



# S.A.L STEEL LIMITED

**Admn. Office :**

Shah Alloys Corporate House,  
Sola - Kalol Road, Santej, Ta. Kalol,  
Dist. Gandhinagar- 382721  
Phone : 02764 - 661100  
Fax : 02764 - 661110

**Regd. Office :**

5/1, Shreeji House,  
5th Floor, B/h. M.J. Library,  
Ashram Road,  
Ahmedabad - 380 006.

**Ref. No. :****Date 6<sup>th</sup> September 2013**

Department of Corporate Service  
**Bombay Stock Exchange Limited**  
Phiroze Jeejeebhoy Tower.  
Dalal Street,  
**Mumbai - 400 001**

Manager  
Listing Department  
**National Stock Exchange of India Limited**  
Exchange Plaza, Plot No C/1, G-Block,  
Bandra - Kurla Complex, Bandra (E),  
**Mumbai - 400051**

**BSE Scrip Code: 532604****NSE Symbol - SALSTEEL**

Dear Sir,

**Sub: Submission of Form B pursuant to Clause 31 (a) of the Listing Agreement.**

With reference to above, please find enclosed herewith Form B pursuant to Clause 31 (a) of the Listing Agreement and copy of the Annual Report 2012-13 of the company for the year ended on 31<sup>st</sup> March, 2013.

Please note that we have already submitted six copies of Annual Report 2012-13 to your good self.

This is for your information and record pursuant to listing agreement.

Thanking you.

Yours Faithfully,

**For S.A.L. Steel Ltd.****Company Secretary**

Encl: A.a

FORM B

Format of covering letter of the Annual Audit Report to be filled with the Stock Exchange

1	Name of the company	S.A.L. Steel Ltd
2	Annual financial statements for the year ended	31st March, 2013
3	Type of Audit qualification	Qualified
4	Frequency of qualification	Repetitive
	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:	<p>1. Para iii (g) of Annexure to Independent Auditors' Report (Page no. 19 of Annual Report)</p> <p>On the basis of records produced before us and on the basis of information and explanation given to us and as per the terms and condition of the schedule stipulated for repayment in respect of loans taken by the company, the repayment of the principal portion of the loan from a company covered in the register maintained under section 301 of the Companies Act, 1956 was due to the extent of ₹ 10,00,00,000/- during the year 2011-12 and ₹20,00,00,000/- during the year 2012-13, however till date, the company has not made any payment towards this dues.</p> <p>Reply (Page No. 4 of Annual Report)</p> <p>Company was incorporated as backward integration project for Shah Alloys Limited (SAL). The finished product of our company becomes Raw material for SAL. However, due to financial crisis, SAL is not functioning on its optimum capacity and as such, company is not getting sufficient orders to optimize its production capacity. This has adversely affected production of the Company. Thus accruals are not enough to pay back the amount to SAL after making payment of interest and installments to its lenders. Due to low realization and low market demand, Company was struggling with matching cash flow. Since Company is not able to make payment of interest</p>



	<p>and installments to bankers, company approached to CDR cell for restructuring of debts. Flash report has already been admitted by CDR cell and company has to submit final report. Company is expecting that restructuring will be approved by CDR cell shortly and company will be able to improve production capacity and pay off the dues on the appointed dates as per scheme that may be approved by CDR cell. At the same time, Company would be developing market for its products in nearby areas.</p> <p>2. "Para ix – (a)" of Annexure to Independent Auditors' Report (Page no. 20 of Annual Report)</p> <p>According to the records of the company, undisputed Statutory dues including Provident fund, Employees State Insurance, Investor education &amp; protection fund, Income-tax, Wealth-tax, Service Tax, Sales-tax, Customs duties, Excise duty, cess and other Statutory dues have not been generally regularly deposited during the year with the appropriate authorities. On the basis of records produced before us for our verification and according to the information &amp; explanation given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31<sup>st</sup> March, 2013 for a period of more than six months from the date of becoming payable.</p> <p>Reply (Page No. 4 of Annual Report)</p> <p>Payments of Statutory dues were marginally delayed on account of slow recovery/collection. However, the same have been paid.</p> <p>3. "Para-xi" of Annexure to Independent Auditors' Report (Page no. 20 of Annual Report)</p> <p>On the basis of the information and explanation given to us and on the basis of records produced before us, the company has defaulted in repayment of Principal portion of the Term Loan to the extent of ₹ 12,05,00,000/- as at the year end. The company has also defaulted in payment of</p>
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		<p>interest on term loan to the extent of ₹5,40,47,181/- as at the year end. The period of default on repayment of principal and payment of interest is ranging for a period from 90 days to 182 days and 31 days to 90 days respectively. The company has made a delayed payment of Principal amount of Term Loan to the extent of ₹7,89,37,427/- and interest amount of ₹13,93,27,614/-.The period of delay in payment of principal and payment of interest is ranging for a period from 65 days to 178 days and 3 days to 173 days respectively. Moreover, the company has also defaulted in payment of interest on working capital facilities to the extent of ₹ 1,78,48,057/- as at the year end. The period of default on repayment of principal and payment of interest is ranging for a period from 1 day to 151 days. The company has defaulted in honouring L/C payments to the extent of ₹11,12,84,367/- as at the balance sheet date. The period of default in honouring L/C payments is ranging for a period from 19 days to 53 days .The company has made a delayed payment in honouring L/C to the extent of ₹ 55,14,04,565/- during the year. The period of default in honouring L/C payments is ranging for a period from 1 day to 101 days .</p> <p>Reply (Page No. 5 of Annual Report)</p> <p>On account of underutilization of capacities, the cash flow was mismatch resulting delay in payment of interest. In the CDR EG meeting flash report as submitted by the Company has been accepted and it is expected that once CDR proposal is accepted, Company shall come out from financial crises resulting optimum capacity utilization.</p> <p>4. Under the head "Opinion" of Independent Auditors' Report (Page no. 17 of Annual Report)</p> <p>Subject to Note No.29 for Non disclosure of Reportable Segments as required under Accounting Standard - 17 'Segment Reporting', there is no impact on the Statement of Profit and Loss due to non disclosure.</p>
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		<p>Reply ( Page no. 39 of Annual Report)</p> <p>29. Segment reporting :</p> <p>The Company is manufacturing Ferro Alloys &amp; Sponge Iron, which is basically used in Iron &amp; Steel Industry. Further power generated in the company in its power plant is used for captive as well as trading purpose. In view of this, the company has to consider "Iron &amp; Steel" and "Power" as Primary Reportable business segment, as per Accounting Standard - 17, Segment Reporting. However, due to substantial competition, risk, on-going position of Company and largely in the interest of the Company as well as interest of the stake holders involved, therefore, management has not made disclosure of Primary Reportable segment as per Accounting Standard - 17 "Segment Reporting" . Further, the Company has its business within the geographical territory of India Therefore; Company has considered "INDIAN GEOGRAPHY" as the only secondary reportable business segment, as per the Accounting Standard 17 "Segment Reporting".</p> <p><i>Above note to the accounts is self explanatory and give suitable explanation to the qualification.</i></p>
	Additional comments from the board/audit committee chair:	N.A
5	<p>To be signed by-</p> <ul style="list-style-type: none"> <li>Whole Time Director</li> <li>CFO</li> <li>Auditor of the company</li> <li>Audit Committee Chairman</li> </ul>	<p>Shri Anil Kumar Pandya: .....</p> <p>Shri Yashpal Mehta: .....</p> <p>Shri Umesh Talati: .....</p> <p>Shri J. M. Shah: .....</p>

