

26th ANNUAL REPORT 2011-12

(18 months ended 30th September, 2012)



ELECTROTHERM

www.electrotherm.com

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Mukesh Bhandari	<i>Chairman & CTO</i>
Mr. Shailesh Bhandari	<i>Managing Director</i>
Mr. Avinash Bhandari	<i>Joint Managing Director & CEO</i>
Mr. Narendra Dalal	<i>Whole Time Director</i>
Mr. Nilesh Desai	
Mr. Ram Singh	
Mr. Pradeep Krishna Prasad	
Mr. Ravikumar Trehan (up to 26 th September, 2012)	
Mr. Madhusudan Somani (up to 1 st October, 2012)	
Dr. Sudhir Kapur (up to 26 th November, 2012)	

COMPANY SECRETARY

Mr. Jigar Shah

STATUTORY AUDITORS

Mehta Lodha & Co.

Chartered Accountants, Ahmedabad

COST AUDITORS

V. H. Savaliya & Co.

Cost Accountants, Ahmedabad

INTERNAL AUDITOR

RSM Astute Consulting Pvt. Ltd.

Mumbai

BANKERS

Bank of India
State Bank of India
Punjab National Bank
State Bank of Travancore
Corporation Bank
Bank of Baroda
Dena Bank
Oriental Bank of Commerce
Union Bank of India
Canara Bank
Standard Chartered Bank
Allahabad Bank

REGISTERED OFFICE

A-1, Skylark Apartment, Satellite Road,
Satellite, Ahmedabad – 380 015

REGISTRAR & TRANSFER AGENT

Link Intime India Private Limited

303, 3rd Floor, Shoppers Plaza - V,
B/h. Shoppers Plaza-II, Opp. Municipal Market,
Off. C. G. Road, Ahmedabad - 380009

WORKS

Engineering & Projects Division

Survey No. 72, Village : Palodia,
Taluka : Kalol, Dist : Gandhinagar –382115

Special Steel, DI Pipe and Electric Vehicle Division

Survey No. 325, Village : Samakhiali,
Taluka : Bhachau, Dist : Kutch, Gujarat

Wind Farm Project

Village : Dhank, Taluka : Upleta,
Dist : Rajkot, Gujarat

Renewables Division

414/1, GIDC, Phase II, Vatva Industrial Area,
Ahmedabad – 382 445, Gujarat.

Transmission Line Tower Division

Village : Juni Jithardi, Tal : Karjan,
Dist : Vadodara, Gujarat.

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26TH ANNUAL GENERAL MEETING

26th Annual General Meeting of the members of the Company will be held on Friday, the 28th December, 2012 at 11.00 A.M. at S-5, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad – 380 015.



CHAIRMAN'S MESSAGE



Dear Shareholders,

The global economic crisis and the slowdown in the Indian economy in the year 2011-12 have posed great challenges and difficult times for the company. Diverse businesses, economic factors and unavailability of raw material has made the year gone by the most tempestuous year for the company. The global economy is still recovering from the slowdown in the economies of the developed countries particularly European Union and UK.

The financial position of the company for the year 2011-12 was affected, mainly due to non-availability of the key raw material – iron ore, higher inputs and interest costs.

The uncertainty of the European debt crisis and international foreign markets that lead to the depressed global economic scenario also had its toll on the Indian economy as a result of which India's Gross Domestic Product (GDP) for FY2012 had the lowest growth in last three years, at 6.5 % against 8.4 % in FY 2011. Besides, GDP for Q4 of FY2012 had a mere growth of 5.3%, drastically below the consensus estimate of 6.1%, which is calculated to be the slowest since March 2003. This has been mainly on account of slowdown in the industrial sector due to cumulative effect of the unavailability of raw material, slow demand and monetary constraints. No change in the growth rate is expected in the coming fiscal, with RBI projecting a growth of 6.5% for 2012-13.

The Union Budget has announced a number of measures to boost the investment climate, with special focus on infrastructure and manufacturing sectors. For the Steel Industry, the key measures are in the form of increasing custom duty on flat carbon steel products from the level of 5% to 7.5%. This along with measures to bring back industrial growth should allow for accommodation of additional supply on capacities likely to be commissioned in 2012-13.

The Global Steel Industry is going through a rough phase with demand declining and the major steel economies like USA and Europe running into oversupply. The World crude steel production in 2011 stood at 1518 million tonnes, growing at 6.2% over 2010, with China contributing as high as 52% to the incremental production. The growth rate however, was considerably lower as compared to 16% in 2010. The WSA has projected that global apparent steel consumption will increase by 3.6% to 1422 Mt in 2012, following growth of 5.6% in 2011. In 2013, it is forecasted that world steel demand will grow further by 4.5% to around 1486 Mt. China's apparent steel consumption in 2012 and 2013 is expected to increase by 4% in both the years. India is expected to resume its high growth trend after a sluggish performance in 2011. In 2012, India's steel consumption is forecast to grow by 6.9% to reach 72.5 MT and is projected to grow further by 9.4% in 2013, driven by increased infrastructure investment and higher pace of urbanisation.

India maintained its ranking as the 4th largest steel producer in the World with a production of 71.3 million tonnes in 2011, registering a growth rate of 4.4% over 2010, as per WSA. According to JPC estimates, domestic finished steel consumption posted a growth of 6.8% during 2011-12 to 70.92 Million Tonnes. A growth rate of 8-9% in the next few years is expected to be sustained mainly by factors such as the 1 trillion USD investment envisaged for the infrastructure sector in the 12th Five Year Plan, greater emphasis on increasing growth rate of the manufacturing sector, higher rates of urbanization, rising middle class population and tapping the potential of the rural market. Also, in terms of per capita consumption of finished steel, India at 57 kg lags behind the world average of 214.7 kg, indicating a huge potential for growth.

The company recorded sales turnover of ₹ 2270.54 crs in FY 2011-12 (for 18 months) against ₹ 2313.28 crs in FY 2010-11 (for 12 months).

With steel production picking up in African countries, Iran, Middle East, Saudi Arabia, Bangladesh and a few other developing economies, the engineering business of the company supplying steel making, casting and refining equipment is expected to further improve in the coming years. The demand from the auto industry is driving the demand for melting furnaces for foundry applications and heating and hardening equipment.

With company having been able to arrange iron ore from sources outside India, the steel and pipe business of the company is expected to show a turn around.

With various initiatives being proposed by the Government of India for promoting environment friendly electric vehicles, the electric vehicle business of the company is also expected to grow substantially from here over the next 5 years. Profitability however is expected to remain under pressure on account of supply chain constraints in the near term.

The company is working on initiatives for restructuring of its debt with its lenders and improving the capacity utilization of steel and pipe plant which has fallen substantially during this year. I am sure the results of these initiatives will be seen shortly and the company will be on revival path soon.

I would like to thank and appreciate all my colleagues and the shareholders for their dedication and commitment towards the company during these testing times.

Mukesh Bhandari
Chairman & Chief Technology Officer

**NOTICE**

NOTICE is hereby given that the **26th Annual General Meeting** of Members of **Electrotherm (India) Limited** will be held on Friday, 28th December, 2012 at 11.00 a.m. at S-5, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad – 380 015 to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt Audited Balance Sheet as at 30th September, 2012 and the Statement of Profit and Loss for the 18 months period ended on that date together with Report of Board of Directors and Auditors' Report thereon.
2. To appoint a Director in place of Mr. Narendra Dalal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Ram Singh, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Pradeep Krishna Prasad, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

**By Order of the Board
For Electrotherm (India) Limited**

Place : Ahmedabad
Date : 27th November, 2012

Jigar Shah
Company Secretary

Registered Office:

A-1, Skylark Apartment,
Satellite Road, Satellite,
Ahmedabad – 380 015

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM SHOULD BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE TIME OF THE COMMENCEMENT OF THE MEETING.**
2. Corporate members intending to send their authorized representative(s) to attend the General Meeting are requested to send a certified copy of the Board Resolution authorizing such representative(s) to attend and vote on their behalf at the Meeting.
3. In terms of the provisions of the Articles of Association of the Company, Mr. Narendra Dalal, Mr. Ram Singh and Mr. Pradeep Krishna Prasad, Directors, are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment. Pursuant to Clause 49 of the Listing Agreement, a brief profile of the said Directors seeking re-appointment at the meeting forms part of this annual report.
4. The register of members and share transfer books of the Company will remain closed from 24th December, 2012 to 28th December, 2012 (Both days inclusive).
5. Members holding shares in the physical form are requested to notify the change of address, if any, to the Company's Registrar and Share Transfer Agent, LINK INTIME INDIA PRIVATE LIMITED at 303, 3rd Floor, Shoppers Plaza V, Opp. Municipal Market, Behind Shoppers Plaza II, Off C. G. Road, Ahmedabad – 380 009.
6. Those members who have not encashed their dividend warrants pertaining to the following years are requested to approach the Company for the payment thereof as the same will stand transferred to the Investor Education and Protection Fund (IEPF), pursuant to section 205A(5) of the Companies Act, 1956, on respective due dates mentioned hereunder. Kindly note that after such date, the members will lose their right to claim such dividend.

NOTICE

Financial Year	Rate (Amt per Share)	Date of Declaration	Due for Transfer on
2005 – 2006	20% (Rs. 2.00)	29/09/2006	05/11/2013
2006 – 2007	20%(Rs. 2.00)	25/06/2007	01/08/2014
2007 – 2008	25%(Rs. 2.50)	20/06/2008	27/07/2015
2008 – 2009	25% (Rs. 2.50)	15/09/2009	21/10/2016
2009 - 2010	25% (Rs. 2.50)	24/09/2010	30/10/2017

In November, 2012, the Company has transferred the money lying to unpaid / unclaimed dividend account for the year 2004-2005 to Investor Education and Protection Fund established by the Central Government.

- In terms of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012 issued by the Ministry of Corporate Affairs effective from 20th May, 2012, Company has uploaded the data regarding unpaid/unclaimed dividends for the last seven years on the website of the Company as well as that of Ministry of Corporate Affairs.
- In terms of Circular No. MRD/DoP/Cir-05/2009 dated 20th May, 2009 issued by the Securities and Exchange Board of India (SEBI), it shall be mandatory for the transferee of the physical shares to furnish copy of PAN card to the Company / RTA for registration of transfer of shares. Shareholders are requested to furnish copy of PAN card at the time of transferring their physical shares.
- Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the Company. The nomination form will be supplied on request of the shareholder.

REQUEST TO THE MEMBERS :

- Members / Proxies should bring the Attendance Slip sent herewith duly filled in for attending the Meeting.
- A Member desirous of getting any information on the accounts or operations of the Company is requested to forward his / her queries to the Company at least 10 days prior to the meeting so that the required information can be made available at the Meeting.
- Members are requested to bring their copy of the Annual Report to the Meeting.
- The Ministry of Corporate Affairs ("MCA"), Government of India, through its Circular No.17/2011 dated 21st April, 2011 and Circular No.18/2011 dated 29th April, 2011 has allowed Companies to send Annual Report comprising of Balance Sheet, Statement of Profit & Loss, Directors' Report and Auditors' Report etc. through electronic mode to the registered e-mail address of the members. Keeping in view the underlying theme and circulars issued by MCA, we propose to send future communications in electronic mode to the e-mail address provided by you to the depositories and made available by them being the registered address. By opting to receive communication through electronic mode you have the benefit of receiving communications promptly and avoiding loss in postal transit.

Members who hold shares in physical form and desire to receive the documents in electronic mode are requested to provide their details (Name, Folio No., E-mail Id) on the Company's e-mail address: sec@electrotherm.com. Members who hold shares in electronic form are requested to get their details updated with the respective Depositories.

**By Order of the Board
For Electrotherm (India) Limited**

Place : Ahmedabad
Date : 27th November, 2012

Jigar Shah
Company Secretary

Registered Office:

A-1, Skylark Apartment,
Satellite Road, Satellite,
Ahmedabad – 380 015

INFORMATION PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT REGARDING APPOINTMENT OR RE-APPOINTMENT OF A DIRECTOR

Name	Mr. Narendra Dalal	Mr. Ram Singh	Mr. Pradeep Krishna Prasad
Age	51 years	71 years	70 years
Date of Appointment	01/03/1994	05/10/2005	05/10/2005
Qualification	Diploma in Electronic & Radio Engineers	B. E. (Metallurgical)	B.Sc., M. Tech. Post Graduate Diploma in Industrial Engineering & Management
Expertise in functional areas	He is a Whole Time Director of the Company and associated with the Company since 1994. He heads the electric design and development section of the Company. He is responsible for the Engineering Products Development in the Company. He has reach experience of 26 years in the field of induction technology based equipment development. He has started his carrier as fresh engineer and has worked in different areas like customer service, testing, quality control and lately development.	He has around 40 years of experience as a Metallurgical Engineer. He has won gold medals for best technical paper and best process design engineering.	He is a retired brigadier from Indian Army and has around 38 years of experience in industrial engineering.
Directorship held in other Public Limited Companies	1. Bhaskarpara Coal Company Limited 2. ET Elec-Trans Limited 3. Electrotherm Engineering & Projects Limited 4. Shree Ram Electro Cast Limited	Nil	Nil
Memberships/ Chairmanships of Committees	<u>Audit Committee - Member</u> Shree Ram Electro Cast Ltd.	Nil	Nil
No. of Shares held in the Company	34,500 Equity Shares	Nil	Nil

DIRECTORS' REPORT

To,
The Members

Your Directors have pleasure in presenting the 26th Annual Report on the business and operations of your Company and Audited Financial Statements for the period ended on 30th September, 2012.

Financial Results

The financial year 2011 - 2012 was extended upto 30th September, 2012 consisting of 18 months and as such all references to financial year 2011 -2012 in this Directors' Report and Annual Report is to be read as period of 18 (eighteen) months starting from 1st April, 2011 and ending on 30th September, 2012. Hence figures of the financial period 2011-2012 are not comparable with the figures of previous financial year 2010-2011.

(₹ In Million)

Particulars	2011-2012 (Eighteen Months)	2010-2011 (Twelve Months)
Total Revenue	22705.45	23132.83
Profit / (Loss) before Depreciation, Finance Costs & Tax	(1418.44)	3409.33
Less : Depreciation	1991.83	1077.76
Finance Costs	4740.34	1921.96
Profit / (Loss) before Tax	(8150.61)	409.61
Less : Current Tax & Wealth Tax	0.23	76.14
Deferred Tax	(865.13)	50.63
Profit / (Loss) after Tax / Deferred Tax	(7285.70)	282.84
Add / (Less) : Prior period adjustment	(6.83)	5.41
Profit / (Loss) for the period/year	(7292.53)	288.25
Surplus brought forward	1582.28	1494.03
Balance	(5710.25)	1782.28
Less : Transfer to General Reserve	-	200.00
Balance carried to Balance Sheet	(5710.25)	1582.28

Dividend

In view of losses incurred by the Company during the period, the Board of Directors of the Company do not recommend any Dividend on Equity Shares and on Preference Shares for the period ended on 30th September, 2012.

Operations

During the period ended on 30th September, 2012, the total revenue of the Company is ₹ 22705.45 Million compared to revenue of ₹ 23132.83 Million of previous financial year. The Loss for the period is ₹ 7292.53 Million against Net profit of ₹ 288.25 Million of the previous financial year.

Directors

In accordance with the provisions of section 256(1) of the Companies Act, 1956 and the Article 153 of the Articles of Association of the Company, Mr. Narendra Dalal, Whole Time Director, Mr. Ram Singh and Mr. Pradeep Krishna Prasad, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. Ravikumar Trehan has resigned from directorship on 26th September, 2012, Mr. Madhusudan Somani has resigned from directorship on 1st October, 2012 and Dr. Sudhir Kapur has resigned from directorship on 26th November, 2012. The Board places on record its appreciation for the services rendered by them during their tenure as members of the Board of Directors of the Company.

Subsidiary Company

As on 30th September, 2012, the Company has 8 (Eight) subsidiary company in India and outside India. Pursuant to the general exemption granted by the Ministry of Corporate Affairs, Government of India vide General Circular No. 2/2011 dated 8th February, 2011 and resolution

DIRECTORS' REPORT

passed by the Board of Directors on 27th November, 2012, copies of Balance Sheet, Statement of Profit and Loss, Report of the Board of Directors and the Report of the Auditors of subsidiary companies have not been attached with the annual accounts of the Company under section 212 of the Companies Act, 1956. As required under the above said circular, a statement containing the information of subsidiaries is attached and forms part of this Annual Report.

The annual accounts of the subsidiary companies and the related information are available for inspection by any shareholder at the registered office of the Company during business hours and make them available upon the request by any shareholder of the Company.

Consolidated Financial Statements

Pursuant to clause 32 and 41 of the Listing Agreement and Accounting Standard 21 issued by the Institute of Chartered Accountants of India, the Board of Directors has pleasure in attaching the Audited Consolidated financial statements including the financial statements of subsidiary companies.

Fixed Deposit

The Company has neither accepted nor invited any deposit from public, within the meaning of section 58A and 58AA of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975, as amended, during the period under review.

Directors' Responsibility Statement

Pursuant to section 217(2AA) of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that:

1. In the preparation of the annual accounts for the period ended on 30th September, 2012, the applicable accounting standards have been followed by the company along with proper explanation relating to material departures, if any;
2. Appropriate accounting policies have been selected and applied consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of financial period and of the loss of the company for that period;
3. 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.
4. The Annual Accounts for the financial period ended on 30th September, 2012 have been prepared on a going concern basis.

Cost Auditor

Pursuant to section 233B of the Companies Act, 1956, the Central Government has approved the appointment of M/s V. H. Savaliya & Associates, Cost Accountants as cost auditor for conducting cost audit of "Steel Plant" and "Electricity Industry". However, as per the clarification issued by Cost Audit Branch of Ministry of Corporate Affairs vide General Circular No. 67/2011 dated November 30, 2011, generation of electricity for captive consumption has been exempted from the applicability of cost audit. The due date for filing of cost audit report for the "Steel Plant" for the period ended on 30th September, 2012 is 31st March, 2013.

The Board of Directors has appointed / reappointed M/s V. H. Savaliya & Associates, Cost Accountants as cost auditor for conducting the cost audit for the financial year 2012-2013.

Conservation of Energy, Technology Absorption and Foreign Exchange Earning and Outgo

The additional information required under the provisions of section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure – "A" which forms part of this Annual Report.

Particulars of Employees

Pursuant to the provisions of section 217(2A) of the Companies Act, 1956, there are no employees who were in receipt of remuneration of not less than ₹60 Lacs during the financial year or ₹ 5 Lacs per month during any part of the financial year.

Corporate Debt Restructuring ("CDR")

During the 18 months period ended on 30th September, 2012, the Company has approached to the lenders for restructuring of the debts and accordingly, the flash report of the Company was submitted to CDR Cell in accordance with the guidelines for Corporate Debt Restructuring (CDR) issued by the Reserve Bank of India. The flash report was discussed at the CDR Empowered Group (EG) meetings and the reference for restructuring the debts of the Company was admitted at the CDR EG meeting held on 23/24 August, 2012 with cutoff date as January 1, 2012.

Bank of India, being the Monitoring Institution has appointed MITCON Consultancy & Engineering Services Limited to carry out the Techno Economic Viability (TEV) study. The final restructuring proposal / report shall be referred to CDR EG after discussion at the Joint Lenders Meeting (JLM). On approval of the same, restructuring package shall be implemented by the Company.

Sale of Ductile Iron Pipes Division

The shareholders of the Company through postal ballot under section 293(1)(a) of the Companies Act, 1956 accorded their approval on 8th November, 2011 for sale / transfer of Ductile Iron Pipes Division (DIP Division). Accordingly, the Company has entered into binding agreements on 14th December, 2011 pursuant to which Saint-Gobain Produits Pour La Construction SAS, France ("Saint Gobain") would acquire the Ductile Iron Pipes business and 100% stake in subsidiary of the Company. However, the said transaction could not be consummated by the long stop date of June 30, 2012 and the long stop date for the agreements was accordingly lapsed on June 30, 2012.

DIRECTORS' REPORT

Corporate Governance

Your Company has complied with the requirements of Clause 49 of the Listing Agreement regarding Corporate Governance. Pursuant to Clause 49 of the Listing Agreement, a Corporate Governance Report along with a Certificate from the Auditors confirming the compliance is annexed and forms a part of this report.

Management Discussion and Analysis Report

Pursuant to Clause 49 of the Listing Agreement, Management Discussion and Analysis Report is annexed after the Director's Report and forms a part of this report.

Auditors

M/s. Mehta Lodha & Co., Chartered Accountants, Ahmedabad, Statutory Auditors of the Company, retires at the forthcoming Annual General Meeting and the Company has received a certificate pursuant to Section 224(1B) of the Companies Act, 1956 from them to the effect that their re-appointment, if made, will be in accordance with the limits as specified in the said section.

Auditors' Report

There are certain reservations, qualifications or adverse remarks in the Auditors' Report for the period ended on 30th September, 2012. The Board of Directors of the Company would like the clarify / explain the same as under:

1. With regard to the winding up petitions and recovery cases affecting going concern of the Company, the company is contesting the said actions with the respective court/tribunal.
2. With regard to the restructuring of debts, the reference for restructuring the debts of the Company was admitted at the CDR EG meeting held on 23/24 August, 2012 with cutoff date as January 1, 2012. The final restructuring proposal / report shall be referred to CDR EG after discussion at the Joint Lenders Meeting (JLM) and on approval of the same, restructuring package shall be implemented by the Company.
3. With regard to non provision of disputed advances and Claims/Liability, the management is of the opinion that the said amount will be received by the company in due course from the respective authority.
4. With regard to the third party balance confirmation and its classification, non provision of interest on NPA accounts of banks and other issues affecting the financial statements to the extent stated therein, the management is of the opinion that the company is taking all necessary steps so that the confirmation of the third party can be made available and the Banks which have classified the account as a Non Performing Asset (NPA) have not provided the interest amount in their bank statement after the said classification and the said amount is uncertain and the said amount would be capitalized after restructuring. Therefore the said amount has not been provided in the books of accounts of the Company.
5. With regard to updating the records of the fixed asstes, the company is in process of updating the records showing particulars of quantity and situation of fixed assets. The Management is of the opinion that the same will be completed in the next financial year.
6. With regard to strengthen the Internal Audit System, the management is of the opinion that RSM astute is the Internal Auditor of the Company. Further concurrent auditors namely M/s. A.L. Chechani & Company and M/s. Mandovara Shah and Associates have been appointed as a joint concurrent auditors as per the advice by the bankers of the Company. The Board of directors is of the view that the appointment of concurrent auditor and internal auditor strengthen the internal control system commensurate with size and nature of business of the Company.
7. With regard to Central Sales Tax liability of ₹18.59 Million for the period starting from June, 2012 to September, 2012 and Value Added Tax of ₹22.26 Million for the period starting from July to September, 2012, the management is of the opinion that the Company has incurred heavy loss during the current year hence it is unable to pay its commitments within due date. However the Board of Directors firmly believes that it is a short term phenomenon, which shall be resolved.
8. With regard to the default in repayment of dues, the Company has incurred operational losses during the 18 months period ended on 30th September, 2012. Certain banks had already restructured the outstanding debt of the company in their books, whereas some banks had not restructured the debt. In the meantime, reference for restructuring the entire debt of the Company has been admitted with Corporate Debt Restructuring (CDR) Cell on 23/24 August, 2012 with cut off date as January 1, 2012. The Board of directors is of the opinion that since the debt would be restructured with Cut off date as January 1, 2012 through CDR, there would not exist any default.

Appreciation

Your Directors wish to place on record their appreciation for the valuable co-operation and support received from the Customers and Suppliers, various Financial Institutions, Banks, Government Authorities, Auditors and Shareholders during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the devoted services of the Executives, Staff and Workers of the Company.

For and on behalf of the Board

Place : Ahmedabad
Date : 27th November, 2012

Mukesh Bhandari
Chairman & Chief Technology Officer

**ANNEXURE - "A" TO DIRECTORS' REPORT**

Conservation of Energy, Technology Absorption and Foreign Exchange Earning and Outgo under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY:**(a) Energy conservation measures taken**

- Installation of direct rolling facility for steel billets. The facility avoids operation of reheating furnace before continuous casting. This saves consumption of 30-40 liters / T of furnace oil. This is equivalent to the energy saving of 350 kWh / T of steel.
- CONTIFUR project is expected to produce cast iron at about overall energy input of 4300 kWh / T. In regular blast furnace route, the equivalent energy requirement is about 4900 kWh / T. The net saving of 600 kWh/T of equivalent energy.
- The patent application "ELTREM PROCESS" has a unique feature of charging sponge iron in induction furnace in hot condition. The expected energy saving of about 100 kWh / T of liquid steel produced through induction furnace route.

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

- Installation of composite pellet plant
- Tunnel kiln experiments were carried out for the production of sponge iron.

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

- Reduction of electrical energy for producing cast iron is 12%.
- Reduction in electrical energy for steel making is 7%.
- Sponge iron through tunnel kiln is expected to be produced 11% cheaper compared to conventional rotary kiln process.

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

As per Form "A" is attached.

B. TECHNOLOGY ABSORPTION:**(I) RESEARCH AND DEVELOPMENT (R & D)****1. Specific areas in which R & D carried out by the Company**

- Induction Melting
- Iron ore reduction and steel making
- Power supply for Induction Heating and melting equipments
- Battery powered vehicles
- Secondary Metallurgical equipments and Metallurgical process

2. Benefits derived as a result of the above R & D

- Decrease in production cost of sponge iron
- Decrease in production cost of cast iron / pig iron
- Saving of electrical energy

3. Future Plan of action

- Development of continuous induction furnace technology for production of Iron/Steel using non cooking coal and iron ore fine