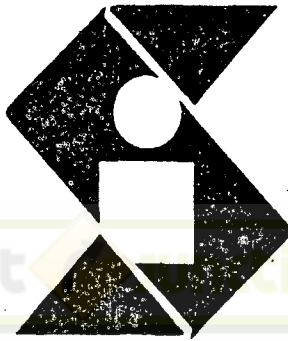


# SATHAVAHANA ISPAT LIMITED



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## **20<sup>th</sup> ANNUAL REPORT 2008 - 09**

**BOARD OF DIRECTORS:**

<b>Shri K.Thanu Pillai</b>	Chairman
<b>Shri A.S.Rao</b>	Executive Vice Chairman
<b>Shri Khaja Ruknuddin</b>	Director
<b>Shri Syed Anis Hussain</b>	Director
<b>Shri S.N.Rao</b>	Director
<b>Shri A. Naresh Kumar</b>	Managing Director

**GENERAL MANAGER (FINANCE) & COMPANY SECRETARY**

K.V. Krishna Rao

**AUDITORS**

M/s. P.V.R.K. Nageswara Rao & Co.,  
Chartered Accountants

**BANKERS:**

State Bank of Hyderabad  
Canara Bank  
Andhra Bank

**REGISTERED OFFICE**

314, Sri Rama Krishna Towers,  
Nagarjuna Nagar, Ameerpet,  
Hyderabad - 500 073.

AGM	:	20th Annual General Meeting.
Day and Date	:	Wednesday, the 30th September 2009
Time	:	3.00 P.M.
Venue	:	Sri Sagi Ramakrishnam Raju Community Hall, Madhura Nagar, Hyderabad - 500 038
Date of book closure	:	
i) Physical mode	:	16.09.2009 to 30.09.2009 (both days inclusive).
ii) Electronic mode	:	15.09.2009
ISIN No.	:	INE 176C01016
Listing	:	The Bombay Stock Exchange Limited (BSE) (Stock Code : 526093)
		National Stock Exchange of India Limited (NSE) (Stock Code : sathaispat)

**CORPORATE OFFICE & SECRETARIAL DEPARTMENT**

505, 5th Floor, Block - 1,  
Divyashakti Complex,  
Ameerpet,  
Hyderabad - 500 016.

**SHARE TRANSFER AGENTS**

M/s. XL Softech Systems Limited,  
#3, Sagar Society, Road No.2,  
Banjara Hills,  
HYDERABAD - 500 034.

**WORKS**

1. Haresamudram Village,  
Bommanahal Mandal,  
Ananthapur District,  
Andhra Pradesh.
2. Kudithini Village,  
Korugodu Road,  
Bellary District,  
Karnataka.

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**NOTICE OF 20TH ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 20th Annual General Meeting of the shareholders of **SATHAVAHANA ISPAT LIMITED** will be held at Sri Sagi Ramakrishnam Raju Community Hall, Madhura Nagar, Hyderabad - 500038 on Wednesday, the 30th September, 2009 at 3.00 p.m. to transact the following business:

**AS ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st March, 2009 along with the Reports of Directors and Auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Shri K. Thanu Pillai, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Khaja Ruknuddin, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors for the current year under section 224 of the Companies Act, 1956 and fix their remuneration. The retiring Auditors M/S. P.V.R.K. Nageswara Rao & Co., Chartered Accountants, Hyderabad, are eligible for reappointment.

To consider and, if thought fit, to pass the following resolution, with or without any modifications as an **ORDINARY RESOLUTION**:

“RESOLVED that, pursuant to section 224 of the Companies Act, 1956, M/s. P.V.R.K. Nageswara Rao & Co., Chartered Accountants, Hyderabad, retiring Auditors of the Company, be and are hereby reappointed as Auditors of the Company till the conclusion of next Annual General Meeting on a remuneration to be decided by the Board of Directors of the Company plus service tax and out of pocket expenses”.

**AS SPECIAL BUSINESS:**

6. To consider and, if thought fit, to pass, with or without any modifications, the following resolution for re-appointment of Shri A.Naresh Kumar, as Managing Director as an **ORDINARY RESOLUTION**:

“RESOLVED that, pursuant to the provisions of Section 198, 269, 309, 310, 311 and Schedule XIII and other applicable provisions if any, of the Companies Act, 1956 and subject to the approval of the Banks from whom the Company availed Term Loans and as recommended by the Remuneration Committee of Board of Directors and approved by Board of Directors at its meeting held on 30th April 2009, approval be and is hereby accorded

to the re-appointment of Shri A.Naresh Kumar, Managing Director for a period of five years effect from 01.06.2009 to 31.05.2014 on the following remuneration:

**1. SALARY :**

Salary of Rs.1,90,000/- per month in the scale of Rs.1,90,000 - 30,000 - 3,10,000 per month.

**2. PERQUISITES :**

The following perquisites may be allowed in addition to salary :

**CATEGORY A:**

- i. Housing I. : The expenditure incurred by the company on hiring furnished accommodation which will be subject to the following ceiling:

Sixty percent of the salary over and above ten percent payable by Shri A. Naresh Kumar, Managing Director; or

Housing II. : In case the accommodation is owned by the Company, ten percent of the salary of the appointee shall be deducted by the Company; or In case no accommodation is provided by the company a House Rent Allowance subject to the ceiling laid down in Housing I.

Explanation: The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-tax Rules, 1962 and shall be subject to a ceiling of ten percent of salary of the appointee.

- ii. Medical Reimbursement : Expenses incurred for self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- iii. Leave Travel Concession for self and family, once in a year incurred in accordance with any rules specified by the Company.
- iv. Club fee subject to a maximum of two clubs. This will not include admission and life membership fee.
- v. Personal accident insurance the premium of which shall not exceed Rs.10,000/- per annum.
- vi. Medical & Insurance premium the premium of which shall not exceed Rs. 24,000/- per annum.

**CATEGORY B:**

- i. Contribution to provident Fund, Superannuation fund and annuity fund to the extent these either singly or put together are not taxable under Income Tax Act, 1961.
- ii. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and
- iii. Encashment of leave at the end of the tenure.



## CATEGORY C:

Provision of car for use on Company's business and telephone at residence. Personal long distance calls on telephone and the use of car for private purpose shall be billed by the company to Shri A. Naresh Kumar, Managing Director.

## 3. COMMISSION:

1% commission on the net profits of the Company computed in the manner laid down in Section 309(5) of the Companies Act, 1956.

## 4. MINIMUM REMUNERATION:

In the event of losses or inadequacy of profits during the above period, the Managing Director is entitled to the aforesaid salary and perquisites mentioned above as minimum remuneration".

"RESOLVED further that the office of Managing Director held by Shri A. Naresh Kumar pursuant to this resolution shall not be liable to determination by retirement of Directors by rotation".

"FURTHER RESOLVED that the Managing Director / the Executive Vice Chairman / the Company Secretary be and are hereby jointly and severally authorised to furnish a copy of this resolution to any statutory authority and do all such acts, deeds, things that may be required in this connection including filing of forms electronically, if any, with the Registrar of Companies, Andhra Pradesh at Hyderabad."

By order of the Board

Hyderabad

Date: 30.06.2009

(A. NARESH KUMAR)  
MANAGING DIRECTOR

## NOTES:

1. EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF COMPANIES ACT, 1956 IS ANNEXED. THE RELEVANT DETAILS OF DIRECTORS, AS REQUIRED UNDER CLAUSE 49 OF THE LISTING AGREEMENTS ENTERED INTO WITH THE STOCK EXCHANGES, SEEKING RE-APPOINTMENT UNDER ITEM NOS. 3 AND 4 ABOVE ARE ALSO ANNEXED.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. MEMBER INTENDING TO APPOINT A PROXY SHOULD COMPLETE THE PROXY FORM FURNISHED ELSEWHERE AND DEPOSIT IT AT THE COMPANY'S CORPORATE OFFICE NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM 16.09.2009 TO 30.09.2009 (BOTH DAYS INCLUSIVE) FOR TRANSFERS IN PHYSICAL MODE AND

ON CLOSING OF 15.09.2009 FOR ELECTRONIC MODE FOR DETERMINING THE NAMES OF MEMBERS ELIGIBLE FOR DIVIDEND, IF APPROVED, ON EQUITY SHARES.

4. THE DIVIDEND ON EQUITY SHARES FOR THE YEAR 2008-09 RECOMMENDED BY THE BOARD OF DIRECTORS, IF DECLARED AT THE GENERAL MEETING, WILL BE PAYABLE ON OR AFTER 1ST OCTOBER, 2009, TO THOSE MEMBERS WHOSE NAMES APPEAR ON THE COMPANY'S REGISTER OF MEMBERS HOLDING SHARES IN PHYSICAL MODE AS ON 30TH SEPTEMBER, 2009 AND TO THOSE BENEFICIAL OWNERS WHOSE NAME APPEARS ON CLOSING OF 15TH SEPTEMBER 2009 IN THE LISTS PROVIDED BY THE DEPOSITORIES.
5. MEMBERS MAY PLEASE NOTE THAT THE DIVIDEND WARRANTS WILL BE MADE PAYABLE AT PAR AT THE DESIGNATED BRANCHES OF THE BANK PRINTED ON THE DIVIDEND WARRANT FOR AN INITIAL PERIOD OF SIX MONTHS ONLY. THEREAFTER THE DIVIDEND WARRANTS WILL BE REQUIRED TO BE REVALIDATED BY THE COMPANY AND WILL BE MADE PAYABLE ONLY AT DRAWEE BRANCH OF THE BANK. MEMBERS ARE THEREFORE ADVISED TO ENCASH DIVIDEND WARRANTS WITHIN THE INITIAL VALIDITY PERIOD OF SIX MONTHS.
6. MEMBERS HOLDING SHARES IN **PHYSICAL FORM** ARE REQUESTED TO INTIMATE TO THE COMPANY ON OR BEFORE 15TH SEPTEMBER 2009 THE BANK PARTICULARS TO BE INCORPORATED ON THE DIVIDEND WARRANTS. (IN THE FORM FURNISHED ELSEWHERE IN THIS REPORT) DULY SIGNED BY THE SOLE/FIRST HOLDER.  
IN CASE OF SHARE HOLDINGS IN ELECTRONIC FORM, THE BANK ACCOUNT DETAILS OF BENEFICIARIES AS FURNISHED BY THE DEPOSITORIES TO THE COMPANY WILL BE PRINTED ON THEIR DIVIDEND WARRANTS AS PER THE APPLICABLE REGULATIONS OF THE DEPOSITORIES. NO REQUEST SHOULD BE LODGED WITH THE COMPANY / SHARE TRANSFER AGENTS FOR DELETION / CHANGE IN SUCH BANK DETAILS. BANK DETAILS AVAILABLE IN PHYSICAL HOLDING WILL NOT BE AUTOMATICALLY TRANSFERRED TO ELECTRONIC MODE AT THE TIME OF DEMATERIALISATION OF SHARES. MEMBERS HOLDING SHARES IN ELECTRONIC MODE SHOULD ARRANGE TO CHANGE THE BANK DETAILS, IF REQUIRED, WELL BEFORE THE BOOK CLOSURE DATE BY CONTACTING THEIR DEPOSITORY PARTICIPANT.
7. THE COMPANY PROVIDES THE FACILITY OF ELECTRONIC CLEARING SERVICE (ECS) TO ALL SHAREHOLDERS HOLDING SHARES IN ELECTRONIC AND PHYSICAL MODE FOR THE PAYMENT OF DIVIDEND DECLARED AT THE MEETING, AT THOSE CENTRES PERMITTED BY AND SUBJECT TO GUIDELINES ISSUED IN THIS REGARD BY RESERVE BANK OF INDIA.



- MEMBERS HOLDING SHARES IN PHYSICAL FORM AND WISHING TO AVAIL THE ECS FACILITY SHOULD LODGE WITH SHARE TRANSFER AGENT, THE ECS MANDATE (COPY OF WHICH IS FURNISHED ELSEWHERE IN THIS REPORT) UNDER SOLE / FIRST HOLDER'S SIGNATURE ON OR BEFORE 15TH SEPTEMBER, 2009. ADDITIONAL COPIES OF ECS MANDATE, IF REQUIRED, CAN ALSO BE OBTAINED FROM THE SHARE TRANSFER AGENT.
8. THE MEMBERS WHO HAVE SO FAR NOT ENCASHED THEIR DIVIDEND WARRANTS RELATING TO THE DIVIDEND DECLARED FOR THE FINANCIAL YEARS ENDING 31ST MARCH, 2003, 31ST MARCH, 2004, 31ST MARCH, 2005, 31ST MARCH 2006, 31ST MARCH 2007 AND 31ST MARCH 2008 MAY APPROACH THE COMPANY WITHOUT ANY FURTHER DELAY FOR THE PAYMENT OF THE SAID WARRANTS. PURSUANT TO PROVISIONS OF SECTION 205C OF THE COMPANIES ACT, 1956 THE UNCLAIMED DIVIDEND AT THE END OF SEVEN YEARS WILL HAVE TO BE TRANSFERRED TO THE INVESTOR EDUCATION AND PROTECTION FUND OF THE CENTRAL GOVERNMENT, WHEREBY THE MEMBERS WILL NOT BE ABLE TO CLAIM THE SAID DIVIDEND FOREVER THEREAFTER. ACCORDINGLY THE UNCLAIMED DIVIDEND FOR THE YEAR ENDED 31ST MARCH, 2003, 31ST MARCH 2004, 31ST MARCH, 2005, 31ST MARCH 2006, 31ST MARCH 2007 AND 31ST MARCH 2008 WILL HAVE TO BE CLAIMED BY THE SHAREHOLDERS ON OR BEFORE 29TH SEPTEMBER 2010, 29TH SEPTEMBER 2011, 29TH SEPTEMBER 2012, 29TH SEPTEMBER 2013, 28TH SEPTEMBER 2014 AND 29TH SEPTEMBER 2015 RESPECTIVELY AND THEREAFTER IT WILL BE TRANSFERRED TO INVESTOR EDUCATION AND PROTECTION FUND ON OR BEFORE 28TH OCTOBER 2010, 28TH OCTOBER 2011, 28TH OCTOBER 2012, 28TH OCTOBER 2013, 27TH OCTOBER 2014 AND 28TH OCTOBER 2015 AS THE CASE MAY BE.
  9. MEMBERS DESIROUS OF SEEKING CLARIFICATIONS ON ACCOUNTS ARE REQUESTED TO SEND THEIR QUERIES TO THE CORPORATE OFFICE ADDRESS OF THE COMPANY ATLEAST SEVEN DAYS BEFORE THE DATE OF THE ANNUAL GENERAL MEETING TO ENABLE THE COMPANY TO COMPILE AND FURNISH REQUIRED INFORMATION.
  10. THE SHAREHOLDERS HOLDING SHARES IN PHYSICAL MODE ARE REQUESTED TO INTIMATE IMMEDIATELY ANY CHANGE IN THEIR ADDRESS REGISTERED WITH THE COMPANY TO THE SHARE TRANSFER AGENTS M/S XL SOFTECH SYSTEMS LIMITED, #3, SAGAR SOCIETY, ROAD NO.2, BANJARA HILLS, HYDERABAD - 500 034.
  11. THE SHAREHOLDERS ARE HEREBY REQUESTED THAT ALL THE CORRESPONDENCE IN CONNECTION WITH THE SHARES BE ADDRESSED TO THE SHARE TRANSFER AGENTS OF THE COMPANY M/S XL SOFTECH SYSTEMS LIMITED, #3, SAGAR SOCIETY, ROAD NO.2, BANJARA HILLS, HYDERABAD - 500 034 OR TO THE SECRETARIAL DEPARTMENT OF THE COMPANY AT 505, 5TH FLOOR, BLOCK-1, DIVYASHAKTI COMPLEX, AMEERPET, HYDERABAD - 500 016.
  12. PURSUANT TO THE DIRECTIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) THE SHARES OF THE COMPANY ARE TO BE COMPULSORILY TRADED IN DEMAT MODE W.E.F 26TH FEBRUARY, 2001. MEMBERS HOLDING SHARES IN PHYSICAL MODE MAY THEREFORE, CONVERT THEIR EQUITY HOLDINGS OF THE COMPANY INTO DEMAT MODE BY OPENING THE DEMAT ACCOUNTS WITH DEPOSITORY PARTICIPANTS WHO ARE ACTING AS AGENTS TO THE DEPOSITORIES VIZ., NSDL AND CDSL. THE COMPANY HAS BEEN ALLOTTED THE ISIN NO. INE176C01016. HOWEVER, MEMBERS MAY CONTINUE TO HOLD THE SHARES OF THE COMPANY IN PHYSICAL FORM AT THEIR OPTION BUT FOR TRADING THE SAME ON THE STOCK EXCHANGES, CONVERSION INTO DEMAT MODE IS COMPULSORY.
  13. MEMBERS ARE REQUESTED TO BRING THEIR COPY OF ANNUAL REPORT TO THE MEETING. MEMBERS / PROXIES SHOULD FILL THE ATTENDANCE SLIP FOR ATTENDING THE MEETING. MEMBERS / PROXIES ARE REQUESTED TO FILL IN THE CLIENT ID AND DP ID NUMBERS IN CASE OF ELECTRONIC HOLDING AND FOLIO NUMBER IN CASE OF PHYSICAL HOLDING IN THE ATTENDANCE SLIPS. CORPORATE MEMBERS WISHING TO DEPUTE THEIR AUTHORISED REPRESENTATIVES ARE REQUESTED TO SEND A DULY CERTIFIED COPY OF BOARD RESOLUTION AUTHORISING THEIR REPRESENTATIVES TO ATTEND AND VOTE AT THE GENERAL MEETING.
  14. MEMBERS HOLDING SHARES IN PHYSICAL FORM AND DESIROUS OF AVAILING THE BENEFIT OF NOMINATION FACILITY IN TERMS OF SECTION 109A OF THE COMPANIES ACT, 1956 READ WITH ARTICLE 64A OF ARTICLES OF ASSOCIATION OF THE COMPANY, MAY DO SO BY SENDING THEIR REQUESTS IN FORM 2B COPY OF WHICH WILL BE MADE AVAILABLE ON A REQUEST TO THE SHARE TRANSFER AGENTS M/S. XL SOFTECH SYSTEMS LIMITED OR COMPANY'S SECRETARIAL DEPARTMENT.
  15. THE EQUITY SHARES OF THE COMPANY ARE LISTED ON THE BOMBAY STOCK EXCHANGE LIMITED, MUMBAI (STOCK CODE:526093) AND NATIONAL STOCK EXCHANGE INDIA LIMITED, MUMBAI (STOCK CODE:SATHAISPAT). THE ANNUAL LISTING FEE TO THE STOCK EXCHANGES WHERE THE COMPANY'S SHARES ARE LISTED HAS BEEN PAID UPTO DATE. THE LISTING ON THE HYDERABAD STOCK EXCHANGE LIMITED, HYDERABAD, (STOCK CODE:SVI) IS NOT IN FORCE AS THE SAID EXCHANGE HAS BEEN DERECOGNISED BY THE SECURITIES AND EXCHANGE BOARD OF INDIA.





### Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.

Item No.6:Shri A.Naresh Kumar had been appointed as Managing Director in the Board Meeting held on 30.04.2004 for a period of five years with effect from 01.06.2004 to 31.05.2009. The appointment was subsequently approved at the 15th Annual General Meeting of the company held on 30.09.2004. Accordingly his tenure has had come to close on 31.05.2009.

Since Shri A.Naresh Kumar is eligible for re-appointment. Accordingly, the Remuneration Committee of the Board of Directors had considered and recommended the re-appointment at its meeting held on 30th April 2009, for a further period of five years and accordingly the Board of Directors at its meeting held on 30th April 2009 approved the re-appointment for a further period of five years effective from 1st June 2009 to 31st May 2014.

Shri A.Naresh Kumar, one of the Promoter Director is a Director on the Board of the company since May 1992. He was also a Director on the Board of the company during 1989-1991. Shri Naresh Kumar has now successfully completed 10 years as Managing Director of the Company.

Shri A.Naresh Kumar is a chemical engineer by profession and holds a Masters' Degree from the University of Missouri-Rolla, U.S.A. He was employed in trans-national companies in U.S.A. for about four years.

Shri Naresh Kumar as a Director on the Board of Directors has gained good experience on the operations of the Company. He is the brain behind technical improvements programme implemented by the Company during the last few years. He has also successfully implemented the Greenfield project for manufacture of Metallurgical Coke and Co-generation of Power

which is giving significant benefits to the Company. He has actively participated in the modernisation and expansion programme at the Brownfield project and made it a success. He has closely studied the operations of the Company and rendered valuable advice in the day to day operations of the Company. His contribution to the operations of the Company has yielded good results in the form of expanded capacity and improved productivity and production.

Keeping in view his contribution to the Company and on the recommendations of the Remuneration Committee, the Board of Directors at its meeting held on 30th April 2009 re-appointed him as Managing Director for a further period of five years effect from 01.06.2009 to 31.05.2014 at the remuneration set out in the resolution. Shri A.Naresh Kumar is not liable to retire by rotation of Directors during his tenure as Managing Director.

The re-appointment and the remuneration are as per the provisions of the Schedule XIII of the Companies Act, 1956, which does not require the approval of the Central Government but is subject to approval of banks and members in General Meeting.

Accordingly, the approval of the members is being sought by way of ordinary resolution.

Shri A.Naresh Kumar, the appointee Director, and Shri A.S.Rao Executive Vice Chairman, being a relative of Shri A.Naresh Kumar are interested in the resolution. No other Director is concerned or interested in the resolution.

Your Board of Directors commend the resolution for your approval.

### DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING RE-APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING

(in pursuance of Clause 49 of the Listing Agreements)

Name of Director	Shri K. Thanu Pillai	Shri Khaja Ruknuddin
Date of Birth	14.05.1935	03.01.1933
Date of Appointment	29.01.1999	30.07.2001
Qualifications	B.Com., M.B.A., CAIIB.	B.A., LL.B., CAIIB
Expertise in specific functional areas	Over 35 years in Commercial Banking and Financial Management	Commercial Banking, Human Resources and Financial Management.
List of Companies in which outside directorship held as on 31st March, 2009	1. State Bank of Travancore 2. BSCPL Infrastructure Limited 3. Sagar Cements Limited 4. LVS Power Limited 5. Bollineni Castings & Steel Ltd. 6. Amar Biotech Limited 7. Aishu Castings Ltd. 8. Aishu Projects Ltd. 9. Bollineni Developers Limited 10. BSCPL Realty Limited 11. BSCPL Infra Projects Limited	Babuji Estates Pvt. Ltd.
Chairman / Member of the Committees of the Board of the other Companies in which he is a director as on 31 <sup>st</sup> March, 2009	1. Chairman, Audit Committee, State Bank of Travancore. 2. Chairman, Remuneration Committee, Sagar Cements Limited. 3. Member,Shareholders/Investors Grievance Committee, State Bank of Travancore. 4. Member, Audit Committee, BSCPL Infrastructure Limited. 5. Member, Audit Committee, Sagar Cements Limited. 6. Member, Audit Committee, LVS Power Limited.	NIL

Hyderabad  
Date: 30.06.2009

By order of the Board  
(A. NARESH KUMAR)  
MANAGING DIRECTOR



## DIRECTORS' REPORT

To

### The Members,

#### SATHAVAHANA ISPAT LIMITED,

Your Directors have pleasure in presenting the 20<sup>th</sup> Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2009.

#### FINANCIAL RESULTS:

Your Directors report the following financial results for the year 2008-09:

(Rs. in Lakhs)

Sl. No.	Particulars	Year ended 31-03-2009	Year ended 31-03-2008
1.	Sales	57743.66	39589.35
2.	Other Income	868.45	676.50
3.	Operating profit before Interest and Depreciation	6116.02	8591.03
4.	Interest	2590.81	1940.86
5.	Depreciation	1457.44	1498.50
6.	Profit before Tax	2067.77	5151.67
7.	Income Tax adjustment and provision	756.03	1853.75
8.	Net Profit after Tax	1311.74	3297.92
9.	Add: Profit brought forward from last year	3337.36	2001.25
10.	Available for appropriation	4649.10	5299.17
11.	Less: Transfer to General Reserve	500.00	1500.00
12.	Less: Proposed Dividend	477.38	394.73
13.	Less: Provision for Corporate Dividend Tax	81.13	67.08
14.	Balance carried forward	3590.59	3337.36
15.	Earning per Equity Share-Basic	4.12	12.53
16.	Earning per Equity Share-Diluted	3.93	12.53

Your Directors are pleased to report that the Company's performance is satisfactory keeping in view the global financial crisis and collapse of commodity markets during the second half of the financial year. The sales turnover improved to Rs. 57743.66 Lakhs during the year under review as against Rs. 39589.35 Lakhs in the last year. The Profit before tax was at Rs. 2067.77 Lakhs as compared to Rs. 5151.67 Lakhs in the year before. The net profit after tax was at Rs. 1311.74 Lakhs as against Rs. 3297.92 Lakhs in the previous year. While factors like improved sales realisation, in house Coke making have contributed to the rise in the bottomline during the first half of the year and global financial crisis and consequent glut in the commodity markets have lowered the profits for the year as a whole. The Earning per share is at Rs. 4.12 as against Rs. 12.53 in the last year. A sum of Rs. 500 lakhs (previous year Rs. 1500 Lakhs) was transferred to General Reserve.

#### DIVIDEND:

The Board of Directors have recommended a dividend of 15% (Rs. 1.50 per Share) for the year 2008-09, same as in the previous year. The proposed dividend involves an outlay of Rs. 477.38 Lakhs and the applicable corporate dividend tax on the proposed dividend amounting to Rs. 81.13 Lakhs will be borne by the company. Thus the total outflow on account of dividend payment works out to Rs. 558.51 Lakhs. Due to funds commitment for implementation of the expansion of Kudithini plant, the dividend rate has been maintained at 15% for the year 2008-09 and is being paid out of current year profits.

#### DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, Your Directors hereby confirm that:

- The applicable Accounting Standards have been followed in the preparation of Annual Accounts for the Financial Year 2008-09;
- The accounting policies selected were applied consistently and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2009 and of the Profit of the Company for the year ended on the 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 fraud and other irregularities; and,
- The Annual Accounts have been prepared on a going concern basis.

#### AUDIT COMMITTEE:

The Audit Committee at its meeting held on 30th June 2009 has considered and approved the audited accounts for the financial year ended 31st March 2009. The audited accounts for the financial year ended 31st March 2009, as approved and recommended by the Audit Committee, do not require any explanations from the Board.

#### CORPORATE GOVERNANCE:

Pursuant to Clause 49 of the listing agreement entered into by the Company with the Stock Exchanges where the shares of the Company are listed, Company is required to comply with the Code of Corporate Governance for the financial year under review. Accordingly, the reports on Corporate Governance and Management Discussion and Analysis together with Auditors' Report on compliance of Corporate Governance are attached to this report and forms part of the Annual Report.

#### PROJECT:

The Greenfield project for manufacture of Metallurgical Coke with Co-generation of power at Kudithini stands successfully commissioned with the commissioning of co-generation power plant on 31st July 2008. The company has now taken up expansion of the Coke making facility by 150000 tpa and augmentation of additional co-generation power of 10 MW. The expansion of these facilities is expected to be completed by April 2010. The company has also taken up works to de-bottleneck idle capacity in the Turbine Generator capacity whereby additional power of 25 MW can be generated through thermal route. This work is likely to be completed by July 2010.

#### DIRECTORS:

Shri K. Thanu Pillai and Shri Khaja Ruknuddin Directors are liable for retirement by rotation at the end of the ensuing 20<sup>th</sup> Annual General Meeting and being eligible, offer themselves for re-appointment at the said Annual General Meeting.

Shri A. Naresh Kumar has been re-appointed as Managing Director for a further period of five years effect from 01.06.2009 and approval of the members for the said re-appointment is being sought in the ensuing Annual General Meeting.



## SATHAVAHANA ISPAT LIMITED

**AUDITORS:**

M/s. P.V.R.K. Nageswara Rao & Co., Chartered Accountants, Hyderabad retire as auditors at this Annual General Meeting and are eligible for reappointment.

**EMPLOYEES:**

The particulars of employees required to be furnished pursuant to section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of employees) rules, 1975, as amended, are given in the Annexure forming part of this report.

**DEMATERIALISATION OF EQUITY SHARES:**

The Agreements entered into by the Company with the two Depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for dematerialisation of shares are in force and the Company's shares are in dematerialised mode under ISIN No. INE 176C01016. As per the Securities and Exchange Board of India (SEBI) directives, the equity shares of the Company are to be compulsorily traded in dematerialisation form with effect from 26th February 2001. In view of the significant benefits that accrue on dematerialisation of securities, members may avail the facility.

**LISTING OF SHARES ON STOCK EXCHANGES:**

The equity shares of the Company are regularly traded on the Bombay Stock Exchange Limited (Stock Code:526093) and The National Stock Exchange of India Limited (NSE) (Stock Code: sathaispat). The listing on Hyderabad Stock Exchange Limited

(Stock Code: SVI) is not in force as the said exchange was de-recognised by The Securities and Exchange Board of India.

**STATUTORY INFORMATION:**

Information on conservation of energy, technology absorption, foreign exchange earnings and out go required to be disclosed under section 217 (1) (e) of the Companies Act, 1956, is given in the Annexure forming part of this report.

**FIXED DEPOSITS:**

During the year the Company has not accepted / renewed fixed deposits within the meaning of Section 58-A of the Companies Act, 1956 from the Shareholders and Directors. There are no overdue deposits or outstanding deposits as on the Balance Sheet date.

**ACKNOWLEDGMENTS:**

Your directors take this opportunity to express their grateful thanks to Canara Bank, State Bank of Hyderabad, Andhra Bank, Shareholders, Central and State Governments and valued suppliers and customers for their co-operation and support. The Board also places on record its appreciation of the valuable services rendered by the employees at all levels of the Company.

for and on behalf of the Board  
(Khaja Ruknuddin)  
Director

Place: Hyderabad  
Date: 30.06.2009

(A.Naresh Kumar)  
Managing Director

**ANNEXURE TO DIRECTORS' REPORT**

Statutory information as required under section 217(1)(e) of the Companies Act, 1956.

- Conservation of Energy: The Company has set-up a Captive Power Generation Plants, which utilise surplus blast furnace gas / waste heat. The Power Plants have been functioning satisfactorily.
- Technology absorption: The technology sourced from China Shougang for the Pig Iron plant expansion and Anshan Technology for Metallurgical Coke plant at Kudithini, both technologies sourced from P.R.China, stand fully absorbed.
- Foreign Exchange earnings and outgo:

		(Rs Lakhs)
I)	Foreign Exchange earnings	
a)	F.O.B value of exports	8053.94
II)	Foreign Exchange outgo	
a)	C.I.F. value of imports	
i)	Raw materials	23395.48
ii)	Capital Goods	1.91
b)	Travelling expenses	5.05
c)	Usance interest	485.47

Information pursuant to Section 217 (2A) of the Companies Act, 1956 Read with the Companies (particulars of employees) Rules 1975.

Sl.No.	Name / Designation	Qualifications	Age (years)	Experience (years)	Date of Commencement Of employment	Gross Remuneration Rs.	Name of Last Employer / Post held
1.	Shri A. Naresh Kumar Managing Director	B. Tech M.S.(USA)	38	19	01.06.1999	3657821	Chemical Market Resources Inc., Project Manager
2.	Shri A.S.Rao Executive Vice Chairman	B.Tech (Hons)	66	46	01.07.1991	3377415	Steel Authority Of India Limited / Addl. Chief (Marketing)
Notes: <ol style="list-style-type: none"> <li>Gross remuneration includes salary, H.R.A., commission and other perquisites.</li> <li>The conditions of employment are contractual.</li> <li>Sri A. Naresh Kumar and Sri A.S.Rao are related to each other.</li> </ol>							

for and on behalf of the Board  
(Khaja Ruknuddin)  
Director

(A.Naresh Kumar)  
Managing Director

Place: Hyderabad  
Date: 30.06.2009





## REPORT ON CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

Sathavahana Ispat Limited believes that the code of Corporate Governance is a necessary discipline and a means of achieving and attaining the goals and objectives of the Company and only proper governance implemented in true spirit would lead to effectiveness and transparency in the functioning of a Corporate. The Company lays emphasis on basic governance issues and supports the broad principles of governance code viz., transparency, accountability and integrity.

Company's philosophy on Corporate Governance accordingly envisages attainment of high level of transparency, accountability and integrity in all its areas of operations on the one hand and in its interactions with stakeholders viz., shareholders, employees, customers, suppliers, lenders and the government on the other, with ultimate object of protecting the interests of all stakeholders, and enhancing the shareholders value over a sustained period of time.

### 2. BOARD OF DIRECTORS:

The Board of Directors consists of six Directors of which two are executive and four are non-executive Directors and among these two are promoter Directors and four are independent Directors. The independent Directors constitute 66.67% and non-executive Directors constitute 66.67% of the board's strength. The Chairman of the board is non-executive, independent Director.

\* Composition and category of directors is as follows:

Category	Name of the Director
I. Executive Directors	1. Shri A.S.Rao
a) Promoters	2. Shri A.Naresh Kumar
II. Non-executive directors	1. Shri K. Thanu Pillai
a) Independent	2. Shri Khaja Ruknuddin
	3. Shri Syed Anis Hussain
	4. Shri S.N.Rao

\* Attendance of each Director at the Board of Directors meetings and the last Annual General Meeting:

Name of the Director	Board meetings		Attendance at Last AGM
	Held	Attended	
Shri K.Thanu Pillai	5	5	Yes
Shri A.S.Rao	5	5	Yes
Shri Khaja Ruknuddin	5	5	Yes
Shri Syed Anis Hussain	5	5	Yes
Shri A.Naresh Kumar	5	5	Yes
Shri S.N.Rao	5	5	Yes

\* Number of other Board of Directorships, Board Committees he is a member or chairperson of:

Name of the Director	Board of Directors		Board Committees	
	Director	Chairman	Member	Chairman
Shri K.Thanu Pillai	11	None	4	2
Shri A.S.Rao	2	None	None	None
Shri Khaja Ruknuddin	1	None	None	None
Shri Syed Anis Hussain	2	None	None	None
Shri A.Naresh Kumar	2	None	None	None
Shri S.N.Rao	None	None	None	None

None of the Directors on the Board are members in more than ten committees and they do not act as Chairman of more than five committees across all companies in which they are Directors.

• Number of board meetings held, dates on which held:

During the year the Company has held five Board of Directors Meetings. The dates on which these meetings held were: 30th June 2008; 31st July 2008; 30th September 2008; 31st October 2008; and 30th January 2009. The maximum interval between any two meetings was not more than three calendar months.

• Reappointment of Directors at the 20th AGM:

Shri K. Thanu Pillai and Shri Khaja Ruknuddin are liable to retire by rotation at the ensuing Annual General Meeting of the Company and being eligible have offered themselves for reappointment.

Shri K. Thanu Pillai, B.Com., M.B.A., CAIIB, is a retired banking professional who has served State Bank Group for about 35 years and retired as Managing Director of State Bank of Hyderabad. He is an independent Director on the Board of Directors of the Company. Mr. Thanu Pillai is also a Director on several other Companies with rich experience in commercial banking and financial management.

Shri Khaja Ruknuddin, B.A., LL.B., CAIIB., is an independent Director on the Board of Directors of the Company. Shri Ruknuddin had his entire career with State Bank of India and held senior positions including overseas assignments before retiring as its Dy. Managing Director. He was former Chairman of Banking Service Recruitment Board. He has rich experience in commercial banking, human resources and financial management.

### 3. Audit committee:

The Audit Committee of Board of Directors comprises Shri K. Thanu Pillai, Shri Khaja Ruknuddin and Shri Syed Anis Hussain as its members all of whom are independent Non-executive Directors. Company Secretary is also functioning as Secretary to the Audit Committee. The audit committee meets the requirements of both section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

The Committee has all the powers, duties and obligations conferred upon and vested in it in terms of Section 292A of the Companies Act, 1956 as amended from time to time and also such additional powers, functions / features, duties, obligations and discretions as is contained in Clause 49 of the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and as amended from time to time and / or any other



powers, duties and obligations that may be given or assigned from time to time by the Board of Directors and the said Committee shall submit its reports, recommendations etc., to the Board of Directors on all matters.

The audit committee met four times during the year. The attendance of the members at these meetings vis-à-vis meetings held was as under: Shri K. Thanu Pillai 4/4; Shri Khaja Ruknuddin 4/4 and Shri Syed Anis Hussain 4/4.

#### 4. REMUNERATION COMMITTEE:

Remuneration Committee comprises Shri K. Thanu Pillai; Shri Khaja Ruknuddin and Shri Syed Anis Hussain as its members all of whom are independent Non-executive Directors.

The responsibility of the Committee is to review and fix the remuneration package of the Managing/Whole-time Directors based on performance and other criteria; to consider and approve service contracts, notice period, severance fee; and to consider and approve stock option schemes, if any. The Committee did not meet during the financial year 2008-09.

Details of remuneration to all the Directors:

##### a) Executive Directors:

Rs.

Name of the Director	Salary	Benefits	Commission	Total
1. Shri A.S.Rao, Executive vice Chairman	1181290	9360	2186765	3377415
2. Shri A. Naresh Kumar, Managing Director	1420000	51056	2186765	3657821

##### b) Non-Executive Directors:

Name of the Director	Sitting fee (in Rs.)			No. of Equity Shares held
	As a Director	As a Committee Member	Total	
1. Shri K. Thanu Pillai, Director / Chairman	40000	16000	56000	Nil
2. Shri Khaja Ruknuddin, Director	40000	66000	106000	1000
3. Shri Syed Anis Hussain, Director	40000	16000	56000	1000
4. Shri S.N.Rao, Director	40000	Nil	40000	Nil

#### 5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE:

Shareholders'/Investors' Grievance Committee comprises Shri Khaja Ruknuddin, Shri A.S.Rao and Shri A.Naresh Kumar as its members and is headed by Shri Khaja Ruknuddin. Shri K.V. Krishna Rao, General Manager (Finance) & Company Secretary has been nominated as the compliance officer.

The Board of Directors entrusted, inter alia, the following powers and responsibilities to the Committee:

1. To approve and register transfer, transmission, issue of equity shares other than duplicate shares; to approve the demat requests, remat requests in connection with dematerialisation and/or rematerialisation of Equity Shares;
2. To attend to Shareholders' grievances and redress the complaints of shareholders and attend to the complaints received from other authorities.

During the year under review, Company received a total number of 20 shareholders' complaints. All these complaints were redressed / replied to the satisfaction of the shareholders and no complaints were outstanding as on 31st March 2009.

Share transfers in dematerialisation mode pending on 31st March 2009 were nil.

#### 6. CODE OF BUSINESS CONDUCT AND ETHICS:

In line with the avowed policy on Corporate Governance, the Company has evolved a Code of Business Conduct and Ethics (hereafter referred to as "the Code") applicable to all Directors and senior management of the Company and the same was adopted by the Board of Directors at its Meeting held on 29th April 2006. The Code is appended to this Annual Report as an exhibit elsewhere.

The Code has since been circulated to all the Directors and members of senior management and their compliance reports for the financial year 2008-09 have been obtained by the Company.

Statement furnished by the Managing Director as to the compliance of the terms of the Code by the Company is given below:

#### "COMPLIANCE OF CODE OF BUSINESS CONDUCT AND ETHICS BY THE COMPANY.

I hereby declare and confirm that the Company has complied with the terms of Code of Conduct and Business Ethics evolved by the Company and has obtained the statements of compliance from all the members of the Board of Directors and senior management of the Company for the financial year 2008-09 and further confirm that there are no incidences of violation of the code.

Sd/-

(A.Naresh Kumar)

Managing Director."

#### 7. CEO / CFO CERTIFICATION:

The Managing Director jointly with General Manager (Finance) have furnished to the Board of Directors a certificate certifying therein, inter alia, that the financial statements for the financial year 2008-09 submitted to the Audit Committee and to the Board of Directors, have been reviewed by them and further affirmed to the best of their knowledge and belief (a) that there are no materially misleading and untrue statements; (b) that the statements comply with existing Accounting Standards, applicable laws and regulations; (c) that they have established and evaluated the internal control systems for financial reporting while disclosing to the Audit Committee, Board of Directors and Statutory Auditors deficiencies, if any, including remedies taken thereof and also significant changes, made if any, in internal controls and accounting policies.

#### 8. GENERAL BODY MEETINGS:

Location and time, where last three Annual General Body Meetings (AGM) held:

Year	Type of meeting	Venue	Date	Time
2005-06	AGM	Sri Sagi Rama krishnam Raju Community Hall, Madhuranagar, Hyderabad-500 038	30.09.2006	3.00 PM
2006-07	AGM	Same as above	29.09.2007	3.00 PM
2007-08	AGM	Same as above	30.09.2008	3.00 PM

No postal ballots were used / invited for voting at the last Annual General Meeting in respect of special resolutions passed. There are no special resolutions, which are proposed to be passed through postal ballot for the year under review.