company's members through postal ballot under the provisions of Section 372A of the Companies Act, 1956, for making investment in the equity share capital of OM Holdings Limited, Australia (OMH) to the extent of ₹10.00 crore in one or more tranches, being in addition to the existing exposure of the Company by way of loans made, guarantees given, securities provided, investments made by the Company and approvals obtained for such purpose.**

### Details of Voting Pattern

	Ballots*	Votes	% of Votes
In favour	150	64,05,944	99.98%
Against	3	1,400	0.02%

\* excludes 2 invalid votes





The votes cast in favour of the resolution are 99.98% of the total votes received and consequently, the resolution for investing in the equity share capital of OMH by the Company has been passed by requisite majority.

Person who conducted postal ballot exercise: Parameshwar G. Hegde  
Practicing Company Secretary

- ☐ The Company has not proposed to pass any special resolution through postal ballot.

## 7. **Subsidiary Company**

Star Metalics and Power Private Limited (SMPPL), a subsidiary of the Company has further allotted 55 lakh equity shares of ₹10/- each at a premium of ₹10/- per share on 25 September 2009 and the Company holds 68.97% of its paid up equity share capital.

SMIORE, being a major shareholder, has nominated four of its directors as directors on the Board of SMPPL. S. Y. Ghorpade, Chairman & Managing Director of SMIORE is the non-executive Chairman of SMPPL, S. H. Mohan, Technical Director of SMIORE is a whole-time director of SMPPL, Nazim Sheikh - Executive Director and M.S. Rama Rao - Independent Director of SMIORE are the non-executive directors of SMPPL.

The operations of SMPPL are being controlled and monitored by SMIORE, inter alia, by the following means:

- ☐ Financial statements, in particular the investments made by SMPPL, are being reviewed by the Audit Committee of the Company.
- ☐ Minutes of the meetings of SMPPL's Board are placed before the Company's Board regularly.
- ☐ Financial statements showing all significant transactions and arrangements entered into by SMPPL are placed before the Company's Board.

## 8. **Disclosures**

- ☐ **Related Party Transactions:** During the year under review, besides the transactions reported in Note 12 of Schedule 9 to the Financial Statements in the Annual Report, there are no other related party transactions of the Company with its promoters, directors or the management or their relatives and associates. These transactions do not have any potential conflict with the interest of the Company at large. The material related party transactions, if any, are placed before the Audit Committee periodically. Further there are no material individual transactions that are not in normal course of business and not on an arm's length basis.
- ☐ **Disclosure of Accounting Treatment:** The Company follows Accounting Standards notified by the Central Government under the Companies (Accounting Standards) Rules, 2006 and in the preparation of financial statements, the Company has not adopted a treatment different from that prescribed in any Accounting Standard.
- ☐ **Disclosure by Senior Management:** Senior management has made disclosures to the Board confirming that they have not entered into material financial and commercial transactions with the Company wherein they have personal interest that could result in a conflict with the interest of the Company at large.
- ☐ **Details of Non-Compliance:** There have been no instances of non-compliance by the Company and no penalties, strictures have been imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.
- ☐ **Risk Management:** The Company is committed to strengthen its risk management capability in order to protect and enhance shareholder value. Accordingly, the Company has laid down procedures to prevent the risk from occurring and if it cannot be prevented, to minimize the adverse impact of such risk. The Board responds to the Executive Management's need for enhanced risk information and improved governance and has an effective internal control and management reporting system. The Audit Committee of the Board reviews Internal Audit findings, if any, and provides strategic guidance on internal controls. The Company follows the framework to attain a balanced approach that considers risk and return.



## 9. Means of Communication

- ☐ Quarterly financial results are being regularly sent to Bangalore Stock Exchange Limited and Bombay Stock Exchange Limited
- ☐ Quarterly financial results are generally published in The Financial Express and Sanjevani newspapers.
- ☐ No presentation has been made to Institutional Investors or to the Analysts.
- ☐ Management Discussion and Analysis is forming part of this Annual Report.

## 10. General Shareholder Information

i) Date, Time and Venue of the Annual General Meeting

29 September 2010 at 11.00 a.m. at Anuradha Hall, Shivapur, Sandur - 583 119.

ii) Financial Year : 1 April 2009 to 31 March 2010

iii) Financial Calendar (tentative and subject to change)

Financial Reporting for the quarter ended 30 June 2010	29 July 2010
Financial Reporting for the quarter ending 30 September 2010	Before 14 November 2010
Financial Reporting for the quarter ending 31 December 2010	Before 14 February 2011
Financial Reporting for the quarter ending 31 March 2011	By end of April / May 2011

iv) Dates of Book Closure: 22 September 2010 to 29 September 2010 (Both days inclusive)

v) Dividend Payment Date: On or after 29 September 2010

vi) Listing on Stock Exchanges: The Company's shares are listed on

1) Bombay Stock Exchange Limited

P. J. Towers, Dalal Street

MUMBAI - 400 001

2) Bangalore Stock Exchange Limited

No. 51, 1<sup>st</sup> Cross, J. C. Road

BANGALORE - 560 027

Listing Fees: The Company has paid the annual listing fee for the year 2010-11 to both the Stock Exchanges where the securities of the Company are listed.

vii) Stock Code: Bombay Stock Exchange Limited (BSE) - 504918

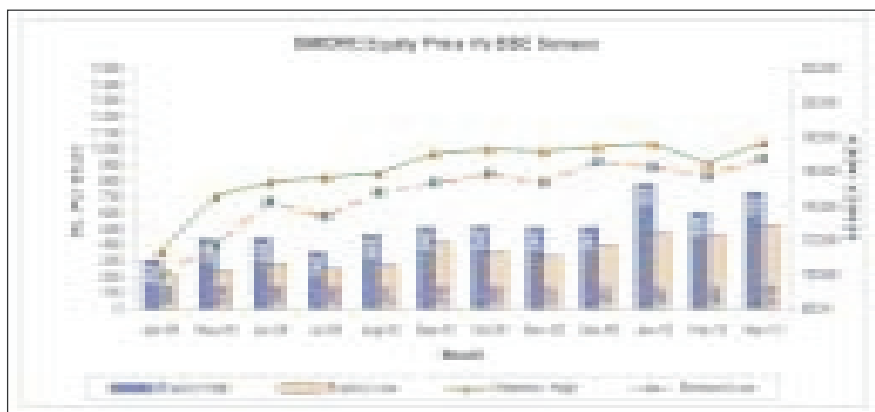
Bangalore Stock Exchange Limited (BgSE) - SM



viii) Monthly High and Low Quotation of Company's shares traded on BSE

Month	Open ₹	High ₹	Low ₹	Close ₹	No. of Shares	No. of Trades	BSE Sensex (Average)
Apr 2009	209.00	307.10	209.00	251.00	62250	307	10911
May 2009	263.45	436.10	238.05	424.55	80300	550	13046
Jun 2009	435.10	441.90	287.80	287.80	138900	1151	14782
Jul 2009	281.00	352.40	255.05	307.20	96450	863	14635
Aug 2009	291.85	464.65	277.30	464.65	229750	1752	15415
Sep 2009	485.00	508.80	416.20	508.80	330239	7868	16338
Oct 2009	518.00	518.00	358.00	361.50	185874	4933	16826
Nov 2009	368.90	510.05	336.60	450.05	359595	6127	16684
Dec 2009	463.00	511.05	402.50	487.10	245671	5778	17090
Jan 2010	503.00	782.80	487.25	605.25	743840	17705	17260
Feb 2010	601.00	606.00	465.10	493.60	188153	6800	16184
Mar 2010	518.25	730.05	518.25	705.65	508577	15166	17303

ix) Comparison of Company's share price movement with BSE Sensex



x) Distribution of Equity Shareholding as on 31 March 2010

Shareholding of Nominal value of ₹	No. of shareholders	No. of Shares	% to total Capital
Up to 5000	4,974	5,34,098	6.10
5001 10000	269	2,15,345	2.46
10001 20000	134	2,04,971	2.34
20001 30000	49	1,21,490	1.39
30001 40000	22	78,774	0.90
40001 50000	13	60,961	0.70
50001 100000	34	2,31,616	2.65
100001 Above	41	73,02,745	83.46
<b>Total</b>	<b>5,536</b>	<b>87,50,000</b>	<b>100.00</b>





xi) Shareholding pattern as on 31 March 2010

Categories	No. of Shares	% to Total
Promoters, Directors and their relatives and associates	65,06,450	74.36
Banks and Financial Institutions	1,29,028	1.47
Mutual Funds	2,650	0.03
Insurance Companies	1,00,000	1.14
Foreign Institutional Investors	5,350	0.06
Other bodies corporate	4,90,971	5.61
Public	15,15,551	17.33
<b>TOTAL</b>	<b>87,50,000</b>	<b>100.00</b>

- xii) Registrar and Transfer Agent : Venture Capital and Corporate Investments Private Limited, 12-10-167, Bharatnagar, Hyderabad – 500 018
- xiii) Share Transfer System : Venture Capital and Corporate Investments Private Limited (VCCIPL), one of the leading SEBI registered Category – I Registrar and Transfer Agent has been appointed as Share Transfer Agent of the Company to process share transfer requests on behalf of the Company with effect from 18 January 2008. The Chairman & Managing Director or Executive Director or Company Secretary approves the share transfer registers and a statement of share transfers / transmissions effected, share certificates issued in each quarter are placed before the Investors' Grievance & Share Transfer Committee for approval and are also placed before the Board of Directors for ratification at their next meeting.
- xiv) Dematerialization of Shares and Liquidity : As on 31 March 2010, 20,35,396 equity shares have been dematerialized.
- xv) There are no outstanding GDRs / ADRs / Warrants or any Convertible Instruments due for conversion.
- xvi) Directors seeking appointment / re-appointment : As required under Clause 49(IV)(G), particulars of directors seeking appointment / re-appointment are provided in the Explanatory Statement to the Notice of the Annual General Meeting to be held on 29 September 2010.
- xvii) There is no stock option scheme.
- xviii) Plant location: Mines at Deogiri and Metal & Ferroalloys plant at Vyasankere.
- xix) Address for correspondence

Registered Office: Lakshmipur, Sandur, Bellary District, Karnataka - 583 119

Corporate Office : # 217, Bellary Road, Sadashivanagar, Bangalore - 560 080

## 11. CEO / CFO CERTIFICATION

The Chairman & Managing Director, being the Chief Executive Officer (CEO) and the Financial Controller, being the Chief Finance Officer (CFO) have certified to the Board in accordance with clause 49 (v) of the Listing Agreement pertaining to CEO/CFO certification for the financial year 2009-10, which is annexed thereto.



## **12. AFFIRMATION OF COMPLIANCE WITH CODE OF CONDUCT**

The Chairman & Managing Director of the Company has given a certificate confirming that the Company has obtained from all the members of the Board and Senior Management, except from one of the directors who has ceased to be a director with effect from 29 June 2010, affirmation of their compliance with the Code of Conduct for Directors and Senior Management in respect of the financial year 2009-10 and the same were placed before the Board at its meeting held on 30 April 2010. A copy of the said certificate is annexed hereto.

## **13. STATUS OF COMPLIANCE WITH THE NON – MANDATORY REQUIREMENTS OF CLAUSE 49 OF THE LISTING AGREEMENT IS GIVEN BELOW:**

- (i) **Non-Executive Chairman's Office:** The Chairman of the Company is an Executive Chairman and hence this provision is not applicable.
- (ii) **Tenure of Independent Directors:** The Board has not specifically determined the maximum tenure for Independent Directors. They are liable to retire by rotation as per the applicable provisions and, if eligible, may be re-appointed at the Annual General Meeting of the Company.
- (iii) **Remuneration Committee:** Details are given under the heading 'Remuneration Committee'.
- (iv) **Shareholder Rights:** The quarterly and annual financial results of the Company are published in leading newspapers and are provided to Stock Exchanges in compliance with the provisions of Listing Agreements. A copy of complete Annual Report is sent to each and every shareholder of the Company.
- (v) **Audit qualifications:** During the year under review, there was no audit qualification to the Company's financial statements.
- (vi) **Training of Board Members:** At the meetings of the Board and the Committees thereon, Directors are extensively briefed on all business related matters, risk assessment and minimization procedures, developments and trends in the market, new initiatives and statutory amendments etc.
- (vii) **Mechanism for evaluating non-executive Board Members:** The role of the Board of Directors is to provide direction and exercise control to ensure that the Company is managed in a manner that fulfils shareholders' aspirations and the societal expectations. The performance of the non – executive directors is discussed during their re-appointment. Other than the above, the Company does not have a mechanism for evaluating non-executive Board Members.
- (viii) **Whistle Blower Policy:** The Company does not have any specific whistle blower policy as such but encourages an open door policy where employees have access to the Heads of the Department and also to the whole-time directors, including the Chairman, during their visit to the respective departments wherein they have been provided with the liberty to report matters pertaining to unethical behavior, actual or suspected fraud. The management and the promoters provide absolute and adequate safeguards against victimization of employees who avail of opportunity to report the same.

## **14. AUDITORS' CERTIFICATE ON COMPLIANCE WITH CLAUSE 49 OF THE LISTING AGREEMENT:**

Auditors' Certificate is being annexed.

for and on behalf of the Board

Place: Bangalore  
Date : 29 July 2010

**S. Y. GHORPADE**  
Chairman & Managing Director



## CERTIFICATE

We, S. Y. Ghorpade, Chairman & Managing Director and K. Raman, Financial Controller being nominated as Chief Finance Officer (CFO) and responsible for the finance function certify that in respect of the financial year ended on 31 March 2010:

- a) we have reviewed financial statements and the cash flow statement for the year and that to the best of our 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; and
  - 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) to the best of our 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) we accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company, pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware, have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- d)
  - (i) there has not been any significant change in internal control over financial reporting during the year under reference;
  - ii) there has not been any significant change in accounting policies during the year requiring disclosures in the notes to the financial statements; and
  - iii) we are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Place : Bangalore  
Date : 28 May 2010

for The Sandur Manganese & Iron Ores Limited  
S.Y. Ghorpade  
Chairman & Managing Director

K. Raman  
Financial Controller & CFO

## CERTIFICATE

I, S. Y. Ghorpade, Chairman & Managing Director do hereby certify and confirm that the Company has obtained from all the members of the Board and Senior Management, except from one of the directors who has ceased to be a director with effect from 29 June 2010, affirmation of their compliance with the Code of Conduct for Directors and Senior Management in respect of the financial year 2009-10 and the same were placed before the Board at its meeting held on 30 April 2010.

Place : Bangalore  
Date : 29 July 2010

for The Sandur Manganese & Iron Ores Limited  
S.Y. Ghorpade  
Chairman & Managing Director

## AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

### To the Members of THE SANDUR MANGANESE & IRON ORES LIMITED

We have examined the compliance of conditions of Corporate Governance by The Sandur Manganese & Iron Ores Limited, for the year ended March 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement, however in respect of one of the directors, who ceased to be a director with effect from June 29, 2010, the Company has not received the affirmation of compliance with the Code of Conduct for the year ended March 31, 2010.

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

Place : Bangalore  
Date : 27 August, 2010

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No. 008072S)

**S. Sundaresan**  
Partner  
(M. No. 25776)



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### 1. BACKGROUND

The Management Discussion and Analysis Report sets out the developments in the business, the Company's performance since last report and the future outlook. This report is part of the Directors' Report and the Audited Financial Statements, forming part of the Annual Report. However, certain statements made in this report relating to the projections, outlook, expectations, estimates etc., may constitute 'forward looking statements' within the meaning of applicable laws and regulations and may differ from actuals. Several factors could make a significant difference to the Company's operations, including climatic conditions, economic conditions affecting demand and supply, government regulations, revision in government policies, taxation and natural calamities, over which the Company does not have any control.

### 2. INDUSTRIAL OVERVIEW, MARKET SCENARIO, OPPORTUNITIES AND THREATS

Outlook for the Company's products, namely Manganese (Mn) Ore & Iron ore is linked directly to the status of steel industry in India and overseas. Demand for Mn Ore was low during the first half of the financial year 2009-10 but started showing signs of improvement during second half. This was mainly due to increased ferroalloy production within India due to demand for same in the export market. Indian ferroalloy production is estimated to have touched 1.4 million tonnes during 2009-10 though domestic demand from steel producers picked up only marginally. Major Mn ore producers in the west had cut down their production during global meltdown. This created a slight scarcity for Mn ore during second half of 2009-10 and demand for Mn Ore, both in India and outside picked up. China produced nearly 22 million tonnes of ferroalloys, about 4 million tonnes more than previous year, imported more ferroalloys and exported less ferroalloys than previous year. China is discouraging export of ferroalloys. This has given an opportunity for India to meet international demand for ferroalloys vacated by China by increasing domestic production. This will require increased imports of high grade Mn ore and will increase the demand for low grade ore. This position is likely to remain for some time to come unless Indian Government too starts discouraging ferroalloy exports. Demand for Mn ore has shown signs of upward movement during first quarter of 2010-11. However such a position is likely to even out during second and third quarters of 2010-11 due to marginal fall in ferroalloy prices. Demand for Mn ore during last quarter of 2010-11 is expected to improve. There has been a small rise in price of Mn ore in the international market but this is unlikely to lift the price of low grade ferruginous Mn ore. Increase in logistics cost has made export of low grade ores less attractive but the Company proposes to maintain its presence in the international market though on a reduced scale. Demand for Mn ore for most part of this year is expected to be stable.

There has been a major change in the iron ore pricing policy. All the major iron ore producers in the world have changed from annual pricing formula to quarterly pricing formula. Though this was resisted by major steel producers of the world, iron ore producers due to consolidation that has taken place among ore producers (Now there are only three major producers in the world) have been able to put this pricing formula into practice. Now the spot prices are lower than long term prices. Higher logistics costs have made exports less profitable. Spot prices which ruled high during first quarter of 2010-11 are coming down. Company's production of high grade iron ore has reduced due to some depletion of reserves in present areas of exploitation but efforts are on to market the available medium grade iron ore. Export of high and medium grade iron ore fines will be on a low key.

Lumpy iron ore produced by the Company is being crushed to meet the specifications of pig iron and sponge iron industry. Demand for this product is steady and is expected to grow. Demand for iron ore produced by the Company will remain stable at reasonable price levels for most part of this year.

Low grade iron ore production will be beneficiated at crushing, screening & washing plants nearby where water is available. Beneficiated iron ore will be further converted into billets which in turn will be converted into TMT bars. The Company is making efforts to add value to iron ore produced by the Company by converting it into steel. The Company has entered into an arrangement with a local mini steel plant to produce TMT bars from steel billets supplied by the Company. This is in keeping with the Company's policy and aims of value addition, captive consumption and domestic industrialization.

### 3. SEGMENT-WISE PERFORMANCE

#### a) Mining

During the year ended 31 March 2010, the Mines produced 1,97,078 tonnes of Mn Ore apart from salvaging





28,678 tonnes of low grade ore from old dumps. The Company exported 1,07,652 tonnes and made domestic sales of 1,75,793 tonnes making the aggregate Mn ore sales of 2,83,445 tonnes.

The Mines also produced 14,46,954 tonnes of iron ore besides salvaging 36,234 tonnes of low-grade ore from old dumps. The Company exported 1,00,041 tonnes and made domestic sales of 14,35,888 tonnes making the aggregate iron ore sales of 15,35,929 tonnes.

#### **b) Conversion of Iron ore to Steel**

The Company has entered into an agreement for conversion of iron ore into pig iron and cast / rolled steel products and during the year under review 4,152 tonnes of TMT bars have been manufactured and 4,515 tonnes were sold resulting in a negative contribution of ₹82.13 lakh.

#### **4. OUTLOOK, RISKS AND CONCERNS**

As stated earlier, there has been an improvement in the demand for Mn and Iron Ore during the first quarter of the current financial year and we expect the demand to be lower during second and third quarters of the financial year 2010-11. Demand may pick up during last quarter of the financial year. Risk exists if government discourages exports of ferroalloy or if India's competitiveness in the international market decreases due to increased power costs & tariff which is a matter of concern.

Steep increase in railway freight from May 2010 has discouraged export of low grade ore from Bellary-Hospet sector. However, domestic demand for lump ore and high grade iron ore fines is steady. Low grade iron ore will also be beneficiated to make it saleable.

#### **5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has well-developed internal control systems and clearly defined delegation of powers to its executives. The Company has an Internal Audit Department, which independently monitors the compliance with the approved internal control procedures and exercise of powers strictly as per the approved delegation of powers.

To substantially expand the scope of internal audit, in line with the Standards of Internal Audit issued by the Institute of Chartered Accountants of India, the Company has M/s. P. Chandrasekar, Chartered Accountants as its internal auditor which is submitting its report on a quarterly basis to the Audit Committee.

#### **6. FINANCIAL PERFORMANCE**

During the year ended 31 March 2010, the Company earned profit before tax of ₹4,301.03 lakh after charging ₹1,042.12 lakh towards depreciation on fixed assets and amortization of mining lease rights and ₹153.53 lakh towards interest.

After taking into account charging off income tax of ₹1,900.00 lakh, deferred tax of (₹516.00 lakh), the profit of ₹14,641.15 lakh brought forward from the previous year in the Profit and Loss Account, dividend on shares of ₹262.50 lakh, tax on dividends of ₹43.60 lakh and transfer to general reserve of ₹292.00 lakh, the profit carried to the Balance Sheet is ₹16,960.08 lakh.

#### **7. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS**

As on 1 April 2009, the Company had employee strength of 1,294. During the year, 20 employees were recruited and 63 employees were separated. Excluding the 29 employees on consolidated remuneration, employee strength at the end of the financial year 2009-10 was 1251.

The Company has a record of cordial relations with its employees ever since its inception.

for and on behalf of the Board

Place: Bangalore  
Date : 29 July 2010

**S. Y. GHORPADE**  
Chairman & Managing Director



## AUDITORS' REPORT

### TO THE MEMBERS OF THE SANDUR MANGANESE & IRON ORES LIMITED

1. We have audited the attached Balance Sheet of The Sandur Manganese & Iron Ores Limited ("the Company") as at 31<sup>st</sup> March, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (iii) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2010;
    - (b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
    - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of written representations received from directors as on 31<sup>st</sup> March, 2010 other than one from whom written representation has not been received but in respect of whom the Company has certified that the concerned director is not a director in any other company and taken on record by the Board of Directors, we report that none of directors is disqualified as on 31<sup>st</sup> March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

for **Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No. 008072S)

Place : Bangalore  
Date : 28<sup>th</sup> May, 2010

**S. Sundaresan**  
Partner  
(Membership No. 25776)



**ANNEXURE REFERRED TO IN PARAGRAPH (3) OF THE AUDITORS' REPORT TO THE MEMBERS OF THE SANDUR MANGANESE & IRON ORES LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2010.**

- (i) Having regard to the nature of the Company's business / activities, clauses (xiii) and (xiv) of CARO are not applicable.
- (ii) 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.
  - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, the Company is in the process of completing the reconciliation of the assets verified with the fixed asset records and discrepancies, if any, identified on such reconciliation will be dealt with in the books of account on completion of the reconciliation.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory:
  - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
  - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the 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 its inventories and no material discrepancies were noticed on physical verification.
- (iv) The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased and most of the items sold are of a special nature for which comparable alternative quotations are not available, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any major weakness in such internal control system.
- (vi) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - (a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
  - (b) Where each of such transaction is in excess of ₹5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
- (vii) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year.
- (viii) In our opinion, the internal audit functions carried out during the year by firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (ix) To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for the products of the Company.



(x) According to the information and explanations given to us in respect of statutory dues:

- (a) While there were delays in depositing certain dues, the Company has generally been regular in depositing undisputed dues, including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund.
- (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2010 for a period of more than six months from the date they became payable except for Rs 1.39 lakh relating to Tax deducted at source and the same has been subsequently paid.
- (c) Details of dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31st March, 2010 on account of disputes are given below:

Statute	Nature of Dues	Amount involved (₹ in lakh)	Period to which the amount relates	Forum where Dispute is pending
The Income Tax Act, 1961	Income tax including interest	1,573.76	2006-2007	The Commissioner of Income tax (Appeals)
The Customs Act, 1962	Custom duty including interest	287.06	1986-2010	High Court of Andhra Pradesh
		1,033.58	1990-2010	Commissioner of Customs, Goa
The Central Excise Act, 1944	Service tax	5.85	2008-2009	The Commissioner of Central Excise and Customs

- (xi) The Company has neither accumulated losses at the end of the financial year nor it has incurred cash losses during the current financial year and in the immediately preceding financial year.
- (xii) In our opinion and according to the information and explanations given to us, the Company has not taken any loan from financial institutions or bank or debenture holders and therefore, reporting on the same does not arise.
- (xiii) In our opinion, the Company has maintained adequate records where it has granted loans and advances on the basis of security by way of pledge of shares.
- (xiv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantees during the year for loans taken by others from banks or financial institutions.
- (xv) The Company has not availed any term loans during the year.
- (xvi) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long- term investment.
- (xvii) The Company has not made any preferential allotment of shares during the year.
- (xviii) The Company has not issued any debentures during the year.
- (xix) The Company has not raised any money by way of public issue during the year.
- (xx) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

**for Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No. 008072S)  
**S. Sundaresan**  
Partner  
(Membership No. 25776)

Place : Bangalore  
Date : 28th May, 2010





## BALANCE SHEET AS AT 31 MARCH, 2010

	Schedules	31.03.2010 ₹ lakh	31.03.2009 ₹ lakh
<b>I. SOURCES OF FUNDS</b>			
<b>1. SHARE HOLDERS' FUNDS</b>			
(a) Share Capital	1	875.00	874.99
(b) Reserves and surplus	2	<u>20,515.34</u>	<u>17,904.41</u>
		<b>21,390.34</b>	<b>18,779.40</b>
<b>2. DEFERRED TAX LIABILITY (NET)</b>		-	29.00
		<u><b>21,390.34</b></u>	<u><b>18,808.40</b></u>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. FIXED ASSETS</b>	3		
(a) Gross block		15,788.07	15,561.62
(b) Less depreciation		<u>8,534.94</u>	<u>7,528.17</u>
(c) Net block		<u>7,253.13</u>	<u>8,033.45</u>
(d) Capital work-in-progress		<u>679.09</u>	<u>396.97</u>
		<b>7,932.22</b>	<b>8,430.42</b>
<b>2. INVESTMENTS</b>	4	<b>11,145.55</b>	<b>8,912.39</b>
<b>3. DEFERRED TAX ASSET (NET)</b>		<b>487.00</b>	-
<b>4. CURRENT ASSETS, LOANS AND ADVANCES</b>	5		
(a) Inventories		1,236.99	4,333.15
(b) Sundry debtors		5,572.21	4,364.80
(c) Cash and bank balances		3,532.21	3,136.44
(d) Loans and advances		<u>7,297.42</u>	<u>3,187.56</u>
		<u><b>17,638.83</b></u>	<u><b>15,021.95</b></u>
Less :			
<b>5. CURRENT LIABILITIES AND PROVISIONS</b>	6		
(a) Liabilities		13,018.16	10,860.66
(b) Provisions		<u>2,795.10</u>	<u>2,695.70</u>
		<u><b>15,813.26</b></u>	<u><b>13,556.36</b></u>
<b>Net current assets</b>		<b>1,825.57</b>	<b>1,465.59</b>
		<u><b>21,390.34</b></u>	<u><b>18,808.40</b></u>
Notes to accounts	9		
The schedules referred to above form an integral part of the Balance Sheet			

In terms of our report attached

for **Deloitte Haskins & Sells**  
Chartered Accountants

**S. SUNDARESAN**  
Partner

Place : Bangalore  
Date : 28 May 2010

for and on behalf of the Board of Directors

**S. Y. GHORPADE**  
Chairman & Managing Director

**MD. ABDUL SALEEM**  
Company Secretary

Place : Bangalore  
Date : 28 May 2010

**NAZIM SHEIKH**  
Executive Director

**K. RAMAN**  
Financial Controller & CFO



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	Schedules	2009-10 ₹ lakh	2008-09 ₹ lakh
<b>INCOME</b>			
Gross sales and services		28,837.14	42,781.78
Less : Excise duty		90.07	-
Net sales and services		28,747.07	42,781.78
Other income	7	1,542.82	286.90
		30,289.89	43,068.68
<b>EXPENDITURE</b>			
Mining, manufacturing and other expenses	8	24,793.21	19,574.35
Depreciation / Amortisation	3	1,042.12	988.51
Interest :-			
Others		153.53	1.97
		25,988.86	20,564.83
<b>Profit / (Loss) before tax</b>		4,301.03	22,503.85
<b>Taxes :</b>			
Current tax		1,900.00	8,825.00
Deferred tax		(516.00)	(1,090.00)
Fringe benefit tax		-	21.80
		1,384.00	7,756.80
<b>NET PROFIT / (LOSS)</b>		2,917.03	14,747.05
Profit / (loss) brought forward		14,641.15	1,743.66
		17,558.18	16,490.71
Less : Appropriation			
Dividend on Equity shares			
Interim		-	131.25
Final		262.50	131.25
Dividend on Preference Shares		-	13.72
Tax on Dividend		43.60	46.94
Transfer to Capital Redemption Reserve		-	51.40
Transfer to General Reserve		292.00	1,475.00
		598.10	1,849.56
Carried to Balance Sheet		16,960.08	14,641.15
Notes to accounts	9		
Earnings per share of ₹10 each			
Basic and Diluted (₹)		33.34	168.35

The schedules referred to above form an integral part of the Profit and Loss Account

In terms of our report attached

for **Deloitte Haskins & Sells**  
Chartered Accountants

**S. SUNDARESAN**  
Partner

Place : Bangalore  
Date : 28 May 2010

for and on behalf of the Board of Directors

**S. Y. GHORPADE**  
Chairman & Managing Director

**MD. ABDUL SALEEM**  
Company Secretary

Place : Bangalore  
Date : 28 May 2010

**NAZIM SHEIKH**  
Executive Director

**K. RAMAN**  
Financial Controller & CFO



# CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	2009-10 ₹ lakh	2008-09 ₹ lakh
<b>A. Cashflows from operating activities</b>		
Net Profit / (Loss) before tax	4,301.03	22,503.85
Adjustment for :		
- Depreciation / Amortisation	1,042.12	988.51
- Assets discarded	3.03	19.92
- Profit on sale of fixed assets - (net)	(78.37)	(0.68)
- Bad debts / advances written off	0.14	27.08
- Interest expenses	153.53	1.97
- Interest Income	(760.14)	(185.04)
- Income from mutual funds	(669.88)	(21.95)
- Dividend Income	(0.05)	(0.04)
- Unrealised exchange difference (net)	17.65	-
- Liabilities / Provisions no longer required written back	-	(21.03)
<b>Operating profit/(loss) before working capital changes</b>	<b>4,009.06</b>	<b>23,312.59</b>
Adjustment for :		
- (Increase)/Decrease in sundry debtors	(757.25)	(1,380.54)
- (Increase)/Decrease in inventories	3,096.16	(3,220.72)
- (Increase)/Decrease in loans and advances	(5,038.33)	(543.58)
- Increase/(Decrease) in current liabilities / provisions	1,532.72	4,640.34
Cash generated from operations	2,842.36	22,808.09
- Direct taxes paid	(1,835.14)	(8,068.84)
<b>NET CASH FROM / (USED IN) OPERATING ACTIVITIES</b>	<b>1,007.22</b>	<b>14,739.25</b>
<b>B. Cashflows from investing activities</b>		
Additions to fixed assets (including capital work-in-progress and advances on capital account)	(566.29)	(3,593.29)
Proceeds from sale of fixed/other assets	22.73	226.68
(Purchase)/sale of mutual funds	(1,133.16)	(5,012.34)
Investment in shares of subsidiary	-	(3,900.00)
Share application money pending allotment	-	(1,100.00)
Interest received	575.74	109.67
Income from mutual funds	669.88	21.95
Dividend received	0.05	0.04
<b>NET CASH FROM / (USED IN) INVESTING ACTIVITIES</b>	<b>(431.05)</b>	<b>(13,247.29)</b>
<b>C. Cashflows from financing activities</b>		
Redemption of Preference shares	-	(51.40)
Dividend on shares and tax thereon	(175.87)	(387.21)
Interest paid	(4.53)	(1.97)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(180.40)</b>	<b>(440.58)</b>
<b>NET CASH FLOW DURING THE YEAR (A+B+C)</b>	<b>395.77</b>	<b>1,051.38</b>
Cash and cash equivalents (opening balance)	3,136.44	2,085.06
Cash and cash equivalents (closing balance)	3,532.21	3,136.44

Cash & Cash equivalents includes :

- term deposits of ₹317.33 lakh (previous year : ₹241.07 lakh) under lien against bank guarantee
- current account ₹154.14 lakh (previous year : ₹355.61 lakh) in the Escrow Account to be utilised as per the Escrow agreement with the customer

In terms of our report attached

for **Deloitte Haskins & Sells**  
Chartered Accountants

**S. SUNDARESAN**  
Partner

Place : Bangalore  
Date : 28 May 2010

for and on behalf of the Board of Directors

**S. Y. GHORPADE**  
Chairman & Managing Director

**MD. ABDUL SALEEM**  
Company Secretary

Place : Bangalore  
Date : 28 May 2010

**NAZIM SHEIKH**  
Executive Director

**K. RAMAN**  
Financial Controller & CFO



## SCHEDULES FORMING PART OF THE BALANCE SHEET

		31.03.2010 ₹ lakh	31.03.2009 ₹ lakh
<b>1. SHARE CAPITAL</b>			
<b>i) AUTHORISED</b>			
14,000,000 equity shares of ₹10 each		1,400.00	1,400.00
1,00,000 'B' 16% (subject to tax) redeemable preference shares of ₹100 each		100.00	100.00
		<u>1,500.00</u>	<u>1,500.00</u>
<b>ii) ISSUED AND SUBSCRIBED</b>			
8,750,000 equity shares of ₹10 each fully called up	875.00		875.00
Less : Calls in arrears ₹NIL (previous year : ₹122)	<u>-</u>		<u>0.01</u>
		875.00	874.99
Share Application money			
Of the above shares -			
(a) 207,500 equity shares of ₹10 each were allotted as fully paid up pursuant to contracts without payments having been received in cash.			
(b) 65,250 equity shares of ₹10 each were allotted as fully paid up bonus shares by way of capitalisation of reserves.			
		<u>875.00</u>	<u>874.99</u>
<b>2. RESERVES AND SURPLUS</b>			
<b>Reserves</b>			
(i) Share premium account as per last balance sheet		967.23	967.23
(ii) Capital redemption reserve-			
as per last balance sheet	100.65		49.25
Add: Transfer from profit and loss account	<u>-</u>		<u>51.40</u>
		100.65	100.65
(iii) General reserve-			
as per last balance sheet	2,195.38		720.38
Add: Transfer from profit and loss account	<u>292.00</u>		<u>1,475.00</u>
		2,487.38	2,195.38
(iv) Balance in profit and loss account		<u>16,960.08</u>	<u>14,641.15</u>
		<u>20,515.34</u>	<u>17,904.41</u>





## SCHEDULES FORMING PART OF THE BALANCE SHEET

### 3. FIXED ASSETS

₹ lakh

DESCRIPTION	COST / VALUATION				DEPRECIATION / AMORTISATION				NET BOOK VALUE	
	Upto 31.03.2009	Additions	Deletions	As at 31.03.10	Upto 31.03.2009	For the year	On deletions	Upto 31.03.10	As at 31.03.10	As at 31.03.2009
<b>Tangible Assets</b>										
1. Freehold land*	3,039.44	8.21	26.87	<b>3,020.78</b>	-	-	-	-	<b>3,020.78</b>	3,039.44
2. Leasehold land	-	-	-	-	-	-	-	-	-	-
3. Buildings and roads	384.49	53.00	2.60	<b>434.89</b>	182.79	9.13	1.55	<b>190.37</b>	<b>244.52</b>	201.70
4. Railway siding	14.28	-	-	<b>14.28</b>	12.26	0.28	-	<b>12.54</b>	<b>1.74</b>	2.02
5. Plant and machinery	1,078.62	92.11	33.89	<b>1,136.84</b>	909.24	30.31	32.07	<b>907.48</b>	<b>229.36</b>	169.38
6. Vehicles	182.00	120.97	3.35	<b>299.62</b>	54.97	53.08	0.56	<b>107.49</b>	<b>192.13</b>	127.03
7. Furniture, fittings and equipment	144.48	20.50	1.63	<b>163.35</b>	101.44	12.30	1.17	<b>112.57</b>	<b>50.78</b>	43.04
<b>Intangible Assets</b>										
Mining lease rights	10,718.31	-	-	10,718.31	6,267.47	937.02	-	<b>7,204.49</b>	<b>3,513.82</b>	4,450.84
	<b>15,561.62</b>	<b>294.79</b>	<b>68.34</b>	<b>15,788.07</b>	<b>7,528.17</b>	<b>1,042.12</b>	<b>35.35</b>	<b>8,534.94</b>	<b>7,253.13</b>	8,033.45
Previous year	12,433.93	3,228.68	100.99	15,561.62	6,619.73	988.51	80.07	7,528.17		
Capital work-in progress									<b>679.09</b>	396.97
									<b>7,932.22</b>	<b>8,430.42</b>

\* Includes land of ₹1818.00 lakh (previous year ₹Nil) for which the company has entered in to a Joint Development Agreement.

Note: Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance paid) ₹748.00 lakh (previous year ₹1,019.37 lakh)

31.03.2010  
₹ lakh

31.03.2009  
₹ lakh

### 4. INVESTMENTS

#### Long term - at cost

#### Trade Unquoted -

In subsidiary

25,000,000 (previous year : 19,500,000) equity shares of ₹10 each at a premium of ₹10 per share in Star Metalics and Power Private Limited (5,500,000 equity shares purchased during the year)

5,000.00

3,900.00

5,000.00

3,900.00

#### Non Trade - Quoted

4,725,191 (previous year : 4,725,191) equity shares of ₹10 each in Sandur Laminates Limited (Market value not ascertained as there was no trading)

879.67

879.67

500 (previous year : 500) equity shares of ₹10 each fully paid up in HDFC Bank Limited (Market value ₹9.67 lakh (previous year : ₹3.87 lakh)

0.05

0.05

879.72

879.72

#### Non Trade - Unquoted

900,000 (previous year : 900,000) equity shares of ₹10 each in Sandur Micro Circuits Limited

90.00

90.00

90.00

90.00



## SCHEDULES FORMING PART OF THE BALANCE SHEET

4. INVESTMENTS (Contd.)	31.03.2010 ₹ lakh	31.03.2009 ₹ lakh
<b>Current - (at lower of cost and fair value)</b>		
Investments in Mutual Funds unquoted -		
Birla Sun Life FTP - Institutional Series BA - Growth	-	500.00
Nil (previous year : 5,000,000 units) of ₹10 each (Nil units purchased and 5,000,000 units sold during the year)		
Birla Sun Life FTP - Series BH - Institutional Growth	-	500.00
Nil units (previous year : 5,000,000 units) of ₹10 each (Nil units purchased and 5,000,000 units sold during the year)		
Birla Sun Life Short Term Fund - Institutional Daily Dividend	-	510.94
Nil units (previous year : 5,106,580 units) of ₹10 each [34,993 units purchased (represents dividend reinvested) and 5,141,573 units sold during the year]		
DSP Black Rock Fixed Maturity Plan 12M Series 2 - Institutional Growth	-	500.00
Nil units (previous year : 5,000,000 units) of ₹10 each (Nil units purchased and 5,000,000 Units sold during the year)		
DSP Black Rock Money Manager Fund - Institutional Plan - Daily Dividend	-	0.53
Nil units (previous year : 54 units) of ₹1000 each (Nil units purchased and 54 units sold during the year)		
Franklin India Treasury Man Institutional Plan - Daily Dividend Reinvestment	-	0.50
Nil units (previous year : 50 units) of ₹1000 each (Nil units purchased and 50 units sold during the year)		
Franklin Sr. IX - Plan E (Growth)	-	300.00
Nil units (previous year : 3,000,000 units) of ₹10 each (Nil units purchased and 3,000,000 units sold during the year)		
HDFC Fixed Maturity Plan 370D - Aug 08(IX) (1) - Wholesale Plan (Growth)	-	200.00
Nil units (previous year : 2,000,000 units) of ₹10 each (Nil units purchased and 2,000,000 units sold during the year)		
ICICI Prudential Institutional Liquid Plan - Super Institutional Daily Dividend	-	0.37
Nil units (previous year : 3,747 units) of ₹10 each (Nil units purchased and 3,747 units sold during the year)		
ICICI Prudential Fixed Maturity Plan Series 46	-	500.00
Nil units (previous year : 5,000,000 units) of ₹10 each (Nil units purchased and 5,000,000 units sold during the year)		
Kotak 12Mth Series 9 - Institutional Plan (Growth)	-	500.00
Nil units (previous year : 5,000,000 units) of ₹10 each (Nil units purchased and 5,000,000 units sold during the year)		
Sundaram FTP Sr.IV - 367 Days - Institutional Plan (Growth)	-	500.00
Nil units (previous year : 5,000,000 units) of ₹10 each (Nil units purchased and 5,000,000 units sold during the year)		
TATA Fixed Horizon Fund Series 18	-	1000.00
Nil units (previous year : 10,000,000 units) of ₹10 each [1,208,361 units purchased (represents dividend reinvested) and 11,208,361 units sold during the year]		
<b>Carried forward</b>	<b>-</b>	<b>5012.34</b>



## SCHEDULES FORMING PART OF THE BALANCE SHEET

4. INVESTMENTS (Contd.)	31.03.2010 ₹ lakh	31.03.2009 ₹ lakh
<b>Brought forward</b>	-	<b>5012.34</b>
Franklin Templeton India Income Opportunities Fund 4,912,074 units (previous year: Nil) of ₹10 each (4,912,074 units purchased and Nil Units sold during the year)	<b>500.00</b>	-
Birla Sun Life Dynamic Bond Fund - Monthly Dividend Reinvestment 4,886,014 units (previous year : Nil) of ₹10 each [9,732,606 units purchased (including dividend reinvested 91,534 units) and 4,846,592 units sold during the year]	<b>506.79</b>	-
Birla Sun Life Monthly Income Plan II Savings 5 - Monthly Dividend Reinvestment 6,346,913 units (previous year : Nil) of ₹10 each [6,346,913 units purchased (including dividend reinvested 365,642 units) and Nil units sold during the year]	<b>716.36</b>	-
Birla Sun Life Monthly Income - Monthly Dividend Reinvestment 4,472,327 units (previous year : Nil) of ₹10 each [4,472,327 units purchased (including dividend reinvested 19,690 units) and Nil units sold during the year]	<b>500.94</b>	-
DSP Black Rock Floating Rate Fund - Institutional Plan - Daily Dividend 50,007 units (previous year : Nil) of ₹1000 each [50,007 units purchased (including dividend reinvested 29 units) and Nil units sold during the year]	<b>500.34</b>	-
HDFC Monthly Income Plan - Short Term - Monthly Dividend 5,955,681 units (previous year : Nil) of ₹11 each [5,955,681 units purchased (including dividend reinvested 99,973 units) and Nil units sold during the year]	<b>661.10</b>	-
HSBC Monthly Income Plan - Reinvestment Plan (Monthly Dividend) 7,107,316 units (previous year : Nil) of ₹11 each [7,107,316 units purchased (including dividend reinvested 251,471 units) and Nil units sold during the year]	<b>815.73</b>	-
Kotak Fixed Maturity Plan - 19 Mth Series 2 (Growth) 5,000,000 units (previous year : Nil) of ₹10 each (5,000,000 units purchased and Nil units sold during the year)	<b>500.00</b>	-
Reliance Monthly Income Plan (Monthly Dividend) 7,605,024 units (previous year : Nil) of ₹10 each [7,605,024 units purchased (including dividend reinvested 531,356 units) and Nil units sold during the year]	<b>840.55</b>	-
Reliance Regular Saving Fund - Debt I (Dividend) 853,833 units (previous year : Nil) of ₹10 each [853,833 units purchased (including dividend reinvested 30,394 units) and Nil units sold during the year]	<b>103.69</b>	-
TATA Fixed Maturity Plan S 25-A-Super High Investments Plan - (Growth) 5,000,000 units (previous year : Nil) of ₹10 each (5,000,000 units purchased and Nil units sold during the year)	<b>500.00</b>	-
	<b>6,145.50</b>	<b>5,012.34</b>
	<b>12,115.22</b>	<b>9,882.06</b>
Less : Provision for diminution in value of investments	<b>969.67</b>	<b>969.67</b>
	<b>11,145.55</b>	<b>8,912.39</b>



## SCHEDULES FORMING PART OF THE BALANCE SHEET

### 4. INVESTMENTS (Contd.)

The total net asset value (NAV) of unquoted investments (Mutual Fund units) as at March 31, 2010:

₹6,209,96 lakh (previous year ₹5,481.87 Lakh)

During the year the following investments were purchased and sold:

- 45,691 units (including dividend reinvested 1,428 units) of Templeton India Short Term Income Plan at a cost of ₹500 lakh
- 2,216,247 units (including dividend reinvested 3,218 units) of HDFC Cash Management Fund at a cost of ₹222 lakh
- 474,521 units (including dividend reinvested 1,641 units) of ICICI Prudential Liquid Fund at a cost of ₹500 lakh
- 4,091,577 units (including dividend reinvested 2,634 units) of Kotak Liquid (Institutional Premium) at a cost of ₹500 lakh
- 5,599,922 units (including dividend reinvested 10,820 units) of Birla Sunlife Cash Plus at a cost of ₹560 lakh
- 5,552,187 units (including dividend reinvested 11,910 units) of Tata Floater Fund at a cost of ₹556 lakh
- 5,517,123 units (including dividend reinvested 14,585 units) of ICICI Prudential Liquid Fund Plan - Super Institutional at a cost of ₹550 lakh

### 5. CURRENT ASSETS, LOANS AND ADVANCES

	31.03.2010 ₹ lakh	31.03.2009 ₹ lakh
<b>A. INVENTORIES</b>		
Stores and spare parts	75.09	85.63
Raw materials	1.31	39.07
Finished goods	<u>1,160.59</u>	<u>4,208.45</u>
	<u>1,236.99</u>	<u>4,333.15</u>
<b>B. SUNDRY DEBTORS (Unsecured)*</b>		
<b>Trade Debtors</b>		
Debts outstanding for a period exceeding six months-		
Considered good	1,507.36	16.54
Other debts-considered good	<u>2,400.85</u>	<u>3,134.43</u>
	<u>3,908.21</u>	<u>3,150.97</u>
<b>Other Debtors</b>		
Debts outstanding for a period exceeding six months-		
Considered good	808.65	1,213.83
Other debts-considered good	<u>855.35</u>	<u>-</u>
	<u>1,664.00</u>	<u>1,213.83</u>
	<u>5,572.21</u>	<u>4,364.80</u>
<b>C. CASH AND BANK BALANCES</b>		
Cash on hand	5.35	1.53
With scheduled banks in-		
Current Accounts	3,209.53	1,330.59
Term deposits		
-under lien against bank guarantee	317.33	241.07
-others	-	1,563.25
	<u>3,532.21</u>	<u>3,136.44</u>

\* includes ₹3,044.00 lakh (previous year ₹1,383.57 lakh) dues from subsidiary company .

\* Includes ₹154,14 lakh (Previous year : ₹ 355.61 lakh) in the Escrow Account to be utilised as per the Escrow Agreement with the customer

Carried forward

10,341.41

11,834.39





## SCHEDULES FORMING PART OF THE BALANCE SHEET

31.03.2010  
₹ lakh

31.03.2009  
₹ lakh

### 5. CURRENT ASSETS, LOANS AND ADVANCES (Contd.,)

<b>Brought forward</b>	<b>10,341.41</b>	<b>11,834.39</b>
<b>D. LOANS AND ADVANCES</b>		
<b>Secured and considered good</b>		
Advances recoverable in cash or kind or for value to be received		
- from subsidiary company	<b>5,249.64</b>	807.97
(maximum amount due at any time during the year ₹5,249.64 lakh (previous year ₹807.97 lakh)		
- from others	<b>600.00</b>	600.00
<b>Unsecured and considered good</b>		
Advances recoverable in cash or kind or for value to be received*	<b>1,447.78</b>	679.59
(Includes ₹ Nil (previous year: ₹ 0.13 lakh) due from directors of the company; maximum amount due at any time during the year ₹12.85 lakh (previous year : ₹5.11 lakh))		
Share application money pending allotment	-	1,100.00
*Includes capital advance of ₹122.41 lakh (previous year : ₹165.31 lakh)	<b>7,297.42</b>	3,187.56
	<b>17,638.83</b>	15,021.95

### 6. CURRENT LIABILITIES AND PROVISIONS

#### LIABILITIES (see note 15 of Schedule 9)

##### Sundry Creditors

Dues to Micro enterprises and Small enterprises  
(see note 10 of Schedule 9)

Others	<b>9,325.76</b>	9,330.58
	<b>9,325.76</b>	9,330.58

Advance received from customers	<b>3,692.40</b>	1,530.08
	<b>13,018.16</b>	10,860.66

#### PROVISIONS

Provision of taxation, net of payments	<b>1,113.18</b>	1,045.04
Provision for fringe benefit tax, net of payments	-	3.28
Proposed dividend on equity shares	<b>262.50</b>	131.25
Tax on dividends	<b>43.60</b>	44.62
Gratuity	<b>22.02</b>	59.08
Pension	<b>1,185.83</b>	1,213.15
Leave salary	<b>167.97</b>	199.28
	<b>2,795.10</b>	2,695.70
	<b>15,813.26</b>	13,556.36

## SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

2009-10  
₹ lakh

2008-09  
₹ lakh

### 7. OTHER INCOME

Dividend on shares	<b>0.05</b>	0.04
Income from Mutual Funds	<b>669.88</b>	21.95
Interest on Fixed Deposits, loan and other debtors (Tax deducted at source ₹ 58.32 lakh ; previous year : ₹33.41 lakh)	<b>760.14</b>	185.04
Exchange gain (net)	-	0.97
<b>Carried forward</b>	<b>1,430.07</b>	<b>208.00</b>



## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	2009-10 ₹ lakh	2008-09 ₹ lakh
<b>Brought forward</b>	<b>1,430.07</b>	<b>208.00</b>
Liabilities/provisions no longer required written back	-	21.03
Miscellaneous receipts	6.55	41.13
Profit on sale of fixed assets (net)	78.37	0.68
Sale of petroleum products (Net of consumption of ₹1,575.49 lakh; previous year: ₹1,449.71 lakh.)	27.83	16.06
	<u>1,542.82</u>	<u>286.90</u>
<b>8. MINING, MANUFACTURING AND OTHER EXPENSES</b>		
Raw materials and components consumed	932.26	166.64
Purchase of finished goods	106.63	-
Raw material conversion cost	54.30	121.56
Payments to and provision for employees:		
Salaries, wages and bonus	1,346.68	1,706.27
Contribution to provident and other funds	58.48	296.35
Subsidy on food grains	354.76	294.24
Employees' welfare expenses	<u>660.07</u>	<u>651.01</u>
	<b>2,419.99</b>	<b>2,947.87</b>
Stores and spares consumed	304.49	254.60
Power and fuel	34.31	31.53
Repairs and maintenance to :		
Plant and machinery	45.50	64.94
Buildings	153.98	154.95
Others	<u>181.64</u>	<u>160.60</u>
	<b>381.12</b>	<b>380.49</b>
Mine running expenses	7,081.57	9,698.62
Rent	81.58	64.34
Insurance	9.97	11.46
Rates and taxes	4,266.48	3,126.57
Freight, loading and siding charges	3,454.18	4,886.36
Commission, sales and service charges on export sales	119.90	71.14
Selling expenses	319.13	27.73
Administrative expenses	618.88	600.42
Assets discarded	3.03	19.92
Bad debts/advances written off	0.14	27.08
Exchange loss (net)	18.78	-
Bank charges	35.25	40.33
Miscellaneous expenses	1,503.36	284.45
	<u>21,745.35</u>	<u>22,761.11</u>
Decrease / (increase) in finished goods		
Opening finished goods	4,208.45	1,021.69
Closing finished goods	<u>1,160.59</u>	<u>4,208.45</u>
	<b>3,047.86</b>	<b>(3,186.76)</b>
	<u>24,793.21</u>	<u>19,574.35</u>



## SCHEDULES FORMING PART OF THE ACCOUNTS

### 9. NOTES TO ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010

#### 1) Accounting policies

The financial statements are prepared in accordance with Generally Accepted Accounting Principles under the historical cost convention (except revaluation of fixed assets) on an accrual basis and in accordance with the requirements of the Companies Act, 1956.

#### i) Use of estimates:

The Company uses prudent and reasonable assumptions and estimates in the preparation of its financial statements, and these are reflected in the reported amounts of income and expenses during the year, and the reported balances of assets and liabilities, and disclosures relating to contingent liabilities, as at the date of the financial statements.

#### ii) Fixed Assets:

Fixed assets are capitalized at acquisition cost including directly attributable cost of bringing the asset to its working condition for the intended use. Certain assets have been revalued as on 31<sup>st</sup> March, 1985 and the resultant surplus has been added to the cost of the assets.

#### iii) Depreciation/ Amortisation:

The Company's assets at head office and mines (including assets transferred to plant from these locations) are depreciated on the written down value method and at plant (including assets transferred to other locations from plant) are depreciated on the straight line method at the rates and in manner prescribed in Schedule XIV to the Companies Act, 1956.

Mining lease rights are amortised over the useful life of the mine or lease period, whichever is shorter.

Individual assets costing less than Rs.5,000/- are depreciated in full in the year of its purchase.

#### iv) Impairment of Fixed Assets:

Consideration is given at each Balance Sheet Date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an impairment loss is recognized when the carrying amount exceeds greater of net selling price and value in use.

#### v) Foreign Currency Transaction:

Foreign exchange transactions are recorded at the exchange rates prevailing on the date of transaction.

Foreign exchange rate fluctuations relating to monetary assets and liabilities are restated at the year-end rates.

The net loss or gain arising on restatement/ settlement, if any, is adjusted to the profit and loss account.

In respect of forward exchange contracts, the premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of Profit and Loss of the reporting period in which the exchange rates change.

#### vi) Investments:

All long term investments are valued at cost. However provision for diminution in value is made to recognise a decline, other than temporary, in the value of investments.

Current investments are carried at lower of cost and fair value.

#### vii) Inventories:

Inventories are valued at lower of cost and net realizable value.

The method of determination of cost of various categories of inventories is as follows:

(a) Stores and spare parts: Monthly weighted average rates.

(b) Raw materials: On monthly weighted average rates.

(c) Finished Goods: Full absorption costing method based on annual cost of production.



## SCHEDULES FORMING PART OF THE ACCOUNTS

### viii) Revenue Recognition:

Revenue from sale of goods is recognized on despatch of goods to customers from plant or stock points, as applicable when significant risks and rewards of ownership are considered to be transferred. In case of service income, revenue is recognized when the service is rendered to the customer.

### ix) Employee Benefits:

- (a) Short-term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.
- (b) Post employment benefits are recognised as an expense in the profit and loss account of the year in which the employee has rendered services. The expense is recognised at the present value of the amount payable towards contributions. The present value is determined using the market yields of government bonds, at the balance sheet date, at the discounting rate.
- (c) Other long-term employee benefits are recognised as an expense in the profit and loss account of the period in which the employee has rendered services. Estimated liability on account of long-term benefits is discounted to the present value, using the market yields on government bonds, as on the date of balance sheet, at the discounting rate.
- (d) Actuarial gains and losses in respect of past employment and other long term benefits are charged to the profit and loss account.

### x) Segment Accounting:

Segments are identified based on the types of products and the internal organisation and management structure. The Company has identified business segment as its primary reporting segment with secondary information reported geographically.

The Company's primary segments consist of Mining, Services, Ferroalloy & Power and Steel.

Unallocable represents other income and expenses which relate to the Company as a whole and are not allocated to segments.

### xi) Taxation:

Tax Expense / (Credit) comprise Current Tax and Deferred Tax.

#### (a) Current Tax

Current tax expense is determined in accordance with the provisions of the Income-tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which give rise to future economic benefits in the form of adjustment of future income liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the balance sheet when it is probable that the future economic benefit associated with it will follow to the Company and the asset can be measured reliably.

#### (b) Deferred Tax

Deferred tax assets and liabilities are measured using the tax rates which have been enacted or substantively enacted at the balance sheet date. Deferred tax expense or benefit is recognised, subject to consideration of prudence, on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversing in one or more subsequent periods.

### xii) Provisions and Contingencies:

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent Liabilities are not recognised but are disclosed in the notes to accounts.

Contingent Assets are neither recognised nor disclosed in the financial statements.



## SCHEDULES FORMING PART OF THE ACCOUNTS

### 2) Contingent Liabilities

		31.03.2010 ₹ lakh	31.03.2009 ₹ lakh
a)	Claims against the Company not acknowledged as debts.		
	i) Stamp duty on net present value includes maximum penalty of Rs.4,545.00 lakh (relating to applicability of duty)	5,454.00	-
	ii) Income tax (relating to disallowance of deduction)	1,573.76	-
	iii) Service tax (relating to applicability of tax)	5.85	293.35
	iv) Others	17.68	17.68
	The above amounts have been arrived at based on the notice of demand or the Assessment Orders, as the case may be, and the Company is contesting these claims with the respective authorities. Outflows, if any, arising out of these claims would depend on the outcome of the decisions of the appellate authorities and the Company's rights for future appeals before the judiciary. No reimbursements are expected.		
b)	Guarantees given by the Company:		
	i) Employees (including some former employees) in respect of housing loans	3.54	9.87
	The Company has got an undertaking from the employees to repay on their behalf directly to the bank/ financial institution.		
	ii) Corporate guarantee issued to Customs authorities on behalf of subsidiary company	1,050.00	1,050.00
	The Company has given the said guarantee in respect of fulfillment of the export obligations by the subsidiary company. There are no defaults as at the year end and no liability is expected.		
	iii) Others (principal guarantees)	10.00	10.00
	The Company has given the said guarantee for the working capital facilities availed by the welfare organisation sponsored by the Company. There are no defaults as at the year end and no liability is expected.		
c)	Bills discounted	-	533.18
	Represents bills discounted against the irrecoverable letter of credit.		

### 3) Sales and Services

	2009-10		2008-09	
	Quantity (tonnes)	Value ₹ lakh	Quantity (tonnes)	Value ₹ lakh
Manganese Ore *	283,445	12,110.98	295,434	21,367.63
Iron ore	1,535,929	15,519.48	1,448,817	20,878.01
Silico-Manganese	-	-	487	350.74
TMT Steel Bars	4,515	1,206.68	104	30.31
Services		-		155.09
		28,837.14		42,781.78

\*Includes sale of low grade concentrates

### 4) Managerial Remuneration

	2009-10 ₹ lakh	2008-09 ₹ lakh
Salaries*	64.59	27.07
Contribution to provident and other funds*	15.40	7.31
Perquisites	139.83	42.09
Sitting fees	4.90	5.10
	224.72	81.57

\* Excludes contributions towards Gratuity and provision for leave salary, as the same have been provided on an actuarial basis for the Company as a whole.





## SCHEDULES FORMING PART OF THE ACCOUNTS

### 5) Licensed and installed capacity, production / generation / purchase, opening and closing stock of Finished goods

	Licensed Capacity	Installed capacity	Opening stock		Production/ purchase	Closing stock	
	Tonnes	Tonnes	Quantity Tonnes	Amount ₹ lakh	Quantity Tonnes	Quantity Tonnes	Amount ₹ lakh
Manganese Ore	- (-)	- (-)	<b>106,678</b> (157,278)	<b>3,056.82</b> (1,021.69)	<b>225,756</b> (240,826)	<b>47,793</b> (106,678)	<b>1,152.11</b> (3,056.82)
Iron Ore	- (-)	- (-)	<b>52,741</b> (-)	<b>1,043.43</b> (-)	<b>1,483,188</b> (1,505,674)	- (52,741)	- (1,043.43)
TMT Steel Bars*	- (-)	- (-)	<b>401</b> (-)	<b>108.20</b> (-)	<b>4,152</b> (505)	<b>38</b> (401)	<b>8.48</b> (108.20)
Silico-Manganese*	- (-)	- (-)	- (-)	- (-)	- (487)	- (-)	- (-)
				<b>4,208.45</b>			<b>1,160.59</b>
				(1,021.69)			(4,208.45)

#### NOTES:

\*Processed by third parties.

- Manganese ore production includes **28,678** tonnes (previous year: 4,212 tonnes) and iron ore production includes **36,234** tonnes (previous year: 332,829 tonnes) salvaged from waste dumps.
- Production / purchase includes 10,000 tonnes of iron ore purchases and 97 tonnes of TMT steel bars purchases.
- Previous year figures are in brackets

### 6) (a) Analysis of raw material and components consumed:

Description of products	2009-10		2008-09	
	Qty (tonnes)	Amount ₹ lakh	Qty (tonnes)	Amount ₹ lakh
Billets	<b>4181</b>	<b>932.26</b>	521	126.37
Others		-		40.27
<b>Total</b>		<b>932.26</b>		<b>166.64</b>

### (b) Value of imported and indigenous raw material consumed:

	2009-10		2008-09	
	₹ lakh	%	₹ lakh	%
Imported	-	-	-	-
Indigenous	<b>932.26</b>	<b>100%</b>	166.64	100%
<b>Total</b>	<b>932.26</b>	<b>100%</b>	<b>166.64</b>	<b>100%</b>

### 7) Expenditure in Foreign Currency

	2009-10 ₹ lakh	2008-09 ₹ lakh
Commission on export sales	<b>119.90</b>	71.14
Interest	<b>0.90</b>	-
Others	<b>24.53</b>	13.16
	<b>145.33</b>	<b>84.30</b>



## SCHEDULES FORMING PART OF THE ACCOUNTS

### 8) EARNINGS IN FOREIGN CURRENCY

	2009-10 ₹ lakh	2008-09 ₹ lakh
Exports on F.O.B. basis -through Export trading house	4,245.10	4,718.63
-direct	2,618.40	2,324.57
Services	-	98.09
	<b>6,863.50</b>	<b>7,141.29</b>

### 9) AUDITORS' REMUNERATION

Statutory audit	12.00	10.00
Tax audit	3.00	3.00
Audit of consolidated accounts	3.25	2.25
Fees for other services	11.25	8.80
Reimbursement of		
- out of pocket expenses	0.22	0.23
- levies	2.42	2.94
	<b>32.14</b>	<b>27.22</b>

10) There are no micro and small enterprises to whom the Company owes dues which are outstanding as at the balance sheet date. The above information and that given under current liabilities and provisions (Schedule 6) regarding Micro Enterprises and Small Enterprises have been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

### 11) SEGMENT REPORTING :

#### a) PRIMARY SEGMENTS (BUSINESS SEGMENTS)

₹ lakh

Particulars	Mining		Service		Ferroalloy & Power		Steel		Unallocable		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
REVENUE												
External sales	27,630.46	42,245.64	-	155.09	-	350.74	1,116.61	30.31	-	-	28,747.07	42,781.78
Total revenue	27,630.46	42,245.64	-	155.09	-	350.74	1,116.61	30.31	-	-	28,747.07	42,781.78
RESULT												
Segment	3,684.59	22,575.12	-	110.75	(50.21)	118.20	(82.13)	(10.41)	-	-	3,552.25	22,793.66
Unallocated corporate (expense) / income (net)	-	-	-	-	-	-	-	-	902.31	(287.84)	902.31	(287.84)
Operating profit/(loss)	3,684.59	22,575.12	-	110.75	(50.21)	118.20	(82.13)	(10.41)	902.31	(287.84)	4,454.56	22,505.82
Interest expense	-	-	-	-	-	-	-	-	(153.53)	(1.97)	(153.53)	(1.97)
Profit/(loss) before taxes	3,684.59	22,575.12	-	110.75	(50.21)	118.20	(82.13)	(10.41)	748.78	(289.81)	4,301.03	22,503.85
Taxes	-	-	-	-	-	-	-	-	(1,384.00)	(7,756.80)	(1,384.00)	(7,756.80)
Net profit/(loss)	3,684.59	22,575.12	-	110.75	(50.21)	118.20	(82.13)	(10.41)	(635.22)	(8,046.61)	2,917.03	14,747.05
OTHER INFORMATION												
Segment assets	13,427.13	14,133.85	96.35	166.28	12,446.21	7,482.65	948.21	747.27	10,285.70	9,834.71	37,203.60	32,364.76
Segment liabilities	11,917.74	10,360.17	1.17	1.44	2,115.90	1,701.19	3.51	1.21	1,774.94	1,521.35	15,813.26	13,585.36
Capital expenditure including capital work-in-progress	175.52	171.87	-	-	126.69	359.78	-	-	274.70	3,037.71	576.91	3,569.36
Depreciation/amortisation	1,001.75	970.95	-	-	0.85	0.85	-	-	39.52	16.71	1,042.12	988.51
Non-cash expense other than depreciation / amortisation	20.82	47.00	-	-	-	-	-	-	-	-	20.82	47.00

**Note:** Primary business segments have been identified on the basis of distinguishable businesses in which the Company is engaged.



## SCHEDULES FORMING PART OF THE ACCOUNTS

### b) SECONDARY SEGMENTS (GEOGRAPHICAL SEGMENTS)

i) Disclosure of Segments Revenue, based on geograpical location of Customers

₹ lakh

Geographical Segments	2009-10	2008-09
India	21,883.57	35,640.49
Rest of World	6,863.50	7,141.29
Total	28,747.07	42,781.78

ii) Total Carrying amount of Assets, by geographical location

₹ lakh

Location of Assets	2009-10	2008-09
India	37,138.61	32,364.76
Rest of World	64.99	-
Total	37,203.60	32,364.76

**NOTE :** Most of the assets are not identifiable separately to any reportable segment as these are used interchangeably between segments.

iii) Capital expenditure during the year (including capital work in progress)

₹ lakh

Location of Assets	2009-10	2008-09
India	576.91	3,569.36
Rest of World	-	-
Total	576.91	3,569.36

**NOTE :** The above costs of assets are not identifiable separately to any reportable segment as these are used interchangeably between segments.

The Company essentially operates within India and there are exports mainly through Export Trading House in respect of the Mines.

### 12) Related party disclosures:

#### Related parties and description of relationship:

1.	Holding company	None
2.	Subsidiary	Star Metallics and Power Private Limited with effect from 25 <sup>th</sup> October 2008
3.	Key Management Personnel (KMP)	i) S.Y. Ghorpade, Chairman & Managing Director ii) Nazim Sheikh, Executive Director iii) S.H. Mohan, Technical Director iv) S.R. Sridhar, Director (Mines) with effect from 1 <sup>st</sup> October 2008
4.	Relative of KMP	Aditya Shivrao Ghorpade



## SCHEDULES FORMING PART OF THE ACCOUNTS

### a) Subsidiary

₹ lakh

Particulars	2009-10	2008-09
<b>Transactions during the year</b>		
-Interest income	281.70	10.30
-Service income	-	27.00
-Loans and advances given	4200.00	800.00
-Allotment of equity shares	1100.00	-
Amounts receivable at the year end	8,293.64	3,291.54

### b) Key Management Personnel

₹ lakh

Sl. No.	Name of KMP	Remuneration		Guarantee Commission		Amounts payable at the year end		Amounts receivable at the year end	
		2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
1	S.Y. Ghorpade	68.01	21.88	-	50.00	0.67	52.15	-	-
2.	Nazim Shekih	61.05	19.94	-	50.00	9.28	52.29	-	-
3.	S.H. Mohan	60.93	19.94	-	-	0.48	-	-	0.04
4.	S.R. Sridhar	29.83	14.71	-	-	3.41	4.65	-	0.09
	Total	219.82	76.47	-	100.00	13.84	109.09	-	0.13

### c) Relative of KMP

Particulars	2009-10	2008-09
Remuneration	5.07	4.63
Amounts receivable at the year end	0.53	0.34

## 13) Employee Benefits

### a) Defined contribution plan

The contributions recognised in the profit and loss account during the year are as under:

₹ lakh

Contribution to :	2009-10	2008-09
Provident Fund	80.66	76.33
Superannuation Fund	14.88	11.00
Total	95.54	87.33

The Company makes contributions at predetermined rates to SMIORE Provident Fund Trust and to the Regional Provident Fund Commissioner in respect of Employee Provident Fund and to the Life Insurance Corporation of India in respect of Superannuation Fund.

In case of SMIORE Provident Fund Trust interest rate payable by the Trust to the beneficiaries is as notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of trust and the notified interest rate and recognise such shortfall as an expense. There is no shortfall in the interest payable by the trust to the beneficiaries as on the balance sheet date.



## SCHEDULES FORMING PART OF THE ACCOUNTS

### b) Defined Benefit Plan - Funded

The Company makes annual contributions to an Insurance managed fund. The scheme provides for lump sum payment to vested employees on retirement, death while in employment or on termination of employment as per the Company's Gratuity Scheme, vesting occurs upon completion of three years of service.

The following table sets out the funded status and amount recognised in the Company's financial statements for Gratuity.

₹ lakh

		2009-10	2008-09
I	Net Asset/ (Liability) recognized in the balance sheet		
1	Present value of funded obligations –A	763.95	774.92
2	Fair value of plan Assets-B	(741.93)	(715.84)
3	(Deficit)/Surplus-(A-B)	(22.02)	(59.08)
4	Net Asset/ Liability		
	-Assets	-	-
	-Liabilities	(22.02)	(59.08)
II	Expense recognized in the Profit and loss account		
1	Current service cost	30.64	22.32
2	Interest on Defined Benefit Obligation	49.04	39.76
3	Expected Return on Plan Assets	(47.32)	(28.67)
4	Net Actuarial Losses / (Gains) recognized during the year	(69.42)	172.87
5	Past Service cost	-	-
6	Losses/(Gains) on "Curtailments & Settlements"	-	2.74
	Total	(37.06)	209.02
	Actual return on plan Assets	74.81	90.20
III	Change in present value of obligation		
1	Opening Defined Benefit Obligation	774.92	544.23
2	Service Cost	30.64	22.32
3	Interest Cost	49.04	39.76
4	Actuarial Losses/(Gains)	(41.93)	234.40
5	Actuarial Losses/ (Gain) due to Curtailment	-	2.74
6	Benefits Paid	(48.72)	(68.53)
7	Closing Defined Benefit Obligation	763.95	774.92
IV	Change in fair value of plan assets		
1	Opening fair value of plan assets	715.84	394.17
2	Expected return	47.32	28.67
3	Actuarial (Losses) / Gains	27.49	61.53
4	Assets distributed on settlements	-	-
5	Contributions by employer	-	300.00
6	Benefits Paid	(48.72)	(68.53)
7	Closing fair value of plan assets	741.93	715.84
V	The major categories of Plan Assets as a percentage of total Plan		
1	Government of India securities	12.40%	28.20%
2	Corporate bonds	50.12%	42.50%
3	Others	37.48%	29.30%
VI	Principal actuarial assumptions:		
	Discount Rate	7.95% p.a.	7.05% p.a.
	Expected Rate of Return on Plan Assets	8.00% p.a.	7.50% p.a.
VII	The employees are assumed to retire at the age of 60 years		
VIII	The mortality rates considered are as per the published rates by the LIC (1994-96) mortality tables)		

Expected rate of return on plan assets is based on average yield on investment.





## SCHEDULES FORMING PART OF THE ACCOUNTS

### (c) Other Long term benefits - Unfunded

The defined benefit obligations which are provided for but not funded are as under.

₹ lakh

	Liability as on 31.03.2010	Liability as on 31.03.2009
Leave Salary	167.97	199.28
Pension	1,185.83	1,213.15

The discount rate for defined benefit plan and other long term benefits is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of obligations.

The estimate of future salary increases considered for defined benefits plan and other long term benefits takes into account the inflation, seniority, promotion, increments and other relevant factors.

- 14) As per the draft rehabilitation scheme of Sandur Laminates Limited and Sandur Micro Circuits Limited, the Company has given an undertaking not to dispose of its share holdings in Sandur Laminates Limited and Sandur Micro Circuits Limited without their prior approval of Board for Industrial and Financial Reconstruction (BIFR).
- 15) Current liabilities do not include any amount to be credited to the Investor Education and Protection Fund.
- 16) Foreign currency exposure as at 31 March 2010, that has not been hedged by a derivative instrument or otherwise is as below: (previous year figures are in bracket)

Particulars	Amount (₹ Lakh)	Amount (Foreign Currency)
Receivable	64.99 (-)	USD 144,414 (-)
Payable	82.19 (-)	USD 182,527 (-)

### 17) The details of deferred tax asset / (liability) are as under :

₹ lakh

	Opening Balance	Tax effect for the year	As at 31.03.2010
<b>Deferred Tax (Liability)</b>			
Fixed Assets	(1,581.31)	405.94	(1,175.37)
<b>Sub Total</b>	(1,581.31)	405.94	(1,175.37)
<b>Deferred Tax Asset</b>			
Provision for gratuity, pension and leave salary	500.16	(75.03)	425.13
Others	1,052.15	185.09	1,237.24
<b>Sub Total</b>	1,552.31	110.06	1,662.37
<b>Net Deferred Tax Asset / (Liability)</b>	(29.00)	516.00	487.00

### 18) Earnings per share:

	2009-10	2008-09
Net profit after tax - ₹lakh	2,917.03	14,747.05
Less : Dividend on preference shares - ₹lakh	-	13.72
Less : Dividend tax on preference shares - ₹lakh	-	2.33
	2,917.03	14,731.00
Weighted average number of equity shares	87,50,000	87,50,000
Nominal value of shares - ₹	10.00	10.00
Basic and diluted earnings per share - ₹	33.34	168.35

- 19) a) Previous year's figures have been regrouped/recast, wherever necessary, to conform to the classification adopted for the current year.
- b) Schedules 1 to 9 form an integral part of the accounts.

SIGNATURES TO SCHEDULES 1 to 9  
for and on behalf of the Board of Directors

**S. Y. GHORPADE**  
Chairman & Managing Director  
**MD. ABDUL SALEEM**  
Company Secretary

**NAZIM SHEIKH**  
Executive Director  
**K. RAMAN**  
Financial Controller & CFO

Place : Bangalore  
Date : 28 May 2010



## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Pursuant to Part IV of Schedule VI to the Companies Act, 1956)

### I. Registration details

Registration number CIN-L85110KA1954PLC000759      State Code      08  
Balance Sheet Date      31.03.2010

### II. Capital raised during the period ( Amount in ₹ Thousands)

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

### III. Position of mobilisation and deployment of funds (Amount in ₹ Thousands)

Total liabilities (net)	37,20,360	Total assets (net)	37,20,360
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#### Sources of funds:

Paid up Capital	87,500	Reserves & Surplus	20,51,534
Secured loans	-	Unsecured loans	-

#### Application of funds:

Net fixed assets	7,93,222	Investments	11,14,555
Net current assets	1,82,557	Miscellaneous expenditure	-
Deffered Tax Asset (Net)	48,700		

### IV Performance of Company (Amount in ₹ Thousands)

Turnover (including other income)	30,28,989	Total expenditure	25,98,886
Profit / (loss) before tax	4,30,103	Profit / (loss) after tax	2,91,703
Earnings per share	33.34	Dividend rate (%)	30%

### V. Generic names of three principal products of Company

Sl.No.	Product Description	Item Code No. (ITC Code)
1.	Manganese ore	260200
2.	Iron Ore	260111

**S. Y. GHORPADE**  
Chairman & Managing Director

**MD. ABDUL SALEEM**  
Company Secretary

**NAZIM SHEIKH**  
Executive Director

**K. RAMAN**  
Financial Controller & CFO

Place : Bangalore  
Date : 28 May 2010



**STATEMENT REGARDING SUBSIDIARY COMPANY PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956**

1	Name of Subsidiary	Star Metallica and Power Private Limited
2	Financial Year of the subsidiary ended on:	31 March 2010
3	Share of the subsidiary held on the above date:  a) Number of shares and face value  b) Extent of Holding	2,50,00,000 equity shares of ₹10/- (fully paid up)  68.97%
4	Net aggregate amount of profit of the Subsidiary so far as they concern the members of The Sandur Manganese & Iron Ores Limited  a) Dealt with in the accounts of The Sandur Manganese & Iron Ores Limited for the year ended 31 March, 2009  b) Not dealt with in the accounts of The Sandur Manganese & Iron Ores Limited for the year ended 31 March, 2009	Nil  Loss of ₹ 272.53 lakh
5	Net aggregate amount of profit for previous financial years of the Subsidiary since it became a subsidiary so far as they concern the members of The Sandur Manganese & Iron Ores Limited  a) Dealt with in the accounts of The Sandur Manganese & Iron Ores Limited for the year ended 31 March, 2009  b) Not dealt with in the accounts of The Sandur Manganese & Iron Ores Limited for the year ended 31 March, 2009	Not Applicable  Not Applicable

Place : Bangalore  
Date : 28 May 2010

**S. Y. GHORPADE**  
Chairman & Managing Director

**MD. ABDUL SALEEM**  
Company Secretary

**NAZIM SHEIKH**  
Executive Director

**K. RAMAN**  
Financial Controller & CFO



## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

### TO THE BOARD OF DIRECTORS OF THE SANDUR MANGANESE & IRON ORES LIMITED

1. We have audited the attached Consolidated Balance Sheet of **The Sandur Manganese & Iron Ores Limited** ("the Company") and its subsidiary (the Company and its subsidiary constitute "the Group") as at 31<sup>st</sup> March, 2010, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements), as notified under the Companies (Accounting Standards) Rules, 2006.
4. Based on our audit and on consideration of the separate audit reports on individual financial statements of the Company and its aforesaid subsidiary and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31<sup>st</sup> March, 2010;
  - (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
  - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

for **Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No. 008072S)

Place : Bangalore  
Date : 28 May, 2010

**S. Sundaresan**  
Partner  
(Membership No. 25776)



# **CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2010**

	Schedules	31.03.2010 ₹ lakh	31.03.2009 ₹ lakh
<b>I. SOURCES OF FUNDS</b>			
<b>1. SHARE HOLDERS' FUNDS</b>			
(a) Share Capital	1	875.00	874.99
(b) Reserves and surplus	2	19,776.71	17,719.58
		<b>20,651.71</b>	<b>18,594.57</b>
<b>2. MINORITY INTEREST</b>		<b>2,183.03</b>	<b>2,306.06</b>
<b>3. LOAN FUNDS</b>			
(a) Secured loans	3	-	1,850.72
(b) Unsecured loans		1,625.00	-
		<b>1,625.00</b>	<b>1,850.72</b>
<b>4. DEFERRED TAX LIABILITY (NET)</b>		-	29.00
		<b>24,459.74</b>	<b>22,780.35</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. FIXED ASSETS</b>	4		
(a) Gross block		19,627.87	17,400.43
(b) Less depreciation		8,605.56	7,585.10
(c) Net block		11,022.31	9,815.33
(d) Capital work-in-progress		11,538.72	4,706.23
		<b>22,561.03</b>	<b>14,521.56</b>
<b>2. GOODWILL ARISING ON CONSOLIDATION</b>		<b>35.98</b>	<b>35.98</b>
<b>3. INVESTMENTS</b>	5	<b>6,145.55</b>	<b>5,012.39</b>
<b>4. DEFERRED TAX ASSET (NET)</b>		<b>487.00</b>	
<b>5. CURRENT ASSETS, LOANS AND ADVANCES</b>	6		
(a) Inventories		1,632.99	5,480.28
(b) Sundry debtors		2,528.21	2,993.38
(c) Cash and bank balances		4,149.37	7,514.63
(d) Loans and advances		3,600.69	3,189.06
		<b>11,911.26</b>	<b>19,177.35</b>
Less :			
<b>6. CURRENT LIABILITIES AND PROVISIONS</b>	7		
(a) Liabilities		13,939.46	13,318.45
(b) Provisions		2,741.62	2,648.48
		<b>16,681.08</b>	<b>15,966.93</b>
		<b>(4,769.82)</b>	<b>3,210.42</b>
<b>Net current assets</b>		<b>24,459.74</b>	<b>22,780.35</b>

Notes to accounts

10

The schedules referred to above form an integral part of the Consolidated Balance Sheet

In terms of our report attached

for **Deloitte Haskins & Sells**  
Chartered Accountants

**S. SUNDARESAN**  
Partner

Place : Bangalore  
Date : 28 May 2010

for and on behalf of the Board of Directors

**S. Y. GHORPADE**  
Chairman & Managing Director

**MD. ABDUL SALEEM**  
Company Secretary

Place : Bangalore  
Date : 28 May 2010

**NAZIM SHEIKH**  
Executive Director

**K. RAMAN**  
Financial Controller & CFO





## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	Schedules	2009-10 ₹ lakh	2008-09 ₹ lakh
<b>INCOME</b>			
Gross sales and services	29,492.78		43,512.64
Less : Excise duty	115.40		37.92
Net sales and services		29,377.38	43,474.72
Other income	8	1,343.07	502.00
		30,720.45	43,976.72
<b>EXPENDITURE</b>			
Mining, manufacturing and other expenses	9	25,886.91	20,667.07
Depreciation / Amortisation	4	1,055.81	1,045.44
Interest : -Others		153.53	1.97
		27,096.25	21,714.48
<b>Profit / (Loss) before tax</b>		3,624.20	22,262.24
<b>Taxes :</b>			
Current tax	1,900.00		8,825.00
Deferred tax	(516.00)		(1,090.00)
Fringe benefit tax	-		22.83
		1,384.00	7,757.83
<b>NET PROFIT / (LOSS)</b>		2,240.20	14,504.41
Less : Minority interest		(123.03)	(57.81)
		2,363.23	14,562.22
Profit/(loss) brought forward		14,456.32	1,743.66
		16,819.55	16,305.88
Less : Appropriation			
Dividend on Equity shares			
Interim	-		131.25
Final	262.50		131.25
Dividend on Preference Shares	-		13.72
Tax on Dividend	43.60		46.94
Transfer to Capital Redemption Reserve	-		51.40
Transfer to General Reserve	292.00		1,475.00
		598.10	1,849.56
Carried to Balance Sheet		16,221.45	14,456.32
Notes to accounts	10		
Earnings per share of ₹10 each			
Basic and Diluted (₹)		27.01	166.25

The schedules referred to above form an integral part of the Consolidated Profit and Loss Account

In terms of our report attached

for **Deloitte Haskins & Sells**  
Chartered Accountants

**S. SUNDARESAN**  
Partner

Place : Bangalore  
Date : 28 May 2010

for and on behalf of the Board of Directors

**S. Y. GHORPADE**  
Chairman & Managing Director

**MD. ABDUL SALEEM**  
Company Secretary

Place : Bangalore  
Date : 28 May 2010

**NAZIM SHEIKH**  
Executive Director

**K. RAMAN**  
Financial Controller & CFO



## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	2009-10 ₹ lakh	2008-09 ₹ lakh
<b>A. Cashflows from operating activities</b>		
Net Profit / (Loss) before tax and appropriation to minority interest	3,624.20	22,262.24
Adjustment for :		
- Depreciation / Amortisation	1,055.81	1,045.44
- Assets discarded	3.03	19.92
- (Profit)/loss on sale of fixed assets - net	(78.37)	(0.68)
- Bad debts / advances written off	0.14	27.08
- Interest Expenses	153.53	1.97
- Interest Income	(507.02)	(401.11)
- Income from Mutual Funds	(669.88)	(21.95)
- Dividend Income	(0.05)	(0.04)
- Unrealised exchange difference	17.65	34.42
- Liabilities / Provisions no longer required written back	-	(21.03)
<b>Operating profit/(loss) before working capital changes</b>	<b>3,599.04</b>	<b>22,946.26</b>
Adjustment for :		
- (Increase)/decrease in sundry debtors	(748.66)	(9.12)
- (Increase)/decrease in inventories	3,847.29	(4,367.85)
- (Increase)/decrease in loans and advances	(1,377.75)	(309.06)
- Increase/(decrease) in current liabilities / provisions	(131.37)	6,906.06
Cash generated from operations	5,188.55	25,166.29
- Direct taxes paid	(1,842.14)	8,069.01
<b>NET CASH FROM / (USED IN) OPERATING ACTIVITIES</b>	<b>3,346.41</b>	<b>17,097.28</b>
<b>B. Cashflows from investing activities</b>		
Additions to fixed assets (including capital work-in-progress and advances on capital account)	(8,092.03)	(8,175.96)
Proceeds from sale of fixed/other assets	1,686.73	226.68
(Purchase)/sale of mutual funds	(1,133.16)	(5,012.34)
Investments in shares of subsidiary	-	(3,900.00)
Share application money pending allotment	-	(1,100.00)
Interest received	562.98	325.74
Income from mutual funds	669.88	21.95
Dividend received	0.05	0.04
<b>NET CASH FROM / (USED IN) INVESTING ACTIVITIES</b>	<b>(6,305.55)</b>	<b>(17,613.89)</b>
<b>C. Cashflows from financing activities</b>		
Proceeds from borrowings	1,625.00	1,801.32
Payment towards borrowings	(1,850.72)	-
Share application money from minority shareholders	-	440.00
Redemption of preference shares	-	(51.40)
Dividend on shares and tax thereon	(175.87)	(387.21)
Interest paid	(4.53)	(1.97)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(406.12)</b>	<b>1,800.74</b>
<b>NET CASH FLOW DURING THE YEAR (A+B+C)</b>	<b>(3,365.27)</b>	<b>1,284.13</b>
Cash and cash equivalents (opening balance)	7,514.63	2,085.06
Add: Cash and cash equivalents on acquisition of subsidiary	-	4,145.44
	<b>7,514.63</b>	<b>6,230.50</b>
Cash and cash equivalents (closing balance)	<b>4,149.36</b>	<b>7,514.63</b>
Increase / (decrease) in cash and cash equivalents	<b>(3,365.27)</b>	<b>1,284.13</b>

Cash & Cash equivalents includes :

- term deposits of ₹317.33 lakh (previous year : ₹2,276.86 lakh) under lien against bank guarantee
- term deposits of ₹Nil (previous year : ₹36 lakh) towards margin money
- current account ₹154.14 lakh (previous year : ₹355.61 lakh) in the Escrow Account to be utilised as per the Escrow agreement with the customer

In terms of our report attached

for **Deloitte Haskins & Sells**  
Chartered Accountants

**S. SUNDARESAN**  
Partner

Place : Bangalore  
Date : 28 May 2010

for and on behalf of the Board of Directors

**S. Y. GHORPADE**  
Chairman & Managing Director

**MD. ABDUL SALEEM**  
Company Secretary

Place : Bangalore  
Date : 28 May 2010

**NAZIM SHEIKH**  
Executive Director

**K. RAMAN**  
Financial Controller & CFO



## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	31.03.2010 ₹lakh	31.03.2009 ₹lakh
<b>1. SHARE CAPITAL</b>		
<b>i) AUTHORISED</b>		
1,40,00,000 equity shares of ₹10 each	1,400.00	1,400.00
1,00,000 'B' 16% redeemable cumulative preference shares of ₹100 each	100.00	100.00
	<u>1,500.00</u>	<u>1,500.00</u>
<b>ii) ISSUED AND SUBSCRIBED</b>		
87,50,000 equity shares of ₹10 each fully called up	875.00	875.00
Less : Calls in arrears ₹Nil (previous year ₹122 lakh)	-	0.01
	<u>875.00</u>	<u>874.99</u>
	<u>875.00</u>	<u>874.99</u>
Of the above shares -		
(a) 2,07,500 equity shares of ₹10 each were allotted as fully paid up pursuant to contracts without payments having been received in cash.		
(b) 65,250 equity shares of ₹10 each were allotted as fully paid up bonus shares by way of capitalisation of reserves.		
<b>2. RESERVES AND SURPLUS</b>		
<b>Reserves</b>		
(i) Share premium account	967.23	967.23
(ii) Capital redemption reserve -		
as per last balance sheet	100.65	49.25
Add: Transfer from profit & loss account	-	51.40
	<u>100.65</u>	<u>100.65</u>
(iii) General reserve -		
as per last balance sheet	2,195.38	720.38
Add: Transfer from profit & loss account	<u>292.00</u>	<u>1,475.00</u>
	<u>2,487.38</u>	<u>2,195.38</u>
(iv) Balance in Profit and Loss Account	<u>16,221.45</u>	<u>14,456.32</u>
	<u>19,776.71</u>	<u>17,719.58</u>
<b>3. LOAN FUNDS</b>		
<b>Secured Loans</b> From Bank	-	1,850.72
(Secured by the way of lien on the term deposits)		
<b>Unsecured Loans</b>		
From Others	1,625.00	-
	<u>1,625.00</u>	<u>1,850.72</u>



## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

### 4. FIXED ASSETS

₹ lakh

DESCRIPTION	COST / VALUATION					DEPRECIATION / AMORTISATION				NET BOOK VALUE	
	Upto 31.03.2009	On acquisition of subsidiary	Additions	Deletions	As at 31.03.10	Upto 31.03.2009	For the year	On deletions	Upto 31.03.10	As at 31.03.10	As at 31.03.2009
<b>Tangible Assets</b>											
1. Freehold land*	3,954.76	-	8.21	26.87	<b>3,936.10</b>	-	-	-	-	<b>3,936.10</b>	3,954.76
2. Leasehold land	-	-	-	-	-	-	-	-	-	-	-
3. Buildings and roads	385.94	-	53.00	2.60	<b>436.34</b>	182.85	9.14	1.55	<b>190.44</b>	<b>245.90</b>	203.09
4. Railway siding	14.28	-	-	-	<b>14.28</b>	12.26	0.28	-	<b>12.54</b>	<b>1.74</b>	2.02
5. Plant and machinery	1,981.48	-	2,067.82	33.89	<b>4,015.41</b>	964.35	41.95	32.07	<b>974.23</b>	<b>3,041.18</b>	1,017.13
6. Vehicles	182.00	-	141.58	3.35	<b>320.23</b>	54.97	54.42	0.56	<b>108.83</b>	<b>211.40</b>	127.03
7. Furniture, fittings and equipment	163.66	-	25.17	1.63	<b>187.20</b>	103.20	13.00	1.17	<b>115.03</b>	<b>72.17</b>	60.46
<b>Intangible Assets</b>											
Mining lease rights	10,718.31	-	-	-	<b>10,718.31</b>	6,267.47	937.02	-	<b>7,204.49</b>	<b>3,513.82</b>	4,450.84
	<b>17,400.43</b>	-	<b>2,295.78</b>	<b>68.34</b>	<b>19,627.87</b>	<b>7,585.10</b>	<b>1,055.81</b>	<b>35.35</b>	<b>8,605.56</b>	<b>11,022.31</b>	9,815.33
Previous year	12,433.93	295.46	4,772.03	100.99	17,400.43	6,619.73	1,045.44	80.07	7,585.10		
Capital work-in progress										<b>11,538.72</b>	4,706.23
										<b>22,561.03</b>	<b>14,521.56</b>

\* includes land of ₹1,818.00 lakh (previous year ₹Nil) for which the Company has entered into a Joint Development Agreement

Note: Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance paid) ₹1,348.81 lakh (Previous year ₹7,428.67).

31.03.2010  
₹ lakh

31.03.2009  
₹ lakh

### 5. INVESTMENTS

#### Long term - at cost

#### Non Trade - Unquoted

9,00,000 (previous year : 900,000) equity shares  
of ₹10 each in Sandur Microcircuits Limited

90.00  
90.00

90.00  
90.00

#### Non Trade - Quoted

4,725,191 (previous year : 4,725,191) equity shares of  
₹10 each in Sandur Laminates Limited  
(Market value not ascertained as there was no trading)

**879.67** 879.67

500 (previous year : 500) equity shares of ₹10 each  
fully paid up in HDFC Bank Limited  
(Market value ₹9.67 lakh (previous year: ₹3.87 lakh)

**0.05** 0.05

**879.72** 879.72

Current - (at lower of cost and fair value)

#### Investments in Mutual Funds unquoted -

Birla Sun Life FTP - Institutional Series BA - Growth  
Nil (previous year : 5,000,000 units) of ₹10 each  
(Nil units purchased and 5,000,000 units sold during the year)

- 500.00

Birla Sun Life FTP - Series BH - Institutional growth  
Nil units (previous year: 5,000,000 units) of ₹10 each  
(Nil units purchased and 5,000,000 units sold during the year)

- 500.00



## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	31.03.2010 ₹ lakh	31.03.2009 ₹ lakh
<b>5. INVESTMENTS (Contd.)</b>		
Birla Sun Life Short Term Fund - Institutional Daily Dividend Nil units (previous year : 5,106,580 units) of ₹10 each [34,993 units purchased (represents dividend reinvested) and 5,141,573 units sold during the year]	-	510.94
DSP Black Rock Fixed Maturity Plan 12M Series 2 - Institutional Growth Nil units (previous year : 5,000,000 units) of ₹10 each (Nil units purchased and 5,000,000 units sold during the year)	-	500.00
DSP Black Rock Money Manager Fund - Institutional Plan - Daily Dividend Nil units (previous year : 54 units) of ₹1000 each (Nil Units purchased and 54 units sold during the year)	-	0.53
Franklin India Treasury Man Institutional Plan - Daily Dividend Reinvestment Nil Units (previous year : 50 units) of ₹1000 each (Nil units purchased and 50 units sold during the year)	-	0.50
Franklin Sr.I X - Plan E (Growth) Nil Units (previous year : 3,000,000) of ₹10 each (Nil units purchased and 3,000,000 units sold during the year)	-	300.00
HDFC Fixed Maturity Plan 370D - Aug 08(IX)(1) - Wholesale Plan (Growth) Nil units (previous year : 2,000,000 units) of ₹10 each (Nil units purchased and 2,000,000 units sold during the year)	-	200.00
ICICI Prudential Institutional Liquid Plan - Super Institutional Daily Dividend Nil units (previous year : 3,747) of ₹10 each (Nil units purchased and 3,747 units sold during the year)	-	0.37
ICICI Prudential Fixed Maturity Plan Series 46 Nil units (previous year : 5,000,000) of ₹10 each (Nil units purchased and 5,000,000 units sold during the year)	-	500.00
Kotak 12Mth Series 9 - Institutional Plan (Growth) Nil units (previous year : 5,000,000) of ₹10 each (Nil units purchased and 5,000,000 units sold during the year)	-	500.00
Sundaram FTP Sr. IV - 367 Days - Institutional Plan (Growth) Nil units (previous year 5,000,000) of ₹10 each (Nil units purchased and 5,000,000 units sold during the year)	-	500.00
TATA Fixed Horizon Fund Series 18 Nil units (previous year : 10,000,000) of ₹10 each [1,208,361 units purchased (represents dividend reinvested) and 11,208,361 units sold during the year]	-	1,000.00
Franklin Templeton India Income Opportunities fund 4,912,074 units (previous year: Nil) of ₹10 each (4,912,074 units purchased and Nil units sold during the year)	500.00	-
Birla Sun Life Dynamic Bond Fund - Monthly Dividend Reinvestment 4,886,014 units (previous year : Nil) of ₹10 each [9,732,606 units purchased (including dividend reinvested 91,534 units) and 4,846,592 units sold during the year]	506.79	-





## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	31.03.2010	31.03.2009
	₹ lakh	₹ lakh
<b>5. INVESTMENTS (Contd.)</b>		
Birla Sun Life Monthly Income Plan II Savings 5-Monthly Dividend Reinvestment 6,346,913 units (previous year : Nil) of ₹10 each [6,346,913 units purchased (including dividend reinvested 365,642 units) and Nil units sold during the year]	716.36	-
Birla Sun Life Monthly Income - Monthly Dividend Reinvestment 4,472,327 units (previous year : Nil) of ₹10 each [4,472,327 units purchased (including dividend reinvested 19,690 units) and Nil sold during the year]	500.94	-
DSP Black Rock Floating Rate Fund-Institutional Plan-Daily Dividend 50,007 units (previous year : Nil) of ₹1000 each [50,007 units purchased (including dividend reinvested 29 units) and Nil units sold during the year]	500.34	-
HDFC Monthly Income Plan - Short Term - Monthly Dividend 5,955,681 units (previous year : Nil) of ₹11 each [5,955,681 units purchased (including dividend reinvested 99,973 units) and Nil units sold during the year]	661.10	-
HSBC Monthly Income Plan - Reinvestment Plan (Monthly Dividend) 7,107,316 units (previous Year : Nil) of ₹11 each [7,107,316 units purchased (including dividend reinvested 251,471 units) and Nil units sold during the year]	815.73	-
Kotak Fixed Maturity Plan -19 Mth Series 2 (Growth) 5,000,000 units (previous year : Nil) of ₹10 each (5,000,000 units purchased and Nil units sold during the year)	500.00	-
Reliance Monthly Income Plan (Monthly Dividend) 7,605,024 units (previous year : Nil) of ₹10 each [7,605,024 units purchased (including dividend reinvested 531,356 units) and Nil units sold during the year]	840.55	-
Reliance Regular Saving Fund - Debt 1 (Dividend) 853,833 units (previous year : Nil) of ₹10 each [853,833 units purchased (including dividend reinvested 30,394 units) and Nil units sold during the year]	103.69	-
TATA Fixed Maturity Plan S 25 - A - Super High Investment Plan -(Growth) 5,000,000 units (previous year : Nil) of ₹10 each (5,000,000 units purchased and Nil units sold during the year)	500.00	-
	<b>6,145.50</b>	<b>5,012.34</b>
	<b>7,115.22</b>	<b>5,982.06</b>
Less : Provision for diminution in value of investments	<b>969.67</b>	<b>969.67</b>
	<b>6,145.55</b>	<b>5,012.39</b>

The total net asset value (NAV) of unquoted investments (Mutual Fund units) as at March 31, 2010 ₹6,209.96 lakh. (previous year ₹5,481.87 lakh)

During the year the following investment were purchased and sold:

- 45,691 units (including dividend reinvested 1,428 units) of Templeton India Short Term Income Plan at a cost of ₹ 500 lakh
- 2,216,247 units (including dividend reinvested 3,218 units) of HDFC Cash Management Fund at a cost of ₹ 222 lakh
- 4,74,521 units (including dividend reinvested 1,641 units) of ICICI Prudential Liquid Fund at a cost of ₹ 500 lakh
- 4,091,577 units (including dividend reinvested 2,634 units) of Kotak Liquid (Institutional Premium) at a cost of ₹ 500 lakh
- 5,599,922 units (including dividend reinvested 10,820 units) of Birla Sunlife Cash Plus at a cost of ₹560 lakh
- 5,552,187 units (including dividend reinvested 11,910 units) of Tata Floater Fund at a cost of ₹556 lakh
- 5,517,123 units (including dividend reinvested 14,585 units) of ICICI Prudential Liquid Fund Plan - Super Institutional at a cost of ₹550 lakh



## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	31.03.2010 ₹ lakh	31.03.2009 ₹ lakh
<b>6. CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>A. INVENTORIES</b>		
Stores and spare parts	75.09	117.45
Raw materials	375.90	538.28
Finished goods	<u>1,182.00</u>	<u>4,824.55</u>
	<u>1,632.99</u>	<u>5,480.28</u>
<b>B. SUNDRY DEBTORS (Unsecured)</b>		
<b>Trade Debtors</b>		
Debts outstanding for a period exceeding six months - considered	224.23	16.54
Other debts - considered good	<u>2,303.98</u>	<u>1,763.01</u>
	<u>2,528.21</u>	<u>1,779.55</u>
<b>Other Debtors:</b>		
Debts outstanding for a period exceeding six months- considered good	-	1,213.83
	<u>2,528.21</u>	<u>2,993.38</u>
<b>C. CASH AND BANK BALANCES</b>		
Cash on hand	5.50	1.53
With scheduled banks in- Current accounts*	3,811.33	1,472.78
Term deposits		
-under lien against bank guarantee	317.33	2,276.86
-others **	<u>15.21</u>	<u>3,763.46</u>
	<u>4,149.37</u>	<u>7,514.63</u>
* Includes ₹154.14 lakh (previous year ₹355.61 lakh) Escrow Account to be utilised as per the Escrow Agreement with the customer.		
** Includes ₹Nil (Previous year ₹36 lakh) towards margin money.		
<b>D. LOANS AND ADVANCES</b>		
<b>Secured and considered good</b>		
Advances recoverable in cash or kind or for value to be received	600.00	600.00
<b>Unsecured and considered good:</b>		
Advances recoverable in cash or kind or for value to be received* (Includes ₹Nil lakh (previous year : ₹0.13 lakh) due from directors of the Company maximum amount due at any time during the year ₹12.85 lakh) (previous year: ₹5.11 lakh)	2,223.25	2,113.73
Balances with Excise and Customs authorities	569.54	276.18
Other deposits	<u>207.90</u>	<u>199.15</u>
	<u>3,600.69</u>	<u>3,189.06</u>
	<u>11,911.26</u>	<u>19,177.35</u>

\* includes capital advance of ₹479.70 lakh (previous year: ₹1,389.71 lakh)



## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

<b>7. CURRENT LIABILITIES AND PROVISIONS</b>	<b>31.03.2010</b>	<b>31.03.2009</b>
	<b>₹ lakh</b>	<b>₹ lakh</b>
<b>LIABILITIES</b>		
Sundry creditors	10,171.79	9,938.23
Purchase consideration	-	1,600.00
Advance received from customers	3,693.46	1,769.88
Interest accrued but not due on loans	74.21	10.34
	<b>13,939.46</b>	<b>13,318.45</b>
<b>PROVISIONS</b>		
Provision for taxation, net of payments	1,055.94	993.77
Provision for fringe benefit tax, net of payments	-	4.31
Proposed dividend on equity shares	262.50	131.25
Tax on dividends	43.60	44.62
Gratuity	23.08	60.40
Pension	1,185.83	1,213.15
Leave salary	170.67	200.98
	<b>2,741.62</b>	<b>2,648.48</b>
	<b>16,681.08</b>	<b>15,966.93</b>

## SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

	<b>2009-10</b>	<b>2008-09</b>
	<b>₹ lakh</b>	<b>₹ lakh</b>
<b>8. OTHER INCOME</b>		
Dividend on shares	0.05	0.04
Income from Mutual Funds	669.88	21.95
Interest on Fixed Deposits and others	507.02	401.11
Liabilities / provisions no longer required written back	-	21.03
Conversion Charges	39.15	-
Miscellaneous receipts	20.77	41.13
Profit on sale of fixed assets (net)	78.37	0.68
Sale of petroleum products	27.83	16.06
(Net of consumption of ₹1,575.49 lakh (Previous year ₹1,449.71 lakh)	<b>1,343.07</b>	<b>502.00</b>
<b>9. MINING, MANUFACTURING AND OTHER EXPENSES</b>		
Raw materials and components consumed	956.25	425.92
Purchase of finished goods	106.63	828.05
Raw material conversion cost	54.30	121.56
Payments to and provision for employees:		
Salaries, wages and bonus	1,442.79	1,769.89
Contribution to provident and other funds	63.13	299.07
Subsidy on food grains	354.76	294.24
Employees' welfare expenses	662.30	652.99
	<b>2,522.98</b>	<b>3,016.19</b>
Stores and spares consumed	357.28	265.66
Power and fuel	143.55	375.95
Repairs and maintenance to :		
Plant and machinery	46.40	64.94
Buildings	158.00	154.95
Others	187.96	177.38
	<b>392.36</b>	<b>397.27</b>
<b>Carried forward</b>	<b>4,533.35</b>	<b>5,430.60</b>



## SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

	2009-10 ₹ lakh	2008-09 ₹ lakh
<b>Brought forward</b>	<b>4,533.35</b>	5,430.60
Mine running expenses	<b>7,081.57</b>	9,698.62
Rent	<b>82.06</b>	65.34
Insurance	<b>14.75</b>	12.51
Rates and taxes	<b>4,273.03</b>	3,132.87
Freight, loading and siding charges	<b>3,454.18</b>	4,886.36
Commission, sales and service charges on export sales	<b>119.90</b>	71.14
Exchange loss (net)	<b>152.96</b>	50.90
Selling expenses	<b>320.08</b>	27.73
Administrative expenses	<b>664.23</b>	661.33
Assets discarded	<b>3.03</b>	19.92
Bad debts/advances written off	<b>0.14</b>	27.08
Sub contracting charges	<b>36.73</b>	-
Bank charges	<b>36.23</b>	47.19
Miscellaneous expenses	<b>1,517.05</b>	291.44
	<b>22,289.29</b>	24,423.03
Decrease / (Increase) in finished goods		
Opening finished goods	<b>4,824.55</b>	1,021.69
Closing finished goods	<b>1,182.00</b>	(4,824.55)
	<b>3,642.55</b>	(3,802.86)
Increase/(Decrease) in excise duty on finished goods	<b>(44.93)</b>	46.90
	<b>25,886.91</b>	20,667.07

## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

### 10. NOTES TO ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2010

- 1) The Consolidated Financial Statements comprise the financial statements of The Sandur Manganese & Iron Ores Limited (the Company) and its subsidiary named Star Metallics and Power Private Limited (SMPPL). The Consolidated Financial Statements are prepared in accordance with Accounting Standard (AS) 21 on Consolidated Financial Statements notified by the Central Government of India under The Companies (Accounting Standards) Rules, 2006.

SMPPL is incorporated in India and the Company's ownership interest and voting power is 68.97% (previous year: 69.15%) as at the balance sheet date.

The financial statements of SMPPL are drawn up to the same reporting date as that of the Company i.e. 31 March, 2010 and are audited.

The difference between the costs of investment in SMPPL over the Company's portion of equity of SMPPL is recognised as Goodwill.

Minority interest in the net assets of consolidated subsidiary is identified and presented in the consolidated balance sheet separately from liabilities and the equity of the Company's shareholders.

Minority interest in the net assets of consolidated subsidiary consists of:

- ☐ The amount of equity attributable to minorities at the date on which investment in subsidiary is made; and
- ☐ The minorities' share of movements in equity since the date parent subsidiary relationship came into existence.

Minority interest in the net loss for the year of consolidated subsidiary is identified and adjusted against the profit after tax of the group.



## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

### 2) Accounting policies:

The financial statements are prepared on an accrual basis under historical cost convention (except revaluation of fixed assets) in accordance with Generally Accepted Accounting Principles and materially comply with the mandatory Accounting Standards notified by the Central Government of India under The Companies (Accounting Standards) Rules, 2006.

#### i) Use of estimates:

The Company uses prudent and reasonable assumptions and estimates in the preparation of its financial statements, and these are reflected in the reported amounts of income and expenses during the year, and the reported balances of assets and liabilities, and disclosures relating to contingent liabilities, as at the date of the financial statements.

#### ii) Fixed Assets:

Fixed assets are capitalized at acquisition cost including directly attributable cost of bringing the asset to its working condition for the intended use. Certain assets have been revalued as on 31<sup>st</sup> March, 1985 and the resultant surplus has been added to the cost of the assets.

#### iii) Depreciation / Amortisation:

The Company's assets at head office and mines (including assets transferred to plant from these locations) are depreciated on the written down value method and at plant (including assets transferred to other locations from plant) are depreciated on the straight line method at the rates and in manner prescribed in Schedule XIV to the Companies Act, 1956.

Mining lease rights are amortised over the useful life of the mine or lease period, whichever is shorter.

Individual assets costing less than ₹5,000/- are depreciated in full in the year of its purchase.

#### iv) Impairment of Fixed Assets:

Consideration is given at each Balance Sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an impairment loss is recognised when the carrying amount exceeds greater of net selling price and value in use.

#### v) Foreign Currency Transaction:

Foreign exchange transactions are recorded at the exchange rates prevailing on the date of transaction.

Foreign exchange rate fluctuations relating to monetary assets and liabilities are restated at the year-end rates.

The net loss or gain arising on restatement/ settlement, if any, is adjusted to the profit and loss account.

In respect of forward exchange contracts, the premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of Profit and Loss of the reporting period in which the exchange rates change.

#### vi) Investments:

All long term investments are valued at cost. However provision for diminution in value is made to recognise a decline, other than temporary, in the value of investments.

Current investments are carried at lower of cost and fair value.

#### vii) Inventories:

Inventories are valued at lower of cost and net realizable value. The method of determination of cost of various categories of inventories is as follows:

- (a) Stores and spare parts : Monthly weighted average rates.
- (b) Raw materials: On Monthly weighted average rates.
- (c) Finished goods: Full absorption costing method based on annual cost of production.





## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

### viii) Revenue Recognition:

Revenue from sale of goods is recognized on despatch of goods to customers from plant or stock points, as applicable when significant risks and rewards of ownership are considered to be transferred. In case of service income, revenue is recognized when the service is rendered to the customer.

### ix) Employee Benefits:

- (a) Short-term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.
- (b) Post employment benefits are recognised as an expense in the profit and loss account of the year in which the employee has rendered services. The expense is recognised at the present value of the amount payable towards contributions. The present value is determined using the market yields of government bonds, at the balance sheet date, at the discounting rate.
- (c) Other long-term employee benefits are recognised as an expense in the profit and loss account of the period in which the employee has rendered services. Estimated liability on account of long-term benefits is discounted to the present value, using the market yields on government bonds, as on the date of balance sheet, at the discounting rate.
- (d) Actuarial gains and losses in respect of past employment and other long term benefits are charged to the profit and loss account.

### x) Segment Accounting:

Segments are identified based on the types of products and the internal organisation and management structure. The Company has identified business segment as its primary reporting segment with secondary information reported geographically.

The Company's primary segments consist of Mining, Services, Ferroalloy & Power and Steel.

Unallocable represents other income and expenses which relate to the Company as a whole and are not allocated to segments.

### xi) Taxation:

Tax Expense / (Credit) comprise Current Tax and Deferred Tax.

#### (a) Current Tax

Current tax expense is determined in accordance with the provisions of the Income-tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which give rise to future economic benefits in the form of adjustment of future income liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the balance sheet when it is probable that the future economic benefit associated with it will follow to the Company and the asset can be measured reliably.

#### b) Deferred Tax

Deferred tax assets and liabilities are measured using the tax rates which have been enacted or substantively enacted at the balance sheet date. Deferred tax expense or benefit is recognised, subject to consideration of prudence, on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversing in one or more subsequent periods.

### xii) Provisions and Contingencies:

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet



## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

date and adjusted to reflect the current best estimates. Contingent Liabilities are not recognised but are disclosed in the notes to accounts.

Contingent Assets are neither recognised nor disclosed in the financial statements.

### 3) Contingent Liabilities:

		31.03.2010 ₹ lakh	31.03.2009 ₹ lakh
a)	Claims against the Company not acknowledged as debts.		
	i) Stamp duty on net present value includes maximum penalty of Rs.4,545.00 lakh (relating to applicability of duty)	5,454.00	-
	ii) Income tax (relating to disallowance of deduction)	1,573.76	-
	iii) Service tax (relating to applicability of tax)	5.85	293.35
	iv) Others	17.68	17.68
	The above amounts have been arrived at based on the notice of demand or the Assessment Orders, as the case may be, and the Company is contesting these claims with the respective authorities. Outflows, if any, arising out of these claims would depend on the outcome of the decisions of the appellate authorities and the Company's rights for future appeals before the judiciary. No reimbursements are expected.		
b)	Guarantees given by the Company:		
	i) Employees (including some former employees) in respect of housing loans	3.54	9.87
	The Company has got an undertaking from the employees to repay on their behalf directly to the bank/ financial institution.		
	ii) Corporate guarantee issued to Customs authorities on behalf of subsidiary company	1,050.00	1,050.00
	The Company has given the said guarantee in respect of fulfillment of the export obligations by the subsidiary company. There are no defaults as at the year end and no liability is expected.		
	iii) Others (principal guarantees)	10.00	10.00
	The Company has given the said guarantee for the working capital facilities availed by the welfare organisation sponsored by the Company. There are no defaults as at the year end and no liability is expected.		
c)	Bills discounted	-	533.18
	Represents bills discounted against the irrecoverable letter of credit.		

### 4) Managerial Remuneration:

	2009-10 ₹ lakh	2008-09 ₹ lakh
Salaries*	64.59	27.07
Contribution to provident and other funds*	15.40	7.31
Perquisites	139.83	42.09
Sitting fees	4.96	5.10
	224.78	81.57

\* Excludes contributions towards Gratuity and provision for leave salary, as the same have been provided on an actuarial basis for the Company as a whole.



## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

### 5) AUDITORS' REMUNERATION:

	2009-10 ₹ lakh	2008-09 ₹ lakh
Statutory audit	17.00	15.00
Tax Audit	3.75	3.75
Audit of Consolidated accounts	3.25	2.25
Fees for other services	11.25	8.80
Reimbursement of		
- out of pocket expenses	0.22	0.25
- levies	2.42	2.94
	37.89	32.99

### 6) SEGMENT REPORTING:

#### a) PRIMARY SEGMENTS (BUSINESS SEGMENTS)

₹ lakh

Particulars	Mining		Service		Ferroalloy & Power		Steel		Unalloyable		TOTAL	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
REVENUE												
External sales	27,630.46	42,245.64	-	110.16	630.31	1,088.61	1,116.61	30.33	-	-	29,377.38	43,474.72
Total revenue	27,630.46	42,245.64	-	110.16	630.31	1,088.61	1,116.61	30.33	-	-	29,377.38	43,474.72
RESULT												
Segment	3,684.59	22,575.12	-	97.91	(445.37)	(110.57)	(82.13)	(10.41)	-	-	3,157.09	22,552.05
Unallocated corporate (expense) / income (net)	-	-	-	-	-	-	-	-	620.64	(287.84)	620.64	(287.84)
Operating profit/(loss)	3,684.59	22,575.12	-	97.91	(445.37)	(110.57)	(82.13)	(10.41)	620.64	(287.84)	3,777.73	22,264.21
Interest expense	-	-	-	-	-	-	-	-	(153.53)	(1.97)	(153.53)	(1.97)
Profit/(loss) before taxes	3,684.59	22,575.12	-	97.91	(445.37)	(110.57)	(82.13)	(10.41)	467.11	(289.81)	3,624.20	22,262.24
Taxes	-	-	-	-	-	-	-	-	(1,384.00)	(7,757.83)	(1,384.00)	(7,757.83)
Net profit/(loss)	3,684.59	22,575.12	-	97.91	(445.37)	(110.57)	(82.13)	(10.41)	(916.89)	4,504.03	(916.89)	4,504.03
OTHER INFORMATION												
Segment assets	12,092.07	12,750.28	51.42	121.35	17,763.42	15,293.67	948.21	747.27	10,285.70	9,834.71	41,140.82	38,747.28
Segment liabilities	11,917.75	10,360.17	1.17	1.44	4,608.71	5,962.48	3.51	1.21	1,774.94	1,521.35	18,306.08	17,846.65
Capital expenditure including capital work-in-progress	175.52	171.87	-	-	8,678.05	5,363.48	-	-	274.70	3,037.71	9,128.27	8,573.01
Depreciation/amortisation	1,001.75	970.95	-	-	14.54	57.78	-	-	39.52	16.71	1,055.81	1,045.44
Non-cash expense other than depreciation/amortisation	20.82	47.00	-	-	-	34.42	-	-	-	-	20.82	81.42

**Note:** Primary business segments have been identified on the basis of distinguishable businesses in which the Company is engaged.



## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

### b) SECONDARY SEGMENTS (GEOGRAPHICAL SEGMENTS)

#### i) Disclosure of Segments Revenue, based on geographical location of Customers

₹ lakh

Geographical Segments	2009-10	2008-09
India	22,513.88	36,333.43
Rest of World	6,863.50	7,141.29
Total	29,377.38	43,474.72

#### ii) Total Carrying amount of Assets, by geographical location

₹ lakh

Location of Assets	31-3-2010	31-3-2009
India	41,075.83	38,747.28
Rest of World	64.99	-
Total	41,140.82	38,747.28

**Note :** Most of the assets are not identifiable separately to any reportable segment as these are used interchangeably between segments.

#### iii) Capital expenditure during the year (including capital work in progress)

₹ lakh

Location of Assets	2009-10	2008-09
India	9,128.27	8,573.01
Rest of World	-	-
Total	9,128.27	8,573.01

**Note :** The above costs of assets are not identifiable separately to any reportable segment as these are used interchangeably between segments.

The Company essentially operates within India and there are exports mainly through Export Trading House in respect of the Mines.

### 7) Related party disclosures:

#### Related parties and description of relationship:

1.	Holding company	None
2.	Key Management Personnel (KMP)	i) S.Y. Ghorpade, Chairman & Managing Director ii) Nazim Sheikh, Executive Director iii) S.H. Mohan, Technical Director iv) S.R. Sridhar, Director ( Mines) with effect from 1 <sup>st</sup> October 2008
3.	Relative of KMP	i) Aditya Shivrao Ghorpade ii) Mubeen Ahmed Sheriff



## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

### a) Key Management Personnel

₹ lakh

Sl.No	Name of KMP	Remuneration		Guarantee Commission	
		2009-10	2008-09	2009-10	2008-09
1	S.Y. Ghorpade	68.01	21.88	-	50.00
2	Nazim Sheikh	61.05	19.94	-	50.00
3	S.H. Mohan	60.93	19.94	-	-
4	S.R. Sridhar	29.83	14.71	-	-
	<b>Total</b>	<b>219.82</b>	<b>76.47</b>	<b>-</b>	<b>100.00</b>

₹ lakh

Sl.No	Name of KMP	Amounts payable at the year end		Amounts receivable at the year end	
		2009-10	2008-09	2009-10	2008-09
1	S.Y. Ghorpade	0.67	52.15	-	-
2	Nazim Sheikh	9.28	52.29	-	-
3	S.H. Mohan	0.48	-	-	0.04
4	S.R. Sridhar	3.41	4.65	-	0.09
	<b>Total</b>	<b>13.84</b>	<b>109.09</b>	<b>-</b>	<b>0.13</b>

### b) Relative of KMP

₹ lakh

Sl.No	Name of KMP	Remuneration		Amounts receivable at the year end		Amounts payable at the year end	
		2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
1	Aditya Ghorpade	5.07	4.63	0.53	0.34	-	-
2	Mubeen A. Sheriff	5.76	2.20	-	-	0.23	-
	<b>Total</b>	<b>10.83</b>	<b>6.83</b>	<b>0.53</b>	<b>0.34</b>	<b>0.23</b>	<b>-</b>

## 8) Employee Benefits

### a) Defined contribution plan

The contributions recognised in the profit and loss account during the year are as under:

₹ lakh

Contribution to:	2009-10	2008-09
Provident Fund	85.31	79.05
Superannuation Fund	14.88	11.00
<b>Total</b>	<b>100.19</b>	<b>90.05</b>

The Company makes contributions at predetermined rates to SMIORE Provident Fund Trust and to the Regional Provident Fund Commissioner in respect of Employee Provident Fund and to the Life Insurance Corporation of India in respect of Superannuation Fund.

In case of SMIORE Provident Fund Trust interest rate payable by the Trust to the beneficiaries is as notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of trust and the notified interest rate and recognise such shortfall as an expense. There is no shortfall in the interest payable by the trust to the beneficiaries as on the balance sheet date.

### b) Defined Benefit Plan - Funded

The Company makes annual contributions to an Insurance managed fund. The scheme provides for lump sum payment to vested employees on retirement, death while in employment or on termination of employment as per the Company's Gratuity Scheme, vesting occurs upon completion of three years of service.

The following table sets out the funded status and amount recognised in the Company's financial statements for Gratuity.





## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

₹ lakh

		2009-10	2008-09
I	Net Asset/ (Liability) recognized in the balance sheet		
1	Present value of funded obligations –A	765.01	776.24
2	Fair value of plan Assets-B	(741.93)	(715.84)
3	(Deficit)/Surplus-(A-B)	(23.08)	(60.40)
4	Net Asset/ Liability		
	-Assets	-	-
	-Liabilities	(23.08)	(60.40)
II	Expense recognized in the Profit and loss account		
1	Current service cost	31.83	22.32
2	Interest on Defined Benefit Obligation	49.15	39.76
3	Expected Return on Plan Assets	(47.32)	(28.67)
4	Net Actuarial Losses / (Gain) recognized during the year	(70.98)	174.19
5	Past Service cost	-	-
6	Losses on “Curtailements & Settlements”	-	2.74
	Total	(37.32)	210.34
	Actual return on plan Assets	74.81	90.20
III	Change in present value of obligation		
1	Opening Defined Benefit Obligation	776.24	544.23
2	Service Cost	31.83	22.32
3	Interest Cost	49.15	39.76
4	Actuarial Losses/(Gain)	(43.49)	235.72
5	Actuarial Losses due to Curtailment	-	2.74
6	Benefits Paid	(48.72)	(68.53)
7	Closing Defined Benefit Obligation	765.01	776.24
IV	Change in fair value of plan assets		
1	Opening fair value of plan assets	715.84	394.17
2	Expected return	47.32	28.67
3	Actuarial Gains / (Losses)	27.49	61.53
4	Assets distributed on settlements	-	-
5	Contributions by employer	-	300.00
6	Benefits Paid	(48.72)	(68.53)
7	Closing fair value of plan assets	741.93	715.84
V	The major categories of Plan Assets as a percentage of total Plan		
1	Government of India securities	12.40%	28.20%
2	Corporate bonds	50.12%	42.50%
3	Others	37.48%	29.30%
VI	Principal actuarial assumptions:		
	Discount Rate	7.95% p.a.	7.05% p.a.
	Expected Rate of Return on Plan Assets	8.00% p.a.	7.50% p.a.
VII	The employees are assumed to retire at the age of 60 years		
VIII	The mortality rates considered are as per the published rates by the LIC (1994-96) mortality tables		

Expected rate of return on plan assets is based on average yield on investment.



## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

### (c) Other Long term benefits - Unfunded

The defined benefit obligations which are provided for but not funded are as under.

	₹ lakh	
	Liability as on 31.03.2010	Liability as on 31.03.2009
Leave Salary	170.67	200.98
Pension	1,185.83	1,213.15

The discount rate for defined benefit plan and other long term benefits is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of obligations.

The estimate of future salary increases considered for defined benefits plan and other long term benefits takes into account the inflation, seniority, promotion, increments and other relevant factors.

- 9) As per the draft rehabilitation scheme of Sandur Laminates Limited and Sandur Micro Circuits Limited, the Company has given an undertaking not to dispose of its share holdings in Sandur Laminates Limited and Sandur Micro Circuits Limited without their prior approval of Board for Industrial and Financial Reconstruction (BIFR).

### 10) The details of deferred tax asset / (liability) are as under :

	₹ lakh		
	As at 31.03.2009	Tax effect for the year	As at 31.03.2010
<b>Deferred Tax (Liability)</b>			
Fixed Assets	(1,585.78)	371.30	(1,214.48)
<b>Sub Total</b>	(1,578.78)	371.30	(1,214.48)
<b>Deferred Tax Asset</b>			
Provision for gratuity, pension and leave salary	501.19	(76.06)	425.13
Unabsorbed depreciation allowance	2.06	37.05	39.11
Others	1,053.53	183.71	1,237.24
<b>Sub Total</b>	1,556.78	144.70	1,701.48
<b>Net Deferred Tax Asset / (Liability)</b>	(29.00)	516.00	487.00

### 11) Earnings per share:

	2009-10	2008-09
Net profit after tax - ₹lakh	2,363.23	14,562.22
Less : Dividend on preference shares - ₹lakh	-	13.72
Less : Dividend tax on preference shares - ₹lakh	-	2.33
	<u>2,363.23</u>	<u>14,546.17</u>
Weighted average number of equity shares	87,50,000	87,50,000
Nominal value of shares - ₹	10.00	10.00
Basic and diluted earnings per share - ₹	27.01	166.25

- 12) a) The Company had entered into a forward exchange contract to hedge its foreign currency exposure relating to foreign currency loan outstanding for US Dollar Nil (previous year: US Dollar 36.54 lakh) equivalent to ₹Nil (previous year: ₹1,885.13 lakh).



## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

- b) Foreign currency exposure as at 31 March 2010, that has not been hedged by a derivative instrument or otherwise is as below: (previous year figures are in bracket)

₹ lakh

Particulars	Amount (₹Lakh)	Amount (Foreign Currency)
Receivable	64.99 (-)	USD 144,414 (-)
Payable	82.19 (-)	USD 182,527 (-)

- 13) Figures pertaining to SMPPL have been reclassified, where necessary, to bring them in line with the Company's financial statements.

SIGNATURES TO SCHEDULES 1 to 10

for and on behalf of the Board of Directors

**S. Y. GHORPADE**  
Chairman & Managing Director

**MD. ABDUL SALEEM**  
Company Secretary

**NAZIM SHEIKH**  
Executive Director

**K. RAMAN**  
Financial Controller & CFO

Place : Bangalore  
Date : 28 May 2010

**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2010**

Your Directors have pleasure in presenting the 3<sup>rd</sup> Annual Report of the Company for the year ended 31 March 2010:

**FINANCIAL RESULTS:**

(₹ in lakh)

Particulars	Current Year ended 31.03.2010	Previous Year ended 31.03.2009
<b>Income</b>		
Gross Turnover	655.64	775.79
Less: Excise Duty	(25.33)	(37.92)
	630.31	737.87
Other Income	81.95	226.37
<b>TOTAL</b>	<b>712.26</b>	<b>964.24</b>
<b>Expenditure</b>		
(Increase) / Decrease in finished goods	549.77	258.84
Operating and Other Expenses	543.96	845.45
Depreciation / Write Offs	50.97	56.93
Write back of depreciation	(37.27)	-
<b>TOTAL</b>	<b>1107.43</b>	<b>1161.22</b>
<b>Profit / (Loss) before Taxation</b>	<b>(395.17)</b>	<b>(196.98)</b>
Provision for Fringe Benefit Tax	-	(1.03)
<b>Net Profit / (Loss) after Tax</b>	<b>(395.17)</b>	<b>(198.01)</b>
Loss carried forward from previous year	(229.51)	(31.50)
<b>Profit / (Loss) carried to Balance sheet</b>	<b>(624.68)</b>	<b>(229.51)</b>
Paid-up equity shares (FV ₹10 per equity share)	36250000	28200000
<b>Earnings Per Share (₹)</b>		
- Basic & Diluted	<b>(1.22)</b>	<b>(1.52)</b>

The Company has incurred loss of ₹395.17 lakh for the year after charging ₹50.97 lakh towards depreciation on fixed assets and loss of ₹134.18 due to foreign exchange rate fluctuation. During the year, the Company has written back depreciation of ₹37.27 lakh due to change in method of depreciation from Written Down Value method (WDV) to Straight Line Method (SLM). Together with the loss of ₹229.51 lakh brought forward from the previous year in the Profit and Loss Account, the loss carried to the Balance Sheet is ₹624.68 lakh.

**OPERATIONS:**

During the year, the Company achieved turnover of ₹630.31 lakh (net of excise duty) on sale of 1877.245 tonnes of Silico Manganese from the finished goods stocks at the commencement of the year. The Company has also produced 1469 tonnes of Silico Manganese for a third party on job work basis and earned conversion fee of ₹39.14 lakh. It also earned interest income of ₹28.57 lakh.

As the prices of Ferroalloys did not pick up as expected, the Company did not resume own ferroalloy operations with power from the state grid. However, following the slight improvement in the prices after January 2010, the Company was able to enter into a conversion agreement with Metsil Exports Pvt. Ltd, for production of 3000 tonnes of Silico Manganese, on a Job work basis. The Company has since completed the production of contracted quantity in May 2010.

The Company has acquired one 20MVA furnace along with its associated equipments, from The Sandur Manganese & Iron Ores Ltd. (SMIORE) on 31 March 2010 for ₹16 crore. The said 20MVA furnace together with the existing one 15 MVA furnace can annually produce about 44,000 tonnes of Silico Manganese. The Company proposes to restart its ferroalloy operations, on a sustained basis, after its captive thermal power plant at Vyasankere is commissioned.

**32 MW THERMAL POWER PROJECT:**

The Company's 32 MW coal based captive thermal power plant at Vyasankere is nearing completion. The equipment wise commissioning of the plant is in progress. The approval for synchronization with the state grid has already been received. The Plant is expected to be commissioned by mid of September 2010 and operations are expected to be stabilized by end of the same month. The Company has also entered into a long term agreement with Tata Power Trading Ltd. for sale of its surplus power.

Considering the strong and growing demand for the power in Karnataka, the Company proposes to enhance the capacity of the power plant to 64MW. The expansion project has been approved by the Government of Karnataka vide government order No. CI 350 SPI 2010, Bangalore dated 13 July 2010.

**SUBSIDIARY:**

The Company has no subsidiary.

**DIVIDEND:**

In the absence of profits, no dividend has been proposed for the year.

**DIRECTORS:**

Pursuant to the provisions of Sections 255 and 256 of the Companies Act, 1956, S Y Ghorpade and Nazim Sheikh, Directors retire by rotation and, being eligible offer themselves for re-election. Their reappointment is included in the Notice for the ensuing Annual General Meeting.

**AUDITORS:**

M/s. Deloitte Haskins & Sells, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

In accordance with the provisions of section 217(2AA) of the Companies Act, 1956, your Directors state that:

- i. In the preparation of accounts, the applicable accounting standards have been followed.
- ii. Accounting policies selected were applied consistently.
- iii. Reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of affairs of the Company as at the end of 31 March 2010.
- iv. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
- v. The accounts of the Company have been prepared on a 'going concern' basis.



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

Particulars relating to conservation of energy and technology absorption stipulated in the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 are set out in an annexure to this report.

**PARTICULARS OF EMPLOYEES:**

During the period, there were no employees whose particulars are required to be disclosed under Section 217(2A) of the Companies Act, 1956.

**ACKNOWLEDGEMENTS:**

The Directors wish to thank Government Authorities and Banks for their support. The Directors also wish to place on record their appreciation of the good work put in by the employees of the Company.

By Order of the Board  
for Star Metallics and Power Private Limited

Place: Bangalore  
Date : 28 July 2010

**S. Y. Ghorpade**  
Chairman

**Information pursuant to Section 217(1)(e) of the Companies Act, 1956, to the extent applicable, in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 for the year ended March 31, 2010**

**A. CONSERVATION OF ENERGY:**

- |   |   |  |
|---|---|--|
| (a) Energy conservation measures taken  | : | <ul style="list-style-type: none"> <li>a) Capacitor banks installed to attain power factor much above statutory norm fixed by GESCOM</li> <li>b) Computerized data acquisition system for reduction in specific energy consumption.</li> <li>c) Furnaces are now equipped with Data Supervisory Control (DSC) for the efficient operation and also for optimum working of auxiliaries. The DSC also provides the energy measurement at each point of consumption which enables us to audit and control.</li> </ul> |
| (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.                                   | : | --   |
| (c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods. | : | Not possible to identify specifically.   |
| (d) Total energy consumption and energy consumption per unit of production  | : | As per Form 'A' annexed.   |

**B. TECHNOLOGY ABSORPTION:**

- |   |   |                          |
|---|---|--------------------------|
| (e) Efforts made in technology absorption | : | As per Form 'B' annexed. |
|---|---|--------------------------|

**C. FOREIGN EXCHANGE EARNINGS & OUTGO:**

- |   |   |  |
|---|---|--|
| (f) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services; export plans. | : | The company has been exploring suitable direct export opportunities for its products. It has effected exports through third parties during the year. |
| (g) Total foreign exchange used and earned (₹)  |   |  |

**1. FOREIGN EXCHANGE EARNINGS:**

- |   |   |     |
|---|---|-----|
| - Export Sales<br>(including exchange difference) | : | Nil |
|---|---|-----|

**2. FOREIGN EXCHANGE OUTGO:**

- |   |   |   |
|---|---|---|
| - Capital Equipment                                     | : | Please refer to item No.6 in the Notes to Accounts. |
| - Travelling & Conveyance and Membership & Subscription | : | Please refer to item No.7 in the Notes to Accounts. |

**FORM - A**

**Form for disclosure of particulars with respect to conservation of energy**

**A. POWER AND FUEL CONSUMPTION**

PARTICULARS	31.03.2010	31.03.2009
<b>1. Electricity</b>		
<b>(a) Purchased</b>		
Units	6,629,093	5,205,000
Total amount (₹)	40,757,546	34,215,772
Rate / Unit (₹)	6.15	6.57
<b>(b) Own Generation through Diesel Generator / Steam turbine / generator</b>		
Units Generated	-	-
Units Per Litre of diesel oil	-	-
Cost / Unit	-	-
<b>2. Coal</b>	-	-
<b>3. Furnace Oil</b>	-	-
<b>4. Others / internal generation (please give details)</b>	-	-

**B. CONSUMPTION PER UNIT OF PRODUCTION (to the extent applicable)**

Particulars	Standard	Unit	31.03.2010	31.03.2009
Production (Silico Manganese)	N. A.	Tonnes	1,469	937
Electricity	None	Units	6,629,093	5,205,000
Diesel Oil	None	Litres	-	-

**FORM - B**

**Form for disclosure of particulars with respect to absorption**

**A. RESEARCH AND DEVELOPMENT (R & D)**

- Specific areas in which R & D carried out by the company. : The company is making in-house R&D efforts for introduction/development of value added products.
- Benefits derived as a result of the above R & D : - -
- Further Plan of action : The company intends to continue its R&D efforts.
- Expenditure on R & D :
  - Capital : }
  - Recurring : } The R & D efforts are an integral part of the operation
  - Total : }
  - Total R & D expenditure as % of total turnover : }

**B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

- Efforts in brief made towards technology absorption, adaptation and innovation. : - -
- Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc. : - -
- In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished:
  - Technology imported : None
  - Year of Import : N.A.
  - Has technology been fully absorbed? : N.A.
  - If not fully absorbed, area where this has not taken place, reason thereof and future plan of action. : N.A.

## AUDITORS' REPORT

TO THE MEMBERS OF STAR METALLICS AND POWER PRIVATE LIMITED

1. We have audited the attached Balance Sheet of **Star Metallics and Power Private Limited** ("the Company") as at 31<sup>st</sup> March, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (iii) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2010;
    - (b) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and
    - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31<sup>st</sup> March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

**for Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No.008072S)

**S. Sundaresan**  
Partner  
(Membership No.25776)

Place : Bangalore  
Date : 27 May, 2010

**ANNEXURE TO THE AUDITORS' REPORT**

**(Referred to in paragraph 3 of our report of even date)**

- (i) Having regard to the nature of the Company's business/ activities/ results, clause x, xiii, xiv and xx of CARO are not applicable.
- (ii) 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.
  - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - (c) During the year, the Company has not disposed off any of the fixed assets and therefore paragraph i(c) of CARO is not applicable.
- (iii) In respect of its inventory:
  - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
  - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has generally maintained records of its inventories and no material discrepancies were noticed on physical verification.
- (iv)
  - (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956 and accordingly, paragraph iii(b), iii(c) and iii (d) is not applicable
  - (b) In respect of loans, secured or unsecured, taken by the Company from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
    - (i) The Company has taken loan aggregating ₹1625 lakh from one party during the year. At the year-end, the outstanding balance of such loan taken aggregated ₹1625 lakh and the maximum amount involved during the year was ₹1625 lakh.
    - (ii) The rate of interest and other terms and conditions of such loan is, in our opinion, prima facie not prejudicial to the interests of the Company.
    - (iii) The payment of principal amounts and interest in respect of such loan is as per stipulations.
- (v) In our opinion and according to the information and explanations given to us, having regard to the explanations that most of the items purchased and sold are of a special nature for which comparative alternative quotations are not available, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (vi) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - (a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
  - (b) Where each of such transaction is in excess of ₹5 lakh in respect of any party, the transactions have



been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.

- (vii) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year.
- (viii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (ix) To the best of our knowledge and according to the information and explanation given to us, the Central Government has not prescribed the maintenance of cost records for the products of the Company.
- (x) According to the information and explanations given to us in respect of statutory dues:
  - (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
  - (b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31<sup>st</sup> March, 2010 for a period of more than six months from the date they became payable.
  - (c) There are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31<sup>st</sup> March, 2010 on account of disputes.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks. There are no borrowings from financial institutions and debentures and therefore, reporting of the same does not arise.
- (xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company has not given any guarantees during the year for loans taken by others from banks and financial institutions.
- (xiv) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- (xv) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long- term investment.
- (xvi) According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year.
- (xvii) The Company has not issued any debentures during the year.
- (xviii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

**for Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No.008072S)

Place : Bangalore  
Date : 27 May, 2010

**S. Sundaresan**  
Partner  
(Membership No.25776)

**BALANCE SHEET AS AT 31 MARCH 2010**

<b>SOURCES OF FUNDS</b>		<b>31-Mar-2010</b>	<b>31-Mar-09</b>
		<b>₹</b>	<b>₹</b>
<b>Shareholders' Funds:</b>			
Share Capital	1	<b>362,500,000</b>	282,000,000
Advance against Share Capital		<b>13,000,000</b>	174,000,000
Reserves and Surplus	2	<b>361,500,000</b>	281,000,000
		<b>737,000,000</b>	737,000,000
<b>Loan Funds:</b>			
Secured Loans	3(a)	<b>500,000,000</b>	265,071,699
Unsecured Loans	3(b)	<b>162,500,000</b>	-
		<b>662,500,000</b>	265,071,699
		<b>1,399,500,000</b>	1,002,071,699
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets:</b>			
Gross Block	4	<b>383,979,808</b>	183,880,799
Less: Depreciation		<b>7,062,432</b>	5,692,958
Net Block		<b>376,917,376</b>	178,187,841
Capital Work-in-Progress, at cost		<b>1,119,656,262</b>	436,449,642
		<b>1,496,573,638</b>	614,637,483
<b>Current Assets, Loans and Advances:</b>			
Inventories	5	<b>39,599,512</b>	114,714,060
Sundry Debtors	6	<b>4,440</b>	1,215,038
Cash and Bank Balances	7	<b>61,716,515</b>	437,819,195
Loans and Advances	8	<b>161,013,778</b>	196,074,078
		<b>262,334,245</b>	749,822,371
<b>Less: Current Liabilities and Provisions:</b>			
Liabilities	9	<b>421,500,065</b>	384,934,267
Provisions		<b>376,102</b>	405,275
		<b>421,876,167</b>	385,339,542
<b>Net Current Assets</b>		<b>(159,541,922)</b>	364,482,829
Profit and Loss Account		<b>62,468,284</b>	22,951,387
		<b>1,399,500,000</b>	1,002,071,699

Notes to Accounts 13

The Schedules referred to above form an integral part of the Balance Sheet.

In terms of our report attached  
for **Deloitte Haskins & Sells**  
Chartered Accountants

for and on behalf of the Board of Directors

**S. SUNDARESAN**  
Partner

**S. H. Mohan**  
Whole time Director

**N. S. Lakshmanan**  
Director

Place : Bangalore  
Date : May 27, 2010

**Subrahmanya Hegde**  
Company Secretary

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010**

		2009-10	2008-09
		₹	₹
<b>INCOME</b>			
Sales		65,564,146	77,579,387
Less: Excise Duty		<u>2,532,913</u>	<u>3,791,896</u>
		63,031,233	73,787,491
Other Income	10	<u>8,195,222</u>	<u>22,636,712</u>
		<u>71,226,455</u>	<u>96,424,203</u>
<b>EXPENDITURE</b>			
(Increase)/ Decrease in finished goods	11	54,977,258	25,884,496
Operating and Other Expenses	12	54,396,620	84,545,030
Write back of depreciation	4	(3,727,627)	-
Depreciation	4	<u>5,097,101</u>	<u>5,692,958</u>
		<u>110,743,352</u>	<u>116,122,484</u>
Loss before Taxation		(39,516,897)	(19,698,281)
Taxation			
Current Tax	-	-	-
Deferred Tax	-	-	-
Fringe Benefit Tax	-	-	<u>102,799</u>
		-	<u>102,799</u>
Loss after Taxation		(39,516,897)	(19,801,080)
Loss brought forward from previous year		(22,951,387)	(3,150,307)
Loss carried to the Balance Sheet		<u>(62,468,284)</u>	<u>(22,951,387)</u>
Earnings per share of ₹10 each			
Basic and Diluted		(1.22)	(1.52)
Notes to Accounts	13		

The Schedules referred to above form an integral part of the Profit and Loss Account.

In terms of our report attached  
for **Deloitte Haskins & Sells**  
Chartered Accountants

for and on behalf of the Board of Directors

**S. SUNDARESAN**  
Partner

**S. H. Mohan**  
Whole time Director

**N. S. Lakshmanan**  
Director

Place : Bangalore  
Date : May 27, 2010

**Subrahmanya Hegde**  
Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2010**

	<b>2009-10</b>	<b>2008-09</b>
	<b>₹</b>	<b>₹</b>
<b>A. Cash flow from operating activities</b>		
Loss before taxation	(39,516,897)	(19,698,281)
Adjustments for:		
- Depreciation (net)	1,369,474	5,692,958
- Interest income	(2,857,930)	(22,636,712)
- Unrealised foreign exchange loss	-	3,442,409
<b>Operating loss before working capital changes</b>	<b>41,005,353</b>	<b>(33,199,626)</b>
Adjustments for:		
- (increase)/decrease in sundry debtors and loans and advances	20,353,874	(238,439,799)
- (increase)/decrease in inventories	75,114,548	(114,714,060)
- increase/(decrease) in current liabilities and provisions	6,085,800	560,131,909
	<b>101,554,222</b>	<b>206,978,050</b>
- Unrealised foreign exchange loss	-	1,498,163
	<b>101,554,222</b>	<b>208,476,213</b>
<b>Cash generated from operations</b>	<b>60,548,869</b>	<b>175,276,587</b>
- Direct taxes paid	(699,088)	17,809
<b>Net cash from operating activities</b>	<b>59,849,781</b>	<b>175,294,396</b>
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets (*)	(852,752,005)	(647,235,681)
Interest received	19,371,243	355,802
<b>Net Cash used in investing activities</b>	<b>(833,380,762)</b>	<b>(646,879,879)</b>
* net of movement in interest payable relating to borrowing cost capitalised.		
<b>C. Cash flow from financing activities</b>		
Proceeds from new borrowings	582,500,000	260,131,127
Repayment of borrowings	(185,071,699)	-
Proceeds from issuance for share capital	-	562,000,000
Share application money pending allotment	-	84,000,000
<b>Net Cash from financing activities</b>	<b>397,428,301</b>	<b>906,131,127</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>(376,102,680)</b>	<b>434,545,644</b>
Cash and cash equivalents as at April 1, 2009:		
Cash and Bank Balances	437,819,195	3,273,551
Cash and cash equivalents as at March 31, 2010:		
Cash and Bank Balances	61,716,515	437,819,195

**Notes:** Cash and cash equivalent comprise of Cash and Bank Balance including a deposit under lien of ₹Nil (31.3.2009: ₹203,578,869)

In terms of our report attached  
for **Deloitte Haskins & Sells**  
Chartered Accountants

for and on behalf of the Board of Directors

**S. SUNDARESAN**  
Partner

**S. H. Mohan**  
Whole time Director

**N. S. Lakshmanan**  
Director

Place : Bangalore  
Date : May 27, 2010

**Subrahmanya Hegde**  
Company Secretary

## SCHEDULES FORMING PART OF THE BALANCE SHEET

31 March 2010    31 March 2009  
₹                      ₹

### 1. SHARE CAPITAL

**Authorised:**

50,000,000 (31.03.2009: 50,000,000) Equity shares of ₹10/- each 500,000,000    500,000,000

**Issued, Subscribed and Paid Up**

36,250,000 (31.03.2009: 28,200,000) Equity shares of ₹10/- each fully paid up in cash (See note 2 of schedule 13) 362,500,000    282,000,000  
362,500,000    282,000,000

Note: Of the above, 25,000,000 (31.03.2009: 19,500,000) Equity shares are held by The Sandur Manganese & Iron Ores Limited, India, the holding company

### 2. RESERVES AND SURPLUS

Share Premium:

As per last Balance Sheet 281,000,000    -  
Additions during the year 80,500,000    281,000,000  
361,500,000    281,000,000

### 3. LOAN FUNDS:

#### 3(a) Secured Loans

From Holding company [Repayable within 1 year: ₹ Nil (31.3.2009: ₹ Nil)] 500,000,000    80,000,000  
(Secured by way of first charge on the fixed assets of the Company)

From Bank:

Buyers Credit -    185,071,699  
(Secured by way of lien on the term deposits) 500,000,000    265,071,699

#### 3(b) Unsecured Loans

From Others 162,500,000    -  
662,500,000    265,071,699

### 4. FIXED ASSETS

	Gross Block				Depreciation					Net Block	
	As at 01.04.2009	Additions	Deletions	As at 31.03.2010	Upto 31.03.2009	Impact of change in method (See note 15 of schedule 13)	For the year	On Deletions	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
Free hold Land	91,532,195	-	-	91,532,195	-	-	-	-	-	91,532,195	91,532,195
Factory Building	145,000	-	-	145,000	5,800	(3,863)	4,843	-	6,780	138,220	139,200
Plant and Machinery	90,285,867	197,570,395	-	287,856,262	5,510,653	(3,613,399)	4,777,148	-	6,674,402	281,181,860	84,775,214
Vehicles	-	2,061,398	-	2,061,398	-	-	133,503	-	133,503	1,927,895	-
Computers Systems	500,922	105,800	-	606,722	86,393	(51,389)	93,415	-	128,419	478,303	414,529
Office Equipments	805,984	327,766	-	1,133,750	45,888	(30,218)	48,712	-	64,382	1,069,368	760,096
Furniture and Fixtures	610,831	33,650	-	644,481	44,224	(28,758)	39,480	-	54,946	589,535	566,607
	183,880,799	200,099,009	-	383,979,808	5,692,958	(3,727,627)	5,097,101	-	7,062,432	376,917,376	178,187,841
Preivous year	-	183,880,799	-	183,880,799	-	-	5,692,958	-	5,692,958		
Capital work-in-progress, at cost										1,119,656,262	436,449,642
										1,496,573,638	614,637,483

Borrowing costs capitalised as per AS-16 Borrowing Cost is ₹38,584,864 (31.03.2009: ₹2,064,692)



**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	2009-10 ₹	2008-09 ₹
<b>5. INVENTORIES</b>		
Raw Materials	37,459,218	49,920,867
Finished Goods	2,140,294	61,610,565
Stores and Spares	-	3,182,628
	<u>39,599,512</u>	<u>114,714,060</u>
<b>6. SUNDRY DEBTORS</b>		
(Unsecured, considered good)		
Exceeding Six Months	4,440	-
Others	-	1,215,038
	<u>4,440</u>	<u>1,215,038</u>
<b>7. CASH AND BANK BALANCES</b>		
Cash on Hand	15,412	-
Balances with Scheduled Banks:		
Current Accounts	60,179,925	14,219,195
Term Deposits [ Note (i) and (ii)]	1,521,178	423,600,000
	<u>61,716,515</u>	<u>437,819,195</u>
Notes:		
(i) Including ₹Nil (31.3.2009: ₹3,600,000) towards margin money		
(ii) Including ₹Nil (31.3.2009: ₹230,578,869) under lien		
<b>8. LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received *	76,618,867	125,972,993
Balances with Excise, Customs and other Authorities	56,953,610	27,617,760
Other Deposits	20,789,500	19,914,500
Interest Accrued on Term Deposits/ Other Deposits	928,107	17,441,420
Income Tax, net of provisions	5,723,694	5,127,405
	<u>161,013,778</u>	<u>196,074,078</u>
* Includes capital advances of ₹35,728,718 (31.3.2009: ₹122,439,801)		
<b>9. CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A. LIABILITIES</b>		
Sundry Creditors:		
Dues to Micro and Small enterprises (See note 12 of schedule 13)	-	-
others	389,010,017	199,122,866
	<u>389,010,017</u>	<u>199,122,866</u>
Purchase consideration	-	160,000,000
Advances received from Customers	105,161	23,980,138
Interest Accrued but not due on Loans	32,384,887	1,831,263
	<u>421,500,065</u>	<u>384,934,267</u>
<b>B. PROVISIONS</b>		
Provision for Fringe Benefit Tax, net of payments	-	102,799
Compensated Absences	270,171	170,105
Gratuity	105,931	132,371
	<u>376,102</u>	<u>405,275</u>

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

	2009-10 ₹	2008-09 ₹
<b>10. OTHER INCOME</b>		
Interest from Banks (Gross) [Tax deducted at source ₹328,382 (2008-09: ₹4,857,299)]	1,661,916	21,444,718
Interest from Others (Gross) [Tax deducted at source ₹267,907 (2008-09 : ₹270,106)]	1,196,014	1,191,994
Conversion charges	3,914,550	-
Miscellaneous receipts	1,422,742	-
	<u>8,195,222</u>	<u>22,636,712</u>
<b>11. (INCREASE)/ DECREASE IN FINISHED GOODS</b>		
Movement in Inventory:		
Opening Stock:	61,610,565	82,804,825*
Closing Stock:	<u>2,140,294</u>	<u>61,610,565</u>
	59,470,271	21,194,260
Increase/ (Decrease) in excise duty on finished goods	<u>(4,493,013)</u>	<u>4,690,236</u>
	<u>54,977,258</u>	<u>25,884,496</u>
* Represents finished goods taken over on a slump sale basis on November 6, 2008		
<b>12. OPERATING AND OTHER EXPENSES</b>		
Raw Materials Consumed	2,398,861	25,928,351
Stores and spare parts consumed	5,278,989	1,105,812
Employee Cost:		
Salaries, wages and Bonus	9,611,441	6,427,287
Contribution to provident and other funds	464,710	271,561
Staff Welfare	<u>223,114</u>	<u>115,453</u>
	10,299,265	6,814,301
Power and Fuel	10,923,568	34,442,313
Rent	48,000	100,500
Repairs and Maintenance		
- Plant and Machinery	90,494	246,680
- Building	402,339	343,445
- Others	<u>632,217</u>	<u>203,999</u>
	1,125,050	794,124
Insurance	477,799	104,793
Rates and Taxes	655,694	717,059
Travelling and Conveyance	1,748,570	2,425,503
Advertisement and Selling Expenses	95,350	234,686
Legal and Professional	764,250	648,866
Sub-Contracting Charges	3,673,437	3,357,850
Exchange Loss (net)	13,418,225	5,186,391
Bank Charges and Commission	97,818	897,366
Security Charges	2,022,579	989,396
Miscellaneous Expenses	1,369,165	797,719
	<u>54,396,620</u>	<u>84,545,030</u>

## **SCHEDULES FORMING PART OF THE ACCOUNTS**

### **13. NOTES TO ACCOUNTS**

#### **1. Statement on Significant Accounting Policies**

**(i) Method of Accounting:**

The Company adopts the historical cost concept and accrual basis, in accordance with generally accepted accounting principles (GAAP) of India, for the preparation of its financial statements. The financial statements are prepared to comply in all material aspects with the applicable accounting principles in India, the applicable accounting standards notified under Section 211(3C) of the Companies Act, 1956 (Act) and the relevant provisions of the Act.

**(ii) Fixed Assets and Depreciation:**

Fixed Assets are stated at their original cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation of the Fixed Assets concerned.

Incidental expenditure during construction period (net of related income arising during that period), which are specifically attributable to the project, incurred prior to commencement of commercial operations, are capitalized as per the requirements of Accounting Standard 10 – Accounting for Fixed Assets.

Depreciation is provided on straight line method at the rates prescribed in Schedule XIV of the Company's Act, 1956. (Refer note no. 15 of Schedule 13).

Individual assets costing less than ₹5,000/- are depreciated in full in the year of its purchase.

**(iii) Impairment of Fixed Assets:**

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the company's fixed assets. If any indication exists, an impairment loss is recognised when the carrying amount exceeds greater of net selling price and value in use.

**(iv) Borrowing Costs:**

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of that asset till such time as the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

**(v) Inventories:**

Inventories are valued at lower of cost and net realisable value.

The costs are, in general, ascertained as under:

- a) Raw Materials and stores and spares: Weighted average method based on actual cost.
- b) Finished goods and Work in Progress: Material cost on weighted average method plus labour and appropriate overheads and, where applicable, excise duty.

**(vi) Revenue Recognition:**

Sales are recognised when goods are despatched in accordance with the terms of sale and when significant risks and rewards are considered as transferred and are recorded net of sales returns, trade discount, rebates and sales tax collected but includes excise duty, where applicable.

**(vii) Foreign Currency Transactions:**

Foreign exchange transactions are recorded at the exchange rates prevailing on the date of transaction.

Foreign exchange rate fluctuations relating to monetary assets and liabilities are restated at the year end rates.

## **SCHEDULES FORMING PART OF THE ACCOUNTS**

The net loss or gain arising on restatement / settlement, if any, is adjusted to the profit and loss account.

In respect of forward exchange contracts, the premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of Profit and Loss of the reporting period in which the exchange rates change.

(viii) **Employee Benefits:**

- a) Short-term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.
- b) Post employment benefits are recognised as an expense in the profit and loss account of the year in which the employee has rendered services. The expense is recognised at the present value of the amount payable towards contributions. The present value is determined using the market yields of government bonds, at the balance sheet date, at the discounting rate.
- c) Other long-term employee benefits are recognised as an expense in the profit and loss account of the period in which the employee has rendered services. Estimated liability on account of long-term benefits is discounted to the present value, using the market yields on government bonds, as on the date of balance sheet, at the discounting rate.
- d) Actuarial gains and losses in respect of past employment and other long term benefits are charged to the profit and loss account.

(ix) **Leases:**

A lease is classified as an Operating Lease, if it does not transfer substantially all the risks and rewards incident to ownership. Lease rentals are charged to Profit and Loss Account on straight-line basis over the lease term, estimated by the management.

(x) **Taxes on Income:**

Current tax is determined in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax assets and liabilities are measured using the tax rates which have been enacted or substantively enacted at the balance sheet date. Deferred tax expense or benefit is recognised, subject to consideration of prudence, on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversing in one or more subsequent periods.

Deferred tax assets are recognized for all deductible timing differences and are carried forward to the extent there is reasonable certainty that sufficient taxable profit will be available to realize these assets. Deferred tax assets to the extent they relate to brought forward losses and unabsorbed depreciation are recognized only to the extent there is virtual certainty of realization, that sufficient taxable income will be available to realize such asset.

(xi) **Earnings Per Share:**

Annualised earnings / (loss) per equity share (basic and diluted) is arrived at based on Net Profit / (Loss) after Taxation to the weighted average number of equity shares.

(xii) **Provisions and Contingencies:**

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent Liabilities are not recognised but are disclosed in the notes to accounts.

Contingent Assets are neither recognised nor disclosed in the financial statements.

## SCHEDULES FORMING PART OF THE ACCOUNTS

### 2. Details of contribution to Equity as at the Balance Sheet date and subsequent thereof is detailed below:

Particulars	The Sandur Manganese & Iron Ores Limited	Euro Industrial Enterprises Private Limited	ETA Star Holdings Limited	Others [Note (i)]	Total
Share Capital [Notes (ii)]	250,000,000 (195,000,000)	87,200,000 (61,700,000)	25,000,000 (25,000,000)	300,000 (300,000)	362,500,000 (282,000,000)
Advance towards Share Capital	- (110,000,000)	13,000,000 (64,000,000)	- (-)	- (-)	13,000,000 (174,000,000)
	250,000,000 (305,000,000)	100,200,000 (125,700,000)	25,000,000 (25,000,000)	300,000 (300,000)	375,500,000 (456,000,000)

#### Notes:

- Equity Shares subscribed by the Subscribers to the Memorandum of Association (MoA) and Articles of Association (AoA).
- Pursuant to the approval of the Board of Directors in their meeting held on September 25, 2009, the Company has issued 8,050,000 equity shares of ₹10 each at a premium of ₹10 per share.
- Previous years figures are in brackets.

- The Company is in the process of setting up the captive power plant and the capital work-in-progress attributable to the said project is ₹1,119,656,262 (31.03.2009 ₹403,570,501) and it is disclosed in Schedule 4 as capital work-in-progress.

	2010 ₹	2009 ₹
b. Estimated amount of contracts to be executed on Capital Account (net of advances) and not provided for	60,081,624	640,929,832
<b>4. Contingent Liabilities :</b>		
Bank Guarantee	-	3,600,000
<b>5. Auditors' Remuneration* :</b>		
Statutory Audit	500,000	500,000
Tax Audit	75,000	75,000
Out-of-Pocket Expenses	-	1,870
	<u>575,000</u>	<u>576,870**</u>
* Excludes Service tax		
** Represents paid to erstwhile Auditors		
<b>6. CIF Value of imports:</b>		
Capital Goods	237,686,974	222,142,745
<b>7. Expenditure in Foreign currency:</b>		
Travelling and Conveyance and Membership & Subscription	363,791	348,884
<b>8. Managerial Remuneration:</b>		
Directors' Sitting Fee	12,000	9,000



## SCHEDULES FORMING PART OF THE ACCOUNTS

### 9. Particulars of Capacity and Production:

Class of Goods	Unit	Licensed Capacity [Note (i)]	Installed Capacity MT (Annual)	Actual Production Tonnes (Note iii)
Silicomanganese Lumps	Tonnes	NA (NA)	26,868 (26,868)	- (904)
Silicomanganese Chips	Tonnes	NA (NA)	NA (NA)	- (33)

Notes:

- The Company is exempt from the licensing provisions of the Industries (Development and Regulation) Act, 1951.
- The Installed capacity has been certified by the management and relied upon by the auditors without verification as this is a technical matter.
- The Company has entered into an agreement with Metsil Exports Private Ltd. (MEPL) for production of 3,000 MT of Silico Manganese on a Job work basis and the production was commenced w.e.f. 25 February 2010. Accordingly, 1,469 MT of Silico Manganese was produced.
- Previous years figures are in brackets.

### 10. Particulars of Stocks and Turnover (Previous years figures are in brackets):

Class of Goods	Opening Stock		Inter Transfer (Tonnes)		Sales (Gross)		Closing Stock	
	Quantity (Tonnes)	Value ₹	From	To	Quantity (Tonnes)	Value ₹	Quantity (Tonnes)	Value ₹
Silicomanganese Lumps	1,810 (2,979)*	59,413,639 (82,223,000)*	20 (-)	- (-)	1,732 (2,073)	61,843,896 (77,579,387)	58 (1,810)	2,137,934 (59,413,639)
Silicomanganese Chips	101 (68)*	2,196,926 (581,825)*	- (-)	7 (-)	108 (-)	2,896,838 (-)	0.11 (101)	2,360 (2,196,926)
Silicomanganese Powder	129 (-)	- (-)	- (-)	13 (-)	37 (-)	823,412 (-)	105 (-)	- (-)

\*Represents finished goods taken over on a slump sale basis on November 6, 2008.

## SCHEDULES FORMING PART OF THE ACCOUNTS

### 11. Particulars of Raw Materials Consumed:

Particulars	2010		2009	
	Quantity (Tonnes)	Value ₹	Quantity (Tonnes)	Value ₹
Manganese Ore	421	1,899,769	1,761	16,380,917
Dolomite	-	-	155	127,191
Quartz	-	-	398	108,225
Coke	17	74,468	480	4,975,470
Charcoal	-	-	407	3,118,405
Carbon Paste	-	-	17	1,218,143
Other Materials	-	424,624	-	-
	<b>438</b>	<b>2,398,861</b>	<b>3,218</b>	<b>25,928,351</b>
	%	Value	%	Value
Whereof:				
Imported	-	-	-	-
Indigenous	<b>100</b>	<b>2,398,861</b>	<b>100</b>	<b>25,928,351</b>
	<b>100</b>	<b>2,398,861</b>	<b>100</b>	<b>25,928,351</b>

#### Notes:

The value of raw materials and components consumed is arrived at on the basis of purchases less closing stock, Consumption, therefore, includes adjustment for shortage / excess, used for captive consumption, write-off, etc.

12. There are no micro and small enterprises to whom the Company owes dues which are outstanding as at the balance sheet date. The above information and that given under current liabilities and provisions (Schedule 9) regarding Micro Enterprises and Small Enterprises have been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

### 13. Employee Benefits:

#### A. Defined Benefit Plan - Unfunded

Details of post retirement gratuity plan are as follows:

	2010 ₹	2009 ₹
a. Reconciliation of opening and closing balances of the present value of the defined benefit obligation:		
Obligations at the beginning of the year	132,371	-
Add: Current Service cost	119,415	-
Add: Interest cost	10,590	-
Add / (Less): Actuarial Losses / (Gains) on obligations	(156,445)	-
(Less): Benefits paid during the year	-	-
Obligations at the end of the year	105,931	132,371
b. Reconciliation of opening and closing balances of the fair value of plan assets:		
Fair Value of Plan assets at the beginning of the year	-	-
Add: Expected Return on Plan Assets	-	-
Add / (Less): Actuarial Gains / (Losses)	-	-
Add: Contributions by Employer	-	-
(Less): Benefits Paid	-	-
Fair Value of Plan assets at the end of the year	-	-

## SCHEDULES FORMING PART OF THE ACCOUNTS

	2010 ₹	2009 ₹
c. Reconciliation of present value of defined benefit obligation and the fair value of plan assets to the assets and liabilities recognised in the balance sheet:		
Present Value of Obligation	105,931	132,371
(Less): Fair Value of Plan Assets	-	-
Amount recognised in the Balance Sheet	<b>105,931</b>	<b>132,371</b>
d. Expenses recognised in Profit and Loss Account under "Employee Cost" in Schedule 12:		
Current service cost	119,415	-
Add: Interest cost	10,590	-
(Less): Expected Return on Plan Assets	-	-
Add: Actuarial Losses / (Gains) recognised during the year	(156,445)	132,371
	<b>(26,440)</b>	<b>132,371</b>
e. Principal assumptions:		
Discount rate per annum	8.00%	7.30%
Salary escalation rate	5.00%	5.00%
Attrition rate	5.00%	5.00%
Retirement age	60 years	60 years

### B. Other Long term benefit – Unfunded

The defined benefit obligation which is provided for but not funded is as under.

Compensated Absence liability at the year end	270,171	170,105
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The discount rate for defined benefit plan and other long term benefit is based on the prevailing market yields of Indian Government securities as at the balance sheet for the estimated term of obligations.

The estimate of future salary increases considered for defined benefit plan and other long term benefit takes into account the inflation, seniority, promotion, increments and other relevant factors.

### C. Defined Contribution Plans:

Contributions to Provident and Other Funds under Employee Costs (Schedule 12) includes the following being expenses debited under the following defined contribution plans:

- Provident Fund and Employee's Pension Scheme	464,710	271,561
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The Company has made Provident Fund contributions at predetermined rates to the SMIORE Employees' Provident Fund Trust and also to the Regional Provident Fund Commissioner towards Employee Pension Scheme.

### 14. Segment Reporting

The Company's operations relate only to manufacture and sale of ferroalloys and accordingly, primary reporting disclosures for business segment, as envisaged in Accounting Standard 17 on Segment Reporting is not applicable.

The Company sells Ferroalloys in the domestic market and accordingly, secondary reporting disclosures for geographical segment, as envisaged in Accounting Standard 17 on Segment Reporting are not applicable.

15. For and upto the accounting year ended March 31, 2009, the Company had been providing depreciation on its assets on the Written Down Value method as prescribed in Schedule XIV to the Companies Act, 1956. Effective April 1, 2009, the Company has changed the method of providing depreciation to straight line basis as prescribed in Schedule XIV to the Companies Act, 1956 in line with the Group policy. The change in the method has resulted in a write back of depreciation to the extent of ₹3,727,627 relating to years ended upto March 31, 2009. The same has been disclosed separately in the profit and loss account of the Company for the year ended March 31, 2010. Further, as a result of the change in the method with effect from April 1, 2009, the depreciation for the year ended March 31, 2010 is lower by ₹8,737,672 and the loss before taxes is lower to that extent.

## SCHEDULES FORMING PART OF THE ACCOUNTS

### 16. Related Party Disclosures

#### A. Names of related parties and description of relationship:

Ref	Description of relationship	Names of related parties
a.	Parties where control exists: Holding Company	The Sandur Manganese & Iron Ores Limited (SMIORE), from October 25, 2008 Euro Industrial Enterprises Private Limited (EIEPL), upto October 24, 2008
b.	Enterprise having significant influence	Euro Industrial Enterprises Private Limited (EIEPL) from October 25, 2008
c.	Key management Personnel	S.H.Mohan-Whole time Director
d.	Others:	
(i)	Entities where key management personnel are able to exercise significant influence:	Skand Private Limited (SPL)  ETA Star Holdings Limited, Dubai (ETA), up to September 22, 2008
(ii)	Relative of a Director	Mubeen A Sheriff, relative of Nazim Sheikh

#### B. Summary of transactions with related parties, during the year, is as follows:

Nature of Transactions	Holding Company	Enterprise having significant influence	Others	Total
<b>Share Capital (including premium) issued:</b>				
-SMIORE	110,000,000 (390,000,000)	- (-)	- (-)	110,000,000 (390,000,000)
-EIEPL	- (122,000,000)	51,000,000 (-)	- (-)	51,000,000 (122,000,000)
-ETA	- (-)	- (-)	- (25,000,000)	- (25,000,000)
<b>Advance towards Share Capital received:</b>				
-EIEPL	- (96,000,000)	- (-)	- (-)	- (96,000,000)
-SMIORE	- (110,000,000)	- (-)	- (-)	- (110,000,000)
<b>Business Purchase</b>				
-EIEPL	- (160,000,000)	- (-)	- (-)	- (160,000,000)
<b>Secured Loans obtained:</b>				
-SMIORE	420,000,000 (80,000,000)	- (-)	- (-)	420,000,000 (80,000,000)
<b>Unsecured loan obtained:</b>				
EIEPL	- (-)	2,500,000 (-)	- (-)	2,500,000 (-)
<b>Salaries and Wages:</b>				
-Mubeen A Sheriff	- (-)	- (-)	576,000 (219,509)	576,000 (219,509)
<b>Purchase of Material</b>				
EIEPL	- (-)	9,687,357 (-)	(-) (-)	9,687,357 (-)

## SCHEDULES FORMING PART OF THE ACCOUNTS

B. Summary of transactions with related parties, during the year, is as follows:

Nature of Transactions	Holding Company	Enterprise having significant influence	Others	Total
<b>Interest Expenses:</b>				
- SMIORE	28,169,864 (1,030,137)	- (-)	- (-)	28,169,864 (1,030,137)
- EIEPL	- (-)	8,208,219 (-)	- (-)	8,208,219 (-)
<b>Capital work-in-progress:</b>				
- SPL	- (-)	- (-)	- (19,536,644)	- (19,536,644)
<b>Purchase of Vehicle</b>				
EIEPL	- (-)	767,137 (-)	- (-)	767,137 (-)
<b>Balances as at the year end:</b>				
<b>Advance towards Share Capital:</b>				
- SMIORE	- (110,000,000)	- (-)	- (-)	- (110,000,000)
- EIEPL	- (-)	13,000,000 (64,000,000)	- (-)	13,000,000 (64,000,000)
<b>Secured Loan:</b>				
- SMIORE	500,000,000 (80,000,000)	- (-)	- (-)	500,000,000 (80,000,000)
<b>Unsecured Loan (Including conversion of purchase consideration):</b>				
- EIEPL	- (-)	162,500,000 (-)	- (-)	162,500,000 (-)
<b>Business Purchase consideration payable:</b>				
- EIEPL (converted into unsecured loan)	- (-)	- (160,000,000)	- (-)	- (160,000,000)
<b>Sundry Creditors (Including interest accrued but not due):</b>				
- SMIORE	329,363,884 (139,153,523)	- (-)	- (-)	329,363,884 (139,153,523)
-EIEPL	- (-)	7,374,043 (-)	- (-)	7,374,043 (-)
<b>Salary payable</b>				
Mubeen A Sheriff	- (-)	- (-)	23,345 (-)	23,345 (-)

Notes:

- The above information has been determined to the extent such parties have been identified on the basis of information provided by the Company, which has been relied upon by the auditors.
- Previous year figures are in brackets.



## SCHEDULES FORMING PART OF THE ACCOUNTS

### 17. Deferred Tax

The net Deferred Tax Liability as on March 31, 2010 amounting to ₹Nil (2009: ₹Nil) has been arrived at as follows:

	2010 ₹	2009 ₹
A. Deferred Tax Assets arising from:		
Expenses charged in the financial statements but allowable as deductions in future years under the Income-tax Act, 1961:		
Provision for Gratuity and Compensated Absences	-	102,812
Unabsorbed Depreciation allowance carried forward [Note (ii)]	3,912,054	206,660
Others	-	138,268
	3,912,054	447,740
B. (Less): Deferred Tax Liabilities arising from:		
Difference between carrying amount of fixed assets in the financial statements and the Income Tax Return	3,912,054	447,740
	3,912,054	447,740
Net Deferred Tax Asset/(Liability)	-	-
Net Deferred Tax Charge for the year	-	-

#### Notes:

- The tax impact for the above purpose has been arrived by applying a tax rate of 30.90 % (2009: 33.99 %) being the prevailing tax rate for Indian companies under the Income Tax Act, 1961.
- Deferred tax asset is restricted to the aggregate deferred tax liability on timing differences.

### 18. Earnings Per Share

	2010	2009
Nominal value of equity share (₹)	10	10
Weighted average number of equity shares outstanding – Basic	32,346,301	13,041,370
Add: Weighted average number of equity shares pending allotment	650,000	8,700,000
Weighted average number of equity share outstanding – Diluted	32,996,301	21,741,370
Loss after taxation considered for calculation of basic and diluted earnings per share (₹)	(39,516,897)	(19,801,080)
Earnings Per Share – Basic (₹)	(1.22)	(1.52)
Earnings Per Share – Diluted (₹)	(1.22)	(1.52)

### 19. Operating Leases:

	2010 (₹)	2009 (₹)
Rent [Including minimum lease payments : ₹Nil (2009: ₹Nil)]	48,000	100,500

The Company has entered into operating lease arrangements for employees' residences. The leases are generally for a period of 11 months and with renewal options after the lease term. The operating leases provide for percentage increase in rent, at the end of the original leases' term, for future renewed periods. The operating leases are cancellable by the lessor or the lessee, with a notice of two to three months.

### 20. Previous year figures have been regrouped/ recast, wherever necessary, to confirm to the classification adopted for the current year.

**S. H. Mohan**  
Whole time Director

**N. S. Lakshmanan**  
Director

Place: Bangalore  
Date: May 27, 2010

**Subrahmanya Hegde**  
Company Secretary

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Pursuant to Part IV of Schedule VI to the Companies Act, 1956)

### I. Registration details

Registration number	U40102KA2007PTC043446	State code	08
<b>Balance Sheet Date</b>	<b>31.03.2010</b>		

### II. Capital raised during the period ( Amount in ₹ Thousands)

Public issue	Nil	Right issue	Nil
Bonus issue	Nil	Private placement	80500

### III. Position of mobilisation and deployment of funds (Amount in ₹ Thousands)

Total liabilities (net)	1,758,908	Total assets (net)	1,758,908
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#### Sources of funds :

Paid up capital	362,500	Reserves and surplus	361,500
Share Application Money	13,000	Unsecured loans	162,500
Secured loans	500,000		

#### Application of funds :

Net fixed assets	1,496,574	Investments	-
Net current assets	(159,542)	Miscellaneous expenditure	-
Accumulated losses	62,468		

### IV. Performance of the company (Amount in ₹ Thousands)

Turnover (including other income)	71,226	Total expenditure	110,743
Profit/(loss) before tax	(39,517)	Profit/(loss) after tax	(39,517)
Earning per share	(1.22)	Dividend rate ( % )	Nil

### V. Generic names of three principal products / services of company

Sl.No	Product description	Item code No (ITC code)
1.	Ferro Silico Manganese	72023000

Place: Bangalore  
Date: May 27, 2010

**S. H. Mohan**  
Whole time Director

**N. S. Lakshmanan**  
Director

**Subrahmanya Hegde**  
Company Secretary



Account No.	
No. of Shares	

## FORM 2B

### NOMINATION FORM

(To be filled by individual(s) applying singly or jointly)

I/We \_\_\_\_\_  
and \_\_\_\_\_  
and \_\_\_\_\_ the  
Members of The Sandur Manganese & Iron Ores Limited holding \_\_\_\_\_ shares bearing Distinctive Numbers  
from \_\_\_\_\_ to \_\_\_\_\_ under Folio No. \_\_\_\_\_ wish to make a nomination and do  
hereby nominate the following person in whom all rights of transfer and/or amount payable in respect of shares shall  
vest in the event of my or our death.

#### Name and Address of Nominee

Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Date of Birth : \_\_\_\_\_  
(if nominee is a Minor) : \_\_\_\_\_

Guardian of the Minor is (to be furnished only if nominee is a minor)

Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
\_\_\_\_\_

#### SHARE HOLDERS' INFORMATION

1. Signature : \_\_\_\_\_  
Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
Date : \_\_\_\_\_

2. Signature : \_\_\_\_\_  
Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
Date : \_\_\_\_\_

3. Signature : \_\_\_\_\_  
Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
Date : \_\_\_\_\_

#### Name, Address and Signature of two Witnesses

	Name and Address	Signature with Date
1.		
2.		

**Instructions:**

1. The Nomination can be made by Individuals holding shares on their own behalf singly or jointly. Non-individuals including Society, Body Corporate, Partnership Firm, Karta of Hindu Undivided Family, Holder of Power of Attorney cannot nominate. If the Shares are held jointly, all Joint holders shall sign the nomination form.
2. A Minor can be nominated by a Holder of shares and in that event, the name and address of the Guardian should be provided.
3. The Nominee shall not be a Trust, Society, Body Corporate, Partnership firm, Karta of Hindu Undivided Family or a Power of Attorney Holder. A Non-Resident Indian can be a nominee on repatriable basis.
4. Nomination stands rescinded upon transfer of shares.
5. Transfer of shares in favour of Nominee shall be valid discharge by the Company against the Legal heirs.
6. The Nomination form shall be filed in duplicate with the Company at its Registered Office at Lakshmipur, Sandur - 583 119, Bellary District, Karnataka or at its Corporate Office at #217, Bellary Road, Sadashivanagar, Bangalore - 560 080, Karnataka, which will return one copy thereof to the Shareholder.

**FOR OFFICE USE ONLY**

Nomination Registration Number :	
Date of Registration :	
Checked by (Name and Signature) :	



# *The Sandur Manganese & Iron Ores Limited*

## PROXY FORM

I/We..... of  
..... being member(s) of the above named company, hereby appoint the following as my / our Proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 56th Annual General Meeting of the Company to be held on Wednesday the 29<sup>th</sup> day of September 2010 at 11.00 a.m. at Anuradha Hall, Shivapur, Sandur - 583 119 and at any adjournment thereof:

1. Mr. / Ms. \_\_\_\_\_, \_\_\_\_\_ or failing him/her  
(name of the proxy) (signature of proxy)
2. Mr. / Ms. \_\_\_\_\_, \_\_\_\_\_ or failing him/her  
(name of the proxy) (signature of proxy)
3. Mr. / Ms. \_\_\_\_\_, \_\_\_\_\_ or failing him/her  
(name of the proxy) (signature of proxy)

I / We direct my / our Proxy to vote on Resolutions in the manner as indicated below:

RESOLUTIONS	FOR	AGAINST
Item No.1		
Item No.2		
Item No.3		
Item No.4		
Item No.5		

RESOLUTIONS	FOR	AGAINST
Item No.6		
Item No.7		
Item No.8		
Item No.9		

Number of Shares held \_\_\_\_\_

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010

Affix  
Revenue  
Stamp

Folio No. / Client ID

Signature(s) of Members

1. \_\_\_\_\_ 2. \_\_\_\_\_ 3. \_\_\_\_\_

Note: Proxies must reach the Company's Registered Office not less than 48 hours before the time fixed for the meeting.



BOOK-POST

If undelivered please return to :



*The Sandur Manganese & Iron Ores Limited*  
# 42, 2nd Main, Vyalikaval, Bangalore - 3