

SPONGE IRON

ROLLING MILL

ELECTRIC FURNACES

**EMPOWERING
GROWTH**

POWER PLANT

BILLET

SIEL

15TH ANNUAL REPORT 2009-10



SOUTHERN ISPAT AND ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

Board of Director

Shri. Vivek Agarwal

Chairman & Managing Director

Smt. Richa Agarwal

Director

Smt. Anasuya Devi Agarwal

Director

Shri. V. Manikandan

Independent Director

Shri. Thiagaraja Iyer Venkatramani

Independent Director

Shri. R. Sivaramakrishnan

Independent Director

Auditors

M/s. Sunil Johri & Associates
Chartered Accountants,
Raipur (C.G.), Chattisgarh.

M/s. Mahadevan & Sivarajan
Chartered Accountants,
Palakkad

Company Secretary

Shri. Liston Pereira

Bankers

State Bank of India, Palakkad.
Registered Office:
19/629 (1), "Sreyas",
Near Yakkara School Bus Stop,
West Yakkara, Palakkad – 678 001.

Factory

Kariankode Post, Kottayi, Palakkad - 678 572

Share Transfer Agents

M/s S.K.D.C. Consultants Limited
Kanapathy Towers, 3rd Floor
139/A-1, Sathy Road, Ganapathy,
Coimbatore – 641 006
Ph : 0422 – 6549995, 2539835, 2539836
Fax: 0422-2539837
Email: info@skdc-consultants.com

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Chairman & Managing Director's Message



Vivek Agarwal

Chairman and Managing Director

EMPOWERING GROWTH

From Chairman's & Managing Director's Desk

Dear Shareholders,

It is my proud privilege to welcome you to the 15th Annual General Meeting of your company. 2009-10 was a very significant one for Southern Ispat and Energy Ltd (SIEL) and the operation for this financial year are for 15 months. This year company capitalized opportunities and strengthened its market presence through various corporate strategic planning. We have scaled new height by diversification its operation. Achievement of this distinction is a reflection of your company's consistent good performance and stellar progress made over the years. Undoubtedly, concerted efforts made by many visionary leaders in the past have helped in shaping the fortunes of the company and I feel humbled by the enormous responsibility that has been entrusted upon me now to carry their legacy forward. It is my goal to build on our many achievements so far, to ensure that SIEL continues on its growth path with determination and vigour.

Global Steel Scenario

In the aftermath of the global financial crisis in 2008, negative growth continued from the 4th quarter of 2008 to 3rd quarter of 2009. Production cuts over this period led to 58% capacity utilization. Financial stimulus packages declared by different

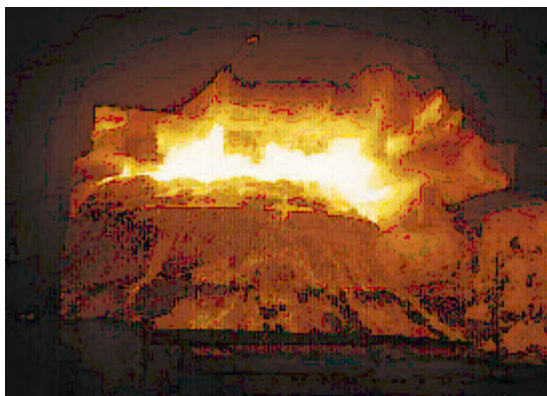
SOUTHERN ISPAT & ENERGY LIMITED

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countries facilitated production from 4th quarter of 2009 and the growth rate rebounded to pre crisis level of over 6% per annum. Present utilization of capacity is around 80%. De stocking has also taken place. Production growth at around 25% in the first seven months is robust in 2010. World Steel Association (WSA) in its latest demand forecast has projected a growth in consumption of 'Finished Steel' by 10.7% and 5.3% in 2011 & 2012. While advanced economies are expected to grow by 2.6% in 2010, emerging & developing economies are expected to grow at 6%. China & India are slated to be the major drivers of 'Growth' in the consumption of steel.

Indian Steel Scenario

In India, the outlook appears to be positive. As compared to a GDP growth of 6.7% in 2008-09, the revised estimate for 2009-10 projects a growth of 7.4%. This has been possible due to higher growth of 10.4% in the Index of Industrial Production in 2009-10 as compared to 2.8% in 2008-09 and also due to higher demand for capital goods and consumer durables to the tune of 19.2% and 26%, respectively. There is a degree of optimism regarding the performance of the Indian economy.



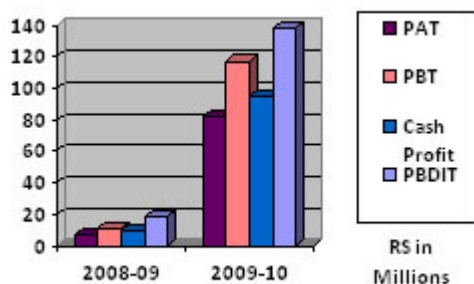
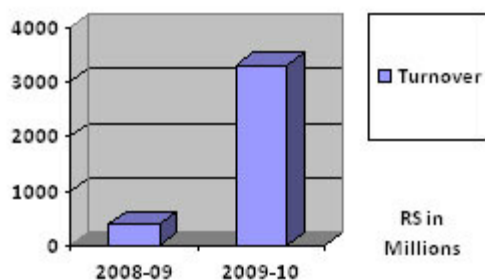
The International Monetary Fund (IMF) has projected a growth of 9.4% for 2010 and 8.4% for 2011 for India.

The apparent consumption of finished carbon steel in India at 53 million tonnes in 2009-10 registered a growth of 7.8% over the previous year. The overall saleable carbon steel production during 2010 was 56.8 million tonnes. WSA has projected a growth of more than 13% for India during 2010 and 2011,

with overall consumption reaching 72 million tonnes by 2011. In fact, it is expected that India will emerge as one of the highest steel consuming countries during the next decade, touching the level of 150 million tonnes by 2020. This assumes a growth rate of 9% in consumption, which can well be achieved considering the strong growth trend that is already emerging from steel-consuming sectors like machinery & equipment manufacturing and automobiles. Demand from the construction sector is also rising, mainly due to growing infrastructure-related projects in the power sector, including power transmission, highways, airports, ports and industrial construction. Besides, growth is expected in individual housing and small and medium commercial construction. The projected investment in infrastructure, encompassing all these sectors, in the 11th Five – year plan (2007-12) at 20,54,205 crore is 9% of GDP as against 5% of GDP in the 10th Five year plan. Approximately, 125 MT (million tonnes) of steel will be needed to achieve these investments in infrastructure in 11th Five- year plan.

This clearly indicates India like many other developing country have registered high level of economic growth. The steel industry has also been impacted by this economic growth with robust domestic markets. The requirement of steel is growing, where the industries are experiencing high demand.

During the period where sub – prime crisis triggered the array of events that led to a global economic depression, the SIEL where spot the opportunity in adversary situation. The SIEL diversify from the age old formulae of reducing production, deferring expansion programmes etc, during the critical time by taking one step ahead by indulging in metal, Speculative trading of metal and other goods. SIEL achieved the highest-ever Turnover of Rs 3288.71 million a growth of 737.65% over the last year. Esteemed shareholders, you will be glad to know that your company has recorded the best ever profit before tax of Rs 117.08 Million since inception. This could be possible only due to the combined effect of Trading & Manufacturing Activities major strategic decisions, valuable expansions, improvement in techno-economic parameters and optimum utilization of funds



SIEL Growth Strategies

When the economy is booming, growth comes easy. It is definitely not a cause for concern. However, to move up the performance ladder, we will need to have an added edge over our competitors. That edge will come from innovation, and our continued endeavours to look for new growth segments and at the same time strengthening our existing portfolio.

The emerging demand scenario in the country will bring in suitable strategic responses from other domestic steel producers and also strengthen the resolve of global players to partake a slice of the domestic market. In order to retain the market leadership position in the country and maintain competitiveness, your company is currently implementing a growth plan to enhance its production capacity in a phased manner. Under the ongoing phase of the modernization &

expansion plan, capacity will get expanded to 3,00,000 Tonnes by 2012-13. The growth plan, besides targeting higher production, also addresses the need for cost competitiveness by eliminating technological obsolescence, achieving energy savings, enriching product-mix, reducing pollution, developing mines and collieries and developing matching infrastructure facilities

To meet future challenges, SIEL is working on a long-term strategic plan 'Empowering Growth', the company's proposed plan of acquiring of New-Tech Forge and Foundry Ltd an Integrated Steel Plant with an Annual Capacity of 1,20,000 MT in Gujarat is going according to its plan. This will enable the company to have a fully owned subsidiary which is capable of producing all ranges of product IB steel sector. It is the only integrated forging & foundry plant which manufacturing Sponge Iron to alloy steel products. It manufactures Sponge Iron, Billets, Round Steel, Machine Flanges, Bearings, Gears, Crankshaft, connecting Rod, Camshaft etc.

This will steer the company towards meeting its strategic objectives of achieving profitability through growth and customer satisfaction. The acquisition will result in capacity expansion for SIEL of steel will go to 3 lakhs tonne per annum. SIEL will expand its reach to Geographical area of Gujarat with plant facility in Kutch and towards international market as New-Tech Forge and Foundry Ltd already have presence in sale and distribution level in international market.

Cumulative Company has received about Rs 152.15 Millions through GDR issues & further issue share warrants for the modernization & expansion plan till date. During the year 2009-10, capital expenditure of 92.90 Millions has been incurred and for 2010-11, an outlay of 1000 Millions has been planned mainly for various modernization & expansion schemes. In the integrated steel plants, execution of various packages is in progress.

Collaborative Growth

The proposal to merge M/s. Kerala Sponge Iron Limited (KSIL) is on the verge of completion and is expected to materialize during the next financial year. Further expansion by doubling its production capacity and installation of Power Plant in the new unit are to be completed within a few months, which will enhance the profitability of your Company and

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your Company will become an Integrated Steel Plant. The company will get its main raw material sponge iron & power generated through waste heat recovery. Precisely the expansion plan is making the company to integrate its operations & maximizes the profit and thus earning per Share (EPS).

Short-Term Outlook

Focusing on its fundamentals, including the expansion plan, your company has been growing from strength to strength. However, several concerns, some of them quite critical in nature, continue to hover in our horizon. First and foremost is the continuing trend of rising input costs. With few indigenous sources of the required quality and quantity of coking coal, your company has to depend on imports of higher volumes every year to maintain production targets. Prices of imported coking coal have been volatile in recent times, putting pressure on our margins. Though some improvement is expected in coming quarters, it is expected that fluctuations will continue on this account. To offset the rise in cost of inputs, which also includes manpower, fuel, power, minerals, etc., we have laid a thrust on improving productivity across the organization, encompassing people as well as production facilities and processes.

Raw Material Security

For securing raw material supplies, your company is examining proposals for acquisition of equity stakes in Iron Ore mines. SIEL identified three Iron Ore mines covering total area of 150 Hecter in the district of Chattarpur, Buxwaha village, State of Madhya Pradesh having an estimated Iron Ore reserve of 230 MMT. The result of chemical analysis of Iron Ore was average 64% Fe.



Emerging Global Opportunities

Your company will spread its wings and pursue overseas opportunities for marketing of products as well as sourcing of raw materials. Developing countries like Dubai are going in for huge infrastructure projects as part of their economic development plans. This provides a good marketing opportunity that SIEL can exploit. Your company intends to become a global player in the coming years.

Protecting Health of Our Planet

Your Company reaffirms its commitment to contribute towards a clean, sustainable environment and continually enhance its environmental performance as an integral part of its business philosophy and values. As a result of



measures taken by SIEL has purchased pollution equipments to the tune of Rs.50 Millions.

Corporate Governance

Your company is committed to conforming to the highest standards of Corporate Governance by ensuring transparency, disclosures and reporting as required under various laws, regulations and guidelines, including those issued by the Department of Public Enterprises, Government of India.



Acknowledgement

I gratefully acknowledge the guidance and support extended by the various Ministries particularly the Ministry of Steel under the Government of India and State Government of Kerala. I would also like to thank all the stakeholders of the Company for their continued support in all our endeavors.

I express my sincere appreciation for the invaluable contribution and cooperation of my colleagues on the Board in charting the road map



of the Company for growth and profitability, thereby steering it to greater heights.

As I conclude, I sincerely thank each and every one of you, our shareowners, for the confidence and trust you have reposed on us. We will try our best to surpass your expectations

Vivek Agarwal

Chairman and Managing Director

27th November 2010

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NOTICE TO THE ANNUAL GENERAL MEETING

Notice is hereby given that the Fifteenth Annual General Meeting of the Members of Southern Ispat and Energy Limited (Formerly Southern Ispat Limited) will be held on **27th December 2010 at 10.30 AM at its Registered Office at 19/629(1), "Sreyas", Near Yakkara School Bus Stop, West Yakkara, Palakkad – 678 001** to transact the following business:

Item No. 1:

To consider and adopt the audited Balance Sheet as at 30th June 2010, the Profit and Loss Account for the financial year ended on that date and the report of the Board of Directors and Auditors thereon.

Item No.2:

To appoint a Director in place of Smt. Anusuya Devi Agarwal who has given her unwillingness for her reappointment. and to pass the following resolution with or without modification.

"RESOLVED THAT Smt. Anusuya Devi Agarwal, who retires by rotation and given her unwillingness to be re-appointed, be not re-appointed and the vacancy created be filled up in the ensuing Annual General Meeting.

Item No.3:

To appoint a Director in place of Smt. Richa Agarwal who has given her unwillingness for her re-appointment and to pass the following resolution with or without modification.

"RESOLVED THAT Smt. Richa Agarwal, who retires by rotation and given her unwillingness to be re-appointed, be not re-appointed and the vacancy created be filled up in the ensuing Annual General Meeting.

Item No.4:

To appoint a Director in place of Mr. V Manikandan, who retires by rotation and being eligible, offers himself for re-appointment.

Item No. 5:

To reappoint Auditors and to fix their remuneration.

"RESOLVED THAT M/S. Sunil Johri & Associates, Chartered Accountants be and are hereby appointed as Auditors of the company from the conclusion of this Annual General Meeting till the conclusion of next

Annual General Meeting on a remuneration fixed by the Board of Directors in consultation with the Auditors.

"RESOLVED THAT M/S. Mahadevan & Sivarajan, Chartered Accountants be and are hereby appointed as Joint Auditors of the company from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting on a remuneration fixed by the Board of Directors in consultation with the Auditors.

Special Business:

Item No. 6:

To consider the re appointment of Mr. Vivek Agarwal, Chairman & Managing Director and vary the terms and conditions and pass the following resolution with or without modification as Special Resolution

RESOLVED THAT pursuant to Section 198,269,309,310,314, Schedule XIII and applicable provisions of the Companies Act, 1956 the consent of the Company be and is hereby accorded for the re-appointment of Mr. Vivek Agarwal as Managing Director of the Company for a period of five years on the following terms and conditions.

- 1) Salary Rs. 50000/- Per month (Consolidated)
- 2) Term of Office – Five Years from 27-12-2010 to 26-12-2015

RESOLVED FURTHER THAT Mr. Vivek Agarwal will not be entitled to any sitting fees for attending Board Meetings

Item No. 7:

Appointment of Mr. K K Agarwalla as Executive Director of the Company for a period of 05 Years.

To Consider and if thought fit to pass with or without modification the following resolution as Special Resolution.

RESOLVED THAT pursuant to provisions of Section 198,269 and 309 and other applicable provisions, if any of the Companies Act, 1956 read with Schedule XIII as amended and subject to approval of members of the company the board of directors of the company be and are hereby given the approval to the appointment of Shri K K Agarwalla as the Whole Time Director of the Company under the designation "Executive Director"



for a period of 05 Years with effect from the date of passing the resolution in the Annual General Meeting on the following terms and conditions.

1. Salary – 30,000/- per month consolidated

RESOLVED FURTHER THAT Mr. Vivek Agarwal Chairman and Managing Director be and is hereby authorized to file all e-filing along with necessary consent from the director and to comply with all other formalities.

Item No. 8:

To consider the appointment of Mr. E Sankaranarayana as Director and if thought fit to pass with or without modification the following resolution as Special Resolution

RESOLVED THAT pursuant to Section 198,309,310 and any other applicable provisions, if any of the Companies Act, 1956 , Mr. E Sanakaranarayana be and is hereby appointed as director of the company on a remuneration of Rs. 25000/- per month (Consolidated) whose period of office liable to retire by rotation.

RESOLVED FURTHER THAT Mr. E Sanakaranarayana will not be entitled to any sitting fees for attending Board Meetings

Item No. 9:

To appoint a Director in place of Shri. Thiagaraja Iyer Venkatramani (Additional Director) who retires at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment and to pass with or without modification the following resolution as Ordinary Resolution.

“RESOLVED THAT Shri Thiagaraja Iyer Venkatramani who was appointed as an Additional Director of the company by the Board of Directors and who ceases to hold office under Section 260 of the Companies Act,1956 on the date of this meeting and in respect of whom the company has received a notice under section 257 in writing proposing his candidature for the office of director, be and is hereby elected and appointed as an Independent Director of the company liable to retire by rotation.

Item No. 10:

To appoint a Director in place of Shri. R Sivaramakrishnan (Additional Director) who retires at the Ensuing Annual General Meeting and being eligible , offers himself for re-appointment and to pass with or without modification the following resolution as Ordinary Resolution.

“RESOLVED THAT Shri R Sivaramakrishnan who was appointed as an Additional Director of the company by the Board of Directors and who ceases to hold office under Section 260 of the Companies Act,1956 on the date of this meeting and in respect of whom the company has received a notice under section 257 in writing proposing his candidature for the office of director, be and is hereby elected and appointed as an Independent Director of the company liable to retire by rotation”

Item No.11

To consider and ratify the remuneration of Auditors fixed by the previous Annual General Meeting held on 29th September 2009 and if thought fit to pass with or without modification the following resolution as Special resolution.

RESOLVED THAT the remuneration paid to M/s. Sunil Johri and Associates, Chartered Accountant and M/s. Mahadevan and Sivarajan , Chartered Accountants be and are hereby increased from Rs. 20000/- to Rs.300000/- and Rs. 15000/- to Rs. 200000/- per annum respectively plus out of pocket expenses.

By the order of the board of Directors.

Vivek Agarwal

Chairman and Managing Director

Notes

1. A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy and to vote on a poll instead of herself / himself and need not be a member of the company .The instrument appointing a proxy should however be deposited at the registered office of the company not less than 48 hours before the commencement of the meeting
2. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act in respect of the special business is set out in the Annexure enclosed.
3. Members are requested to notify change of address if any immediately to the registrars and share transfer agents M/s.S K D C Consultants Ltd, 3rd Floor,1391/A-1, Sathy Road, Ganapathy, Coimbatore – 641006.
4. The register of members if the company will remain closed from 22nd December 2010 to 27th December 2010 (both days inclusive.)