



SOUTHERN ISPAT & ENERGY LIMITED

(FORMERLY SOUTHERN ISPAT LIMITED)

SUSTAINABLE GROWTH

2014-2015

20TH ANNUAL REPORT



Corporate Information

- Shri. Vivek Agarwal
Chairman & Managing Director
- Shri. Manish Kumar Mishra
Director
- Shri. Vinod Bajoria
Director
- Shri. Dinesh Kesri
Independent Director
- Shri . Madhav Rao
Independent Director
- Shri. T.N. Sivakumar
Independent Director

Auditors

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

Bankers

Oriental Bank of Commerce, Palakkad

Registered Office

Door No. 14/448(2), KSN Illam,
Ground Floor, Near SBI,
Kunnathurmedu (PO),
Palakkad-678013

Factory

Kariankode Post, Kottayi,
Palakkad-678572

Share Transfer Agent

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



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Chairman's Speech

***"With our core strengths reinforced,
we stand reaffirmed to our commitment
to deliver on our goal of building lasting value."***

Dear Shareholders,

I am pleased to reconnect with you at the end of another financial year.

Southern Ispat & Energy Limited is a proud, progressive and value-driven Company. Systematically, over the years, we have expanded and integrated our business portfolio to progressively deliver greater value to all our stakeholders. Concurrently, we have continued to reinforce our fundamental strengths, aligning them to the prevailing complex and challenging business environment.

Review of Operations in challenging times

Even as global economy made a slow and gradual progress towards recovery during FY 2014, India saw a second consecutive year of sub 5% growth. This manifested itself in persistent high inflation, high fiscal deficit and low investments in the infrastructure and construction sector. As natural fallout, industries across all sectors were impacted and the steel sector was no exception.

Under such challenging macro-economic conditions, we reported an increase in total revenue from operations, which increased to **Rs.6703.13 millions** in FY 2015 from Rs. 5062.41 millions in the previous fiscal. Commercial operation of steel plant

in the second half saw a sudden surge in the variable and fixed expenses which had an impact on the profits of the Company and the same declined to **Rs. 255.52 millions**.

Steel Industry Overview

Global Scenario

In 2014, the world crude steel production reached 1665 Million Tonnes (MT) and showed a growth of 1% over 2013. China remained the world's largest crude steel producer in 2014 (823 MT) followed by Japan (110.7 MT), the USA (88.2 MT) and India (86.5 MT) at the 4th position.



WSA has projected Indian steel demand to grow by 6.2% in 2015 and by 7.3% in 2016 as compared to

global steel use growth of 0.5% and 1.4% respectively. Chinese steel use is projected to decline in both these years by 0.5%.



Per capita finished steel consumption in 2016 is estimated at 1565.5 MT for world and 703.7 MT for China by WSA.

Domestic Scenario

The Indian Steel Industry has entered into a new development stage from 2007-08, riding high on the resurgent economy and rising demand for steel. Rapid rise in production has resulted in India becoming the 3rd largest producer of crude steel in 2015 and the country continues to be the largest producer of sponge iron or DRI in the world. As per the report of Working Group on Steel for the 12th Five Year Plan, there exist many factors which carry the potential of raising the per capita steel consumption in the country. These include among others, an estimated infrastructure investment of nearly a trillion dollars, a projected growth of manufacturing from current 8% to 11-12%, increase in urban population to 600 million by 2030 from the current level of 400 million, emergence of the rural market for steel currently consuming around 10 kg per annum buoyed by projects like Bharat Nirman, Pradhan Mantri Gram Sadak Yojana, Rajiv Gandhi Awaas Yojana among others.

At the time of its release, the National Steel Policy 2005 had envisaged steel production to reach 110 million tonnes (MT) by 2019-20. However, based on the assessment of the current ongoing projects, both in Greenfield and brown field, the Working Group on Steel for the 12th Five Year Plan has projected that domestic crude steel capacity in the country is likely to be 140 MT by 2016-17 and has the potential to reach 149 MT if all requirements are adequately met.

Production

- ❖ Steel Industry was de-licensed and de-controlled in 1991 & 1992 respectively.
- ❖ Today, India is the 3rd largest producer of crude steel in the world.
- ❖ In 2014-15, production for sale of total finished steel (alloy + non alloy) was 91.46 MT, a growth of 4.3% over 2013-14.
- ❖ Production for sale of Pig Iron in 2014-15 was 9.7 MT, a growth of 22% over 2013-14.
- ❖ India is the largest producer of sponge iron in the world with the coal based route accounting for 90% of total sponge iron production in the country.

Demand-Availability Projection

- ❖ Demand- availability of iron and steel in the country is projected by Ministry of Steel in its Five Year Plan documents.
- ❖ Gaps in availability are met mostly through imports.
- ❖ Interface with consumers by way of a Steel Consumers' Council exists, which is conducted on regular basis.



- ❖ Interface helps in redressing availability problems, complaints related to quality.

Steel Prices

- ❖ Price regulation of iron & steel was abolished on 16.01.1992. Since then steel prices are determined by the interplay of market forces.
- ❖ Domestic steel prices are influenced by trends in raw material prices, demand-supply conditions in the market and international price trends among others.
- ❖ An Inter-Ministerial Group (IMG) is functioning in the Ministry of Steel, under the Chairmanship of Secretary (Steel) to monitor and coordinate major steel investments in the country.
- ❖ As a facilitator, the Government monitors the steel market conditions and adopts fiscal and other policy measures based on its assessment. Currently, basic excise duty for steel is set at 12.5% and there is no export duty on steel items. The government has also imposed export duty of 30% on all forms of iron ore except low grade which carry a duty of 10% while iron ore pellets have a export duty of 5% in order to control ad-hoc exports of the items and conserve them for long term requirement of the domestic steel industry. It has also raised import duty on most steel imports by 2.5%, taking the import duty on carbon steel flat products to 10% and that on long products to 7.5%.
- ❖ For ensuring quality of steel several items have been brought under a quality control order issued by the Government.

- ❖ Further, a Steel Price Monitoring Committee has been constituted by the Government with the aim to monitor price rationalization, analyze price fluctuations and advise all concerned regarding any irrational price behavior of steel commodity.

Opportunities for growth of Iron and Steel in Private Sector

The New Industrial Policy Regime

The New Industrial policy opened up the Indian iron and steel industry for private investment by (a) removing it from the list of industries reserved for public sector and (b) exempting it from compulsory licensing. Imports of foreign technology as well as foreign direct investment are now freely permitted up to certain limits, under an automatic route. Ministry of Steel plays the role of a facilitator, providing broad directions and assistance to new and existing steel plants, in the liberalized scenario.

The Growth Profile

- (i) Steel: The liberalization of industrial policy and other initiatives taken by the Government have given a definite impetus for entry, participation and growth of the private sector in the steel industry. While the existing units are being modernized/expanded, a large number of new steel plants have also come up in different parts of the country based on modern, cost effective, state of-the-art technologies. In the last few years, the rapid and stable growth of the demand side has also prompted domestic entrepreneurs to set up fresh green field projects in different states of the country.

Crude steel capacity was 109.85 MT in 2014-15 and India, which emerged as the

3rd largest producer of crude steel in the world in 2015 as per ranking released by the WSA, has to its credit, the capability to produce a variety of grades and that too, of international quality standards. The country is expected to become the 2nd largest producer of crude steel in the world soon, provided all requirements for creation of fresh capacity are adequately met.

- (ii) **Pig Iron:** India is also an important producer of pig iron. Post –liberalization, with setting up several units in the private sector, not only imports have drastically reduced but also India has turned out to be a net exporter of pig iron. The private sector accounted for 91% of total production for sale of pig iron in the country in 2014-15. The production for sale of pig iron has increased from 1.6 MT in 1991-92 to 9.7 MT in 2014-15.
- (iii) **Sponge Iron:** India is the world's largest producer of sponge iron with a host of coal based units, located in the mineral-rich states of the country. Over the years, the coal based route has emerged as a key contributor and accounted for 90% of total sponge iron production in the country. Capacity in sponge iron making too has increased over the years and stood at 46.23 MT in 2014-15.



A milestone year

➤ Iron Ore Mines

As a part of backward integration, SIEL had entered into mining activity in Buxwaha Iron Ore Mines 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 percent, 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 Lumps-inputs for steel making through the DRI/BF process
- Iron Ore Fines –inputs for sinters and pellets, used for making steel.

**On track to generate greater value*****Beneficiation & Pellatization Plant***

The excess 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, SIEL has now proposed to set up 1.2 Million tonne per annum capacity iron ore beneficiation & pellatization 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.

**Geared for higher performance**

As we move into the new fiscal, we are confident that we are on the right track and the strategies we have adopted of customer-focused innovation, simplified operations and better use of technology will enable substantial improvement in performance. Through reconfiguration and re-

strengthening of our fundamentals, we are committed to continuing driving costs out of our business and achieving further improvements in the productivity and effectiveness of our manufacturing, selling and administrative activities.



In conclusion, while economic growth has been subdued in the last couple of years, we are encouraged by the signs of improvement in recent months. Steel is among the basic blocks to build, maintain and advance the Indian economy and SIEL is ideally positioned to respond to the challenges and to capitalize on the opportunities that lie ahead. We appreciate the efforts of our employees to achieve the business objectives in the most efficient and effective way possible. On behalf of the Board, I would also like to express my gratitude to our shareholders, investors and bankers for reposing trust in our vision and strategies. Thank you for your continued support as we work to create sustainable value for our stakeholders.

Sd/-

Vivek Agarwal
Chairman and Managing Director

Palakkad, Kerala
14th August 2015



SOUTHERN ISPAT & ENERGY LIMITED

Registered Office: Door No. 14/448(2), KSN Illam, Ground Floor, Near SBI, Kunnathurmedu(PO),

Palakkad, Kerala-678013

Phone: +91 491 2531698/2527956

Email: sielpkd@gmail.com Website: www.southernispat.com

CIN: L45309KL1995PLCO09171

NOTICE is hereby given that the 20th Annual General Meeting of SOUTHERN ISPAT & ENERGY LTD will be held on 30th September, 2015 at 10:30 AM at the Registered Office of the Company at Door No. 14/448(2), KSN Illam, Ground Floor, Near SBI, Kunnathurmedu (PO), Palakkad, Kerala-678013, to transact the following business:

1. To receive, consider and adopt the Audited Statement of Profit and Loss for the period ended 31st March, 2015 and the Balance Sheet as at that date together with the Reports of the Board of Directors and the Auditors thereon.

“RESOLVED THAT the Audited Financial Statements of the Company for the year ended 31st March, 2015 including Balance Sheet as at 31st March, 2015 the Profit & Loss Account for the Financial Year ended 31st March, 2015 together with the Reports of the Directors and the Auditors of the Company thereon, as presented to the meeting be and the same are hereby approved and adopted.”

2. To appoint a director in the place of Mr. Dinesh Kesri who retires by rotation and being eligible offers himself for reappointment.

“RESOLVED THAT Mr. Dinesh Kesri who retires by rotation and being eligible for reappointment, be and is hereby re-appointed as a Director of the Company.”

3. To appoint a director in the place of Mr. Madhav Rao who retires by rotation and being eligible offers himself for reappointment.

“RESOLVED THAT Mr. Madhav Rao who retires by rotation and being eligible for reappointment, be and is hereby re-appointed as a Director of the Company.”

4. To appoint a director in the place of Mr. T.N. Sivakumar (DIN: 0656568) who retires by rotation and being eligible offers himself for reappointment.

“RESOLVED THAT Mr. T.N. Sivakumar who retires by rotation and being eligible for reappointment be and is hereby re-appointed as a Director of the Company.”

5. Appointment of Auditors

To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution



“RESOLVED THAT pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed there under, as amended from time to time, and pursuant to the recommendations of the Audit Committee of the Board of Directors, M/s Sunil Johri & Associates, Chartered Accountants (Regn No. 074654) be and are hereby appointed as Statutory Auditors of the Company, to hold office from the conclusion of this 20th Annual General Meeting until the conclusion of the 22nd AGM (subject to ratification of the appointment by the members at every AGM held after this 20th AGM) at a remuneration of Rs. 5,00,000/- plus reimbursement of out of pocket expenses for the Financial Year 2015-16 as fixed by the Board of Directors of the Company and for other years as may be fixed by the Board of Directors.”

By Order of the Board of Directors

Place: Palakkad

Date: 14th August, 2015

Sd/-

VIVEK AGARWAL

CHAIRMAN & MANAGING DIRECTOR

Registered Office:

14/448(2), “KSN Illam”,

Ground Floor, Near SBI,

Kunnathurmedu,

Palakkad-678001

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