



SOUTHERN ISPAT AND ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)



17th ANNUAL REPORT

Corporate Information

Board of Directors

- Shri Vivek Agarwal
Chairman & Managing Director
- Shri Manish Kumar Mishra
Director
- Shri Umesh Kumar Sahu
Director
- Shri Thiagaraja Iyer Venkatramani
Independent Director
- Shri V. Manikandan
Independent Director
- Shri T. N. Sivakumar
Independent Director

Registered Office:

19/629 (1), "Sreyas",
Near Yakkara School Bus Stop,
West Yakkara, Palakkad - 678 001

Auditors

M/s Sunil Johri & Associates
Chartered Accountants,
Raipur, Chattisgarh

Bankers

State Bank of India, Palakkad

Share Transfer Agents

M/s Adroit Corporate Services Pvt. Ltd.
17-20 Jaferbhoy Industrial Estate,
1st Floor, Makwana Road, Marol Naka,
Andheri (East),
Mumbai – 400 059
Ph. : 022 - 285 940 60
Fax : 022 - 285 037 48
Email : adroit@vsnl.net

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From Chairman & Managing Director's Desk

Emerging as Steel Conglomerate

Dear Shareholders,

It is my pleasure and privilege to reach you through this momentous Annual Report & share with you the highlights of our Company's performance during the year 2011-12.

This occasion merits pride and celebrations and I am sure that you all share the same feeling. Your company has transformed itself from a domestic player to one of the leading Global Steel Conglomerate. I am delighted to inform you that your company has scaled a new height in top line and registered a healthy performance during Financial year 2011-12 with a almost 25% growth in revenue to Rs 10011.63 millions as compared to previous years & highest ever top line registered in any other FY.



VIVEK AGARWAL
CHAIRMAN & MANAGING DIRECTOR

Steel Industry Overview

The global economy is witnessing another period of uncertainty due to the European Sovereign debt crisis. The increase in inflation in emerging economies has led to a sharp hike in interest rates, which has resulted in slowdown in demand. The



global financial uncertainty has also resulted in volatility in exchange rates. The global Steel industry has witnessed reasonable demand growth and Steel making capacities have gradually shifted to emerging markets such as China and India. However, the high cost of raw materials and increased volatility in prices has put pressure on margins.

The Indian economy is expected to grow at 7.6% in 2012-13 against 6.9% in 2011-12. The economy is likely to grow significantly over the next decade driven by the infrastructure (power, road, railways, ports etc.) and consumption (automobile, real estate etc.) sectors which will result in sustained growth in demand for various Iron and Steel products.



Outlook

India has immense potential for creating new steel capacity. Indian per capita steel consumption is presently very low compared to world average which further re-confirms the opportunities for steel demand to continue accelerating in the times ahead.

Company Overview

Your Company is focused on its vision to emerge as a low cost producer of value added Steel products with captive mineral resources and captive power. The Company is also focused on mining its own iron ore in order to improve margins and also to set up a Beneficiation Plant to exploit the resources.

Company Strategic Measures

♦ Iron Ore Mines

Your Company is in dialogue to acquire 50% stake, in Buxwaha Iron Ore mine spread over 150 Hectares in Chattarpur area of Madhya Pradesh, India with a view to secure its raw material requirements and integrating backwards into mining of Iron Ore. The mines have a substantial resource base of superior quality iron ore with high Fe (iron) content and bulk density. The Fe content varies between 63 to 66 per cent, which



makes it one of the best quality materials available in the country. The mining operations are mechanized, adopting state-of-the-art technology and equipment namely hydraulic



drifter, in-pit crusher, cone crushers and mobile crushers. Flexibility in operations enables the division to maximize the utilization of resources, as well as cater to the needs of diverse customers.

♦ **Beneficiation & Pelletization Plant**

Your Company is also planning to set up a Beneficiated & Pelletizing plant with an installed capacity of 12,00,000 TPA in area of Madhya Pradesh, India for Agglomeration of beneficiated and ground iron ore into spherical shaped green balls and subsequent heat hardening them is termed as Pelletizing.



Pellets thus produced to desired physical and chemical properties are much superior to the conventionally sized iron ore lumps. Iron ore Pellets are in very high demand. The company has also acquired adequate land near to mines for setting up of a Beneficiation & Pelletization plant for exploiting the mining operations & maximizing profits.

♦ **Solar Grade Silicon**

Your Company as a group is diversifying by going into manufacturing of solar grade Silicon ingots and bricks, which are the vital component of Solar cells. With the drying of natural resources, solar energy, though in its



infancy still, has enormous potential to be the leading energy supplier in the near future. In this regard, we have taken a few positive steps in assessing about the need, the resources available and various other factors which would influence the setting up of a manufacturing facility for Silicon ingots and bricks. In this regard a lot of groundwork has gone into the appraisal of various parameters and the requirements for setting up such a facility, Such as the company have established contact and have gone into various contracts with leading manufacturers of equipments required for the facility like GT Solar, Centrotherm, ALD Vacuum Tech., Schmid Silicon, Cyberstar and various other reputed conglomerates & have detailed our project to them and have received instructive quotations and estimates regarding the equipments.



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, it is indeed satisfying to witness a fulfilling journey of an enterprise

that is deeply motivated by its commitment to create value for its stakeholders and society. Your Company looks to the future with confidence, driven by an inspiring Vision, Values of Trusteeship and Vitality powered by a dedicated world class team of human resources.

SIEL owns its sustained success to its trusted relationships with customers, employees, banks and of course with you, our shareowners. I would like to sincerely thank you for your confidence, for being a pillar of support in helping to accomplish our shared aspirations. We will continue to make every effort in years to come to justify your confidence. As we move on new thinking will lead us to new horizons.



As always, I am looking forward for your continued support and encouragement.

Sd/-

Vivek Agarwal
Chairman and Managing Director

Date: 26th November, 2012
Place: Palakkad, Kerala



NOTICE TO ANNUAL GENERAL MEETING

Notice is hereby given that the Seventeenth Annual General Meeting of the Members of Southern Ispat and Energy Limited will be held on **26th December 2012 at 11.30 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:

Ordinary Business

Item No.1

To consider and adopt the Audited Balance Sheet as on 30th June 2012, 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 Mr. T.N. Sivakumar, who retires by rotation and being eligible, offers himself for re-appointment.

Item No.3

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."

Item No.4

To appoint a Director in place of Sri. Umesh Kumar Sahu who has given his unwillingness for his reappointment and to pass the following resolution with or without modification.

"RESOLVED THAT Sri. Umesh Kumar Sahu, who retires by rotation and given his unwillingness to be reappointed, be not re-appointed and the vacancy be filled in the ensuing Annual General Meeting."

Special Business

Item No.5

To appoint a Director in place of Shri. Manish Kumar Mishra (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 Manish Kumar Mishra who was appointed as an 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 a director of the company liable to retire by rotation"

Item No.6

To consider and if thought fit to pass with or without modification the following resolution as ordinary resolution

"RESOLVED THAT Sri Vinod Bajoria be and is hereby appointed as the director of the Company whose office is determinable as liable to retire by rotation."

By the order of the Board of Directors.

Sd/-

Vivek Agarwal

Chairman and Managing Director

Date: 26th November, 2012

Place: Palakkad, Kerala



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. Adroit Corporate Services Pvt Ltd**, 17-20, Jafferbhoy Industrial Estate, 1st Floor, Makhwana Road, Marol Naka, Andheri (East), Mumbai-400 059.
4. The register of members of the company will remain closed from 21st December 2012 to 26th December 2012 (both days inclusive).

Annexure to Notice

Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 which forms part of the Notice convening the Annual General Meeting of the Company on 26th December 2012.

Item No. 5 :

Mr. Manish Kumar Mishra was appointed as additional director of the company on 14th January 2012 by the Board of Directors of the Company. According to the provisions of the Section 260 of the Companies Act, 1956 he may hold office as director only upto the date of the ensuing Annual General Meeting. As required by Section 257 of the Act, a notice has been received from a member signifying his intention

to propose appointment of Mr. Manish Kumar Mishra as a director along with a deposit of Rs.500/-. Mr. Manish Kumar Mishra is a graduate in Commerce and has an overall experience of 15 years in steel industry. His vast and rich experience, consistent with Production strategy will provide operational excellence to the Company and a capability to drive innovation. The Board considers that it is desirable that the company should continue to avail itself of his services and recommend to pass necessary resolution as an Ordinary Resolution.

None of the directors are interested other Mr. Manish Kumar Mishra who may be deemed to be interested to the extent of his appointment.

Item No.6

Mr. Vinod Bajoria is a graduate in Commerce and has an overall experience of 15 years in steel industry. His vast and rich experience, consistent with Production strategy will provide operational excellence to the Company and a capability to drive innovation. Your company decides to include the proposal in the notice of Annual General Meeting appointing him as Director of the company. As required by Section 257 of the Act, a notice has been received from a member signifying his intention to propose appointment of Mr. Vinod Bajoria as a director along with a deposit of Rs 500/-. The Board considers that it is desirable that the company should pass necessary resolution to avail his services.

None of the directors are interested other than Shri Vinod Bajoria who may be deemed to be interested to the extent of his appointment.

By the order of the Board of Directors.

Sd/-

Vivek Agarwal

Chairman and Managing Director

Date: 26th November, 2012

Place: Palakkad, Kerala



Directors Report to Shareholders

Dear Shareholders,

Your Directors take immense pleasure in presenting this 17th Annual Report together with the Consolidated Audited Accounts of the Company for the financial year 2011-12 for the period ended on 30th June 2012.

Financial Results (Rs. Million).

Particulars	11-12	10-11
Sales & Other Income	10191.36	8050.48
Material Consumed	9577.75	7554.02
Changes in Inventory	(4.87)	6.88
Employee Benefits	5.19	4.18
Finance Cost	4.02	10.50
Depreciation	19.27	24.05
Other Expenses	179.10	62.39
Profit before Taxes	410.89	388.44
Taxes - Current Tax	6.59	29.69
- Deferred Tax	(22.84)	(6.60)
Profit After Taxes	412.52	365.36
Earnings per Share (Basic & Dilutive)	3.12	8.15

REVIEW OF OPERATIONS

During the year under review, the Company's financial performance has been adversely affected due to the non-availability of raw material, increasing raw material costs, high bank interest rates and volatile foreign exchange. The company took various initiatives to improve its profitability by diversification which helped the company to post a reasonable performance for the year.

DIVIDEND

In order to augment resources for the expansion plans, your directors do not recommend distributing any dividend for the year ended 30th June 2012.

CONSOLIDATED FINANCIAL STATEMENTS

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

SUBSIDIARY

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary company is not being attached with the Balance Sheet of the Company. However the financial information of the subsidiary companies is disclosed in the Annual Report in compliance with the said circular. The Company will make available the Annual Accounts of the subsidiary company and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary company will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary company. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary Company. Details of subsidiary of the Company are covered in Management's Discussion and Analysis Report forming part of the Annual Report.

EXPANSION PLANS

- ♦ Exploring Mining Opportunities & Securing Raw materials and integrating backwards into mining of Iron Ore and Chrome Ore.
- ♦ Setting up a Beneficiated & Pelletizing plant with an installed capacity of 12, 00,000 TPA in Madhya