



# SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

*Sustainable Growth*

**2012-2013  
18th ANNUAL REPORT**

## ***Corporate Information***

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

### **Auditors**

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

### **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**

Adroit Corporate Services Pvt. Ltd. 19/20  
Jaferbhoy Industrial estate  
Makhwana Road, Marol Naka  
Andheri (East)  
Mumbai 400 059  
Ph: 022-28594060  
Fax: 022-28503748  
Email: [adroit@vsnl.net](mailto:adroit@vsnl.net)

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*From Chairman's &  
Managing Director's Desk*



**VIVEK AGARWAL**  
CHAIRMAN & MANAGING DIRECTOR

## Sustainable Growth

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 2012-13.

The global economic scenario in FY 2012-13 continued to be abounding with extreme challenges. As the year forges ahead, business environment remained difficult and operating in such a testing environment proved challenging. The Indian economy has slowed down in the last 12 months and some of the sectors including the automotive and capital goods have been faced with demand slowdown that is unlikely to turn around quickly. The Chinese economy too has witnessed a moderation in its growth rate and it is widely expected that following the political transition, China would look at rebalancing the economy to a sustainable level.

I am delighted to inform you that in such a worst scenario still your company manage to sustained growth and registered a satisfactory performance during Financial 2012-13 with a top line of Rs 9282.37 millions and bottom line to Rs 426.84 Millions.



## **Steel Industry Overview**

### **Global Scenario**

The FY 2012-13 has been one of the most challenging years for the Steel Industry. The combined effect of European debt crisis and global economic slowdown along with the domestic challenges of non availability and



high cost of raw material has impacted the Iron & Steel industry. The global economy in FY 2012-13 improved slowly and did not recover to the extent anticipated in the beginning of the year. Several European economies experienced recession due to high unemployment, banking fragility, fiscal tightening and sluggish growth. The U.S. economy improved marginally, driven mainly by housing and the consumer sectors; however, capital investments remained sluggish. Among the Asian economies, China, going through a political transition, experienced considerably slower growth. Deceleration in industrial output and exports weakened India's economic growth significantly. The weak macro environment

and slower growth caused the margin environment to remain volatile with downward bias.

Despite a slight increase in demand for steel and the removal of some older steelmaking capacity in 2012, the global percentage level of excess capacity is greater now than it was 12 months ago due to the continued growth in new steelmaking facilities particularly in developing economies. Capacity utilization rates in the sector remain below 80% and in 2013 excess capacity will remain the most significant issue in the steel sector.

Growth in global steel demand is unlikely to improve significantly in 2013. Sluggish demand combined with excess steelmaking capacity and ongoing volatility in raw materials costs will challenge the sustainability of high-cost producers.

The continued closure of older, higher-cost steelmaking capacity and increased demand



growth should lead to improved profitability for the sector in 2014 and 2015, driven by better utilization rates. The closure of inefficient capacity will require the sector to avoid political interference with commercially rational decisions.



## Domestic Scenario

India has emerged as the fourth largest steel producing nation in the world, as per the recent figures release by World Steel Association in April 2011. In 2010, India was the 5th largest



producer, after China, Japan, USA and Russia and had recorded a growth of 11.3% in steel production as compared to 2009. Overall domestic crude steel production grew at a compounded annual growth rate of 8.4% during 2005-06 to 2009-10. The Indian steel industry accounted for around 5% of the world's total production in 2010.

Total crude steel production in India for 2010-11 was around 69 million tonnes and it's expected that the crude steel production in capacity in the country will increase to nearly 110 million tonne by 2012-13. Further, if the proposed expansion plans are implemented as per schedule, India may become the second largest crude steel producer in the world by 2015-16.

The demand for steel in the country is currently growing at the rate of over 8% and it is expected that the demand would grow over by

10% in the next five years. However, the steel intensity in the country remains well below the world levels. Our per capita consumption of steel is around 110 pounds as compared to 330 Pounds for the global average. This indicates that there is a lot of potential for increasing the steel consumption in India.

But as anticipated the impact of Depreciation on the Indian currency, the price hikes announced by some steel mills in January and March 2013 due to cost pressures proved to be temporary in nature, and domestic steel prices declined thereafter. In fact domestic prices fell by around 6% during the period from January till the first week of May 2013, on the back of around 8% fall in the international prices, while the USD/INR exchange rate remained largely



flat. However, between May and July, the INR depreciated against the USD by almost 10%. Consequently, despite a fall in international prices of HRC by around 6% during this period, the depreciation of the INR led to firming up of landed cost of steel imports by around 4%. However, domestic prices still remained flat during this period instead of following the



import parity price trend because of weak demand conditions.

Prices of coking coal, which has to be imported by producers using the blast furnace route, also declined by around 10% in the



international market during May-July 2013, Causing the landed cost of imported coking coal to remain largely flat and thus, depriving steel mills from the benefits of a lower raw material cost. On the other hand, raw material costs of various secondary players using imported scrap is likely to have been adversely affected during May-July, 2013, due to the depreciation of the INR which, coupled with an imposition of a 2.5% import duty on steel scrap in May, 2013, resulted in a hike in imported scrap costs by around 7%, even though internationally scrap prices declined by around 6% in this period.

### 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 & also to setup a Beneficiation Plant to exploit the resources.

### Company Strategic Measures

#### ■ IRON ORE MINES

As a part of backward integration, your Company had entered into Mining Activity in Buxwaha Iron Ore mine spread over 150 Hectares in Chattarpur area of Madhya



Pradesh, India. The mining division has its iron ore operations in the mineral rich Chattarpur belt of Madhya Pradesh. 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 potential of the proven deposit, as well as the quality and quantity of reserves, are good enough to sustain the mining operations for the next 20 years at the current operating capacity. The main products are:





- ❖ Calibrated Iron Ore Lump-inputs for steel making through the DRI/BF process
- ❖ Iron Ore Fines inputs for sinters and pellets, used for making steel

#### ▪ **BENEFICIATION & PELLETIZATION PLANT**

The excessive fines generated from the iron ore crushing units are mostly going waste, lying in tailing ponds for long years or exported. In order to capitalize the



mining resources, Your Company has now proposed to set up 1.2 Million tonne per annum capacity iron ore beneficiation & pelletization plant in Chattarpur 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.

#### **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**

In these trying times, 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 my colleagues on the Board, customers, employees, banks and Stakeholders of the Company for their confidence, for being a pillar of support in helping to accomplish our shared aspirations and providing continued support in all our endeavors.

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

**Sd/-**

**Vivek Agarwal**

**Chairman and Managing Director**

**Palakkad, Kerala**

**17th October, 2013**





## NOTICE TO ANNUAL GENERAL MEETING

Notice is hereby given that the Eighteenth Annual General Meeting of the Members of Southern Ispat and Energy Limited will be held on **26<sup>th</sup> November 2013 at 11.00 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 30<sup>th</sup> June 2013, 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. V.Manikandan, who retires by rotation and being eligible, offers himself for re-appointment.

#### **Item No.3**

To appoint a Director in place of Mr. Manish Kumar Mishra, who retires by rotation and

being eligible, offers himself for re-appointment.

#### **Item No.4**

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."

### **Special Business**

#### **Item No.5**

To consider and adopt the Financial year ending of the Company as on 31<sup>st</sup> March 2014 for the FY 2013-2014

"RESOLVED THAT the Financial year ending of the Company for the FY 2013-2014 will be the period ending on 31<sup>st</sup> March 2014."

**Date: 17<sup>th</sup> October 2013**

**Place: Palakkad, Kerala**

***By the order of the Board of Directors***

**Sd/-**

**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.Adroit Corporate Services Pvt Ltd,17-20, Jafferbhoy Industrial Estate,1<sup>st</sup> Floor, Makhwana Road, Marol Naka, Andheri (East) , Mumbai-400 059

4. The Register of Members of the Company will remain closed from 21<sup>st</sup> November 2013 to 26<sup>th</sup> November 2013 (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 26<sup>th</sup> November 2013

#### **Item No.5:**

As per the New Companies Bill, 2013 approved by Lok Sabha on 18<sup>th</sup> December 2013 and Rajya Sabha on 08<sup>th</sup> August 2013, all Companies should have uniform Financial Year i.e from April to March every year.

None of the directors are interested in the resolution.

***Date: 17<sup>th</sup> October 2013***

***Place: Palakkad, Kerala***

***By the order of the Board of Directors***

***Sd/-***

***Vivek Agarwal***

***Chairman and Managing Director***