



Sponge Iron India Limited

## Chairman's Message

*I have great pleasure in welcoming you to this 34<sup>th</sup> Annual General Meeting of your Company.*

*The Directors' Report and the Audited Statement of Accounts of the Company for the year 2008-09 and the Notice to Shareholders have been in your hands for some time; and, with your permission, I take them as read.*

*The tremors of depression that rocked the world economy made its impact on the Indian economy as well. Steel industry, including the sponge iron industry, had to bear its share of the brunt. So also the impact of the economic downturn on your company during the year under report was sizeable indeed.*

*Due to deep depression of demand, the production of sponge iron was reduced to 30,489 tonnes, i.e., 30% lower than that of the previous year. The sales during the year were even lower i.e., 25,203 tonnes, that is 43% lower than that of the previous year.*

*The Sales Realization declined from Rs. 19,085 PMT in the first half of the year to Rs.12,556 PMT during the second half, affecting the average sales realization for the year. The net result has been that your Company has incurred loss after tax of Rs.92 lakhs during the year under report.*

*On behalf of the Board of SIIL, I assure you, hon'ble Members of the Company, that everything possible is being done to take the company on a sustainable growth path.*

*I take this opportunity to recall with gratitude the support of your Company has received from the Government of India and the Government of Andhra Pradesh and that from the Directors on the Board of SIIL. I extend my sincere thanks to the Unions of SIIL and its workmen, supervisors and officers, whose efforts have gone into the performance of the Company against the trying times of economic meltdown.*

*Thank you and Jai Hind!*

*Place : Hyderabad*

*Date : 30-09-2009*



**(RANA SOM)**

CHAIRMAN-CUM-MANAGING DIRECTOR



## CONTENTS

	Page No.		Page No.
Names of the Directors and other details	3	Schedules to Balance Sheet	19
Director's Report to the Shareholders	4	Schedule to Profit and Loss Account	25
Auditors' Report	11	Balance Sheet Abstract and Company's General Business Profile	30
C & AG Report	15	Ten years Important Statistics at a Glance	35
Accounting Policies	16		
Balance Sheet	17		
Profit and Loss Account	18		

## NOTICE TO THE SHARE-HOLDERS

NOTICE is hereby given that the 34<sup>th</sup> Annual General Meeting of the Share Holders of Sponge Iron India Limited (SIIL) will be held at 11.30 hrs **on Wednesday, the 30<sup>th</sup> September, 2009** at Registered Office of the Company, Khanij Bhawan, 10-3-311/A, 6<sup>th</sup> Floor, Castle Hills, Masab Tank, Hyderabad - 500 028 to transact the following business.

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31<sup>st</sup> March, 2009 and the Balance Sheet as on that date, together with the Reports of Auditors thereon and Report of Directors' to the Shareholders.
2. To fix the Auditors remuneration.

BY ORDER OF THE BOARD OF DIRECTORS  
OF  
SPONGE IRON INDIA LIMITED

**(K. RAVINDRANATH)**  
DY. GENERAL MANAGER (M&C)

Place : Hyderabad  
Date : 07.09.2009

NOTE :

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend instead of himself and such proxy need not be a member.



Sponge Iron India Limited

## **BOARD OF DIRECTORS**

(As on 25.06.2009)

### **CHAIRMAN-CUM-MANAGING DIRECTOR**

**Shri Rana Som**

### **DIRECTORS**

**Shri Sanjay Mangal**

**Shri S. Narsing Rao, IAS**

### **PRINCIPAL OFFICERS**

**Shri S.K. Chabria,**

General Manager (Co.ordn.)

**Shri G.C. Bhaktavatsalam**

I/c General Manager (O)

### **REGISTERED OFFICE**

Khanij Bhavan (6th Floor)

10-3-311/A, Castle Hills,

Masab Tank, Hyderabad - 500 028.

Email : siil@nic.in

Website : www.spongeironindia.com

Phone : (040) 23535156, 23534716

### **PLANT OFFICE**

SIIL Campus P.O. 507 154.

Paloncha

Dist. Khammam

Andhra Pradesh, India.

Phone : (08744) 256070, 256326

## **AUDIT COMMITTEE MEMBERS**

(As on 25.06.2009)

**Shri Sanjay Mangal**

**Shri Rana Som**

**Shri S. Narsing Rao, IAS**

### **CHIEF VIGILANCE OFFICER**

**Shri N.V. Raja Shekar, IFS**

### **BANKERS**

**State Bank of Hyderabad**

Masab Tank, Hyderabad.

### **STATUTORY AUDITORS**

**G.S. Murty & Associates**

Chartered Accountants

Flat No. 308B, 3rd Floor, D.No. 3-6-290/B,

Sai Tirumala Towers, Hyderguda,

Hyderabad - 500 001.

### **INTERNAL AUDITORS**

**M/s. C. Ramachandram & Co.**

Chartered Accountants

3-6-237, Unit # 606, Lingapur La Builde Complex

Himayatnagar, Hyderabad - 500 029.



## DIRECTORS' REPORT TO THE SHARE-HOLDERS

To  
The Members of  
**SPONGE IRON INDIA LIMITED**, HYDERABAD.

Your Directors have pleasure in presenting the 34<sup>th</sup> Annual Report of Sponge Iron India Limited together with Audited Accounts for the year ended 31<sup>st</sup> March, 2009.

### GENERAL REVIEW

The overall performance of the Company during the year 2008-09 was normal. The production of sponge iron was 30,489 MT during the year. The production was low mainly because of non-availability of iron ore.

The market for sponge iron remained good throughout the year. During the first half of the year there was steep rise in the selling price of sponge iron. However there is decrease in average selling price from November, 2008 onwards. The Company could realize an Average Sales Realization (AVG) of Rs.15,507 per MT during the year compared to Rs.12,274 per MT in 2007-08.

The total turnover of the Company during the year was Rs.40.80 crores as against turnover of Rs.55.73 crores in the financial year 2007-08.

The Company achieved a gross margin of Rs.6.26 lakhs and a cash profit of Rs.6.26 lakhs during the year.

During the year your Company earned Rs.6.97 lakhs income from consultancy services (net of expenditure).

Your Company has funds around Rs.42.80 crores with the banks as on 31.03.2009.

### OPERATIONS

Production during the year was only 30,489 MT, which is 51% of installed capacity. The production was low due to non-availability of good iron ore for its production needs. Your Company procured iron ore from Karnataka and Andhra Pradesh and also from NMDC Ltd and coal from Manuguru mines of M/s. Singareni Collieries Company Limited. The specific consumption of coal was 1.88 MT per tonne of sponge iron and the specific consumption of iron ore 2.87 MT per ton.

### MARKETING

The Company sold 25,203 MT of sponge iron during the year. The market remained good for sponge iron during the first half of the year. The Average Sales Realization (ASR), which was around Rs.17,461 per MT in the beginning of the year, rise to more than Rs.19,537 per MT in August, 2008. Thus an average ASR of Rs.15,507/- was realized during the year.

### FINANCIAL PERFORMANCE

During the year under review, your Company achieved a Cash Profit of Rs.0.06 crores. The profitability of the Company for the last three years is furnished below:

(Rs. in crores)

		2006 - 07	2007 - 08	2008 - 09
(i)	Gross Margin	7.56	11.31	0.06
(ii)	Cash profit	7.56	11.31	0.06
(iii)	Operating Profit	6.01	9.88	(-) 1.29
(iv)	Dividend	0.95*	1.52*	-

\* Inclusive of Dividend Tax.

Due to depressed market conditions from the second half of year decrease of the funds with the banks to the level of Rs.42.80 crores during the year from a level of Rs.54.51 crores of the previous year.

During the year under review no provision was made for bad and doubtful debts.

### PROJECT IMPLEMENTATION

No project was under taken-up by the Company during the year.

### SUB-MERGED ARC FURNACE

During the year, your Company made efforts to operate the Submerged Arc Furnace Plant (SAF) but could not continue due to un-economical market conditions. In accordance with the Accounting Standard-28 on impairment asset, the Company had assessed the value of the SAF based on the Valuation Report submitted by M/s. Axis Bank Ltd, the Merchant Banker appointed for Valuation of shares for the purpose of Merger of the Company with NMDC Limited. Considering, the value assessed from the said Report and no further impairment loss noticed during the year except normal depreciation. Accordingly, an amount of Rs.43.82 lakhs have been provided as normal depreciation to cover the diminution / deterioration of the asset during the year.

### RESEARCH & DEVELOPMENT

During the year the Company has carried out the tests on iron ores from various regions of Karnataka and based on their test results, procurement action for Iron Ore was taken.

### FOREIGN EXCHANGE EARNINGS

During the year Company earnings in Foreign Exchange was Rs.7.03 lakhs as against Rs.47.17 lakhs in the previous year.

### MEMORANDUM OF UNDERSTANDING (MoU)

Due to the on going merger with NMDC Ltd is in final stage of completion Company's performance for the year 2009-10 under Memorandum of Understanding (MoU) with Ministry of Steel for the year 2009-10 was included with that of M/s. NMDC Ltd.

### PARTICULARS OF EMPLOYEES

None of the Employees of the Company was in receipt of remuneration over and above the limits prescribed under section 217 (2A) of the Companies Act, 1956.

As required under clause (e) of Sub-section (1) section 217 of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 particulars as to (a) Conservation of Energy (b) Technology Absorption and (c) Foreign Exchange earnings and outgo are furnished in Annexure-I.

### INDUSTRIAL RELATIONS

During the year Industrial Relations under review continued to remain peaceful and no single man-day was lost. Harmonious Industrial Relations were maintained during the year.

### MANPOWER TRAINING

During the year regular training programmes of Company were conducted to meet the requirements of the Company.

Your Company also provided practical job training to the students as in the past sponsored by the following colleges :



- Government Polytechnic, Kothagudem, Government Industrial Training Institute, Kothagudem (Apprentice training) and to the students of MBA and B. Tech sponsored by various institutions for preparation of project reports.

## MANPOWER

The Permanent Manpower position as on 31.03.2009 was as under :

Male/ Female	Executives	Non-Executives			Total
		Jr. Officers	Workmen	Sub-total	
Male	55	48	181	229	284
Female	1	1	18	19	20
Total	56	49	199	248	304

## RESERVATION OF SC / ST / PH CANDIDATES

The Directives issued by the Government from time to time in the matter of reservations of posts for SC / ST / OBC / PH persons have been complied with by the Company. There was no backlogs of vacancies reserved for SC / ST candidates in the Non-Executive Cadres.

The category-wise details of SC / ST / OBC / PHC permanent employees are furnished below :

Group	Total No. of Employees	Reserved Categories			
		SC	ST	PHC	TOTAL
A	56	16	2	1	19
B	49	9	3	NIL	12
C	127	23	6	3	32
D	66	8	11	NIL	19
D1	6	5	1	-	6
Total	304	61	23	4	88

## ADMINISTRATION

National Integration Day, Martyrs's Day, Anti-Terrorism Day, Dr. BR Ambedkar's Birthday were observed and pledge was administered by the employees on the above occasions. Vigilance Awareness Week also observed as per the Government directives. Apart from the above, SIIL Foundation Day was celebrated on 31<sup>st</sup> December, 2008 and Service Medals / Mementos were awarded to employees, who have completed 25 years of service and they were suitably honored on this occasion and service medals also awarded to two employees, who have completed 10 years of service.

## EMPLOYEES PARTICIPATION IN MANAGEMENT

During the year, under review regular meetings were held to discuss various problems through the Committees constituted including the workers representatives. The members of the Non-recognized Trade Unions were also in various committees besides Recognized Union. As directed by the Government of India and in order to increase induction of women at various levels in the Management the women employees were also included in statutory and non-statutory committees. The Committees have functioned systematically and the suggestions made by the members were noted which resulted improvement of over all performance of the plant.

## SAFETY

During the year, efforts were made to take measures required for Safety and Security of workforce in all areas. A Safety Committee was constituted and National Safety Day was celebrated on 4<sup>th</sup> March in order to inculcate Safety discipline among the employees of the Company with a view to educate them and create awareness to develop safe working practices to avoid accidents. Various competitions like essay writing, elocution, songs and safety poster, painting competitions etc. were conducted on the eve of Safety Day and prizes were distributed to the winners in the competitions. The employees were given gifts on the eve of Safety Day Celebrations.

Safety slogans displayed in the plant area through safety boards and wall painting to promote the safety campaign. Except one fatal accident, no other reportable accident occurred during the year.

## WELFARE

The Company continued its welfare measures for welfare of the employees and their families like in the past during the year. Annual games and sports were conducted to the employees and their families and prizes were awarded to the successful winners. SIIL ball badminton team has won the Zonal Level Labour Welfare games and participated in the state meet at Hyderabad. Women employees have also participated at Zonal Level games conducted by Dy. Commissioner of Labour. Annual Complete Health Check up was carried out to all the employees. Medical Scheme, Group Insurance Scheme, Personal Accident Policy for both Executives and JO's, EDLI and other Welfare Schemes were continued.

## PUBLIC GRIEVANCES REDRESSAL

A Committee comprising of 4 (four) Senior Officers of the Company was constituted to redress the public staff grievances relating to the Company matters. The Committee has been constantly attending to the Public Grievances.

## VIGILANCE

The Vigilance Department is headed by Shri N.V. Raja Shekar, IFS, Chief Vigilance Officer. The vigilance personnel of the Company had conducted surprise and regular checks during the year. The directives issued by the Central Vigilance Commission (CVC) from time to time were followed. As per the directives of CVC, Vigilance Awareness Week was celebrated and the suggestions of CVC / MOS received from time to time were implemented.

## RAJBHASHA IMPLEMENTATION

During the period from 01.04.2008 to 31.03.2009, 188 documents were released in bilingual form as per Section 3(3) of Official Languages Act, 1963. Hindi Salahkar Samithi meeting was convened by Ministry of Steel and "Ispat Rajbhasha Shield" was awarded to the Company for excellent work done in Hindi during 2006-07. All the Schemes like "Learn Hindi Word, Noting & Drafting" and competitions for progressive use of Hindi are continued. Apart from the above all the provisions mentioned in the Annual Programmes issued by the Department of Official Language, Ministry of Home Affairs was also kept in progress.



Subjects of 153 files were prepared in bilingual form for progressive use of Hindi. Despatch Section and Documentation Centre were advised to act as check point for the purpose of correspondence. Employees in different Sections specified to work in Hindi were advised to use Hindi terminology in official transaction. All the members of Official Language Implementation Committee were advised to improve the official transactions in Hindi to fulfill the assurance given to Parliamentary Committee on Official Language. All Sectional Heads were informed to prepare the forms available with them in bilingual. An examination was organized on 25.06.2008 under the Scheme of "Learn Hindi Word". Prizes alongwith Certificates were declared and distributed among the students of New Indira Priyadarshini School and employees and for other items such as story writing, poems etc. in connection with 15<sup>th</sup> August, 2008. Independence Day Celebrations, Hindi Workshops were organized for giving training to employees in Hindi and Certificates were also distributed to the participants. "Hindi Day" was celebrated on 15.09.2008 and prizes alongwith Certificates were distributed among the winners of Competitions organized for employees at Plant Office and Regd. Office. Shri C.V. Ramana Rao, Sr. Manager (RM) was nominated to participate in the All India Official Language Technical Seminar organized by NMDC Ltd, Bachel on 27.9.2008. Hindi songs Competition was organized and prizes were distributed among the winners on 26<sup>th</sup> January, 2009 on the eve of Republic Day Celebrations.

## MERGER

During the year under review your company had continued its efforts required to complete merger of SIIL with NMDC Limited. The total process is likely to be completed during the current financial year. After merger there is a proposal of expansion of the existing Sponge Iron plant at Paloncha by NMDC to increase its capacity from 60,000 TPY to 2,60,000 TPY.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company has been carrying out CSR activities in and around plant and the same will be continued till merger of the Company with NMDC Limited.

The Company has spent Rs. 14.86 lakhs on CSR in the year 2008-09

## CORPORATE GOVERNANCE

### i) *Corporate philosophy / main objective on Code of Governance :*

Sponge Iron India Limited (SIIL) is a 100% Government Company owned by Government of India and Government of Andhra Pradesh. The Company mainly concentrates its business activities and enhances the process of production of sponge iron with the use of non-coking coal besides to extend the consultancy services for erection of sponge iron plants within India and outside India. The Company follows the instructions of the Government of India, Ministry of Steel, Department of Public Enterprises and Government of Andhra Pradesh and other agencies of the Government of India and Government of Andhra Pradesh. The Company has been concentrating on good Corporate Governance and SIIL believes in weightage to transparency and

accountability works for uplift of the organization. SIIL follows all statutory laws and regulates its business activities in a competitive system and develops the policies/decisions to achieve its objectives.

SIIL is merging with NMDC Limited shortly as per the decision taken by the Government of India and till the completion of the merger process the Company would continue its efforts for Good Corporate Governance.

### ii) **Board of Directors**

The Board of Directors of the Company reviews the strategic and business activities including monitoring corporate performance.

#### a) **Composition of Board of Directors**

The Board of Directors of the Company consists of Government Directors appointed by the Government of India and Government of Andhra Pradesh. The strength of the Board is three and the present Directors are as follows :

1. Shri Rana Som, Chairman-cum-Managing Director (additional charge).
2. Shri Sanjay Mangal, Director, Ministry of Steel, Udyog Bhawan, New Delhi (Non-Executive Official Director).
3. Shri S. Narsing Rao, IAS, Chairman & Managing Director of M/s. Singareni Collieries Company Limited, Hyderabad (Non-Executive Official Director).

No non-official Director was appointed by the Government after retirement of Shri N.J. Yasaswy, considering 100% disinvestment of the Company earlier and now, due to merger of SIIL with NMDC Limited.

#### b) **Meetings of the Board**

In all four meetings of the Board were held during the year on the following dates besides the Annual General Meeting.

18<sup>th</sup> June, 2008, 19<sup>th</sup> September, 2008, 19<sup>th</sup> December, 2008 & 19<sup>th</sup> March, 2009

Shri V.K.Uppal, CMD of the Company attended all the meetings. Shri Dalip Singh, Director of the Company attended three meetings. Shri Sanjay Mangal, Director of SIIL attended one meeting. Shri S. Narsing Rao, IAS, Director of SIIL did not attend the meetings due to his pre-occupation.

The meetings of the Board would be convened as per the statutory requirements. The Board meetings would be normally held at Company's Registered Office, Hyderabad, and sometimes at Delhi, where, Government Directors of the Company were stationed due to their pre-occupation etc.



**c) Audit Committee**

The Audit Committee consists of three members including Chairman. The Audit Committee met four times during the year on the following dates.

18<sup>th</sup> June, 2008, 19<sup>th</sup> September, 2008, 19<sup>th</sup> December, 2008 & 19<sup>th</sup> March, 2009.

Shri V.K.Uppal, CMD of the Company attended all the meetings. Dr. Dalip Singh, Joint Secretary of the Company attended three meetings. Shri Sanjay Mangal, Director, Ministry of Steel attended one meeting. Shri S. Narsing Rao, IAS, Director of SIIIL did not attend the meetings due to his pre-occupation.

**DIRECTORS**

Shri Sanjay Mangal, Director, Ministry of Steel, Government of India was appointed as part time Official Director of the Company with effect from 21.01.2009 in place of Dr. Dalip Singh, IAS, Joint Secretary, Ministry of Steel, Government of India, who was appointed earlier as part time Official Director of the Company with effect from 25.04.2008 in place of Shri Udai Pratap Singh.

The vacancy caused due to retirement of Shri N.J. Yasaswy, part time Non-official Director of the Company on 24<sup>th</sup> December, 1998 has not yet been filled by Government due to disinvestment proposal in the earlier years and now proposed merger of your Company with NMDC Ltd.

The Board of Directors of the Company have placed on record their appreciation of the valuable services rendered by Shri Udai Pratap Singh, IAS, Shri Dalip Singh, IAS and Shri V.K. Uppal during their tenure as Directors of the Company.

**DIRECTORS' RESPONSIBILITY STATEMENT**

**THE DIRECTORS CONFIRM THAT :**

1. In the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period ;
3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

4. The Directors had prepared the Annual Accounts on a going concern basis.

**BOARD MEETINGS**

During the year under report four (4) meetings of Board of Directors of the Company were held.

**AUDIT COMMITTEE**

During the year under review four (4) Audit Committee meetings were held. Representatives of Finance Department and the Representatives of Auditors participated in the meetings as and when required by the Committee as stipulated.

Shri Sanjay Mangal was appointed as Chairman of the Audit Committee in place of Dr. Dalip Singh, IAS. Subsequently Shri Rana Som is appointed as member of the Audit Committee of the Company in place of Shri V.K. Uppal.

Shri V.K. Uppal has ceased from the membership of the Audit Committee consequent upon superannuation, change in the Directorship of the Company as per the decision of Government.

The Committee had placed on record their appreciation of the valuable services rendered by Shri Udai Pratap Singh, IAS, Dr. Dalip Singh, IAS and Shri V.K. Uppal during their tenure as members of the Committee.

**AUDITORS**

G.S. Murthy & Associates, Chartered Accountants, Hyderabad were appointed as Statutory Auditors of the Company for the year 2008-09.

**ACKNOWLEDGEMENT**

Your Directors wish to place on record their appreciation for the support and Co-operation extended by Government of India, Government of Andhra Pradesh, NMDC Limited, A.P. State Electricity Authorities, The Singareni Collieries Company Ltd and the Company's Bankers, State Bank of Hyderabad, in its activities. The Board of Directors wish to place on record their appreciation for the support and cooperation extended by every member of the SIIIL family.

**For and on behalf of the Board of Directors**

Place : Hyderabad  
Date : 16-07-2009

  
**(RANA SOM)**  
Chairman-cum-Managing Director



**ANNEXURE-I**

**A. CONSERVATION OF ENERGY**

Information on total and specific energy consumption is furnished in Form "A" of the Annexure.

**B. TECHNOLOGY ABSORPTION**

Information on the efforts made in Technology absorption is furnished in Form "B" of the Annexure.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

During the year Foreign Exchange Earnings were Rs.7.03 lakhs and outgo of Foreign Exchange was NIL

**FORM-A**

Form of disclosure of particulars with respect to conservation of energy.

**A. POWER AND FUEL CONSUMPTION**

Sl. No.	Item of Energy	Unit	Current Year 2008-09	Previous Year 2007-08
1.	Electricity			
	a) Purchased	Units in lakhs	28.34	38.76
	Total Value	Rs. in lakhs	122.15	159.40
	Average rate	Rs.	4.31	4.11
	b) Own generation			
	i) Thro' Diesel Generator	KWH	50,960	47,706
	Generation per litre of diesel oil	Units	3.78	2.66
	Cost per unit	Rs.	8.23	12.45
	ii) Through steam turbine / generator (CPP)	Units	44,42,600	34,11,480
	Oil used for CPP	KL	–	NIL
2.	Coal used (as a fuel and reductant in the direct reduction Process)	Tonnes	57,463	64,638
	Total Cost	Rs. in crores	12.11	12.47
	Average rate per tonne	Rs.	2,108	1,929
	Quality	(ash avg)	32.10 %	32.10 %
3.	Furnace Oil Quantity (Light Diesel Oil)	KL	85.492	64.27
	High Speed diesel oil	KL	–	–
	Total Amount	Rs. in lakhs	39.12	22.41
	Average rate per KL	Rs.	45,758	34,917
4.	Other / Internal generation	–	NIL	NIL

**B. CONSUMPTION PER UNIT OF PRODUCTION**

Sl. No.	Item	Unit	Standard per tonne of sponge Iron	Current Year 2008-2009	Previous year 2007-2008
1.	Electricity	KWH	160	172	128
2.	Furnace Oil (LDO)	Liters	6.00	2.9	1.48
3.	Furnace Oil (HSD)	Liters	-	-	-
4.	Coal (Quality)	FC	43%	43.04	44.50%
5.	Coal (Quantity)	Tonnes	1.40	1.88	1.49

**FORM -B****1. Specific areas in which R & D was carried out by the Company:**

- i) Process optimization tests, using iron ore from various mines were carried out.
- ii) Studies relating to improving efficiency of Waste Heat Recovery System.

**2. Benefits derived as a result of the above R&D work :**

Based on the test results of iron ore more and more mines were identified for procurement of iron ore

**3. Future Plan of action :**

Further investigation on behaviour of iron ores from various sources will be taken up.

**4. Expenditure on R & D**

An amount of Rs.13.34 lakhs was incurred towards the tests carried out during the year 2008-2009.

**(Rs. in Lakhs)**

Sl. No.	Expenditure	Current Year 2008-09	Previous Year 2007-08
a)	Capital	-	-
b)	Recurring	13.34	9.86
c)	Total	13.34	9.86
d)	Total R & D expenditure as a percentage of total Turnover	0.33%	0.18%

**For and on behalf of the Board of Directors****(Rana Som)**

Chairman-cum-Managing Director

Place : Hyderabad

Date : 16-07-2009



**Addendum to the Directors Report**  
**The Company's Replies to the Comments of the Auditors**

	<b>COMMENT</b>	<b>REPLY OF THE COMPANY</b>
1.	<b>Item No. V of the Auditors Report (Similar comment made earlier).</b>	The comments were replied in the earlier years. Therefore no further clarification is offered.
2.	<b>Annexure to the Auditors' Report SI. No. 4</b>	The observation of the audit is noted and necessary steps would be taken to strengthen the same.
3.	<b>Annexure to the Auditors' Report SI. No. 6</b>	Since Company is making necessary provision for the loss arising on the items determined as observed by the audit, steps would be taken to strengthen the procedure.
5.	<b>Annexure to the Auditor's Report SI. No. 11 (c)</b>	Since all the cases pertains to earlier years only and are under dispute, no deposit was made on that account as in the past.
5.	<b>Annexure to the Auditors' Report SI. No. 21</b>	Enquiry is in progress and action will be taken accordingly.

**For and on behalf of the  
Board of Directors of  
Sponge Iron India Limited**

**( RANA SOM )  
Chairman-cum-Managing Director**

Place : Hyderabad  
Date : 16-07-2009



## AUDITORS' REPORT

To  
The Members of  
**SPONGE IRON INDIA LIMITED,**  
HYDERABAD.

We have audited the attached Balance sheet of M/s SPONGE IRON INDIA LIMITED as at 31<sup>st</sup> March, 2009 and also the Profit and loss account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4 A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books ;
- (iii) The Balance sheet and Profit and Loss account dealt with by this report are in agreement with the books of account;
- (iv) Since the company is a Government Company, the provisions of Section 274(1)(g) of the

Companies Act, 1956 are not applicable to the Company and to its Directors.

**(v) We invite attention to :-**

- (a) *On the basis of the information and explanations given to us, we are of the opinion that: -*

*The Sub-Merged Arc Furnace (SAF/Pig Iron Plant), which was ready for commercial use and also for capitalization by January 1996 was to be capitalized by January 1996 and the subsequent modifications made to the plant during 1997-98 on conversion of the same (SAF) to Silico Manganese Plant were to be capitalized as additions to the plant during that year. Further, the revenue expenditure incurred during the period from January 1996 to March 1999 aggregating to Rs855.01 Lakhs, in our opinion, is to be charged-off to revenue as against capitalization of the same.*

- (b) *The Government of India during the year 2000-2001, has waived total interest(both Plan and non-plan) amounting to Rs 2355.24 lakhs on Loans taken by the company. The Company had written back to Sub-merged Arc Furnace/Silico-Manganese Plant, interest Amounting to Rs 1045.54 lakhs as at 31<sup>st</sup> March 2001 as against a sum of Rs 410.57 Lakhs, in our opinion, consequently interest waived has been excess written back to the extent of Rs 634.98 lakhs to the value of the aforementioned asset during the year 2000-01.*

- (c) *As a result of the above (i) and (ii), the Gross Block of Fixed Assets were overstated by Rs220.04 lakhs till 31.03.2004. The carrying cost as on 31.03.2005 was adjusted to its realizable value due to recognition of impairment loss in the value of asset, which has become the new Gross block as on 01.04.2005. Consequent to the adjustments stated in the above (a) and (b) in respect of Sub-merged Arc Furnace in Fixed Assets, the depreciation on these assets for the year 2004-2005 comes to*



*Rsl43.33 lakhs as against Rsl45.22 Lakhs arrived by the company, and accordingly the Profit of the company for the said year 2004-2005 was reduced by Rsl.89 lakhs with consequential effect on the accumulated profit of the company.*

- (vi) (a) The Accounting Standard AS 28 on "Impairment of Assets" issued by the Institute of Chartered Accountants of India is applicable to the Company w.e.f. 01-04-2004. Accordingly the Company has to identify, whether there is impairment in any asset and if so, the recoverable amount is to be estimated and the impairment is to be accounted for. Then the identified impairment loss is to be recognized under transitional provisioning of the said Standard, in view of the reasons mentioned vide Note No 11 of Schedule 16 (Notes forming part of Accounts) to the Balance sheet as on 31.03.2005. Instead, the Company recognized the said loss on 31.03.2005 by way of charging the same to the said Year's Profit and Loss Account and the carrying cost of the Sub-Merged Arc Furnace was adjusted to the estimated realizable value. The recognition of the impairment loss in the opening revenue reserves as suggested in the said AS 28 was not done. Since the realizable value of, Sub-Merged Arc Furnace as on 01.04.2004 is not available, we are unable to express our opinion regarding the impairment loss to be provided from the revenue reserves as required under transitional provisional clause. Further the company has not provided for impairment loss during the year 2008-2009 in view of no further impairment vide Note No 3.0 of Schedule 3.

If the Sub- Merged Arc Furnace capitalization was considered from 01-01-1996 as referred to (i) above, the carrying cost becomes Rs. 1337.19 lakhs for the said year 31.03.2005 and the impairment would be Rs. 420.19 lakhs as against Rs. 1145.21 lakhs charged to Profit and Loss account for the said year 2004-2005. Accordingly the Profit for the said year 2004-2005 was reduced to

the extent of Rs. 725.02 lakhs with consequential effect on the accumulated profit for the year under review.

- (b) Non-disclosure of Assets and services received as grant under United Nations Development Program and Assets acquired under R&D grant from Government of India amounting to Rs. 483.71 lakhs, as detailed in Schedule-3 of Balance Sheet, in accordance with Accounting Standards 6,10 and 12.
- (c) An amount of Rs. 321.84 lakhs provided during the year towards revision of pay scales of Executives and Non Executives is subject to approval from DPE and concerned Ministry. (As per Note 10 of Schedule 16-Notes to Accounts)
- (vii) In our opinion, the Balance sheet and Profit and Loss Account dealt with this report comply with the accounting standards referred to in sub-section (3c) of section 211 of the Companies Act, 1956, except Accounting Standards 6,10,12 & 28 as stated above.
- (vi) Subject to the above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
- a. in the case of the Balance Sheet of the state of affairs of the Company as at 31<sup>st</sup> March 2009, and
- b. in the case of the Profit and Loss account of the Loss for the year ended on that date.

**For G.S. MURTY & ASSOCIATES  
Chartered Accountants**

*G.S.N. Murty*  
**(G.S.N. MURTY)**  
Partner

Place : Hyderabad  
Date : 25th June 2009



## ANNEXURE TO THE AUDITORS' REPORT

(Annexure referred to in paragraph 1 of our Report of even date)

1. a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the Management during the year. We were informed that no material discrepancies were noticed between book records and physical inventory. During the year no substantial part of fixed assets has been disposed off by the company.
- b) The fixed assets of the company have not been revalued during the year.
2. a) As per the information and explanations given to us, physical verification has been conducted by the Management at reasonable intervals in respect of finished goods, stores and spares and raw materials (excluding goods in transit and stock with third parties).
- b) The procedure of physical verification of stocks followed by the management were reasonable and adequate in relation to the size of the company and the nature of its business.
- c) The company is maintaining proper records of inventory and discrepancies noticed on physical verification of stocks as compared to records and the accounts were not material and have been properly dealt with in the books of account.
- d) On the basis of the examination of stock records, in our opinion, the valuation of stock is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
3. (a) According to the information and explanations given to us, the Company has not taken any loans from Companies, Firms or other parties listed in the register to be maintained U/S 301 and 370(1B) of the Companies Act, 1956.
- (b) According to the information and explanations given to us, the company has not granted any loans to Companies, Firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (c) The parties to whom loans or advance in the nature of loans have been given are repaying the principle amounts as stipulated and are regular in payments of interest, where applicable.
4. The internal control procedures for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for sale of goods, are inadequate and needs to be strengthened. During the course of audit, we have observed that the internal controls followed for quality acceptance of raw material purchased are inadequate and not properly documented.
5. The transactions of purchase and sale of goods and material made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000 or more in respect of a party, have been made at prices which are reasonable having regard to the prevailing market prices of such goods and materials.
6. The Procedure adopted for determination of unserviceable or damaged stores, raw materials and finished goods and segregation of the same into saleable and unsaleable quantity is inadequate. However necessary provision for the loss arising on the items so determined has been made in the accounts.
7. The company has not accepted any deposits from the public within the meaning of section 58 A and Section 58AA of the companies act, 1956 and the rules framed thereunder.
8. The company is maintaining reasonable records for the sale and disposal of scrap and by-products.
9. The Company has an adequate Internal Auditing system commensurate with the size and nature of its business.



10. As per the information and explanations given to us, no cost records have been prescribed under U/s 209 (1) (D) of the Companies Act 1956, for the Company.
- 11 a) According to the records of the Company Provident fund Income Tax, Sales Tax, Excise duty, Cess and other statutory dues have generally been regularly deposited with the appropriate authorities. As per the information and explanations given to us, the Employees State Insurance Act is not applicable to the Company.  
b) According to the information and explanations given to us, there are no other undisputed dues payable in respect of Income Tax, Wealth Tax, Sales Tax, Excise duty and Customs Duty outstanding as on 31.3.2009 for a period of six months from the date they become payable.  
c) According to the information and explanations given to us during the year, there are dues of Sales Tax, Income Tax, Customs duty, Wealth Tax, Excise Duty and Cess as stated in the notes to the accounts vide Sl no 5(b), 5(c), 5(d), 5(e) and 5(f) which have not been deposited on account of disputes/appeals filed.
12. Based on the examination of documents and records and as per information and explanation given to us, we are of the opinion that the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. According to the records of the Company, it has not defaulted in repayment of its dues to any bank during the year. The company has no borrowings from financial institutions or debenture holders.
14. The Company has not given guarantees for loans taken by others from banks or financial institutions.
15. According to the information and explanations given to us and on an overall examination of the Balance sheet of the company we report that no funds raised on short term basis have been used for long term investment. No long term funds have been used to finance short term assets except permanent working capital.
16. The company does not have accumulated losses at the end of the financial year. The company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.
17. In our opinion the company is not dealing in or trading in shares, securities, debentures and other investments and hence Clause (xiv) of the Order is not applicable to the Company.
18. The Company has not raised any monies by way of public issues during the year.
19. In our opinion, considering the nature of activities carried on by the Company during the year, the provisions of any special statute applicable to chit fund/ nidhi/mutual benefit fund/ societies are not applicable to it.
20. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any instance of fraud on or by the Company nor have we been informed by the management of any such instance being noticed or reported during the year. However during the year enquiry was initiated by Central Vigilance Officer against a Senior employee for defrauding the company during the period 2006-2008 in procuring of raw material contrary to specifications mentioned in work order, falsification of quality control certificates and recommending payment for inferior quality of raw material received. As the matter is still under investigation we are unable to express our opinion on the financial impact of the case on the financial statements of the company.

**For G.S. MURTY & ASSOCIATES  
Chartered Accountants**

*G.S.N. Murty*  
**(G.S.N. MURTY)**  
Partner

Place : Hyderabad  
Date : 25th June 2009



Sponge Iron India Limited

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA  
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956  
ON THE ACCOUNTS OF SPONGE IRON INDIA LIMITED, HYDERABAD  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009**

The preparation of financial statements of Sponge Iron India Limited, Hyderabad for the year ended on 31 March 2009 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on the independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 25 June 2009.

I on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of Sponge Iron India Limited, Hyderabad for the year ended on 31 March 2009. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge, which would give rise to any comment upon or supplement to Statutory Auditor's report under Section 619(4) of the Companies Act, 1956.

**For and on behalf of the  
Comptroller and Auditor General of India**

**( DOLLY CHAKRABARTY )  
Principal Director of Commercial Audit &  
Ex-Officio Member, Audit Board,  
Hyderabad.**

Place : Hyderabad  
Date : 07-09-2009



## ACCOUNTING POLICIES

### 1.0 Assets:

- 1.1 Fixed assets are carried at cost of acquisition. However, in respect of items rendered surplus and remained in stores after completion of the capital works for more than 3 years and more than 5 years a provision of 50% and 90% of the value respectively is made in the accounts towards deterioration in value.
- 1.2 Outstanding foreign currency loans, utilised for purchase of machinery are converted at exchange rates prevailing as at the year end and the exchange fluctuations apportioned to the original cost of the assets acquired through such foreign currency.
- 1.3 Fixed assets acquired with financial assistance/subsidy from outside agencies, either wholly or partly, are taken in the books at net cost to the Company. However, numerical records are maintained in respect of tangible assets acquired free of cost.
- 1.4 Depreciation on fixed assets is charged on straight line method at the rates prescribed in Income Tax Act in respect of assets capitalised upto 1.4.1987 and at the rates prescribed in Companies Act (as amended from time to time), in respect of assets capitalised on or after 2.4.1987.
- 1.5 An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value on the reporting date and the carrying amount is reduced to the recoverable amount. The recoverable amount is measured as the higher of the net selling price and the value in use, which is determined based on the estimated future cash flows discounted to their present values. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.
- 2.0 Inventories:
- 2.1 Inventories relating to stores, spares, loose tools and implements are valued at cost adopting weighted average method. However, in respect of items not moving for more than 3 years and more than 5 years, a provision of 50% and 90% of the value respectively is made in the accounts towards deterioration in value.
- 2.2 Inventories relating to finished goods are valued at cost or net realisable value whichever is lower; work-in-process inclusive of overheads are valued at cost or net realisable value whichever is less. Raw Materials are valued at cost or net realisable value whichever is lower adopting weighted average method.
- 2.3 Stock of used/surplus/obsolete/unserviceable waste products like Iron Ore Fines, Char, Shale and Dull Coal etc., are valued at net realisable value and accounted for.
- 2.4 Initial spares received with equipment are capitalised along with the cost of equipment.
- 2.5 Stationery and medicines are charged off to expenditure on purchase. However, separate stock registers are maintained showing purchases, issues, etc.
- 3.0 Revenue Recognition:  
Sales are recognised when goods are despatched and are recorded, net of trade discounts, rebates, sales tax and excise duties etc.

Interest on investments is booked on a time proportion basis taking into account the amounts invested and the rate of interest.

Income from Works contracts including consultancy contracts is recognised and accounted for on percentage of completion method.

#### 4.0 Adjustments relating to previous years:

Only income or expenditure relating to previous years exceeding Rs.10,000/- in each case is classified to "Prior period".

#### 5.0 Incidental expenditure during construction:

Adjustments/transactions relating to the period of construction and arising thereafter involving Rs.1,00,000 and above in each individual case are capitalised.

#### 6.0 Deferred Tax:

Deferred tax resulting from "timing differences" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the Balance Sheet date. The deferred tax is recognized for all timing differences subject to the consideration of prudence.

#### 7.0 Gratuity:

Gratuity payable to eligible employees is administered by a separate Trust, which has taken a Group Gratuity Policy with LIC. Demands made by the Trust including the annual contribution and risk premium for the future service gratuity of the LIC Policy are charged to Profit and Loss Account.

#### 8.0 Grants-in-Aid:

Amounts received as grants-in-aid from the Government and the amount utilised out of the fund for the specific purpose, for which it was granted, will be identified and exhibited separately in the accounts.

#### 9.0 Accrued Leave Salary:

Liability towards Accrued Leave Salary, as at the end of the year is recognised on the basis of actuarial valuation and remitted to a fund maintained by LIC.

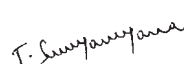
#### 10.0 Leave Travel Concession

Expenditure on encashment/availment of Leave Travel Concession is accounted for on the basis of the claim received/journey completed on or before the end of the year, as the liability on accrual basis is not ascertainable.

11.0 The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956. The Company generally follows mercantile system of accounting and recognises Income and Expenditure on accrual basis except sale of waste products and miscellaneous income.

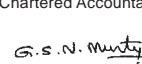
For and on behalf of Board of Directors

for G.S. Murty & Associates  
Chartered Accountants

  
(T. SURYANARAYANA  
Dy. Manager (Sys.)  
I/c of Finance

  
(SANJAY MANGAL)  
Director

  
(RANA SOM)  
Chairman-cum-  
Managing Director

  
(G.S.N. MURTY)  
Partner

Station : Hyderabad  
Date : 25th June 2009



Sponge Iron India Limited

## BALANCE SHEET AS AT 31ST MARCH 2009

(Rs. in Lakhs)

	Schedule	As at 31st March 2009	As at 31st March 2008
<b>SOURCES OF FUNDS :</b>			
1. SHARE HOLDERS' FUNDS :			
a) Capital	1	6509.75	6509.75
b) Reserves & Surplus	2	735.29	826.93
		<u>7245.04</u>	<u>7336.68</u>
2. LOAN FUNDS :			
a) Secured Loans	—	—	—
b) Unsecured Loans	—	—	—
		<u>—</u>	<u>—</u>
Deferred Tax Liability		630.49	751.12
<b>TOTAL</b>		<u><b>7875.53</b></u>	<u><b>8087.80</b></u>
<b>APPLICATION OF FUNDS :</b>			
1. FIXED ASSETS :			
a) Gross Block		5998.32	5989.09
Less: Depreciation		<u>4196.76</u>	<u>4062.14</u>
Net Block	3	1801.56	1926.95
b) Capital Work-in-Progress		<u>29.66</u>	<u>0.00</u>
		<u>1831.22</u>	<u>1926.95</u>
2. CURRENT ASSETS, LOANS & ADVANCES:			
a) Current Assets			
i) Inventories	4	966.04	427.71
ii) Sundry Debtors	4	145.22	291.28
iii) Cash and Bank Balances	4	4685.37	5501.81
b) Loans & Advances	5	<u>1008.67</u>	<u>675.24</u>
		<u>6805.30</u>	<u>6896.04</u>
Less: Current Liabilities & Provisions:			
A. Liabilities:	6	436.26	429.39
B. Provisions:	7	<u>324.73</u>	<u>305.80</u>
		<u>760.99</u>	<u>735.19</u>
NET CURRENT ASSETS		<u>6044.31</u>	<u>6160.85</u>
<b>TOTAL</b>		<u><b>7875.53</b></u>	<u><b>8087.80</b></u>
Contingent Liabilities not provided for and notes forming part of Accounts	16		

For and on behalf of Board of Directors

As per our report of even date  
for **M/s. G.S. Murty & Associates**  
Chartered Accountants

*T. Suryanarayana*

*Sanjay Mangal*

*Rana Som*

*G.S.N. Murthy*

**(T. SURYANARAYANA)**

**(SANJAY MANGAL)**

**(RANA SOM)**

**(G.S.N. MURTHY)**

Dy. Manager (Sys.)

Director

Chairman-cum-Managing

Partner

I/c. of finance

Director

Station : Hyderabad

Date : 25.06.2009



Sponge Iron India Limited

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

(Rs. in Lakhs)

	Schedule	For the year ended 31st March 2009	For the year ended 31st March 2008
<b>INCOME:</b>			
Sales Turnover		<b>4569.08</b>	6432.78
Less : Excise Duty		<b>489.29</b>	<u>859.65</u>
Net Sales Turnover		4079.79	5573.13
Income from Consultancy Contracts		<b>16.13</b>	37.28
Other Income	8	<b>550.28</b>	476.20
Increase/(Decrease) in Stock	9	<b>620.33</b>	<u>(171.98)</u>
<b>TOTAL</b>		<b>5266.53</b>	<b>5914.63</b>
<b>EXPENDITURE :</b>			
Consumption of Raw Materials	10	<b>3333.46</b>	3120.77
Consumption of Stores and Spares		<b>93.14</b>	133.79
Power, Fuel and Water		<b>180.93</b>	201.36
Payments and Benefits to Employees	11	<b>1473.88</b>	1074.81
Repairs and Maintenance	12	<b>47.97</b>	79.05
Interest		<b>0.00</b>	0.00
Other Expenses	13	<b>130.89</b>	175.79
Depreciation		<b>135.73</b>	142.88
<b>TOTAL</b>		<b>5396.00</b>	<u>4928.45</u>
Loss for the year before prior period adjustments & Taxes		<b>-129.47</b>	986.18
Income/(Expenditure) prior period adjustments (net)	14	<b>0.00</b>	<u>1.92</u>
<b>Loss Before Taxes</b>		<b>-129.47</b>	988.10
Taxes and provisions			
a) Current Year Income Tax		<b>76.60</b>	381.00
b) Fringe Benefit Tax		<b>6.20</b>	4.51
c) Earlier Years Income Tax		<b>0.00</b>	0.00
4) Deferred Tax Asset/(Liability)		<b>120.63</b>	<u>45.12</u>
<b>Loss After Taxes</b>		<b>-91.64</b>	647.71
Profit brought forward from previous year		<b>111.93</b>	116.54
Profit available for Appropriations		<b>20.29</b>	764.25
Less : Proposed Dividend		<b>0.00</b>	130.19
Tax on Proposed Dividend		<b>0.00</b>	22.13
General Reserve		<b>0.00</b>	<u>500.00</u>
<b>Balance Profit Carried over to Balance Sheet</b>		<b>20.29</b>	<u>111.93</u>
Detailed information required under Part II of Schedule VI to the Companies Act, 1956	15		

For and on behalf of Board of Directors

As per our report of even date  
for **M/s. G.S. Murty & Associates**  
Chartered Accountants

**(T. SURYANARAYANA)**  
Dy. Manager (Sys.)  
I/c. of finance

**(SANJAY MANGAL)**  
Director

**(RANA SOM)**  
Chairman-cum-Managing  
Director

**(G.S.N. MURTHY)**  
Partner

Station : Hyderabad  
Date : 25.06.2009



## SCHEDULE - 1

### SHARE CAPITAL

(Rs. in Lakhs)

	As at 31st March 2009	As at 31st March 2008
<b>AUTHORISED:</b> 66,00,000 Equity Shares (Previous year 66,00,000) of Rs.100/- each	<u>6600.00</u>	<u>6600.00</u>
<b>ISSUED, SUBSCRIBED &amp; PAID UP:</b> 64,26,406 (Previous year 64,26,406) Equity shares of Rs.100/- each fully paid up, held by Govt. of India	6426.41	6426.41
83,339 (Previous year 83,339) Equity shares of Rs.100/- each fully paid up, held by Govt. of A.P.	<u>83.34</u>	<u>83.34</u>
	<b>6509.75</b>	6509.75
Total	<u><b>6509.75</b></u>	<u>6509.75</u>

## SCHEDULE - 2

### RESERVES AND SURPLUS

(Rs. in Lakhs)

	As at 31st March 2009	As at 31st March 2008
Capital Reserve	-	-
General Reserve	700.00	700.00
Backward area subsidy	15.00	15.00
Profit & Loss Account	20.29	111.93
Total	<u>735.29</u>	<u>826.93</u>

**SCHEDULE - 3**
**FIXED ASSETS**

(Rs. in lakhs)

Sl. No.	Particulars	GROSS BLOCK			DEPRECIATION BLOCK				NET BLOCK			
		As at 31/03/08	Additions	Deletions/ Adjustments	As at 31.03.09	Upto 31/03/08	For the year	Adjustments relating to earlier year	Deductions/ Adjustments during the year	Upto 31/3/09	As at 31/03/09	As at 31/03/08
1	Land including Land Development	13.37	0.00	0.00	13.37	0.00	0.00	0.00	0.00	0.00	13.37	13.37
2	Buildings	1428.42	0.98	0.00	1429.40	607.40	36.22	0.00	0.00	643.62	785.78	821.02
3	Plant & Machinery	4420.47	7.82	0.00	4428.29	3347.13	97.29	0.00	0.00	3444.42	983.87	1073.34
4	Heavy Mobile Equipment	65.08	0.00	0.00	65.08	65.07	0.00	0.00	0.00	65.07	0.01	0.01
5	Vehicles	22.10	0.00	1.11	20.99	8.81	1.29	0.00	-1.11	8.99	12.00	13.29
6	Furniture & Fittings	39.65	1.54	0.00	41.19	33.73	0.93	0.00	0.00	34.66	6.53	5.92
	Total	5989.09	10.34	1.11	5998.32	4062.14	135.73	0.00	-1.11	4196.76	1801.56	1926.95
	Figures for the Previous Year-	5792.04	197.45	0.40	5989.89	3919.66	142.88	0.00	-0.40	4062.14	1926.95	

**SCHEDULE – 3 (CONTD...)**

- 1.0 The above schedule does not include
- 1.1 The value of Assets & Services received as grant from United Nations Development Programme amounting to Rs.436.62 lakhs (Previous Year Rs.436.62 lakhs), Rs.394.71 lakhs (Previous Year Rs.394.71 lakhs) towards first plant & Rs.41.91 lakhs (Previous Year Rs.41.91 lakhs) towards standardization of Melting Technology.
  - 1.2 Value of assets acquired against R&D Grant from Government of India amounting to Rs.47.09 lakhs (Previous Year Rs.47.09 lakhs).
  - 1.3 The present value of the aforesaid assets is negligible and are not in use, hence the non-inclusion in the Schedule has no impact on the Balance Sheet during the year.
  - 1.4 The 'Retired Assets' equivalent value of Rs.92.60 lakhs (including railway siding WDV valued at Rs.7.94 lakhs) was provided upto 2003-04 towards deterioration in the value since the same can not be put to further use and disposed off as assets (Previous Year Rs.92.60 lakhs).
- 2.0 The above schedule include:
- 2.1 Land including land development consists of land to the extent of Ac.318.29 guntas purchased from APIIC for Rs.7.19 lakhs.
  - 2.2 Buildings includes 153 quarters constructed on 19.53 acres purchased from APIIC for Rs.30.28 lakhs.
  - 2.3 The DG Set at Registered Office is jointly held by the Company with NMDC, MECON and the value of Rs.7.30 lakhs shown in the books represents only the share of SAIL. The WDV as on 31.03.2009 is Rs.3.41 lakhs (Previous Year Rs.3.77 lakhs).
- 3.0 SAF Plant has been capitalised w.e.f. 01.04.1999. During the year efforts were made to operate the plant but could not continue due to uneconomical market conditions. As per the Accounting Standard (AS-28) on "Impairment of Asset" the company had assessed the value of the asset based on Valuation Report and found no further impairment loss during the year. However, an amount of Rs.43.82 lakhs (Previous Year Rs.43.82 lakhs) has been provided as normal depreciation to cover the diminution/deterioration of the asset during the year.
- 4.0 An amount of Rs.29.66 lakhs was incurred towards preparation of Techno Economic Feasibility Report (TEFR) by M/s. MECON Ltd., and REIA Report by M/s. Pragathi Labs & Contracts during the year 2008-09 for expansion of Sponge Iron Plant, which was shown under Capital Work-in-Progress.
- 5.0 Assets pertaining to Social Amenities included in the schedule are as under:

(Rs. in lakhs)

	As at 31 <sup>st</sup> March, 2009		As at 31 <sup>st</sup> March, 2008	
	Gross Block Rs.	Depreciation Rs.	Gross Block Rs.	Depreciation Rs.
Township	233.39	84.34	232.41	80.74
School & Educational Facilities	37.13	9.19	37.13	8.79
Medical Facilities	0.22	0.22	0.22	0.22
<b>Total</b>	<b>270.74</b>	<b>93.75</b>	269.76	89.75



## SCHEDULE - 4

### CURRENT ASSETS

(Rs. in Lakhs)

	As at 31st March 2009	As at 31st March 2008
<b>1. INVENTORIES:</b> (As certified by the Management)		
a) (i) Stores and Spares at cost (includes goods in transit Rs.NIL; Previous Year Rs.NIL)	185.70	175.30
Less Provision for non-moving stores	<u>53.22</u>	<u>51.20</u>
	<b>132.48</b>	124.10
b) Raw materials at cost (includes goods in transit Rs.NIL; Previous Year Rs.NIL)	69.79	160.17
c) Finished Goods - Sponge Iron	640.76	27.65
d) Work-in-Process:	47.48	53.09
e) Waste Products	75.53	62.70
<b>Total</b>	<u><b>966.04</b></u>	<u><b>427.71</b></u>
<b>2. SUNDRY DEBTORS:</b>		
a) Debts outstanding for a period exceeding six months	38.24	45.84
b) Other debts	123.24	267.18
	<u>161.48</u>	<u>313.02</u>
Less: Provision for doubtful debts	16.26	21.74
<b>Total</b>	<u><b>145.22</b></u>	<u><b>291.28</b></u>
<b>PARTICULARS OF SUNDRY DEBTORS:</b> Debts considered good in respect of which -		
i. The Company is fully secured by letters of credit/BG/Others	—	—
ii. The Company holds no security other than the debtors' personal security	145.22	291.28
iii. Debts considered doubtful	16.26	21.74
<b>Total</b>	<u><b>161.48</b></u>	<u><b>313.02</b></u>



### SCHEDULE - 4 (Contd.....)

(Rs. in Lakhs)

	As at 31st March 2009	As at 31st March 2008
<b>3. CASH AND BANK BALANCES :</b>		
Cash on hand	0.27	0.42
Balances with Scheduled Banks		
- in Current and CC Account	404.63	50.20
- in Short Term Deposits	4280.47	5451.19
<b>Total</b>	<b>4685.37</b>	<b>5501.81</b>

### SCHEDULE - 5

#### LOANS AND ADVANCES

(Rs. in Lakhs)

	As at 31st March 2009	As at 31st March 2008
a) Advances recoverable in cash or kind or for value to be received	769.54	360.86
b) Other Current Assets	187.60	236.39
c) Prepaid Expenses	8.37	29.58
d) Deposits with Customs Authorities	0.03	0.03
e) Other Deposits	43.13	48.38
<b>Total</b>	<b>1008.67</b>	<b>675.24</b>
Note :		
(a) Loans & Advances considered good in respect of which:		
(i) The Company is fully secured	-	-
(ii) The Company holds no security other than debtors personal security	1008.67	675.24
<b>Total</b>	<b>1008.67</b>	<b>675.24</b>
(b) Amount due by officers of the Company :		
(i) Amount due	-	-
(ii) Maximum amount due at any time during the year	0.20	0.15



## SCHEDULE - 6

### CURRENT LIABILITIES

(Rs. in Lakhs)

	As at 31st March 2009	As at 31st March 2008
Sundry Creditors (Outstanding dues of micro and small enterprises Rs. NIL; Previous Year Rs. NIL)	–	–
Other than micro and small enterprises	222.26	237.27
Advances and Deposits from Suppliers, Contractors and others	74.60	154.45
Other Liabilities	139.40	37.67
<b>Total</b>	<u>436.26</u>	<u>429.39</u>

## SCHEDULE - 7

### PROVISIONS

(Rs. in Lakhs)

	As at 31st March 2009	As at 31st March 2008
<b>Gratuity:</b>		
Accrued Liability	584.10	448.75
Less : Fund with LIC	584.10	448.75
	–	–
<b>Leave Salary :</b>		
Accrued Liability	591.54	472.17
Less: Fund with LIC	591.54	472.17
	–	–
For Outstanding Expenses (Employees Benefits)	324.73	153.48
Proposed Dividend	0.00	130.19
Dividend Tax	0.00	22.13
<b>Total</b>	<u>324.73</u>	<u>305.80</u>



## SCHEDULE - 8

### OTHER INCOME

(Rs. in Lakhs)

	For the year ended 31st March, 2009	For the year ended 31st March 2008
Interest on Deposits with		
- Banks (Includes TDS Rs. 102.98 lakhs Previous Year Rs. 104.84 Lakhs)	472.64	439.29
- Others	2.99	3.94
	<u>475.63</u>	<u>443.23</u>
Rent Receipts	12.68	11.50
Income from power export	6.38	6.85
Miscellaneous Income	55.59	14.62
<b>Total</b>	<u>550.28</u>	<u>476.20</u>

## SCHEDULE - 9

### INCREASE/(DECREASE) IN STOCK

(Rs. in Lakhs)

	For the year ended 31st March, 2009	For the year ended 31st March 2008
1. FINISHED GOODS:		
SPONGE IRON:		
Balance as at the close of the year	640.76	27.65
Less: Balance as at the beginning of the year	<u>27.65</u>	<u>112.99</u>
	613.11	(85.34)
2. WORK-IN-PROCESS:		
MATERIALS:		
Balance as at the close of the year	47.48	53.09
Less: Balance as at the beginning of the year	<u>53.09</u>	<u>49.69</u>
	(5.61)	3.40
3. WASTE PRODUCTS:		
Balance as at the close of the year	75.53	62.70
Less: Balance as at the beginning of the year	<u>62.70</u>	<u>152.74</u>
	12.83	(90.04)
<b>INCREASE/(DECREASE)</b>	<u>620.33</u>	<u>(171.98)</u>

**SCHEDULE - 10****CONSUMPTION OF RAW MATERIALS****(Rs. in Lakhs)**

	For the year ended 31st March, 2009		For the year ended 31st March, 2008	
	Quantity (Tonnes)	Amount	Quantity (Tonnes)	Amount
Iron Ore	87412.50	2092.36	110970.33	1841.22
Coal	57463.24	1211.33	64637.91	1247.05
Lime Stone	1348.07	7.31	1853.00	9.96
Others	–	0.00	–	2.74
Internal Handling of raw materials		22.46		19.80
<b>Total</b>		<b>3333.46</b>		<b>3120.77</b>

**SCHEDULE - 11****PAYMENTS AND BENEFITS TO EMPLOYEES****(Rs. in Lakhs)**

	For the year ended 31st March, 2009	For the year ended 31st March, 2008
Salaries and Wages	1020.94	707.11
Group Leave Encashment Policy	101.04	200.00
Provident Fund	79.81	83.82
Group Gratuity Policy	171.97	1.50
Employees Group Insurance & Workmen and Staff Welfare Expenses	100.12	82.38
<b>Total</b>	<b>1473.88</b>	<b>1074.81</b>

**SCHEDULE - 12****REPAIRS AND MAINTENANCE****(Rs. in Lakhs)**

	For the year ended 31st March, 2009	For the year ended 31st March, 2008
Buildings	5.44	21.47
Plant and Machinery	20.14	27.84
Others	22.39	29.74
<b>Total</b>	<b>47.97</b>	<b>79.05</b>



**SCHEDULE - 13**

**OTHER EXPENSES**

(Rs. in Lakhs)

	For the year ended 31st March, 2009	For the year ended 31st March 2008
Rent	0.53	0.90
Insurance	4.48	6.69
Rates & Taxes	17.59	61.97
Travelling Expenses	4.45	4.71
Directors' Travelling Expenses:		
Chairman-cum-Managing Director	2.27	2.15
Others	<u>0.39</u>	<u>0.00</u>
	2.66	2.15
Payment to Auditors:		
(i) Audit Fee - as Auditors	0.70	0.50
(ii) Tax Audit	0.15	0.15
(iii) Travelling & out of pocket expenses	<u>0.16</u>	<u>0.14</u>
	1.01	0.79
Shortage/Damage of Stores written off	0.40	0.17
Shortage of raw materials written off	0.38	1.53
Selling & Distribution Expenses	3.15	2.33
Internal Handling of Finished & Waste Products	17.52	19.72
Provision for Non moving Stores	2.02	3.09
Bad/Doubtful Debts written off	0.76	0.00
Expenses on Security Services	25.38	26.21
Entertainment	0.00	0.08
Advertisement and Publicity	2.76	2.69
Postage, Telephone & Fax Charges	4.87	5.24
Printing & Stationery	4.97	5.55
Bank Charges	0.93	3.78
Professional fees and expenses	3.80	5.67
POL for transport	1.92	1.48
Consultancy Expenses	9.16	0.00
Miscellaneous Expenses	22.15	21.04
<b>Total</b>	<u>130.89</u>	<u>175.79</u>



## SCHEDULE - 14

### ADJUSTMENTS RELATING TO PREVIOUS YEARS

(Rs. in Lakhs)

	For the year ended 31st March, 2009		For the year ended 31st March, 2008	
	Debit	Credit	Debit	Credit
Other Expenses & Under Provisions	0.00	0.00	1.25	0.00
Other Income & Excess Provisions written back	0.00	0.00	0.00	3.17
Adjustment of Sales - Earlier Year	0.00	0.00	0.00	0.00
Total	0.00	0.00	1.25	3.17
<b>Net income/(expenditure)</b>		<b>0.00</b>		<b>1.92</b>

## SCHEDULE - 15

### DETAILED INFORMATION REQUIRED UNDER PART - II OF SCHEDULE VI TO THE COMPANIES ACT, 1956

	For the year ended 31st March, 2009		For the year ended 31st March, 2008	
	Qty.(t)		Qty.(t)	
1. Particulars of Licenced Capacity, Installed Capacity and Actual Production:				
(a) Licenced Capacity	60,000		60,000	
(b) Installed Capacity	60,000		60,000	
(c) Actual Production - Sponge Iron	30,489		43,331	
	<b>Value</b>	<b>Percentage</b>	<b>Value</b>	<b>Percentage</b>
	<b>Rs. in</b>		<b>Rs. in</b>	
	<b>Lakhs</b>		<b>Lakhs</b>	
2. Particulars of consumption of Raw Materials, Stores, Spare parts & Components				
(a) Raw Materials - Imported	0.00	0.00	0.00	0.00
- Indigenous	3311.00	100.00	3100.97	100.00
(b) Stores/Spare parts - Imported	0.00	0.00	0.00	0.00
- Indigenous	93.14	100.00	133.79	100.00



**SCHEDULE - 15 (Contd...)**

(Rs. in Lakhs)

	For the year ended 31st March, 2009		For the year ended 31st March, 2008	
	Qty.(t)	(Rs. Lakhs)	Qty.(t)	(Rs.Lakhs)
3. Particulars of Sales:				
Sponge Iron	24914.00	3871.42	42657.60	5270.12
DRI Briquettes	289.00	36.89	1788.91	185.14
4. Particulars of Opening & Closing Stocks:				
(a) Opening Stock - Sponge Iron	267	25.22	1358	107.97
- Briquettes	20	2.43	53	5.02
(b) Closing Stock - Sponge Iron	5547	639.33	267	25.22
- Briquettes	12	1.43	20	2.43
5. Particulars of Directors' Remuneration (Rs. in lakhs)				
(a) Salaries		15.93		6.22
(b) Contribution to PF & GIS		1.45		0.68
(c) Contribution to Gratuity		3.50		0.00
(d) Medical reimbursement		7.48		0.47
(e) Leave Travel Concession		1.43		0.41
(f) House Rent		0.53		0.90
(g) Others		0.09		0.07
<b>Total (5)</b>		<b>30.41</b>		<b>8.75</b>
6. Particulars of expenses incurred on employees who were in receipt of remuneration at a rate which in aggregate was not less than Rs.24,00,000 per annum or Rs.2,00,000 per month				
a) Employed throughout the Financial Year				
i) No. of Employees		NIL		NIL
ii) Amount paid or estimated to be payable:				
Salaries		NIL		NIL
Contribution to PF		NIL		NIL
b) Employed part of the Financial Year:		NIL		NIL
7. Earnings in Foreign Exchange (Rs. in lakhs)		7.03		47.17
8. Particulars of value of imports on CIF basis		NIL		NIL
9. Expenditure incurred in Foreign Currency (Rs. in lakhs)		0.00		6.10



**Schedule-15 (Contd.)**

**STATEMENT PURSUANT TO PART IV OF SCHEDULE - VI TO THE COMPANIES ACT, 1956**

**Balance Sheet Abstract and Company's General Business Profile**

**I. Registration Details**

Registration No. 

0	0	1	8	6	6
---	---	---	---	---	---

State Code 

0	1
---	---

Balance Sheet Date 

3	1	0	3	0	9
---	---	---	---	---	---

  
Date Month Year

**II. Capital Raised during the year (Amount Rs. in Thousands)**

Public Issue 

										N	I	L
--	--	--	--	--	--	--	--	--	--	---	---	---

Bonus Issue 

													N	I	L
--	--	--	--	--	--	--	--	--	--	--	--	--	---	---	---

Rights Issue 

													N	I	L
--	--	--	--	--	--	--	--	--	--	--	--	--	---	---	---

Private Placement 

													N	I	L
--	--	--	--	--	--	--	--	--	--	--	--	--	---	---	---

**III. Position of Mobilisation and Deployment of Funds (Amount Rs.in Thousands)**

Total Liabilities 

						8	6	3	6	5	2
--	--	--	--	--	--	---	---	---	---	---	---

Total Assets 

						8	6	3	6	5	2
--	--	--	--	--	--	---	---	---	---	---	---

**Source of Funds**

Paid-up Capital 

						6	5	0	9	7	5
--	--	--	--	--	--	---	---	---	---	---	---

Reserves & Surplus 

						7	3	5	2	9
--	--	--	--	--	--	---	---	---	---	---

Secured Loans 

													N	I	L
--	--	--	--	--	--	--	--	--	--	--	--	--	---	---	---

Unsecured Loans 

													N	I	L
--	--	--	--	--	--	--	--	--	--	--	--	--	---	---	---

**Application of Funds**

Net Fixed Assets 

						1	8	0	1	5	6
--	--	--	--	--	--	---	---	---	---	---	---

Investments 

													N	I	L
--	--	--	--	--	--	--	--	--	--	--	--	--	---	---	---

Net Current Assets 

						6	0	4	4	3	1
--	--	--	--	--	--	---	---	---	---	---	---

Misc. Expenditure 

													N	I	L
--	--	--	--	--	--	--	--	--	--	--	--	--	---	---	---

Accumulated Losses 

													N	I	L
--	--	--	--	--	--	--	--	--	--	--	--	--	---	---	---

**IV. Performance of the Company (Amount Rs. in Thousands)**

Turnover 

						5	2	6	6	5	3
--	--	--	--	--	--	---	---	---	---	---	---

Total Expenditure 

						5	3	9	6	0	0
--	--	--	--	--	--	---	---	---	---	---	---

+ - Profit/(Loss) Before Tax 

						(-)	1	2	9	4	7
--	--	--	--	--	--	-----	---	---	---	---	---

+ - Profit/(Loss) After Tax 

						(-)	9	1	6	4
--	--	--	--	--	--	-----	---	---	---	---

(Please tick Appropriate box + for profit, -for loss)

(Please tick Appropriate box + for profit, -for loss)

**Earnings per share (Rs.)**

													N	I	L
--	--	--	--	--	--	--	--	--	--	--	--	--	---	---	---

**Dividend Rate (%)**

													N	I	L
--	--	--	--	--	--	--	--	--	--	--	--	--	---	---	---

**V. Generic Names of Three Principal Products/Services of the Company (As per Monetary Terms)**

Item Code No. (ITC Code) 

						7	2	0	1	5	0	0	9
--	--	--	--	--	--	---	---	---	---	---	---	---	---

(Sponge Iron)

Item Code No. (ITC Code) 

						9	8	0	1	0	0	0	1
--	--	--	--	--	--	---	---	---	---	---	---	---	---

(Engg. & Consultancy Services)

Item Code No. (ITC Code) 

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--



## SCHEDULE – 16

### NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009

1. Contingent liabilities not provided for in respect of the following, which were not acknowledged as debts :
  - a) Bills discounted under LC Rs.NIL (Previous Year Rs.242.41 lakhs)
  - b) Power Grid charges Rs.57.26 lakhs (Previous Year Rs.57.26 lakhs).
  - c) Suits filed by ex-employees for additional compensation not quantifiable.
2. C/H Forms due and not received as on 31<sup>st</sup> March, 2009 worth Rs.1.71 lakh provided during the year (Previous Year Rs.1.43 lakh not provided and shown under contingent liabilities).
3. The estimated amount of contracts remaining to be executed on Capital Account is Rs.NIL (Previous Year Rs.NIL).
4. Excise Duty on closing stock amounting to Rs.48.78 lakhs provided for (Previous year Rs.3.49 lakhs).
5.
  - a) An amount of Rs.99.71 lakhs was provided in the Annual Accounts for 2000-01 towards sales tax payable on char sales pending disposal of the Company's Appeal before the Sales Tax Appellate Tribunal. The appeal was disposed off against the company by the Tribunal during the year 2001-02. However, the Company filed a Tax revision case before the Hon'ble High Court of Andhra Pradesh during April, 2002 and the same is pending for final hearing. In the meantime the company was compelled to pay the amount under protest in 2001-02, 2002-03 and 2003-04 and the case is pending.
  - b) The Company has filed a Tax Revision Case before Hon'ble High Court of Andhra Pradesh in the matter of input tax credit under A.P.VAT Act disallowed on coal amounting to Rs.37.04 lakhs, a provision was made for equivalent amount in the year 2006-07 and the same is pending. In the meantime, a petition was filed before the Hon'ble High Court of Andhra Pradesh and obtained Interim Stay Order on payment of above amount in September, 2009. Hence, the provision amount of Rs.37.04 lakhs in our books is still pending until the case is decided.
  - c) The Company has received demand notices from Sales Tax Department pertaining to the periods from 1991-92 to 2003-04 amounting to Rs.66.97 lakhs out of which Rs.39.65 lakhs was paid and for the balance amount provision was made in the earlier years against which appeals are pending. In the meantime Demand Notice was received from Asst. Commissioner, CT, Warangal, for payment of Rs.17.60 lakhs for 2000-01 & 2003-04 and the same was paid in September, 2008 against the provision amounts available in the Books of Account.
  - d) The Company has received two Demand Notices during the year 2004-05 (APGST) for Rs.1,44,454/- and for the year 2005-06 (APVAT) for Rs.7,73,731/- from Asst. Commissioner of Commercial Taxes, Warangal, which was contested by appeals filed before the Appellate Dy. Commissioner, Warangal and Dy. Commissioner of Commercial Taxes, Warangal. As the appeals are pending before the ADC/DCCT, Warangal, no provision was made.
  - e) The Company received two notices u/s.143(3) and u/s.148 of I.T. Act, re-assessing the taxable income for the Assessment Years 2001-02 and 2003-04 amounting to Rs.153.04 lakhs as MAT, which were contested by the company there upon Assessment Orders revised to Rs.76.40 lakhs from Rs.153.04 lakhs against which appeals are pending before Income Tax Appellate Tribunal, Hyderabad. The Company also received two notices u/s.148 of I.T. Act, re-assessing the taxable income for the Assessment Years 2000-01 and 2002-03 amounting to Rs.21.96 lakhs, which were contested by the Company and filed the appeals before Commissioner of Income Tax (Appeals-IV), Hyderabad. As the appeals are pending no provision was made during the year.
  - f) The Income Tax Assessments for the year 2004-05 and 2005-06 were completed in 2007-08 with a demand of Rs.1212.63 lakhs & Rs.845.51 lakhs respectively, against which the Company has filed appeals before the Commissioner of I.T. Appeals-4, Hyderabad. As the appeals are pending no provision was made during the year. In the meantime, an appeal was also filed before the Assessing Officer (DCIT, Hyd.) for rectification of Demand amount from Rs.845.41 lakhs to Rs.552.40 lakhs u/s.154 and the same was considered and received a revised Demand Notice for Rs.552.40 lakhs on 25.06.2008. Further, Income Tax Assessment for 2006-07 is also completed during the year and Notice u/s.143(3) was received for Rs.62.98 lakhs for which an appeal was filed in December, 2008 before the Commissioner of Income Tax-(Appeals)-4, Hyderabad. Hence, no provision was made.
6. Cash Credit Limits with State Bank of Hyderabad, Masab Tank Branch, Hyderabad availed as on 31.03.2009 is NIL (Previous year NIL). The maximum permissible limit (including non-fund based) is Rs.590 lakhs (Previous year



Rs.590 lakhs) is secured by Hypothecation of Raw Materials, Work-in-Process, Finished Goods, Book Debts, Stores and Spares and Other Current Assets.

7. Back billing charges to the extent of Rs.50.69 lakhs (Rs.36.54 lakhs for the period from 04.03.97 to 27.09.97 and Rs.14.15 lakhs for the period from 23.04.98 to 27.05.98) was paid to the AP TRANSCO under protest in the earlier years and writ petitions filed in the Hon'ble High Court of Andhra Pradesh are pending.
8. a) Gratuity liability for the year is fully covered by the new Group Gratuity Policy under "the cash accumulation scheme" of LIC of India which is administered by a separate trust. Demand made by the Trust including the annual renewal premium is charged to Profit & Loss Account amounting to Rs.172 lakhs (Previous year Rs.1.50 lakhs).
- b) The Company has taken Group Leave Encashment Scheme of LIC (GLES) to cover the liability on unutilized leave at the credit of the employees and demand received from LIC was paid and charged to Profit & Loss Account amounting to Rs.73.99 lakhs (Previous Year Rs.200.00 lakhs).
  - i) The requirements under AS-17 for segment reporting is not applicable to the company as its main activity is only production and sale of sponge iron and the CPP/FBC Unit is only a sub unit which was set up for supplementing the power needs of the sponge iron plant to some extent by utilizing the kiln off gases during the production of sponge iron.
  - ii) Related party disclosure:  
Remuneration of Key Management Personnel:

(Rs. in Lakhs)

		2008-09	2007-08
1)	Shri V.K. Uppal, Chairman-cum-Managing Director	30.41	8.75
	<b>Total</b>	<b>30.41</b>	<b>8.75</b>

iii) **Deferred Tax (Liability) / Assets :**

Sl. No.	Particulars	31.03.2009 (Rs. in lakhs)	31.03.2008 (Rs. in lakhs)
	<b>Liability:</b>		
i)	Deferred Tax on account of Depreciation	(10.54)	(9.07)
	Total Liability	(10.54)	(9.07)
	<b>Assets:</b>		
ii)	Provision for Non-moving Stocks	0.69	1.05
iii)	Wages Revision Arrears	109.40	35.00
	<b>Total Assets</b>	<b>110.09</b>	<b>36.05</b>
	<b>Net Deferred Tax Assets/(Liability)</b>	<b>120.63</b>	<b>45.12</b>

Deferred Tax Asset (net) amounting to Rs.120.63 lakhs has been recognized in the Profit & Loss Account of the year 31<sup>st</sup> March, 2009. Provision for deferred tax has been made at the effective tax rate applicable to the company.

9. Loans & Advances (Schedule-5) includes recoverable adhoc advance payment of Rs.20.10 lakhs on a dispute raised by unions on account of IDA to Non-Executives from 01.07.1992 to 31.12.1998. In view of the Hon'ble High Court direction, the recovery of amount from the employees was stopped from July, 2006.
10. The wage revision of pay scales of Executives & Non-Executives of the Company is due from 01.01.07 and 01.07.07 respectively. The company has made provisions for wage revision arrears in the Books of Accounts for Rs.321.84 lakhs. During the year the Company has paid Rs.121.08 lakhs towards recoverable adhoc advance payment against the arrears.
11. Letters seeking confirmation of balances from sundry debtors, sundry creditors, loans and advances as on 31.03.2009 were issued and replies are awaited in most of the cases. Necessary adjustments, if any, will be made after reconciliation.



Sponge Iron India Limited

12. The office of the Commissioner of Customs and Central Excise, Hyderabad-III Commissionerate and Commissioner of Central Excise, Warangal Division, has issued the following Unconfirmed and Confirmed Demands:

A. Unconfirmed Demands :

SCN No. OR No.60/07-Hyd-III/Adj	Date 05.06.07	Period 10/06 to 03/07	Duty 13,272/-	Interest NIL	Penalty NIL	Status Reply Ref. 884/07-08, 16.06.2007
C.No. V/72/15/11/05	21.04.08	04/07 to 11/07	21,264/-	NIL	NIL	Reply Ref. 300/08-09, 15.05.2008
C.No.V/72/15/11/05	18.12.08	12/07 to 09/08	59,555/-	NIL	NIL	Reply 802/08-09 16.01.2009

B. Confirmed Demands :

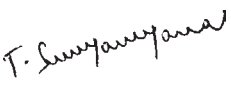
010 No/Date/Adjudicating authority	Period	Duty Confirmed	Interest	Penalty Imposed	Status
01/09 dated 31.03.09 Issued by the Assistant Commissioner of C. Ex. Warangal Division	05/05 to 12/07	2,40,277/-	Demanded u/r 14 of CCR, 04 r/w Sec. 11AB of CEA '44	10,000/-	Claim lodged with Commissioner (Appeals) CE 27/563/09-10 08.06.2009
	01/08 to 11/08	1,02,387/-			

13. Figures for the previous year have been regrouped, wherever necessary to confirm to the classification of current year.

Signatories to Schedules "1 to 16".

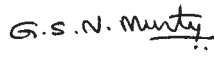
For and on behalf of Board of Directors

As per our report of even date  
for **M/s. G.S. Murty & Associates**  
Chartered Accountants

  
**(T. SURYANARAYANA)**  
Dy. Manager (Sys.)  
I/c. of finance

  
**(SANJAY MANGAL)**  
Director

  
**(RANA SOM)**  
Chairman-cum-Managing  
Director

  
**(G.S.N. MURTHY)**  
Partner

Station : Hyderabad  
Date : 25.06.2009



## EXPENDITURE ON SOCIAL AMENITIES

(Rs. in Lakhs)

	FOR THE YEAR ENDED 31 <sup>ST</sup> MARCH, 2009				
	Township	School & Educational Facilities	Medical Facilities	Social & Cultural Activities	Total
Consumption of Stores & Spares	3.78 (2.67)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	3.78 (2.67)
Repairs and Maintenance	0.81 (0.32)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.81 (0.32)
Other expenses	14.83 (15.52)	0.00 (0.00)	0.39 (0.17)	0.26 (0.36)	15.48 (16.05)
Depreciation	3.60 (3.48)	0.40 (0.41)	0.00 (0.00)	0.00 (0.00)	4.00 (3.89)
<b>Total</b>	<b>23.02</b> <b>(21.99)</b>	<b>0.40</b> <b>(0.41)</b>	<b>0.39</b> <b>(0.17)</b>	<b>0.26</b> <b>(0.36)</b>	<b>24.07</b> <b>(22.93)</b>
Less : Receipts	1.51 (1.61)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	1.51 (1.61)
Net Expenditure	21.51 (20.38)	0.40 (0.41)	0.39 (0.17)	0.26 (0.36)	22.56 (21.32)

(Previous year figures are given in brackets)

## EXPENDITURE ON PUBLIC RELATIONS / PUBLICITY AND FOREIGN TRAVEL

(Rs. in Lakhs)

	For the year ended 31st March, 2009	For the year ended 31st March, 2008
<b>1. DETAILS OF EXPENDITURE ON PUBLIC RELATIONS / PUBLICITY</b>		
1.1 Expenditure on Public Relations / Publicity	<b>0.50</b>	0.33
1.1 Expenditure on Staff engaged in Public Relations / Publicity works		
1.2.1 Salaries and Allowances	<b>5.39</b>	3.34
1.2.2 Welfare Expenses	<b>0.40</b>	0.35
	<b>5.79</b>	3.69
	<b>6.29</b>	4.02
1.2.3 Ratio of annual expenditure on Advertisement / Publicity to annual income	<b>1 : 10533</b>	1 : 18728
<b>2. EXPENDITURE ON FOREIGN TRAVEL</b>		
2.1 Number of Foreign Tours undertaken	<b>NIL</b>	1
2.2 Expenditure incurred (includes foreign currency equivalent Rs. in lakhs)	<b>NIL</b>	6.1



## SUMMARY OF OPERATING RESULTS 1999 – 2009

S.No	Particulars	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
1.	PHYSICAL Production (tonnes)	39,793	55,786	64,507	71,603	69,509	57,501	48,302	55,194	43,331	30,489
	Product Sales (tonnes)	48,986	55,819	62,172	73,943	68,072	58,174	48,215	54,670	44,447	<b>25,203</b>
2.	FINANCIAL (Rs. in Lakhs)										
	Gross Income	2,243	4,441	3,471	4,696	6,348	6,695	4,818	5,632	5,915	<b>5,266</b>
	Working Costs	2,852	3,442	3,052	3,423	4,376	5,039	4,126	4,877	4,784	<b>5,260</b>
	Gross Profit	(-)609	999	419	1,273	1,972	1,656	692	755	1,131	<b>6</b>
	Interest	498	12	31	57	5	0	0	0	0	<b>0</b>
	Depreciation	363	323	333	314	243	232	126	126	143	136
	Net Profit/Loss(-) **	(-)1470	664	55	851	1,298	393	318	402	648	<b>-92</b>
	Dividend Paid (Incl. Tax)	—	—	—	104	426	203	74	95	152	<b>--</b>

\*\* After making adjustments relating to impairment / deferred tax liabilities and assets.

## PERFORMING RATIOS (1999 – 2009)

Particulars	1999-00	2000-01 *	2001-02	2002-03 @	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Return on Capital Employed* (%)	—	14.42	1.11	13.90	20.00	5.52	4.32	5.27	8.00	<b>--</b>
Return on Investment** (%)	—	10.18	0.84	11.47	20.00	6.04	4.88	6.18	9.95	<b>--</b>
Earnings per share (Rs.)	—	10.21	0.84	11.47	20.00	6.00	4.88	6.18	9.95	<b>--</b>
Debt : Equity Ratio	1:0.16	1:4426	1:1120	1:1638	\$	\$	\$	\$	\$	<b>--</b>

\* Investment includes Shareholders Equity and Reserves as at the end of the year

@ After restructuring ordered by GOI in March, 2001

\$ Company is a debt free.



**FUNDS – FLOW STATEMENT (1999-2009)** (Rs. in Lakhs)

S.No.	Particulars	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
1.	<b>SOURCES</b>										
	Share Capital	—	3251	—	—	—	—	—	—	—	—
	Loans	100	100	300	—	—	—	—	—	—	—
	Grants (for R&D)	—	—	—	—	—	—	—	—	—	—
	Profit / Loss (-)	-1470	664	55	747	873	1,424	566	629	988	-130
	Depreciation	363	323	333	314	243	232	126	126	143	136
	Deferred Tax Asset	—	—	—	—	—	—	10	33	45	121
	<b>Total</b>	<b>-1007</b>	<b>4338</b>	<b>688</b>	<b>1061</b>	<b>1116</b>	<b>1,656</b>	<b>702</b>	<b>788</b>	<b>1,176</b>	<b>127</b>
2.	<b>APPLICATIONS</b>										
	Capital Expenditure	171	100	—	—	—	—	26	26	197	9
	Repayment of Loans	—	3251	—	50	350	—	—	—	—	—
	Increase / Decrease (-) of working capital	836	987	688	907	340	446	340	407	441	35
	Income tax	—	—	—	—	—	536	262	260	386	83
	Def. Tax Liability	—	—	—	—	—	495	—	—	—	—
	R & D Expenditure	—	—	—	—	—	—	—	—	—	—
	Dividend Paid (Incl. Tax)	—	—	—	104	426	179	74	95	152	—
	<b>Total</b>	<b>1007</b>	<b>4338</b>	<b>688</b>	<b>1061</b>	<b>1116</b>	<b>1656</b>	<b>702</b>	<b>788</b>	<b>1,176</b>	<b>127</b>

**HUMAN RESOURCE ACCOUNTING (1999-2009)**

S.No.	Particulars	1999-00	2000-01 ***	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Employee Costs (Rs. in Lakhs)	604	789*	649*	634*	992*	761	779	996	1075	1474
2.	No. of employees (at year end)	395	342	332	330	322	316	311	306	302	304
3.	Avg. cost per employee (Rs. in lakhs)	1.53	2.31*	1.96*	1.92*	3.09*	2.50*	2.50*	3.25*	3.56*	4.85*
4.	Value added per employee (Rs. in lakhs)	1.10	3.55	4.26	6.39	11.02	12.02	5.07	5.67	7.55	4.50
5.	Employee Costs / Value Added (%)	139	65	46	30	28	20	49	57	47	108

\* Inclusive of provision for wage revision due.

\* Inclusive of gratuity and leave encashment amounts paid under Group Gratuity-cum-Life Assurance and Group Leave Encashment Schemes with LIC.