



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 :** 26.08.2014

Listing Department
Bombay Stock Exchange Ltd.
Phiroze Jeejeebhoy Tower.
Dalal Street,
Mumbai - 400 001

Manager
Listing Department
National Stock Exchange of India Ltd.
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 A and Form B pursuant to Clause 31 (a) of the Listing Agreement.

With reference to above, please find enclosed herewith Form A and Form B pursuant to Clause 31 (a) of the Listing Agreement and copy of the Annual Report 2013-14 of the company for the year ended on 31st March, 2014.

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

Thanking you,

Yours Faithfully,

For, S.A.L. Steel Ltd.

Hardik Modi
Company Secretary
Encl: As stated

FORM A

**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, 2014
3	Type of Audit observation	Matter of Emphasis
4	Frequency of observation	Repetitive
5	To be signed by-	
	• Whole Time Director	Shri Anil Pandya : (DIN 02453919)
	• Director cum CFO	Shri B L Singhal : (DIN 01484213)
	• Auditor of the company	Shri Umesh Talati : (ICAI Membership No. 034834)
	• Audit Committee Chairman	Shri J. M. Shah : (DIN 01412666)



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, 2014
3	Type of Audit qualification	Qualified
4	Frequency of qualification	Repetitive
5	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</p> <p><i>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 Rs 10,00,00,000/- during the year 2011-12, Rs 20,00,00,000/- during the year 2012-13 and Rs 20,00,00,000/- during the year 2013-14 totaling to Rs 50,00,00,000 as at March 31,2014 , however till date, the company has not made any payment towards this dues.</i></p> <p>Reply</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</p>



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 and installments to bankers, company approached to CDR cell for restructuring of debts. Side by side, Company is planning to develop market for its products in nearby areas.

2. "Para ix - (a)" of Annexure to Independent Auditors' Report

According to the records of the company, undisputed Statutory dues including Provident fund, Employees State Insurance, Investor education & 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.

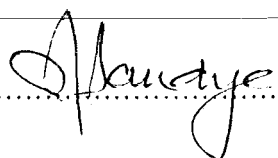
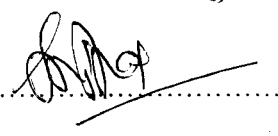
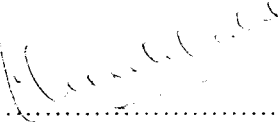
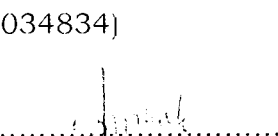
Reply

Payments of Statutory dues were marginally delayed on account of slow recovery/collection. However, the same have been paid.

3. "Para-xi" of Annexure to Independent Auditors' Report

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 Rs 36,60,00,000/- as at the year end. The company has also defaulted in payment of interest on term loan to the extent of Rs 22,91,24,406/- 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 547 days and 90



		<p>days to 455 days respectively. Moreover, the company has also defaulted in payment of interest on working capital facilities to the extent of Rs 11,71,25,768/- as at the year end. The period of default in payment of interest is ranging for a period from 1 day to 516 days. Also the company has defaulted in honoring L/C payments to the extent of Rs 36,34,09,044 as at March 31,2014. The period of default in honoring L/C payments is ranging for a period from 244 days to 418 days.</p> <p>Reply</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>
6	Additional comments from the board/audit committee chair:	N.A
7	<p>To be signed by-</p> <ul style="list-style-type: none"> Whole Time Director Director cum CFO Auditor of the company Audit Committee Chairman 	<p>Shri Anil Pandya :  (DIN 02453919)</p> <p>Shri B L Singhal :  (DIN 01484213)</p> <p>Shri Umesh Talati :  (ICAI Membership No. 034834)</p> <p>Shri J. M. Shah :  (DIN 01412666)</p>



annual report 2013-2014

annual report **2013-2014**



S.A.L. STEEL LIMITED

**CIN**

L29199GJ2003PLC043148

BOARD OF DIRECTORS

Shri Rajendra V. Shah	Chairman
Shri Sujal Shah	
Shri Babulal M. Singhal	
Shri Anilkumar Pandya	
Shri Piyush Chandarana	up to 13.05.2014
Shri Ambalal C. Patel	
Shri Harshad M. Shah	
Shri Jethalal M. Shah	
Shri Tejpal S. Shah	
Shri Shrikant Jhaveri	
Shri Bhaskar Ghosh	ceased w.e.f. 14.11.2013

COMPANY SECRETARY

Hardik Modi

REGISTERED OFFICE

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

ADMINISTRATIVE OFFICE

S.A.L. Steel Limited
Corporate House,
Sola-Kalol Road,
Village Santej,
Dist.-Gandhinagar-382 721.

PLANT

Survey No. 245,
Village Bharapar,
Tal. Gandhidham
Dist.-Kutch, Gujarat

AUDITORS

Talati & Talati
Chartered Accountants
Ambika Chambers
Nr. Old High Court, Navarangpura.
Ahmedabad-380 009.

BANKERS TO THE COMPANY

1. Union Bank of India
2. State Bank of India
3. State Bank of Hyderabad

Shareholders are requested to bring their copies of Annual Report at the Annual General Meeting as the same will not be distributed in the Meeting Hall.

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**NOTICE**

NOTICE is hereby given that 11th Annual General Meeting of the Members of **S.A.L. STEEL LIMITED** will be held on Wednesday, 24th September, 2014 at 10:30 A.M. at SAL Institute & Engineering Research, Opp. Science City, Ahmedabad – 380 060 to transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2014, Statement of Profit & Loss for year ended on that date and the Reports of Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Shri Anil Kumar Pandya (DIN 02453919), who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Statutory Auditors to hold office from conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

M/s Talati & Talati, Chartered Accountants, Ahmedabad, (ICAI Registration No. 110758W) retiring Auditors of the Company are eligible for re-appointment.

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass, with or without modification(s), following resolution as **Special Resolution:**
"RESOLVED THAT subject to approval of members in ensuing Annual General Meeting and in accordance with the provisions of Sections 196, 197 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), subject to such approval as may be necessary, consent of the Company be and is hereby accorded to re-appointment of Shri Anil Kumar Pandya (DIN 02453919) as a Whole-time Director, designated as Director - Commercial of Company, for a period of 3 (Three) years with effect from 25th October, 2014 on terms and conditions including remuneration as set out written memorandum placed before meeting with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include the Nomination and Remuneration Committee of the Board) to alter and vary terms and conditions of the said re-appointment and / or remuneration as it may deem fit and as may be acceptable to Shri Anil Kumar Pandya (DIN 02453919) subject to the limits specified under Schedule V to the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof."
5. To consider and if thought fit, to pass, with or without modification(s), following resolution as an **Ordinary Resolution:**
"RESOLVED THAT pursuant to provisions of Sections 149, 152, Schedule IV and all other applicable provisions, if any, of the Companies Act, 2013 and rules made there under, as amended from time to time, Shri Ambalal C. Patel (DIN 00037870), Non Executive Director of the company, who has submitted a declaration that he meets criteria for independence as provided in Section 149 (6) of the Act and who is eligible for appointment, be and is hereby appointed as Independent Director of the company to hold office for 5 consecutive years for a term up to the conclusion of 16th Annual General Meeting of Company in calendar year 2019."
6. To consider and if thought fit, to pass, with or without modification(s), following resolution as an **Ordinary Resolution:**
"RESOLVED THAT pursuant to provisions of Sections 149, 152, Schedule IV and all other applicable provisions, if any, of the Companies Act, 2013 and rules made there under, as amended from time to time, Shri Harshad Shah (DIN 01309096), Non Executive Director of the company, who has submitted a declaration that he meets criteria for independence as provided in Section 149 (6) of the Act and who is eligible for appointment, be and is hereby appointed as Independent Director of the company to hold office for 5 consecutive years for a term up to the conclusion of 16th Annual General Meeting of Company in calendar year 2019."
7. To consider and if thought fit, to pass, with or without modification(s), following resolution as an **Ordinary Resolution:**
"RESOLVED THAT pursuant to provisions of Sections 149, 152, Schedule IV and all other applicable provisions, if any, of the Companies Act, 2013 and rules made there under, as amended from time to time, Shri Tejpal Shah (DIN 01195357), Non Executive Director of the company, who has submitted a declaration that he meets criteria for independence as provided in Section 149 (6) of the Act and who is eligible for appointment, be and is hereby appointed as Independent Director of the company to hold office for 5 consecutive years for a term up to the conclusion of 16th Annual General Meeting of Company in calendar year 2019."
8. To consider and if thought fit, to pass, with or without modification(s), following resolution as an **Ordinary Resolution:**
"RESOLVED THAT pursuant to provisions of Sections 149, 152, Schedule IV and all other applicable provisions, if any, of the Companies Act, 2013 and rules made there under, as amended from time to time, Shri Jethalal M. Shah (DIN 01412666), Non Executive Director of the company, who has submitted a declaration that he meets criteria for independence as provided in Section 149 (6) of the Act and who is eligible for appointment, be and is hereby appointed as Independent Director of the company to hold office for 5 consecutive years for a term up to the conclusion of 16th Annual General Meeting of Company in calendar year 2019."
9. To consider and if thought fit, to pass, with or without modification(s), following resolution as an **Ordinary Resolution:**
"RESOLVED THAT pursuant to the provisions of Sections 149, 152, Schedule IV and all other applicable provisions, if any, of the Companies Act, 2013 and rules made there under, as amended from time to time, Shri Shrikant Jhaveri (DIN 02833725), Non Executive Director of the company, who has submitted a declaration that he meets criteria for independence as provided in Section 149 (6) of the Act and who is eligible for appointment, be and is hereby appointed as Independent Director of the company to hold office for 5 consecutive years for a term up to the conclusion of 16th Annual General Meeting of Company in calendar year 2019."



10. To consider and if thought fit, to pass, with or without modification(s), following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), M/s. Ashish Bhavsar & Associates, Cost Accountants appointed by the Board on recommendation of the Audit Committee of the Company to conduct audit of cost records of the Company for financial year ending 31st March, 2015 be paid remuneration of Rs. 60,000/- per annum plus out of pocket expenses, if any, incurred during course of above audit."

NOTES

1. **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him/her self and proxy need not be a member. The proxies to be effective should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.**

A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.

2. In compliance with the provisions of Section 108 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014, and Clause 35B of the Listing Agreement (Including any Statutory Modification or re-enactment thereof for the time being in force), the Company is providing e-Voting facility as an alternative mode of voting which will enable the Members to cast their votes electronically. The instructions for e-voting are enclosed herewith.
3. Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
4. Pursuant to Clause 49 of the Listing Agreement, details of directors seeking appointment/reappointment at the Meeting are given in detail, is annexed hereto.
5. A Statement pursuant to Section 102 of the Companies Act, 2013, relating to the Special Business to be transacted at the Meeting is annexed hereto.
6. Shareholders are requested to bring their copy of Annual Report to the meeting.
7. Members/Proxies should fill Attendance Slip for attending the meeting.
8. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, 17th September, 2014 to Wednesday, 24th September, 2014 (both days inclusive).
9. Members seeking any information or clarification on Accounts are requested to send written queries to the Company, at least one week before the date of the meeting. Replies will be provided in respect of such written queries received only at the meeting.
10. Relevant documents referred to in the accompanying Notice and the Statement are open for inspection by the members at the administrative office of the Company on all working days, except Saturdays, during business hours up to the date of the Meeting.
11. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection to the Members at the Annual General Meeting.
12. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company or its Share registrars and Transfer Agents.
13. Members holding shares in physical form and who have not registered their email IDs are requested to register their email IDs with the Company's Share Registrars and Transfer Agents.

By order of the Board

Date: 28th May 2014

Place: Santej

Registered Office:

5/1 Shreeji House,
B/h M.J. Library,
Ashram Road, Ahmedabad-380 006.
CIN: L29199GJ2003PLC043148

Hardik Modi

Company Secretary

**Item No. 4**

The Board of Directors of the Company (the 'Board'), at its meeting held on 28th May, 2014 has, subject to the approval of members, re-appointed Shri Anilkumar Pandya as a Whole-time Director designated as Director - Commercial, for a period of 3 (Three) years from the expiry of his present term, which will expire on 24th October, 2014, at the remuneration recommended by the Nomination and Remuneration Committee of the Board and approved by the Board.

It is proposed to seek the members' approval for the re-appointment of and remuneration payable to Shri Anilkumar Pandya as a Whole-time Director, designated as Director - Commercial, in terms of the applicable provisions of the Act.

Shri Anilkumar S. Pandya, aged 59 years, was appointed as "Director-Commercial" for a term of 2 years w.e.f. 25th October, 2012 and his term of office will be culminating on 24th October, 2014. He is proposed to be reappointed with effect from 25th October, 2014 for a period of 3 (three) years. Shri Pandya is having 37 years of vast experience in his career of handling HR & Administrative positions in various big organizations. Shri Pandya has been overseeing the Company operations very well with his sound planning and effective decision making. Board recommends his appointment on the following material terms & conditions:

A Period of Appointment	Three years from 25 th October, 2014 to ending on 24 th October, 2017.
B Remuneration Details	
Monthly Salary	Rs. 50,000/- (Rupees Fifty Thousand Only) including Bonus, cash allowances and Incentives.
Perquisites and Facilities	
Housing	Rent free accommodation including provision for electricity, gas and water, as per Company's Policy.
Medical Reimbursement	For himself, spouse and dependent children as per Company's Policy.
Car facility	Company maintained Car with option of driver as per Company's policy.
Other facilities, if any	It includes Company's Contribution to Provident Fund, Provision for Gratuity, Encashment of Leave Salary, as per the rules of the Company. These shall not be included in computation of above limits of remuneration.
Minimum Remuneration	Notwithstanding anything herein above stated, wherein any financial year, the Company incurs loss or its profits are inadequate, the Company shall pay to Shri Pandya, the remuneration by way of Salary, Bonus and Other Allowances not exceeding the limits specified under Schedule V to the Companies Act, 2013 (including any statutory modifications or re-enactment(s) thereof, for the time being in force), or such other limits as may be prescribed the Government from time to time. A statement is hereby appended as required under clause (B) (iv) of Part II, Section II of Schedule V of the Companies Act, 2013.
C Termination of Agreement	Written memorandum executed between Company and Shri Anilkumar S. Pandya, can be terminated by either party giving 3 months notice in writing of such termination.
D Duties and Responsibilities	Shri Anilkumar S Pandya shall be responsible for entire commercial assignments as applicable under various statutes and shall perform such duties which may be entrusted to him, subject to superintendence, control and guidance of Board of Directors.

Shri Anilkumar Pandya satisfy all the conditions set out in Part-I of Schedule V to the Act as also conditions set out under sub-section (3) of Section 196 of the Act for being eligible for re-appointment. He is not disqualified from being appointed as Director in terms of Section 164 of the Act.

The above may be treated as a written memorandum setting out the terms of re-appointment of Shri Anilkumar Pandya under Section 190 of the Act.

Brief resume of Shri Anilkumar Pandya, nature of their expertise in specific functional areas, names of companies in which they hold directorships and memberships / chairmanships of Board Committees, shareholding and relationships amongst directors *inter-se* as stipulated under Clause 49 of Listing Agreement with the Stock Exchanges, are provided in the Corporate Governance Report forming part of the Annual Report.

Shri Anilkumar Pandya is interested in the resolution set out at Item No. 4 of the Notice, which pertain to his respective re-appointment and remuneration payable to him.

Save and except the above, none of other Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in these resolutions. The Board commends the Special Resolution set out at Item No. 4 of the Notice for approval by the shareholders.

Item No. 5 to 9

Shri Ambalal C. Patel, Shri Harshad M. Shah, Shri Jethalal M. Shah and Shri Tejpal Shah are independent Directors of the Company and have held positions as such for more than 5 years except Shri Shrikant Jhaveri.



The Securities and Exchange Board of India (SEBI) has amended Clause 49 of the Listing Agreement *inter alia* stipulating the conditions for the appointment of independent directors by a listed company.

It is proposed to appoint Shri Ambalal C. Patel, Shri Harshad M. Shah, Shri Jethalal M. Shah, Shri Tejpal Shah and Shri Shrikant Jhaveri as Independent Directors under Section 149 of the Act and Clause 49 of the Listing Agreement to hold office for 5 (Five) consecutive years for a term up to the conclusion of the 16th Annual General Meeting of the Company in the calendar year 2019.

As per the provisions of Section 149 of the Act which has come into force w.e.f. 1st April 2014, an Independent Director shall hold office for a term upto 5 consecutive years on the Board of the Company and is not liable to retire by rotation.

Shri Ambalal C. Patel, Shri Harshad M. Shah, Shri Jethalal M. Shah, Shri Tejpal Shah and Shri Shrikant Jhaveri are not disqualified from being appointed as Directors in terms of Section 164 of the Act and have given their consent to act as Directors.

The Company has also received declarations from Shri Ambalal C. Patel, Shri Harshad M. Shah, Shri Jethalal M. Shah, Shri Tejpal Shah and Shri Shrikant Jhaveri that they meet with criteria of independence as prescribed both under sub-section (6) of Section 149 of the Act and under Clause 49 of the Listing Agreement. In the opinion of the Board, Shri Ambalal C. Patel, Shri Harshad M. Shah, Shri Jethalal M. Shah, Shri Tejpal Shah and Shri Shrikant Jhaveri fulfill conditions for appointment as Independent Directors as specified in the Act and the Listing Agreement.

Shri Ambalal C. Patel, Shri Harshad M. Shah, Shri Jethalal M. Shah, Shri Tejpal Shah and Shri Shrikant Jhaveri are independent of the management.

Brief resume of Shri Ambalal C. Patel, Shri Harshad M. Shah, Shri Jethalal M. Shah, Shri Tejpal Shah and Shri Shrikant Jhaveri nature of their expertise in specific functional areas and names of companies in which they hold directorships and memberships / chairmanships of Board Committees, shareholding and relationships between directors *inter-se* as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are provided in the Corporate Governance Report forming part of the Annual Report.

This Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchanges. Shri Ambalal C. Patel, Shri Harshad M. Shah, Shri Jethalal M. Shah, Shri Tejpal Shah and Shri Shrikant Jhaveri are interested in resolutions set out respectively at Item Nos. 5 to 9 of the Notice with regard to their respective appointments.

Save and except the above, none of the other Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in these resolutions.

The Board commends the Ordinary Resolutions set out at Item Nos. 5 to 9 of the Notice for approval by the shareholders.

Item No. 10

The Board, on the recommendation of Audit Committee, has approved the appointment and remuneration of the Cost Auditors to conduct audit of cost records of the Company for financial year ending 31st March, 2015 at the remuneration of Rs. 60,000/- per annum plus out of pocket expenses, if any, incurred during the course of audit.

In accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by shareholders of the Company.

Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at Item No. 10 of the Notice for ratification of remuneration payable to the Cost Auditors for the financial year ending 31st March, 2015.

None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 10 of the Notice.

The Board commends the Ordinary Resolution set out at Item No. 10 of the Notice for approval by the shareholders.

By order of the Board

Date: 28th May 2014

Place: Santej

Hardik Modi

Company Secretary

Registered Office:

5/1 Shreeji House,

B/h M.J. Library,

Ashram Road, Ahmedabad-380 006.

CIN: L29199GJ2003PLC043148

DETAILS OF THE DIRECTORS SEEKING RE-APPOINTMENT IN THE 11TH ANNUAL GENERAL MEETING OF THE COMPANY PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

Name of Director	Harshad Shah	Tejpal Shah	Anilkumar Pandya	Ambalal C. Patel	Jethabhai M. Shah	Shrikant Jhaveri
Date of Birth	01.07.1952	01.06.1953	02.05.1955	01.04.1944	11.08.1932	20.12.1943
Date of Appointment	05.08.2004	18.06.2006	25.10.2008	05.08.2004	05.08.2004	11.05.2011
Relationship with other Directors Inter se	None	None	None	None	None	None
Profile & Expertise in Specific functional Areas	37 years of experience in trading of Steel products and in construction company	More than 34 years of rich experience in Trading business.	37 years of vast experience & skills in handling HR & Administrative positions in various big organizations during the carrier.	Has more than 41 years of experience and has been associated with various Govt. and PSU's Bodies like GMDC, GIIC, etc on various senior technical posts.	He has vast business understating and experience in his carrier and has contributed a lot with his acumen and decision making.	He has rich experience of serving Government Company for more that 27 years.
Qualification	B.Com	B.Com	M. Sc, LL.B, PGDBM	B. E (Metallurgy), B.Sc	B. Com	M.S. (Electrical), USA
No. of Equity Shares held in the Company	Nil	Nil	Nil	89,000	Nil	Nil
List of other Companies in which Directorships are held	Shah Alloys Ltd	Shah Alloys Ltd	Nil	1. Circuit Systems (India) Ltd 2. Sumeru Industries Ltd 3. Nandan Denim Ltd 4. Vishal Malleables Ltd 5. Chiripal Industries Ltd 6. Karnavati Hospitals Pvt. Ltd 7. Shree Precoated Steels Ltd 8. CIL Nova Petrochemicals Ltd 9. Jindal Hotels Ltd 10. Ajmera Realty & Infra (India) Ltd 11. Laffans Petrochemicals Ltd	Nil	Nil
List of committees of Board of Directors (across all other Companies) in which Chairmanship/ Membership is held	Remuneration committee (Member) - Shah Alloys Ltd	Audit Committee (Member) - Shah Alloys Ltd Nomination and Remuneration Committee (Member) - Shah Alloys Ltd Stakeholders Relationship Committee - Shah Alloys Ltd	Nil	Chairman 1. Nandan Exim Ltd 2. Chiripal Industries Ltd Member 1. Ajmera Realty & Infra India Ltd 2. Shree Precoated Steels Ltd 3. Jindal Hotels Ltd	Nil	Nil





A statement as required under clause (B) (iv) of Section II of Part II of Schedule V of the Companies Act, 2013

I. GENERAL INFORMATION

- Nature of Industry :** Iron & Steel/Interim Products
- Date or expected date of commencement of commercial production:** Commercial production already started in the year 2004.
- In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:** N.A.

4. Financial performance based on given indicators: (as on 31st March, 2014) (₹. in lacs)

Turnover including other income	32,941.81
Total expenditure including prior period adjustments	37,608.94
Profit/(Loss) before Tax	(4,667.13)
Tax	1,124.47
Profit/(Loss) after tax	(3,542.66)
Earning per equity share (in Rupees)	(4.17)

5. Export performance & net foreign exchange collaborations: Nil

6. Foreign investments or collaborators if any: Nil

II. INFORMATION ABOUT THE APPOINTEES

- Background details :** Already given in the foregoing paragraph
- Past remuneration (from 1st April, 2013 to 31st March, 2014):** Rs. 4,72,200/- (Remuneration includes salary, allowance and perquisites).
- Recognition or awards:** Shri Anilkumar Pandya has not achieved any recognition or award.
- Job profile and his suitability:** Shri Anilkumar S. Pandya is having degree of M. Sc, LL.B and PGDBM. He is associated with organization since 2008. Shri Pandya is responsible for entire commercial assignments as applicable under various statutes and is performing such duties which may be entrusted to him, subject to superintendence, control and guidance of Board of Directors. Shri Pandya is having 37 years of vast experience in his career of handling HR & Administrative positions in various big organizations.
- Remuneration Proposed:** As mentioned in the Resolution and explanatory statement.
- Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin):** In view of loss/inadequacy of profit, the appointee has opted for drawing much less remuneration compared to the remuneration being drawn by his counterparts in the Industry though the appointee is entitled to receive remuneration at par with his counterparts in the industry by virtue of his profile of the position and person.
- Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel:** N.A

III. OTHER INFORMATION

- Reason for loss/inadequate profit:**
 - Stiff market competitions.
 - Poor market conditions domestically and internationally,
 - High cost of borrowings from Banks.
 - Steep Increase in prices of raw materials,
 - Shortage of Working Capital and lower utilization of plant capacity,
- Steps taken or proposed to be taken for improvement:**
 - The Company constantly prioritizes its strategies to balance challenges arising out of its large exposure to spot markets for raw materials, increasing raw material prices, etc. The strategies are primarily directed towards ensuring security of raw materials, economizing on input costs and enhancing productivity. Simultaneously, the Company also seeks to adjust its strategies to effectively meet the supply-side dynamics.
 - Company has also taken steps to reduce the administrative expenses, etc.
 - Company has been allowed for purchase of power from open market which facilitates company to reduce cost of power in future.
- Expected increase in productivity and profits in measurable terms:**

The Company expects that the above strategies would enable improvement in overall productivity and operational performance. Company is expecting to reduce the salary and wages, contractor fees and speedy production, which affects, the Company's cash inflow will increase and the Company expects its reasonable earnings before interest, depreciation and tax in the next financial year.

The forecasts, though based on realistic estimates, could vary due to demand conditions and changes in the Industry scenario.

IV. DISCLOSURES

- The following disclosures shall be mentioned in the Board of Directors' Report under the heading 'Corporate Governance' if any, attached to the Annual Report:**
 - All elements of remuneration package such as salary, benefits, bonuses, stocks options, pension etc. of all the directors: As per attached 'Corporate Governance Report'.
 - Details of fixed component and performance linked incentives along with performance criteria: Presently there is no fixed component and no performance linked incentives declared by the Company.
 - Service contracts, Notice period, severance fees: There is no severance fees prescribed by the Company. The appointment of Shri Pandya can be terminated with three months notice or three months salary in lieu thereof from either side.
 - Stock Option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable: N.A

**Dear Members,**

Your Directors present 11th Annual Report on the operations and performance together with the Audited Financial Statements for the year ended on 31st March 2014.

FINANCIAL HIGHLIGHTS**₹ In Lacs**

PARTICULARS	Current Year 31.03.14	Previous Year 31.03.13
Total Turnover and other Receipts	32941.81	38067.18
Gross Profit/Loss(Before deducting any of the following)	272.57	847.03
A. Interest and Financial charges	3162.11	3184.62
B. Depreciation, Amortisation and Impairment	1748.42	1929.51
C. Tax Liability		
I. Current Tax	0.00	0.00
II. Deferred Tax	(1131.20)	(1435.02)
III. Prior year Tax adjustment	5.74	0.40
Prior period adjustment	29.17	26.76
Net Profit available for appropriation	(3542.67)	(2859.24)
Provision for Investment Allowance Reserve	Nil	Nil
Net Profit.		
A. Add: Brought forward from last year's balance	(1632.44)	1226.80
B. Less: Transferred to: General Reserve	Nil	Nil
Transfer to Debenture Redemption Reserve	Nil	Nil
Dividend: Dividend has not been recommended by the Board	N.A	N.A
Balance Carried forward	(5175.09)	(1632.44)

OPERATIONAL OVERVIEW

During the year under review Net Turnover of the Company has been decreased from Rs. 38,067.18 Lacs to Rs. 32,941.81 Lacs as compared to previous year's turnover. Due to decline in net profit margin is mainly attributed to factors like higher basic raw materials prices like Coal and Iron ore, inflationary conditions, cost burdens, shortage of working capital and lower margin etc.

DIVIDEND

Due to loss, your Directors have not recommended dividend for the financial year 2013-14.

CORPORATE GOVERNANCE

The Board of Directors supports to maintain the highest standards of corporate governance and adhere to the corporate governance requirements set out by SEBI. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity. The Report on corporate governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report. The requisite certificate from the Auditors of the Company confirming compliance with the conditions of corporate governance as stipulated under the aforesaid Clause 49, is attached to the Report on corporate governance.

DIRECTORS

Shri Anil Kumar Pandya, will be the Director retiring by rotation and being eligible offer himself for re-appointment at the ensuing Annual General Meeting. Shri Piyush Chandarana has tendered resignation from the position of Director -Commercial w.e.f. 13th May, 2014.

Shri Bhaskar Ghosh, Director of the Company vacated office of director under Section 283 of Companies Act, 1956 and subject to the provision of Article 129 of Articles of Association of the Company. Board took note of vacation of office of Director in the Board meeting held on 14.11.2013.

As per the provisions of Section 149 of the Act, which has come into force with effect from 1st April, 2014, an Independent Director shall hold office for a term up to five consecutive years on the Board of a company and is not liable to retire by rotation. In compliance with the provisions of Section 149 read with Schedule IV of the Act, the appointment of Shri Ambalal C. Patel, Shri Harshad Shah, Shri Jethalal M. Shah, Shri Tejpal Shah and Shri Shrikant Jhaveri as Independent Directors is being placed before the Members in General Meeting for their approval.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Companies Act, 2013 and under Clause 49 of the Listing Agreement with the Stock Exchanges. Members are requested to refer to the Notice of the Annual General Meeting and the Explanatory Statement for details of the qualifications and experience of the Directors and the period of their appointment. The Board recommends the passing of the Resolutions at Item Nos. 5 to 9 of the Annual General Meeting Notice.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

As required under section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, particulars relating to conservation of Energy, R & D, Technology absorption and foreign Exchange earnings / outgo are separately provided in the annexure to this report.

**PARTICULARS OF THE EMPLOYEES**

Particulars of the employees as required under provisions of section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, are not attached with this report since there was no employee who was in receipt of remuneration in excess of limits prescribed under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particular of Employees), Rules 1975.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to requirements under Section 217 (2AA) of the Companies Act, 1956, with respect Directors' Responsibility Statement, it is hereby confirmed:

- In the preparation of the annual accounts for the financial year ended 31st March 2014, the applicable accounting standards have been followed along with proper explanation relating to material departure;
- The Directors have 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 profit and loss account of the Company for that period;
- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The Directors have prepared the annual accounts on a going concern basis.

AUDITORS

M/s. Talati & Talati, Chartered Accountants, Statutory Auditors of the Company, retires at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Your Directors recommend their re-appointment.

M/s. Ashish Bhavsar & Associates, Cost Accountants have been appointed for auditing cost accounting records of the Company for the year ending 31st March, 2015. Pursuant to the provisions of Section 148 of the Companies Act, 2013 and the Rules made there under, Members are requested to consider the ratification of the remuneration payable to M/s. Ashish Bhavsar & Associates, Cost Accountants.

The due date for filing of the Cost Audit and Compliance Reports for the financial year 2012-13 was 30th September, 2013. The Company has filed the Reports and Compliance reports with the Ministry of Corporate Affairs on 10th September, 2013.

The Company has received letters from Statutory Auditor and Cost Auditor to the effect that their re-appointment, if made, would be within the prescribed limits under Section 141(3)(g) of the Companies Act, 2013 and that they are not disqualified for re-appointment.

EXPLANATION TO THE AUDITORS' REMARKS:

The Directors submit their explanations to the qualifications made by the Auditors in their report for the year 2013-14. The para nos. of Auditor Report and reply as under:

Under the heading of "Emphasis of Matter"

Note No. 28 to the notes on accounts is self explanatory and give suitable explanation to the qualification.

"Para - iii - (g)" of Annexure to Independent Auditors' Report

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 and installments to bankers, company approached to CDR cell for restructuring of debts. Side by side, Company is planning to develop market for its products in nearby areas.

"Para - ix - (a)" of Annexure to Independent Auditors' Report

Payments of Statutory dues were marginally delayed on account of slow recovery/collection. However, the same have been paid.

"Para - xi" of Annexure to Independent Auditors' Report

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.

FIXED DEPOSIT

The Company has not accepted any public deposit during the year under review and no amount against the same was outstanding at the end of the year.

REGULATORY STATEMENT

In conformity with provision of Clause 32 in the Listing Agreement(s) the Cash Flow Statement for the year ended 31.03.2014 is annexed hereto. The equity shares of your company are listed on the BSE Ltd. and the National Stock Exchange of India Ltd. (NSE).

The Company has paid the listing fees for the year 2014-15 to above stock exchanges.

APPRECIATION

Your Directors place on record their sincere appreciation for the valuable support and co-operation as received from government authorities, Financial Institutions and Banks during the year. The Directors are also thankful for the support extended by Customers, Suppliers and contribution made by the employees at all level. The Directors would also like to acknowledge continued patronage extended by Company's shareholders in its entire endeavour.

For and on behalf of the Board

Date: 28th May 2014

Place: Santej

Rajendra V. Shah

(DIN: 00020904)

Chairman



ANNEXURE TO THE DIRECTORS' REPORT

Statement pursuant to Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

- (a) Energy conservation measures taken:-

Your company gives priority to Energy conservation. It regularly reviews measures to be taken for Energy Conservation/Consumption and its effective utilization.

- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:-

Your Company is highly power intensive industry and power is the basic requirements of manufacturing process. In order to reduce the cost per unit for power consumption, the Company has installed 40 MW Captive Power Plant.

- (c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

The company is operating 40 MW Captive Power Plant in parallel with GETCO Grid and with the consumption of own power, your Company saves substantial amount from the same.

- (d) Total energy consumption and energy consumption per unit of production:

(I) POWER & FUEL CONSUMPTION

	Particulars	2013-14	2012-13
1	ELECTRICITY		
	(a) Purchased		
	Unit (Kwh)	14531600	4851600
	Total Amount (₹)	91773730	48326590
	Rate / Unit (₹)	6.32	9.96
	(b) Own Generation		
	(i) <i>Through Diesel Generator Unit (Kwh)</i>		
	Unit Per Ltr of Diesel Oil	Nil	Nil
	Cost / Unit (₹)	Nil	Nil
	(ii) <i>Through Steam Turbine / Generator Unit (Kwh)</i>	61615	131986
	Unit Per Kg of Lignite	4.26	2.00
	Cost Lignite / Unit (₹)	644	1285
	Cost Coal / Unit (₹)	2329	2124
	Cost Coal & Lignite / Unit (₹)	2973	3409
2	COAL (Including Coal Fines)		
	Quantity (MT)	45721	86441.64
	Total Cost (₹)	143517520	280294026
	Average Rate (₹)	3139	3242.58
3	FURNACE OIL		
	(used in the generation of power)		
	Quantity (K Ltr)	Nil	Nil
	Total Cost (₹)	Nil	Nil
	Average Rate (₹)	Nil	Nil
4	OTHERS - LIGNITE		
	(used in the generation of steam)		
	Quantity (K Tonns)	1449	65881.95
	Total Cost (₹)	39691511	169596944
	Average Rate (₹)	2747	2574.26


(II) CONSUMPTION PER M.T. OF PRODUCTION

Particulars of Product	2013-14	2012-13
Electricity (in Unit)	Nil	Nil
Furnace Oil	Nil	Nil
Coal (Specify quantity)	Nil	Nil
Others	Nil	Nil

B. TECHNOLOGY ABSORPTION
(I) Research and Development (R & D)

Particulars	2013-14	2012-13
1. Specific areas in which R&D carried out by the company.	NIL	NIL
2. Benefits derived as a result of the above R&D	NIL	NIL
3. Future plan of action:		
a) Capital	NIL	NIL
b) Recurring	NIL	NIL
c) Total	NIL	NIL
d) Total R&D expenditure as a percentage of total turnover	NIL	NIL

(II) Technology absorption, adaptation

Particulars	2013-14	2012-13
Company has not carried out research, development & innovation activities.		
1. Efforts, in brief, made towards technology absorption, adaptation and innovation.	NIL	NIL
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.	NIL	NIL
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:	NIL	NIL
a) Technology imported		
b) Year of import		
c) Has technology has been fully absorbed		
d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.		

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(₹ in lakhs)

	2013-14	2012-13
1) EARNINGS & OUTGO		
a) Foreign Exchange earnings	Nil	211.22
b) Foreign Exchange outgo	100.86	6017.98

2) TOTAL FOREIGN EXCHANGE USED AND EARNED

As per notes on account

For and on behalf of the Board
Date: 28th May 2014

Place: Santej

Rajendra V. Shah

(DIN: 00020904)

Chairman

**INDUSTRY STRUCTURE AND DEVELOPMENTS**

Sponge iron is an intermediate product; a source of metalics for the secondary steel making through EAF or IF route. Other sources of metalics are either steel scrap and hot metal produced in the blast furnace. Steel scrap becomes a direct substitute of sponge iron; since both of them are tradable commodities, unlike hot metal.

There are two kinds of sponge iron producers in India (i) captive users, i.e. those using sponge iron in their own manufacturing facilities and (ii) merchant producers, who are selling sponge iron in the open market. Our Company Sponge belongs to the merchant producer.

Further, sponge iron industry is also classified into two categories (i) gas based and (ii) coal based using coal as reductant. There are about three producers in gas based segment and their product is known as Hot Briquetted Iron (HBI). In coal based segment, there are roughly about 400 units across the country and the product is known as Sponge Iron. Our Company is a coal based merchant sponge iron producer as reductant.

Tendency of stand-alone sponge iron players moving towards forward integration and ceasing to be pure merchant market players is visible. Sponge iron manufacturers located near coal and/or iron ore mines enjoy lower logistics cost and earn higher margin.

Our Company operates two kilns with an installed capacity of 1,80,000 tonnes per annum to produce sponge iron. The company has established loyal and stable customer base in Western India and export market. The company practices have resulted into a small product premium. The waste gas from sponge making kilns has significant energy in the form of heat. This energy is recovered in waste heat recovery boilers to generate steam, which then passes through the generator for producing power. Two power plants, based on waste heat from kilns with a combined generation capacity of 40 MW are also operated. Surplus power is sold. The power revenue also contributed to revenue and the bottom line.

Iron ore and coal are two important raw materials in production of sponge iron.

Ferro chrome is a value-added intermediate product which imparts the non-corrosive property to stainless steel. It is mainly used as an additive for making different grades of stainless steel and special alloy steel.

India is a significant player with almost a tenth of the global ferro chrome output and produces about 1 million tonnes per annum. At present growth of stainless steel production / consumption has been somewhat sedate. However, this is likely to change in the next 5 years as stainless steel is at a tipping point. As focus shifts from initial cost of acquisition to lifecycle cost, it is expected that stainless steel consumption will increase at a faster pace making India one of the key drivers and providing a boost to the ferro chrome industry.

DISCUSSION ON COMPANY'S PERFORMANCE

During the year under review, Company's net revenue has decreased from ₹ 38 067.18 lacs to ₹ 32 941.81 lacs. This decreased margin in profits is attributed mainly on account of high cost of raw material and low price realization owing to slack market conditions domestically and internationally, etc.

SWOT ANALYSIS OF COMPANY**Strength**

- Good Industry experience & knowledge of Promoters.
- Good quality standards.
- Cost competitiveness.
- Diverse Supplier Base.
- Long-standing contracts for purchase of raw materials.
- Strong product design and development.
- Skilled, qualified and motivated employees.
- Broad-based manufacturing infrastructure.
- Captive Power Consumption.

Weaknesses

- Exposure to raw material price fluctuations.
- Under-utilization of plant capacity.
- Dependency on third party for raw material.

Opportunities

- Unexplored Markets.
- Ever-growing demand in Steel Industry.
- Strengthened manufacturing base and the existence of product development and marketing teams.

Threats

- Rising raw material prices.
- High Cost of Capital.
- Constraint of Raw Material availability.



- Global economic slowdown.
- Unremunerative Prices.
- Unforeseen general macro-economic factors and political turmoil.

RISKS AND CONCERNS

Some of the major risks and concerns identified by the Company are:

- Working Capital risks
- Raw Materials Availability risk
- Raw Material Price Fluctuation risks.
- Government Policy and Political Structure risk
- Competition risk
- Economic Slowdown risk

In its process of Risk Management, Company takes proactive steps in identifying inherent business and operational risks and accordingly takes appropriate steps to guard against these identified risks.

INTERNAL CONTROL SYSTEM

The Company has adequate internal control procedures commensurate with its size and nature of its business. The objectives of these procedures are to ensure efficient use and protection of the Company's resources, accuracy in financial statements and due compliance of statutes and Company's policies and procedures.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Company maintained healthy, cordial and harmonious industrial relations at all levels. The Board of Directors and management wish to place on record their appreciation of the efforts put in by all employees to achieve good performance.

FUTURE OUTLOOK

Steel manufacturing industries, sponge iron and ferro chrome manufacturing industries are running simultaneously. The future of Sponge Iron Industry is dependent on Steel demand with the availability of its substitute i.e. steel scrap in the market. While considering that there is enormous scope for increasing steel consumption in almost all sectors in India, it may be said that the prospects for the Sponge Iron Industries are bright.

On the other hand, Ferro-Alloys Industry envisages power intensive production. In the absence of competitively available electrical power, the domestic industry may face stiff competition from imports leading to possible closure or underutilization of the capacity in the industry. To support power intensive production and steady power supplies to the Industry at a stable price, Company has its own 40 MW power plant and is focusing on its captive power generation for cheaper availability of electricity.

The chrome industry is at the crossroads buffeted by rising costs, stagnant prices and the dominance of China. However, historically, stainless steel has been one of the fastest growing commodities and this trend is likely to continue thereby auguring well for ferro chrome. Moreover, while it remains to be seen if the Chinese model is viable in the long term given that it is dependent on imported ore, there are challenges even in traditional ferro chrome producing countries. Therefore, the outlook is dependent upon circumstances pertaining to regions and individual companies.

Your Company is confident about the future given the integrated nature of its operations, its location which is ideal to cater to demand. The main advantage to be shown is being closer to Sea ports for raw materials and being in Western India which is in the heart of Finished products' requirement.

In the year 2013 world steel demand grew higher than previous forecasts due to a stronger than expected performance in the developed world in the second half of the year. It is expected that the global steel demand recovery continues but growth is stabilizing at a lower rate with continued volatility and uncertainty leading to a challenging environment for steel companies.

With the commitment of the Government towards infrastructure development in the country, the demand of stainless steel will definitely increase which in turn will provide a great opportunity for the higher demand for Ferro chrome.

CAUTIONARY NOTE

The statements forming part of this Report may contain certain forward looking remarks within the meaning of applicable laws and regulations. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performances or achievements. Significant factors which could make a difference to the Company's operations include domestic and international economic conditions, changes in Government regulations, tax regime and other statutes. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements on the basis of any subsequent developments, information or events.



CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance is a set of systems and practices to ensure that the affairs of the Company are being managed in a way which ensures accountability, transparency, fairness in all its transactions in the widest sense and meet its stakeholders aspirations and expectations. The Company will continue to focus its resources, strengths and strategies for enhancement of the long term shareholders' value while at the same time protecting the interest of other stakeholders.

2. BOARD OF DIRECTORS

COMPOSITION AND CATEGORY

The composition of the Board of Directors of the Company represents an appropriate mix of executive and non-executive directors to ensure the independence of the Board and to separate the board functions of governance and management

The Board currently comprises of Three Executive Directors and Six Non-Executive Directors including the Chairman of the Board.

None of the Directors on the Board is a member of more than ten Committees and Chairman of more than five Committees across all companies in which they are Directors.

BOARD PROCEDURE

The Board meets atleast once in a quarter to review the quarterly performance and the financial results. The Board meetings are generally scheduled well in advance and the notice of each Board Meeting is given in writing to each Director.

To enable the Board to discharge its responsibilities effectively, the members of the Board are briefed at every Board Meeting on the overall performance of the company.

The Minutes of the Board meetings are circulated in advance to all Directors and confirmed at subsequent Meeting. The Minutes of Audit Committee and other Committees of the Board are regularly placed before the Board.

During the financial year ended 31st March, 2014, Four Board Meetings were held respectively on 28.05.2013, 14.08.2013, 14.11.2013 and 10.02.2014. The gap between two Board Meetings did not exceed four months.

The composition of the Board of Directors, the number of other Directorship and Committee positions held by the Director, of which the Director is a Member/Chairman, are as under:

Name of Director	DIN	No. of Board Meetings attended during the year	Whether attended last AGM	No. of other Directorships held	Committee** Memberships held in other Companies	
					as member	as Chairman
Non Executive Promoter Chairman						
Shri Rajendra V.Shah	00020904	4	No	1	1	Nil
Managing Director						
Dr. K C Thatoi*1	01623494	Nil	No	Nil	Nil	Nil
Whole Time Director						
Shri Sujal A. Shah	01431407	4	Yes	Nil	Nil	Nil
Shri Babulal M. Singhal	01484213	4	No	Nil	Nil	Nil
Shri Anilkumar Pandya	02453919	4	No	Nil	Nil	Nil
Shri Piyush R. Chandarana*2	02024442	2	Yes	Nil	Nil	Nil
Independent & Non Executive Director						
Shri Ambalal C. Patel	00037870	3	Yes	11	3	2
Shri Tejpal S. Shah	01195357	4	No	1	3	Nil
Shri Harshad M. Shah	01309096	4	No	1	1	Nil
Shri Jethalal M. Shah	01412666	3	Yes	Nil	Nil	Nil
Shri Shrikant N. Jhaveri	02833725	3	Yes	Nil	Nil	Nil
Shri Bhaskar Ghosh*3	03310783	Nil	No	1	Nil	Nil

*1 Dr K C Thatoi has resigned from position of Managing Director w.e.f. 30.04.2013.

*2 Shri Piyush Chandarana has resigned from position of Directorship w.e.f. 13.05.2014.

*3 Shri Bhaskar Ghosh vacated office of Director w.e.f. 14.11.2013.

** Committee includes Audit Committee and Shareholders'/Investors Grievance Committee only.

CODE OF CONDUCT

The Company has already adopted a Code of Conduct for all employees of the Company and executive Directors. The Board has also approved a Code of Conduct for the Non-Executive Directors of the Company.

All Board members and senior management personnel (as per Clause 49 of the Listing Agreement) have affirmed compliance with the applicable Code of Conduct. An annual declaration of Executive Director, as to compliance of Code of Conduct has been provided in the Annual Report.

The Directors and senior management of the Company have made disclosures to the Board confirming that there are no material financial and/ or commercial transactions between them and the Company that could have potential conflict of interest with the Company at large.

**3. COMMITTEES OF THE BOARD****AUDIT COMMITTEE**

The Audit Committee of the Company is constituted in accordance with the provisions of Clause 49 of the Listing Agreement and the provisions of the Companies Act. All members of the Committee are financially literate, with Shri Jethabhai M. Shah, Chairman of the Committee, having the relevant accounting and financial management expertise. The Chairman of the Audit Committee is a non executive and independent Director.

The Audit Committee met four times during the year on 28.05.2013, 14.08.2013, 14.11.2013 and 10.02.2014.

The Composition and attendance of Audit Committee Meeting are given below:

Name of Director	Designation	No. of Meetings	Meetings attended
Shri Jethabhai M. Shah	Chairman	4	3
Shri Ambalal C. Patel	Member	4	3
Shri Harshad M. Shah	Member	4	4
Shri Shrikant N. Jhaveri	Member	4	3

The Chairman of the Audit Committee was present at the last Annual General Meeting of the Company.

NOMINATION AND REMUNERATION COMMITTEE

The composition of the Committee and the details of Meetings attended by the Directors during the year are given below:

Name of Director	Designation	Category	No. of Meetings	Meetings attended
Shri Jethabhai M. Shah	Chairman	Independent, Non-Executive	1	1
Shri Ambalal C. Patel	Member	Independent, Non-Executive	1	1
Shri Harshad Shah	Member	Independent, Non-Executive	1	1

The nomination and remuneration committee has been constituted in place of "Remuneration Committee" to recommend / review the remuneration package of the Managing / Whole Time Directors based on performance and defined criteria.

The Chairman of the Nominations & Remuneration Committee, Shri Jethabhai M. Shah was present at the last Annual General Meeting of the Company.

DETAILS OF REMUNERATION PAID TO DIRECTORS DURING 2013-14

(Amount in ₹)

Name of Director	Remuneration	Sitting Fees	Total
Shri Rajendra V. Shah	Nil	Nil	Nil
Dr. K C Thatoi*	3 50 000	Nil	3 50 000
Shri Sujal A. Shah	4 32 000	Nil	4 32 000
Shri Babulal M. Singhal	4 92 000	Nil	4 92 000
Shri Anilkumar Pandya	4 72 200	Nil	4 72 200
Shri Piyush R. Chandarana **	3 38 549	Nil	3 38 549
Shri Ambalal C. Patel	Nil	30 000	30 000
Shri Tejpal S. Shah	Nil	20 000	20 000
Shri Harshad M. Shah	Nil	40 000	40 000
Shri Jethalal M. Shah	Nil	30 000	30 000
Shri Shrikant N. Jhaveri	Nil	30 000	30 000
Shri Bhaskar Ghosh***	Nil	Nil	Nil

• The Company does not have a scheme for grant of Stock option to the Directors.

* Dr K C Thatoi has resigned from position of Managing Director w.e.f. 30.04.2013.

** Shri Piyush Chandarana has resigned from position of Directorship w.e.f. 13.05.2014.

*** Shri Bhaskar Ghosh vacated office of Director w.e.f. 14.11.2013.

STAKEHOLDERS RELATIONSHIP COMMITTEE

The composition of the Committee and the details of Meetings attended by the Directors during the year are given below:

Name of Director	Designation	Category	No. of Meetings	Meetings attended
Shri Jethabhai M. Shah	Chairman	Independent, Non-Executive	4	4
Shri Ambalal C. Patel	Member	Independent, Non-Executive	4	4
Shri Harshad M. Shah	Member	Independent, Non-Executive	4	4

The 'Stakeholders Relationship Committee' was constituted by the Board on 28.05.2014 in place of 'Shareholders'/Investors' Grievance



S.A.L. STEEL LIMITED

Committee'. The terms of reference of Shareholders' / Investors' Grievance Committee' Committee was conferred on the 'Stakeholders Relationship Committee'.

The Stakeholders Relationship Committee is primarily responsible to review all matters connected with the Company's transfer of securities and redressal of shareholders' / investors' / security holders' complaints. The Committee also monitors the implementation and compliance with the Company's Code of Conduct for prohibition of Insider Trading. The Stakeholders Relationship Committee's composition and the terms of reference meet with the requirements of Clause 49 of the Listing Agreement and provisions of the Companies Act, 2013.

Name and designation of Compliance Officer:

Hardik Modi, Company Secretary

No. of shareholders' complaints received during the year : 1

No. of complaints not resolved to the satisfaction of shareholders : NIL

No. of pending Complaints : NIL

4. GENERAL BODY MEETING

a. Location, date and time of Annual General Meetings held during the last 3 years and special resolutions passed During year.

Date	Venue	Time	No. of special resolutions passed
September 24, 2011	SAL Institute & Engineering Research, Opp. Science City, Ahmedabad-380060	10.00 A.M	—
September 24, 2012	SAL Institute & Engineering Research, Opp. Science City, Ahmedabad-380060	10.00 A.M	—
September 24, 2013	SAL Institute & Engineering Research, Opp. Science City, Ahmedabad-380060	10.00 A.M	—

All resolutions moved at the last Annual General Meeting were passed by a show of hands by the requisite majority of shareholders present at the meeting

b. No Extra-ordinary General Meeting of the shareholders was held during the year.

c. Postal Ballot: During the year under review, no resolution was put through by Postal Ballot.

5. DISCLOSURES

- No materially significant related party transaction that may have potential conflict with the interests of the Company at large have been entered into.
- The Company has complied with the requirements of the Stock Exchange/SEBI/any statutory authorities on all matters related to capital markets. There are no penalties or strictures imposed on the Company by Stock Exchange or SEBI.
- The Company has adopted a Whistle Blower Policy, to provide a formal mechanism to the employees to report their concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct or ethics policy. The Policy provides for adequate safeguards against victimization of employees who avail of the mechanism and also provides for direct access to the Chairman of the Audit Committee. It is affirmed that no personnel of the Company has been denied access to the Audit Committee.
- The company has followed the Accounting standard issued by Institute of Chartered Accountants of India (ICAI) in preparations of financial statement.

6. MEANS OF COMMUNICATION

- All financial results are immediately sent to stock exchanges after being taken on record by the Board.
- As per the requirements of Listing Agreement, Results are also published in leading daily local & English National newspapers namely Indian Express and Financial Express. The said results are also displayed at Company's web site.
- The Company's website www.salsteel.co.in contains a separate dedicated section named "Investors" where information for shareholders is available. Press releases, if any, are also displayed at Company's website as well as published in newspapers.

7. CERTIFICATE ON CORPORATE GOVERNANCE

As required under Clause 49 of Listing Agreement, Certificate is provided in the Annual Report.

8. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

This is given as a separate section in this Annual Report.

9. CERTIFICATION

As required by clause 49 of the Listing Agreement, certification on financial statements is provided in the Annual Report.

**10. COMPLIANCE WITH CLAUSE 49**

Company is fully committed to the compliance of applicable mandatory requirement of Clause 49 of the Listing Agreement as amended from time to time. The company submits quarterly Compliance Report to BSE & NSE in respect of compliance of Clause 49 of the Listing Agreement.

11. GENERAL INFORMATION FOR SHAREHOLDERS AND INVESTORS

The Company is registered in the State of Gujarat having Corporate Identification Number (CIN) as allotted by Ministry of Corporate Affairs (MCA) as L29199GJ2003PLC043148.

a) Annual General Meeting.

Date : 24th September, 2014
Time : 10.30 A.M.
Venue : SAL Institute & Engineering Research, Opp. Science City, Ahmedabad-380 060.

b) Financial Year

For accounting and financial reporting purpose, Company follows Financial Year which starts from 1st April each year and ends on 31st March of every succeeding year.

The Quarterly Results for the financial year 2014-15 will be taken on record by the Board of Directors as per the following schedule :

Quarter ending 30 th June 2014	: By 14 th August 2014
Quarter ending 30 th September 2014	: By 14 th November 2014
Quarter ending 31 st December 2014	: By 14 th February 2015
Quarter ending 31 st March 2015	: By 15 th May 2015

c) Date of Book Closure / Record Date : 17-09-2014 to 24-09-2014
(Both days inclusive)

d) Dividend Payment Date : Not Applicable

e) Listing on Stock Exchange : **BSE Ltd. (BSE)**
 Phiroze Jeejeebhoy Towers Dalal Street, Mumbai- 400001
Scrip Code-532604
 : **National Stock Exchange of India Ltd. (NSE)**
 "Exchange Plaza", Bandra Kurla Complex, Bandra (E),
 Mumbai-400051
NSE SYMBOL-SALSTEEL

Demat ISIN No. for NSDL and CDSL : INE658G01014

f) Listing Fees to Stock Exchanges

Company has paid listing fees in respect of financial year 2014-15 to the BSE Ltd. and National Stock Exchange of India Ltd.

g) Custodial Fees to Depositories

Company has paid Custodian Fees for the financial year 2014-15 to both depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

h) Share Price Data (₹ per share)

Month	SSL Price at BSE		SSL Price at NSE	
	Month's High Price	Month's Low Price	Month's High Price	Month's Low Price
Apr' 13	2.83	2.02	2.90	2.05
May' 13	2.57	1.85	2.70	1.80
June' 13	2.15	1.61	2.15	1.60
July' 13	2.20	1.12	1.95	1.20
Aug' 13	1.47	1.00	1.35	0.95
Sept' 13	1.72	1.00	1.50	1.10
Oct' 13	2.22	1.24	1.80	1.30
Nov' 13	2.29	1.65	2.00	1.80
Dec' 13	1.78	1.24	1.90	1.55
Jan' 14	1.98	1.34	1.80	1.55
Feb' 14	1.65	1.22	1.65	1.30
Mar' 14	1.80	1.25	1.80	1.25



S.A.L. STEEL LIMITED

i) Shareholding pattern as on 31st March, 2014

Sr. No.	Particulars	No. of Shares of ₹ 10/- each	% holding
1	INDIAN PROMOTERS	42959889	50.56%
2	RESIDENT INDIVIDUALS	29745630	35.00%
3	BODIES CORPORATES	9843097	11.58%
4	BANKS	5000	0.01%
5	HUF	2071040	2.44%
6	NON RESIDENT INDIANS	319378	0.38%
7	CLEARING MEMBERS	22666	0.03%
	Total	84966700	100.00%

j) Distribution of shareholding as on 31st March, 2014

Shareholding (Range)	No. of Shares	%	No. of Members	%
Upto 5000	5797237	6.82	22424	70.78
5001 - 10000	4185516	4.93	4690	14.80
10001 - 20000	3566877	4.20	2186	6.90
20001 - 30000	2118328	2.49	805	2.54
30001 - 40000	1332847	1.57	365	1.15
40001 - 50000	1834107	2.16	384	1.21
50001 - 100000	3366128	3.96	447	1.41
100001 & ABOVE	62765660	73.87	379	1.20
Total	84966700	100.00%	31680	100.00%

k) Dematerialization of Shares and Liquidity

On March 31st March, 2014, nearly 99.72% of the shareholders of Company were holding Company's shares in demat form. In the same way, Promoters & Promoters-group shareholding was also fully dematerialized. Also, the aggregate dematerialized shareholding of the Company stood at 99.72% of the total no. of shares. Brief position of Company's dematerialized shares is given below:

Sr. No.	Description	No. of Holders	Shares	% holding
1	NSDL	21039	57843488	68.08
2	CDSL	10618	26884008	31.64
3	PHYSICAL	23	239204	0.28
	Total	31680	84966700	100%

l) Share Transfer System

All transfers of shares held in physical form are dealt by our Registrar and Share Transfer Agents. Presently the share transfers received in physical form are processed and registered within prescribed time periods (15) days from the date of receipt subject to the documents being valid and complete in all respects. Depositories control share transfers in Demat Mode. The Company obtains from a Company Secretary in Practice half yearly certificate of compliance in respect of compliance with share transfer formalities as required under Clause 47(c) of the Listing Agreement with Stock Exchanges and files a copy of the certificate with the stock exchanges.

m) Reconciliation of Share Capital Audit Report

As stipulated by Securities and Exchange Board of India, Company is required to carry out Reconciliation of Share Capital Audit (RSCA) from a practicing Company Secretary. This audit is carried out every quarter and the report thereon of Practicing Company Secretary is submitted to the stock exchanges. The audit, inter alia, confirms that the total listed and paid-up capital of the company is in agreement with the aggregate of the total number of shares in dematerialized form (held with NSDL and CDSL) and total number of shares in physical form.

n) Outstanding warrants or any convertible instruments, conversion date and likely impact on equity

Company had made preferential allotment of 3,20,00,000 convertible warrants of ₹ 10.00 each to be converted into equity share of ₹ 10.00 each on 3rd February, 2012. An amount equal to minimum subscription (i.e. 25%) was received with applications. As per terms and conditions of the issue, the remaining amount of ₹ 24.00 Crores was required to be paid by strategic investors on or before 2nd August, 2013. However, the Strategic investors had not paid remaining amount and hence amount paid on application being ₹ 8.00 crores was forfeited.

**o) Plant Location**

The Company's plant is located at:

- Survey No. 245; Village Bharapar, Tal. Gandhidham, District: Kutch, Gujarat

p) Registered & Administrative Offices**Registered Office:**

5/1, Shreeji House,
Behind M. J. Library, Ashram Road
Ahmedabad – 380006, Gujarat

Administrative Office:

S.A.L. Steel Limited
Corporate House, Sola-Kalol Road, Village Santej,
Dist: Gandhinagar, Gujarat – 382721

q) Address for Investor Correspondence

In case any problem or query shareholders can contact at:

Name : Shri Hardik Modi,
Company Secretary

Address : S.A.L. Steel Limited
Corporate House, Sola-Kalol Road, Santej,
Dist. Gandhinagar, Gujarat 382 721

Phone : 91-02764-661100/11

Fax : 91-02764-661110

Email : sal.investor@salsteel.co.in

Shareholders may also contact Company's Registrar & Share Transfer Agent at:

Name : Karvy Computershare Private Limited

Address : Plot no.17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad, - 500 081.

Phone : 91-040-44655154

Fax : 91-040-23420814

Email : vasuki.v@karvy.com

Website : www.karvycomputershare.com

ANNEXURE TO CORPORATE GOVERNANCE REPORT**DECLARATION REGARDING COMPLIANCE WITH THE COMPANY'S CODE OF CONDUCT BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL**

I hereby declare that the Directors and Senior Officer of the Company have exercised their authorities and power and discharged their duties and functions in accordance with requirement of the Code of Conduct as prescribed by the Company and have adhered to the provisions of the same.

For S.A.L. Steel Limited

Place: Santej
Date: 28.05.2014

B M Singhal
DIN: 01484213
Director – F&A - CFO



S.A.L. STEEL LIMITED

CERTIFICATION

(Pursuant to Clause 49 V of Listing Agreement)

To
The Board of Directors

I hereby certify that:

- a. I have reviewed Financial Statements and the Cash Flow Statement for the year ended **31st March 2014** and that to the best of my knowledge and belief:
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c. I accept responsibility for establishing and maintaining internal controls for financial reporting and that I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee deficiencies in the design or operation of such internal controls, if any, of which I am aware and the steps they have taken or propose to take to rectify these deficiencies.
- d. I have indicated to the auditors and the Audit committee –
 - i. significant changes in internal control over financial reporting during the year;
 - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For S.A.L. Steel Limited

Place: Santej
Date: 28.05.2014

B M Singhal
DIN: 01484213
Director – F&A - CFO

CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of
S.A.L. Steel Limited

We have examined the compliance of the conditions of Corporate Governance by S.A.L. Steel Limited for the year ended 31st March, 2014 as stipulated in clause 49 of the Listing Agreement of the Company with stock exchanges in India.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the conditions of Corporate Governance as stipulated in the above listing agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

FOR, K.K PATEL AND ASSOCIATES
Company Secretaries

Place: Gandhinagar
Date : 28.05.2014

Kiran Kumar Patel
PROPRIETOR
CP No. 6352



INDEPENDENT AUDITORS' REPORT

To the Members of
M/s S.A.L. STEEL LIMITED
Ahmedabad

Report on the Financial Statements :

We have audited the accompanying financial statements of M/s S.A.L. Steel Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements :

Management is responsible for the preparation of these financial statements that gives a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility :

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion :

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act 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 March 31, 2014;
- (b) In the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter:

We draw attention to Note No. 28 to the financial statements which describes the 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. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements :

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of Section 227(4A) of the Act, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. 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;
 - c. The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement dealt with this Report comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013;
 - e. On the basis of the written representations received from the directors as on March 31, 2014, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For Talati & Talati
Chartered Accountants
(Firm Reg. No. : 110758W)

Umesh Talati
Partner
Membership No : 034834

Place : Ahmedabad
Date : May 28, 2014



Annexure to Independent Auditors' Report

Referred to in Paragraph 1 under the heading of "report on other legal and regulatory requirements" of our report of even date

- i) In respect of its Fixed Assets:
 - a) The company has maintained proper records showing full particulars including quantitative details and situation of the fixed assets on the basis of available information.
 - b) As explained to us, a major portion of the fixed assets has been physically verified by the management during the year in accordance with a phased program of verification adopted by the Company. In our opinion, the frequency of verification is reasonable having regard to the size of the company and nature of its assets. As informed to us, no material discrepancies were noticed on such physical verification.
 - c) According to the information and explanations given to us, Fixed Assets disposed off during the year were not substantial & therefore the going concern status of the company is not affected.
- ii) In respect of its inventories:
 - a) As explained to us, inventories (excluding Goods in Transit and Goods lying at Port) were physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of the verification is reasonable.
 - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
 - c) In our opinion and according to the information and explanations given to us, the company has maintained proper records of inventories. As explained to us, there was no material discrepancies noticed on Physical Verification of Inventories as compared with the book records.
- iii) In respect of Loans, Secured or Unsecured, granted or taken by company to/ from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956:
 - a) According to the information and explanations given to us and on the basis of the records produced before us, the company has not granted any Loan, Secured or Unsecured to the companies or firms or other parties covered in the register maintained under section 301 of the Companies Act 1956 and hence sub-clause (b), (c) & (d) are not applicable.
 - e) According to information and explanation given to us and on the basis of records produced before us, the company has taken loan from one company in earlier years, covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 81,23,20,644/- and the year-end balance of loan taken from such parties is ₹ 81,23,20,644/-. During the Year 2013-14, the company has taken furthermore loan from a company which is covered in the register maintained under section 301 of the Companies Act, 1956 amounting to ₹ 7,62,00,000/-. The Maximum amount involved during the year is ₹ 2,80,34,168/- and the year-end balance of loan taken from such party is ₹ 2,35,696.
 - f) In our opinion, the rate of interest and other terms and conditions on which loan has been taken from the company listed in the register maintained under section 301 of the Act are not prejudicial to the interest of the company.
 - g) *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, ₹ 20,00,00,000/- during the year 2012-13 and ₹ 20,00,00,000/- during the year 2013-14 totaling to ₹ 50,00,00,000 as at March 31, 2014, however till date, the company has not made any payment towards this dues.*
- iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchases of inventory, fixed assets and for the sales of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls system.
- v) In respect of the contracts or arrangements referred to in section 301 of the Companies Act, 1956:
 - a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under section 301 of the Companies Act, 1956.
 - b) In our opinion, and according to information and explanation given to us, the transactions of Purchase and Sale of goods, materials, fixed assets and Services 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 ₹ 5,00,000/- or more in respect of each party, have been made at prices which are reasonable as per the information available with the company, having regard to the prevailing market prices for such goods, materials, fixed assets and services or the prices at which the transactions for similar goods, materials, fixed assets and services have been made with other parties.
- vi) According to information and explanation given to us, the Company has not accepted any deposit from the public during the year. Therefore, the provisions of Clause (vi) of paragraph 4 of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.
- vii) The Company has appointed internal auditors and has carried out internal audit during the year. In our opinion the scope needs to be strengthened to make it commensurate with the size of the company & the nature of its business.
- viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- ix) In respect of the Statutory dues:
 - a) *According to the records of the company, undisputed Statutory dues including Provident fund, Employees State Insurance, Investor education & 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 & explanation given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2014 for a period of more than six months from the date of becoming payable.*



- b) On the basis of records produced before us for our verification and according to the information and explanations given to us, the details of disputed dues of ₹ 31,35,45,426/- have not been deposited as on 31st March, 2014 on account of matters pending before the appropriate authorities. The details of which are as under :

Sr. No.	Name of the Statute	Nature of the Dues	Period to which the amount Relates	Forum where the dispute is pending	Amount involved (in ₹)
1	Central Excise Act, 1944	Central Excise Duty	2006-07	Appellate Tribunal Ahmedabad	5,55,781
2	Central Excise Act, 1944	Central Excise Duty	2008-09	Appellate Tribunal Ahmedabad	10,41,057
3	Custom Act, 1962	Custom Duty	2011-12	Appellate Tribunal Ahmedabad	50,00,000
4	Central Excise Act, 1944	Central Excise Duty	2012-13	Appellate Tribunal Ahmedabad	4,49,84,993
5	Gujarat Value Added Tax Act, 2003	Value Added Tax	2006-07	Jt. Value Added Tax Commissioner (Appeal)	3,65,63,595
6	Central Excise Act, 1944	Central Excise Duty	2008-09 to 2010-11	Supreme Court	22,54,00,000

- x) On the basis of information and explanations given to us and on the basis of records produced before us, the company's accumulated losses at the end of the financial year are not more than fifty percent of its net worth. The company has incurred cash losses amounting to ₹ 28,00,81,448/- during the current year. The company has incurred cash losses amounting to ₹ 22,86,05,895/- in the immediately preceding financial year.
- xi) *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 ₹ 36,60,00,000/- as at the year end. The company has also defaulted in payment of interest on term loan to the extent of ₹ 22,91,24,406/- 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 547 days and 90 days to 455 days respectively. Moreover, the company has also defaulted in payment of interest on working capital facilities to the extent of ₹ 11,71,25,768/- as at the year end. The period of default in payment of interest is ranging for a period from 1 day to 516 days. Also the company has defaulted in honoring L/C payments to the extent of ₹ 36,34,09,044 as at March 31, 2014. The period of default in honoring L/C payments is ranging for a period from 244 days to 418 days.*
- xii) In our opinion and according to the information & explanation given to us, no loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures & other securities.
- xiii) In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund/ society, etc. Therefore, the provisions of Clause (xiii) of paragraph 4 of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.
- xiv) According to the information & explanations given to us, the company is not dealing or trading in shares, securities debentures & other investments. Therefore, the provisions of Clause (xiv) of paragraph 4 of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.
- xv) The company has given corporate guarantee for ₹ 80,00,00,000/- in the earlier years. In our opinion, the terms and conditions on which the company has given guarantee is not prejudicial to the interest of the company. The guarantee amount keeps on reducing to the extent SAL Steel Limited repays Inter corporate deposit to Shah Alloys Limited. The Guarantee ceases to exist upon repayment of entire amount of Inter corporate deposit to Shah Alloys Limited.
- xvi) According to the information & explanations given to us, the Company has not raised any term loan during the year under audit.
- xvii) According to the information and explanations given to us and on an overall examination of the financial statements and other records of the company and after placing reliance on the reasonable assumptions made by the company, we are of the opinion that funds raised on short term basis have not been used for long term investment.
- xviii) During the period covered under audit report, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- xix) During the period covered under audit report, the company has not issued any debentures. Accordingly the provisions of clause (xix) of paragraph 4 of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- xx) During the period covered under audit report, the company has not raised any money by way of public issue during the year.
- xxi) In our opinion and according to the information and explanations given to us and based on management representation, no material fraud on or by the company has been noticed or reported during the financial year covered by the audit.

For Talati & Talati
Chartered Accountants
(Firm Reg. No : 110758W)

Umesh Talati
Partner
Membership No: 034834

Place : Ahmedabad
Date : May 28, 2014

Cash Flow Statement for the year ended 31st March 2014

(Pursuant to the listing Agreement with Stock Exchange)

(Amount in ₹)

Particulars	2013-14		2012-13	
(A) CASH FLOW FROM OPERATING ACTIVITIES:				
NET PROFIT BEFORE TAX & EXTRA ORDINARY ITEMS		(463 796 370)		(42 67 09 945)
Add/(Less):				
Depreciation and amortization expense	174 842 323		19 29 50 664	
Debit / Credit Balance written off	(2 415 613)		(3 28 948)	
Unrealised Foreign Exchange (Gain) / Loss	253 081		30 25 693	
Financial Cost	316 210 667		31 84 62 353	
Bad Debts	1 068 454		64 70 427	
Provision for Doubtful Debts and Advances	12 883 935		83 49 006	
Interest Income	(11 841 387)	491 001 460	(1 04 42 059)	51 84 87 136
		2 72 05 090		9 17 77 191
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES				
Adjustments for:				
Trade and Other Receivables	(37 608 000)		5 14 70 903	
Inventories	155 828 116		17 05 51 846	
Trade Payables and other liabilities	(309 435 533)	(191 215 417)	(7 48 17 575)	14 72 05 174
CASH GENERATED FROM OPERATIONS		(164 010 327)		23 89 82 365
Less: Income Tax Paid		573 718		39 656
CASH FLOW BEFORE EXTRA ORDINARY ITEMS		(164 584 045)		23 89 42 709
Add / (Less):				
Prior period items		(2 917 257)		(26 75 555)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)		(167 501 302)		23 62 67 154
(B) CASH FLOW FROM INVESTING ACTIVITIES:				
Sale Proceeds of Assets	2 547 091		0	
Interest Income	11 841 387		1 04 42 059	
Purchase of Fixed Assets	(664 402)		(27 23 159)	
Investment in Capital Work in Progress	1 127 634		(9 59 99 296)	
NET CASH FLOW FROM INVESTING ACTIVITIES (B)		14 851 710		(8 82 80 396)
(C) CASH FLOW FROM FINANCING ACTIVITIES:				
Proceeds from Working Capital Loans	246 356 570		12 96 31 225	
Proceeds from Long Term Loans	268 633 609		(11 93 84 862)	
Financial Expense	(316 210 667)		(31 84 62 353)	
Proceeds from Vehicles Loans	(3 544 756)		(68 52 121)	
Proceeds from Short term borrowings (net)	(101 328 734)		2 01 04 911	
Movement of Loans and Advances	20 553 474		13 01 74 057	
NET CASH FLOW FROM FINANCING ACTIVITIES (C)		114 459 496		(16 47 89 142)
NET INCREASE / DECREASE IN CASH & CASH EQUIVALENTS(A+B+C)		(38 190 096)		(1 68 02 384)
Cash & Cash Equivalent in the Beginning of the year		48 926 414		6 57 28 798
Cash & Cash Equivalent in the Closing of the year		10 736 318		4 89 26 414
		(38 190 096)		(16 802 384)
Note:				
Cash and Bank Balances:		31.03.2014		31.03.2013
Balances with banks(in Current Accounts)		4,234,879		50 13 606
Cash on Hand		670,677		6 22 132
Other bank balances:				
Margin Money		5,830,762		4 32 90 676
Total		1 07 36 318		4 89 26 414

As per our Report of even date

For Talati & Talati

Chartered Accountants

FRNo: 110758W

Umesh Talati

Partner

M.No. 034834

Place : Ahmedabad

Date : May 28, 2014

For and on behalf of the the Board of Directors

Rajendra V. Shah (DIN 00020904) Chairman

Sujal A. Shah (DIN 01431407) Director

B.M. Singhal (DIN 01484213) Director

Anil Pandya (DIN 02453919) Director

Hardik Modi Company Secretary

Place : Santej

Date : May 28, 2014


Balance Sheet as at March 31, 2014
(Amount in ₹)

Particulars	Note No.	As at 31 st March 2014	As at 31 st March 2013
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share Capital	3	84 96 67 000	84 96 67 000
(b) Reserves and surplus	4	(14 91 78 729)	12 50 88 228
(c) Money received against share warrants		0	8 00 00 000
		70 04 88 271	105 47 55 228
(2) Non-current liabilities			
(a) Long-term borrowings	5	54 04 87 462	100 65 86 031
(b) Other Long Term Liabilities	6	7 00 00 000	7 00 00 000
(c) Long-term provisions	7	51 50 325	62 83 380
		61 56 37 787	108 28 69 411
(3) Current liabilities			
(a) Short-term borrowings	8	75 31 60 226	60 81 32 390
(b) Trade payables	9	23 57 17 658	53 01 67 973
(c) Other current liabilities	10	181 96 78 798	110 56 11 232
(d) Short-term provisions	11	62 20 202	51 15 042
		281 47 76 884	224 90 26 637
TOTAL		413 09 02 942	438 66 51 276
II ASSETS			
Non-current assets			
(1) (a) Fixed assets	12		
(i) Tangible assets		156 22 10 992	173 75 52 854
(ii) Intangible assets		5 76 503	19 59 653
(iii) Capital work-in-progress		103 89 20 943	104 00 48 577
		260 17 08 438	277 95 61 084
(b) Long-term loans and advances	13	33 39 51 801	35 45 05 277
(c) Deferred Tax Assets (Net)	14	16 16 28 955	4 86 08 567
		309 72 89 194	318 26 74 928
(2) Current assets			
(a) Inventories	15	38 60 22 176	54 18 50 292
(b) Trade receivables	16	48 08 81 687	39 54 19 011
(c) Cash and bank balances	17	1 07 36 318	4 89 26 414
(d) Short-term loans and advances	18	15 59 73 567	21 77 80 631
		103 36 13 748	120 39 76 348
TOTAL		413 09 02 942	438 66 51 276
The accompanying notes are an integral part of these financial statements	1 to 37		

As per our Report of even date
For Talati & Talati

Chartered Accountants
FRNo: 110758W

Umesh Talati

Partner
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Anil Pandya (DIN 02453919) Director

Hardik Modi Company Secretary

Place : Santej
Date : May 28, 2014

Statement of Profit and Loss for the year ended 31st March, 2014

(Amount in ₹)

Particulars	Note No.	Year ended on 31 st March 2014	Year ended on 31 st March 2013
I. Revenue from operations	19	3 61 74 72 576	4 13 55 98 070
Less: Excise duty		(33 86 28 089)	(34 11 11 335)
Revenue from operations(net)		3 27 88 44 487	3 79 44 86 735
II. Other income	20	1 53 37 000	1 22 31 367
III. Total revenue (I + II)		3 29 41 81 487	3 80 67 18 102
IV. Expenses:			
Cost of materials consumed	21	2 23 61 25 567	2 42 73 68 981
Purchases of stock-in-trade		11 53 87 482	45 01 00 794
Changes in inventories of finished goods, work-in-progress and stock-in-trade.	22	14 17 25 568	(6 33 55 839)
Employee benefits expense	23	9 62 42 664	12 15 48 375
Finance costs	24	31 62 10 667	31 84 62 353
Depreciation and amortization expense		17 48 42 323	19 29 50 664
Other expenses	25	67 74 43 586	78 63 52 719
Total expenses		3 75 79 77 857	4 23 34 28 047
V. Profit/(Loss) before exceptional items and tax (III-IV)		(46 37 96 370)	(42 67 09 945)
VI. Prior period items	26	29 17 257	26 75 555
VII. Profit/(Loss) before tax (V-VI)		(46 67 13 627)	(42 93 85 500)
VIII. Tax expense:			
Deferred tax		(11 30 20 388)	(14 35 01 788)
Income tax of earlier years		5 73 718	39 656
IX. Profit/(Loss) for the period (VII-VIII)		(35 42 66 957)	(28 59 23 368)
X. Earnings per equity share(Face value of ₹ 10/- each)	31		
Basic		(4.17)	(3.37)
Diluted		(4.17)	(3.37)
The accompanying notes are an integral part of these financial statements	1 to 37		

As per our Report of even date

For Talati & Talati

Chartered Accountants
FRNo: 110758W

Umesh Talati

Partner
M.No. 034834

Place : Ahmedabad

Date : May 28, 2014

For and on behalf of the the Board of Directors

Rajendra V. Shah (DIN 00020904) Chairman

Sujal A. Shah (DIN 01431407) Director

B.M. Singhal (DIN 01484213) Director

Anil Pandya (DIN 02453919) Director

Hardik Modi Company Secretary

Place : Santej

Date : May 28, 2014

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014:****1 1.1 CORPORATE INFORMATION**

The company is engaged in manufacturing Sponge Iron, Ferro Alloys, MS & SS Angle and power and the same are sold in the domestic market. Because of the Captive power generation, company has advantage of low power cost per unit of manufacturing. Company is generating 40 MW Power from waste Heat recovery Boiler & Fluidized Bed Combustion boiler with economic price. Power generated is used for captive consumption and surplus power is sold resulting profit.

1.2 BASIS OF PREPARATION OF FINANCIAL STATEMENT

The Financial Statements are prepared as per historical cost convention and in accordance with the Generally Accepted Accounting Principles (GAAP) in India, the provisions of the Companies Act 1956, and the applicable Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006. All Incomes and Expenditures having material bearing on the Financial Statements are recognized on accrual basis.

2. SIGNIFICANT ACCOUNTING POLICIES**2.1 Use of Estimates**

The presentation of the Financial Statements in conformity with the Generally Accepted Accounting policies requires, the management to make estimates and assumptions that affect the reported amount of Assets and Liabilities, Revenues and Expenses and disclosure of contingent liabilities. Such estimation and assumptions are based on management's evaluation of relevant facts and circumstances as on date of Financial Statements. Difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

2.2 Revenue Recognition

Revenue is recognized only when it can be reliably measured and it is reasonable to expect ultimate collection. The Company recognizes Sales at the point of transfer of significant risks and rewards of ownership to the customers. Sales are inclusive of Excise Duty and Sales Tax and net of rebate/returns and trade discount. Revenue in respect of excise duty refund is recognized on accrual basis. Sales tax / Value added tax paid is charged to Profit and Loss Accounts. Dividend income is recognized when right to receive is established. Interest income is recognized on time proportion basis taking into account, the amount outstanding and the rate applicable.

2.3 Excise Duty

Excise Duty recovered are included in sales. Excise Duty in respect of increase / decrease in Finished Goods are shown separately under the head "Other expenses" and included in Valuation of Finished goods.

2.4 Fixed Assets

- (a) Fixed assets are stated at cost (net of Cenvat credit), less accumulated depreciation and impairment loss, if any. [Other than "freehold land" where no depreciation is charged]. Costs include all expenses incurred to bring the assets to its present location and condition.
- (b) Capital Work in progress net off capital advances are stated at cost. (Capital Advances are shown separately under Long Term Loans and Advances).
- (c) Cost of Trial run Production incurred during the initial period of production has been capitalized amongst the various heads of fixed assets.
- (d) Pre-operative expenditure incurred on projects has been / will be capitalized amongst the various heads of fixed assets on the commencement of the projects.
- (e) All costs including financing costs, till commencement of commercial production are capitalized.
- (f) Intangible assets are stated at cost of acquisition less accumulated amortization.

2.5 Valuation of Inventories

Raw Materials and Trading goods are valued at lower of cost or net realizable value after considering the credit of VAT and CENVAT. Stores and Spares are valued at Cost. Inventories of Finished Goods and Work in Process are valued at lower of cost or net realizable value. Stock in transit and Stock lying at third party Premises are valued at cost. Cost of Finished Goods is determined using the absorption costing principle. Cost includes cost of material consumed, labour and systematic allocation of variable and fixed production overheads including excise duty at applicable rates.

2.6 Cash flow statement

The Cash Flow Statement is prepared by the "Indirect method" set out in Accounting Standard 3 on "Cash Flow Statements" and presents the cash flows by operating, investing and financing activities of the Company. Cash and Cash equivalents presented in the Cash Flow Statement consist of cash on hand and deposits with banks.

2.7 Investments

Investments are classified as Long Term & Current Investments. Long Term Investments are valued at cost less provision for diminution other than temporary, in value, if any. Current Investments are valued at cost or fair value whichever is lower.

2.8 Employee Benefits**(a) Short term**

Short Term employee benefits are recognized as an expense at the undiscounted amount expected to be paid over the period of services rendered by the employees to the company.

(b) long term

The Company has both defined contribution and defined benefit plans.

**(c) Defined contribution plans**

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to Employees Provident Fund. The Company's payments to the defined contribution plans are reported as expenses during the period in which the employee performs the services that the payment covers.

(d) Defined benefit plans

Expenses for defined benefit gratuity payment plans are calculated as at the balance sheet date by independent actuaries in the manner that distributes expenses over the employees working life. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using a discounted rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on Government Bonds with a remaining term i.e. almost equivalent to the average balance working period of employees.

(e) Other employee benefits

Compensated absences which accrue to employees and which can be carried to future periods but are expected to be encashed or availed in twelve months immediately following the year end are reported as expenses during the year in which the employees perform the services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefits after deducting amounts already paid.

2.9 Taxation

Income tax expenses comprise current tax and Deferred Tax charge or credit. Provision for current tax is made on the basis of the assessable income at the tax rate applicable to the relevant assessment year. The Deferred Tax Assets and Deferred Tax Liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred Tax Assets arising mainly on account of brought forward losses and unabsorbed depreciation under tax laws, are recognized, only if there is a virtual certainty of its realization, supported by convincing evidence. Deferred Tax Assets on account of other timing differences are recognized only to the extent there is a reasonable certainty of its realization. At each Balance Sheet date, the carrying amounts of Deferred Tax Assets are reviewed to reassure realization.

2.10 Depreciation

- (a) Depreciation on depreciable assets (other than mentioned in point "b" below) has been provided on straight-line method in accordance with the provisions of section 205(2)(b) of the Companies Act, 1956, at the rates specified in Schedule XIV to the Companies Act, 1956.
- (b) Depreciation in respect of plant and machineries has been provided on the basis of triple shift working (except for Plant and Machineries of Sponge Iron & Ferro Alloys Project on which depreciation has been provided on continuous process plant working and depreciation on Rolling Mill Plant has been provided on single shift working on the basis of certificate received from management). Depreciation in respect of fixed assets acquired / put to use during the years is charged on pro-rata basis with reference to the date of installation of fixed assets.
- (c) Intangible assets are amortized for a period of 5 years.

2.11 Foreign currency transactions

Transactions in the foreign currency, which are covered by forward contracts, are accounted for at the contracted rate; the difference between the forward rate and the exchange rate at the date of transaction is recognized in the Statement of Profit and Loss over the life of the contract. Transactions in the foreign currency other than those covered by forward contract rates are recorded at rate of exchange in force at the time of occurrence of transactions. Gain or Loss due to fluctuation in exchange rates is dealt with through Statement of Profit and Loss. Monetary Assets and Liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at the year-end rate. The difference in transactions of monetary liabilities and related gains or losses on foreign exchange transactions is recognized in the Statement of Profit and Loss.

2.12 Borrowing cost

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset are capitalized as part of cost of such asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

2.13 Earning per share

Basic earnings per share is calculated by dividing the net profit after tax for the year attributable to Equity Shareholders of the Company by the weighted average number of Equity Shares outstanding for basic EPS purpose. Diluted earnings per Share is calculated by dividing net profit attributable to equity Shareholders (after adjustment for diluted earnings) by the weighted average number of Equity shares outstanding for diluted EPS purpose.

2.14 Impairment of Assets

The carrying value of assets of the Company's cash generating units are reviewed for impairment annually or more often if there is an indication of decline in value based on internal/external factors. If any indication of such impairment exists, the recoverable amounts of those assets are estimated and impairment loss is recognized, if the carrying amount of those assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the estimated future cash flows to their present value based on appropriate discount factor.

2.15 Provisions, Contingent Liability and Contingent Asset

- (a) Provision involving substantial degree of estimation in measurement is recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.
- (b) Contingent liabilities are not recognized but are disclosed in the notes.
- (c) Contingent Assets are neither recognized nor disclosed in the financial statements.


Notes forming part of the Financial Statements

Note 3 : SHARE CAPITAL	As at 31 March, 2014	As at 31 March, 2013
The Authorised, issued, subscribed and fully paid up share capital comprises of equity shares having a par value of ₹ 10 each as follows:		
Authorised : 14,00,00,000 Equity Shares of ₹ 10/- each (Previous year : 14,00,00,000 Equity Shares of ₹ 10/- each)	1 40 00 00 000	1 40 00 00 000
Issued, Subscribed & Fully paid-up: 8,49,66,700 Equity Shares of ₹ 10/- each fully paid up (Previous year : 8,49,66,700 Equity Shares of ₹ 10/- each fully paid up)	84 96 67 000	84 96 67 000
Total	84 96 67 000	84 96 67 000

a) Reconciliation of number of shares:

Equity Shares:	As at 31 March, 2014		As at 31 March, 2013	
	Number of shares	Amount (₹)	Number of shares	Amount (₹)
Shares outstanding at the beginning of the year	8 49 66 700	84 96 67 000	8 49 66 700	84 96 67 000
Changes during the Year	-	-	-	-
Shares Outstanding at the end of the year	8 49 66 700	84 96 67 000	8 49 66 700	84 96 67 000

b) Terms/rights, preferences and restrictions attached to securities:
Equity shares

The company has one class of equity share having a par value of ₹ 10 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of directors is subject to the approval of shareholders in the ensuing Annual general meeting, except in case of interim dividend. In the case of liquidation, the equity shareholders are eligible to receive the remaining assets of the company after distribution of all preferential amounts, in proportion to their shareholding.

c) Details of Shareholders holding more than 5% in the Company:

Particulars	As at March 31, 2014		As at March 31, 2013	
	No of shares held	% of Holding	No of shares held	% of Holding
Shah Alloys Limited	3 02 56 989	35.61	3 02 56 989	35.61
SAL Care Pvt Limited	1 27 02 900	14.95	1 27 02 900	14.95
Total	4 29 59 889	50.56	4 29 59 889	50.56

d) Terms of securities convertible into equity shares:
Convertible warrants

On February 3 2012, 3,20,00,000 convertible warrants were issued for cash at ₹ 10/- each to strategic investors and to persons belonging to promoters and promoters group category aggregating to ₹ 32,00,00,000 convertible into 3,20,00,000 no. of equity shares of face value of ₹ 10/- each, out of which the company has received amount equivalent to 25% of the total consideration per warrant. Accordingly company has received money to the extent of ₹ 8,00,00,000 and allotted 3,20,00,000 warrants of ₹ 10/- each on February 3, 2012. The lock in requirements of above warrants and/or equity shares arising on conversion of warrants into equity shares be in accordance with the provisions of SEBI(ICDR) Regulations, 2009 [at the sole option of warrant holder(s) at any time within a period of 18 months from the date of allotment of warrants.]

The Company has fully utilised money received against issue of convertible warrant of ₹ 8,00,00,000 towards working capital requirements.



(Amount in ₹)

Note 4 : RESERVES & SURPLUS	As at March 31, 2014	As at March 31, 2013
(A) Security Premium Reserve:		
Balance as per last financials	28 78 20 080	28 78 20 080
(i) General Reserve:		
Balance as per last financials	5 11 096	5 11 096
(ii) Capital Reserve:		
Forfeited Share warrant (amount originally paid up)	8 00 00 000	0
(ii) Surplus/(Deficit) in Statement of Profit & Loss :		
Balance as per last financials	(16 32 42 948)	12 26 80 420
Add: Profit/(Loss) for the Year	(35 42 66 957)	(28 59 23 368)
Closing Balance	(51 75 09 905)	(16 32 42 948)
Total	(14 91 78 729)	12 50 88 228

Forfeited Share warrant (amount originally paid up):

3,20,00,000 convertible warrants of ₹ 10/- each forfeited on 2nd August, 2013 on account of non payment of remaining amount due as per terms of the issue. Amount forfeited is ₹ 8 crs only.

Note 5 : Long term borrowings	As at March 31, 2014	As at March 31, 2013
(A) Secured :		
(i) From banks		
Term loans	42 66 25 212	68 91 79 025
Vehicle loans	0	25 10 798
(ii) From other parties (Financial institutions)		
Vehicle loans	2 83 755	13 17 713
(B) Unsecured:		
(i) Deferred payment liabilities:		
Deferred sales tax liability	1 35 78 495	1 35 78 495
(ii) Loans and advances from related parties:		
Inter Corporate Deposit	10 00 00 000	30 00 00 000
Total	54 04 87 462	100 65 86 031

Secured Borrowings:**(a) Nature of security and terms of repayment for secured borrowings:****Term loan:**

- Term Loans are Secured by first charge on all the Immovable and Movable assets present & future ranking parri passu with charges created/to be created in favour of other institution/banks subject to prior charge on current assets in favour of the company's bankers for working capital borrowings. Term loan of Rs 50 cr is secured by pledge of 1,07,56,989 shares of SAL Steel Limited hold by Shah Alloys Limited (restricted to new captive power project only).
- Term loans are further secured by personal guarantees of (i) Shri Rajendrabhai V. Shah (ii) Smt. R.R. Shah (iii) Shri Jayesh V. Shah (iv) and Corporate Guarantee of M/s Shah Alloys Limited. (Amounting to ₹ 207,50,00,000/-) Term Loan is carrying rate of Interest(at present) from 14% to 16% p.a. repayable over a period of 6 years

Terms of repayment for term loans as set out below :

(Amount in ₹)

Particulars	2nd Year	3rd Year	4th Year
Base Rate+6.75%	7 88 00 000	2 92 00 000	
Base Rate+5.25%	6 51 00 000	1 69 00 000	
Base Rate+6.90%	13 59 00 000	4 98 00 000	2 33 25 212
PLR+ 1.5%	1 40 00 000	63 00 000	73 00 000
Total	29 38 00 000	10 22 00 000	3 06 25 212

(b) Period and amount of default as on the balance sheet date:

The company has made a default in repayment of Principal amount of Term Loan to the extent of ₹ 36,60,00,000/- as at the balance sheet date. The company has also defaulted in payment of interest on term loan to the extent of ₹ 22,91,24,406/- as at the balance sheet date. The period of default on repayment of principal and payment of interest is ranging for a period from 90 days to 547 days and 90 days to 455 days respectively.

Vehicle loan:

Vehicle loans from "banks" are secured by hypothecation of vehicles and are repayable over a period of 3 years carrying rate of interest 10 to 12% p.a. Vehicle loans from "financial institutions" are secured by hypothecation of vehicles and are repayable over a period of 3 years carrying rate of interest 10 to 12 %p.a.


Terms of repayment for vehicle loans as set out below :
(Amount in ₹)

Particulars	2nd Year
Vehicle loans	2 83 754

Unsecured Borrowings:
(a) Deferred sales tax liability :

Deferred sales tax liability is interest free and payable in six equal annual installments of ₹ 22,63,082/- each payable from 1st May, 2016.

(b) Loans and advances from related parties:

The company has taken an interest free inter corporate deposit.

Terms of repayment for loan taken from related party is as set out below :
(Amount in ₹)

Particulars	2015-16
Inter Corporate Deposit	10 00 00 000

The company has defaulted in repayment of Inter corporate deposit to the extent of ₹ 10,00,00,000/-, ₹ 20,00,00,000/- and ₹ 20,00,00,000/- which was due for repayment in the Financial year 2011-12, 2012-13 and 2013-14 respectively. Consequently, the same is shown under Current Liabilities.

(Amount in ₹)

Note 6 : Other Long term Liabilities	As at March 31, 2014	As at March 31, 2013
Others:		
Trade Deposit	7 00 00 000	7 00 00 000
Total	7 00 00 000	7 00 00 000

Note 7 : Long term provisions	As at March 31, 2014	As at March 31, 2013
Provision for employee benefits :		
Provision for gratuity	40 18 578	47 04 066
Provision for leave encashment	11 31 747	15 79 314
Total	51 50 325	62 83 380

Note 8 : Short term borrowings	As at March 31, 2014	As at March 31, 2013
(A) Secured:		
Loans repayable on demand		
From Banks:		
Working capital facilities	67 82 26 290	43 18 69 720
(B) Unsecured:		
Loans and advances from related parties:		
- From directors	83 19 081	83 19 081
- Inter corporate deposit	1 25 56 340	1 65 74 812
Deposits:		
- Inter corporate deposit	5 40 58 515	15 13 68 777
Total	75 31 60 226	60 81 32 390

Nature of security provided for short term borrowings:

Cash Credit facilities are Secured by hypothecation of entire current assets of the company on parri passu basis with the consortium member banks & second charge on fixed assets of the company on parri passu basis with consortium member banks subject to first charge on parri passu basis with the Union bank of India and State bank of India for their respective Loans.

The Loans are further secured by personal guarantee of i) Shri Rajendrabhai V. Shah ii) Smt. R.R. Shah iii) Shri Jayesh .V. Shah and iv) Corporate guarantee of M/s Shah Alloys Limited (Amounting to ₹ 207,50,00,00)



S.A.L. STEEL LIMITED

Period and Amount of default as on the Balance sheet date:

The company has defaulted in payment of interest on working capital facilities to the extent of ₹ 11,71,25,768/- as at the balance sheet date. The period of default on payment of interest is ranging for a period from 1 day to 516 days. Moreover, the company has defaulted in honouring L/C payments to the extent of ₹ 36,34,09,044/- as at the balance sheet date. The period of default in honouring L/C payments is ranging for a period from 244 days to 418 days.

Loans and Advances from Related Parties:

The company has taken loan during the year from a related party as mentioned herewith: SAL Care Private Limited and SAL Hospital & Medical Institute (a division of SAL Care Private Limited) of ₹ 7,62,00,000 and repaid of ₹ 8,15,34,168 during the year. This party is covered under the register maintained under section 301 of the Companies Act, 1956.

Note 9 : Trade Payables	As at March 31, 2014	As at March 31, 2013
Due to Micro, Small and Medium Enterprises *	0	0
Other than Micro, Small and Medium Enterprises	23 57 17 658	53 01 67 973
Total	23 57 17 658	53 01 67 973

* The Company has not received information from the Suppliers regarding their status under The Micro, Small & Medium Enterprises Development Act, 2006. Hence, disclosures, if any relating to amounts unpaid as at the balance sheet date together with interest paid or payable as per the requirement under the said Act, have not been made.

Note 10 : Other current liabilities	As at March 31, 2014	As at March 31, 2013
(a) Current Maturities of Long term Debt	46 79 15 856	45 92 55 301
(b) Interest accrued and due on borrowings	34 62 50 174	6 92 23 307
(c) Income received in advance	4 74 07 937	8 69 25 756
(d) Other payables:		
- Term Loans from Banks	366,000,000	12 05 00 000
- Statutory dues & unpaid expense	7 61 67 926	6 13 19 878
- Creditors for capital goods	53 59 524	83 86 990
- Inter corporate deposit - (Related Party)	50 00 00 000	30 00 00 000
- Book Overdraft	10,577,381	0
Total	1 81 96 78 798	1 10 56 11 232

Note 11 : Short term provisions	As at March 31, 2014	As at March 31, 2013
Provision for Employee Benefits :		
Provision for bonus	52 92 900	41 95 275
Provision for gratuity	6 18 960	5 56 948
Provision for leave encashment	1 75 213	1 78 650
Others:		
Provision for income tax	0	59 169
Provision for wealth tax	1 33 129	1 25 000
Total	62 20 202	51 15 042

Note 12 : FIXED ASSETS

Tangible Assets :

Particulars	Freehold Land	Buildings	Plant and Machineries	Furniture and Fixtures	Vehicles	Office Equipment	Computer	Total
Cost of Assets								
As at 1st April 2012	5 20 94 602	44 31 32 186	208 23 69 465	61 96 300	9 97 64 145	39 16 150	95 94 626	269 70 67 474
Addition	0	0	39 63 95 521	0	24 17 612	92 375	2 13 172	39 91 18 680
Disposal/Adjustments	0	0	0	0	0	0	0	0
As at 31st March 2013	5 20 94 602	44 31 32 186	247 87 64 986	61 96 300	10 21 81 757	40 08 525	98 07 798	309 61 86 154
Addition	0	0	0	0	6 43 102	21 300	0	6 64 402
Disposal/Adjustments	0	0	25 47 091	0	0	0	0	25 47 091
Other adjustment	0	0	0	0	0	0	0	0
As at 31st March 2014	5 20 94 602	44 31 32 186	247 62 17 895	61 96 300	10 28 24 859	40 29 825	98 07 798	309 43 03 465
Depreciation								
As at 1st April 2012	0	7 53 48 059	104 84 13 166	24 61 955	3 54 02 153	8 79 296	54 84 007	116 79 88 636
Charge for the year	0	2 33 27 175	15 43 56 418	3 92 225	1 08 05 040	1 87 113	15 76 693	19 06 44 664
Disposal/Adjustments	0	0	0	0	0	0	0	0
As at 31st March 2013	0	9 86 75 234	120 27 69 584	28 54 180	4 62 07 193	10 66 409	70 60 700	135 86 33 300
Charge for the year	0	1 47 60 064	14 57 24 174	3 91 151	1 08 79 126	1 90 747	15 13 911	17 34 59 173
Disposal/Adjustments	0	0	0	0	0	0	0	0
As at 31st March 2014	0	11 34 35 298	134 84 93 758	32 45 331	5 70 86 319	12 57 156	85 74 611	153 20 92 473
Net Block								
As at 31st March 2013	5 20 94 602	34 44 56 952	127 59 95 402	33 42 120	5 59 74 564	29 42 116	27 47 098	173 75 52 854
As at 31st March 2014	5 20 94 602	32 96 96 888	112 77 24 137	29 50 969	4 57 38 540	27 72 669	12 33 187	156 22 10 992


INTANGIBLE ASSETS :

PARTICULARS	SOFTWARE	TOTAL
Cost of Assets		
As at 1 st April 2012	1 15 30 000	1 15 30 000
Addition	0	0
Disposal/Adjustments	0	0
Other adjustment	0	0
As at 31st March 2013	1 15 30 000	1 15 30 000
Addition	0	0
Disposal/Adjustments	0	0
Other adjustment	0	0
As at 31st March 2014	1 15 30 000	1 15 30 000
Depreciation		
As at 1 st April 2012	72 64 347	72 64 347
Charge for the year	23 06 000	23 06 000
Disposal/Adjustments	0	0
As at 31st March 2013	95 70 347	95 70 347
Charge for the year	13 83 150	13 83 150
Disposal/Adjustments	0	0
As at 31st March 2014	1 09 53 497	1 09 53 497
Net Block		
As at 31st March 2013	19 59 653	19 59 653
As at 31st March 2014	5 76 503	5 76 503
CAPITAL WORK IN PROGRESS	31.03.2014	31.03.2013
Building and Plant & Machinery	63 49 00 173	63 60 27 807
Pre-operative Expenses	26 48 24 543	26 48 24 543
Amount of borrowing cost capitalized	13 91 96 227	13 91 96 227
Total	103 89 20 943	104 00 48 577

Cost of Fixed Assets and pre-operative expenses, being technical matter, are capitalized or allocated to Capital work in progress on the basis of data certified by technical person & the Management.

Borrowing cost includes interest and other bank charges to the extent that they are regarded as an adjustment to interest costs which are directly related to the acquisition & construction of a qualifying asset.

Advances to Project suppliers are shown under Long term loans & advances included in Capital advances.

(Amount in ₹)

Note 13 : Long Term Loans and Advances (Unsecured, considered good unless otherwise stated)	As at March 31, 2014	As at March 31, 2013
Capital Advances	31 78 73 968	33 83 58 894
Security Deposits	1 60 77 833	1 61 46 383
Total	33 39 51 801	35 45 05 277

Note 14: Deferred tax Asset /(liabilities) (Net)	As at March 31, 2014	As at March 31, 2013
Deferred tax assets:		
Unabsorbed Business Loss	31 81 17 455	27 02 26 057
Gratuity, Leave Encashment and interest	8 52 20 069	2 50 20 189
Gross deferred tax asset(A)	40 33 37 524	29 52 46 246
Deferred tax liabilities:		
Fixed Asset: Impact of difference between tax depreciation and depreciation charged for the financial reporting	24 17 08 569	24 66 37 679
Gross deferred tax liability(B)	24 17 08 569	24 66 37 679
Net deferred tax Asset / (liability) (A-B)	16 16 28 955	4 86 08 567



(Amount in ₹)

Note 15 : Inventories (At lower of cost or net realisable value) (As taken, valued and certified by the management)	As at March 31, 2014	As at March 31, 2013
Raw Materials		
i) In stock	5 95 12 120	11 52 25 395
ii) In Transit / with third party	4 69 17 019	-
Work in Progress	24 99 129	44 92 722
Finished Goods	11 96 57 844	22 69 20 756
Stores and Spares	14 75 79 546	15 28 85 838
Others:		
By Products	98 56 518	4 23 25 581
Total	38 60 22 176	54 18 50 292

Note 16 : Trade receivables (Unsecured, considered good unless otherwise stated)	As at March 31, 2014	As at March 31, 2013
Unsecured Considered good		
Trade Receivable outstanding for more than six months from the date they became due for payments	1 00 55 085	6 05 18 513
Others	47 08 26 602	33 49 00 498
Doubtful	32 80 064	10 21 746
	<u>48 41 61 751</u>	<u>39 64 40 757</u>
Less: Provision made for doubtful debts	32 80 064	10 21 746
Total	48 08 81 687	39 54 19 011

Sundry trade receivables include dues from Associate Concern in which directors of the company are interested of ₹ 22,96,58,507 /- (Previous Year: ₹ 7,19,16,404/-)

(Amount in ₹)

Note 17 : Cash and bank balances	As at March 31, 2014	As at March 31, 2013
(A) Cash and cash equivalents:		
i) Balances with banks(in Current Accounts)	42 34 879	50 13 606
ii) Cash on Hand	6 70 677	6 22 132
	<u>49 05 556</u>	<u>56 35 738</u>
(B) Other bank balances:		
Margin Money*	58 30 762	4 32 90 676
Total	1 07 36 318	4 89 26 414

* Margin Money deposits with a carrying amount of ₹ 58,30,762/- (Previous Year: ₹ 4,32,90,676/-) are given as margin against Letter of Credit / Bank Guarantee opened with bank

(Amount in ₹)

Note 18 : Short term loans and advances (Unsecured, considered good unless otherwise stated)	As at March 31, 2014	As at March 31, 2013
Others :		
Loans and Advances to Employees	11 91 139	9 14 898
Balance with Government Authority	6 19 55 795	8 72 19 082
Advance Income Tax (Net of Provision)	21 54 222	0
Advances recoverable in cash or in kind	9 06 72 411	12 96 46 651
Total	15 59 73 567	21 77 80 631



(Amount in ₹)

Contingent liabilities and commitments (to the extent not provided for):

	As at March 31, 2014	As at March 31, 2013
(A) Contingent liabilities:		
(i) Claims against the company not acknowledged as debts:		
With Government Authorities	31 35 45 426	31 35 45 426
Others	11 87 99 497	10 17 39 814
(ii) Guarantees:		
Corporate guarantees given to banks for Shah Alloys Limited	80 00 00 000	80 00 00 000
Bank guarantee given	36 27 000	11 27 000
(iii) Other money for which company is contingently liable:		
Letter of credit	0	24 26 500

(B) Commitment:

Estimated amount of contracts, remaining to be executed on capital account and not provided for ₹ 22,04,08,637/- net of advance
“(Previous Year : ₹ 22,83,57,801/-).”

Commercial Tax Department has challenged by way of Tax Appeal before High Court, the order of Tribunal dated 27.12.2010 wherein judgment dated 15.09.2010 of Joint Commissioner of Commercial Tax (Legal) was quashed and decided that non cooking coal used in the manufacturing process for Sponge Iron as raw material and eligible for ITC under Section 11 (3)(b). The result of the appeal will decide whether company has to claim amount of ITC or refund ITC already taken. However, amount of contingent liability cannot be ascertained.

(Amount in ₹)

Note 19 : Revenue from operations	For the Year ended on 31st March 2014	For the Year ended on 31st March 2013
Sale of products	361 74 72 576	413 49 77 640
Other operating revenues	0	6 20 430
	361 74 72 576	413 55 98 070
Less: Excise duty	33 86 28 089	34 11 11 335
Total	327 88 44 487	379 44 86 735

Note 19.1 : Particulars of Sale of Products	For the Year ended on 31st March 2014	For the Year ended on 31st March 2013
Sponge Iron	263 55 11 041	237 62 47 968
Ferro Alloys	55 82 04 652	85 31 82 463
Others	14 38 00 583	53 78 47 209
Power	27 99 56 300	36 77 00 000
Total	361 74 72 576	413 49 77 640



(Amount in ₹)

Note 20 : Other income	For the Year ended on 31 st March 2014	For the Year ended on 31 st March 2013
Interest income:		
Interest on FDR	26 59 911	30 83 936
Interest Income (Others)	91 81 476	73 58 123
Non operating income:		
Rent Income	9 60 000	9 60 000
Miscellaneous receipts	1 20 000	5 00 360
Sundry balances written back(Net)	24 15 613	3 28 948
Total	1 53 37 000	1 22 31 367

Note 21 : Cost of material consumed	For the Year ended on 31 st March 2014	For the Year ended on 31 st March 2013
Raw material consumed		
Opening stock	11 01 87 972	15 52 71 745
Purchases and Direct Expense	219 60 14 862	238 22 85 208
Less :Closing stock	7 00 77 267	11 01 87 972
Total	223 61 25 567	242 73 68 981

Note 22 : Changes in inventories of finishedgoods, work-in-progress and Stock-in-Trade	For the Year ended on 31 st March 2014	For the Year ended on 31 st March 2013
A) Opening stock		
Finished goods	22 69 20 756	17 06 18 948
Work in progress	44 92 722	1 15 76 736
By-products	4 23 25 581	2 81 87 536
Sub-Total (A)	27 37 39 059	21 03 83 220
B) Less: Closing stock		
Finished goods	11 96 57 844	22 69 20 756
Work in progress	24 99 129	44 92 722
By-products	98 56 518	4 23 25 581
Sub-Total (B)	13 20 13 491	27 37 39 059
Total (A-B)	14 17 25 568	(6 33 55 839)

Note 23 : Employee benefits expense	For the Year ended on 31 st March 2014	For the Year ended on 31 st March 2013
Salaries,wages & bonus	9 18 28 926	11 35 87 141
Contribution to provident & other funds	10 93 364	45 79 476
Staff welfare expenses	33 20 374	33 81 758
Total	9 62 42 664	12 15 48 375



As per Accounting Standard 15 "Employee Benefits", the disclosures of Employee benefits as defined in the Accounting Standard are given below:

Defined contribution plan:

Particulars	2013-14	2012-13
Employer's Contribution to Provident Fund	19 45 678	23 68 293

Defined Benefit Plan:

The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognized in the same manner as gratuity.

I. Reconciliation of opening and closing balance of Defined Benefit Obligation:

Particulars	Gratuity (Unfunded)		Leave Encashment (Unfunded)	
	2013-14	2012-13	2013-14	2012-13
Opening defined benefit obligation at the beginning of the year	52 61 013	37 45 590	17 57 962	10 70 714
Current Service cost	10 91 973	15 11 987	4 47 975	6 48 460
Interest cost	4 22 582	3 18 014	1 43 865	91 011
Actuarial (Gain) / Loss	(19 22 878)	(3 06 068)	(10 35 832)	(52 220)
Benefits paid	(2 15 153)	(8 510)	(7 013)	
Closing defined benefit obligation at the end of the year	46 37 537	52 61 013	13 06 959	17 57 965

II. Reconciliation of opening and closing balance of fair value of plan assets:

(Amount in ₹)

Particulars	Gratuity (Unfunded)		Leave Encashment (Unfunded)	
	2013-14	2012-13	2013-14	2012-13
Opening fair value of plan assets				
Expected return on plan assets				
Actuarial Gain / (Loss)	Not applicable as Gratuity Liability is not funded		Not applicable as Gratuity Liability is not funded	
Employer contribution				
Benefits paid				
Closing fair value of plan assets				

III. Reconciliation of fair value of assets and obligation:

Particulars	Gratuity (Unfunded)		Leave Encashment (Unfunded)	
	2013-14	2012-13	2013-14	2012-13
Fair value of plan assets	-	-	-	-
Present value of obligation	46 37 537	52 61 013	13 06 959	17 57 965
Amount recognised in balance sheet	46 37 537	52 61 013	13 06 959	17 57 965

IV. Expense recognised during the year (under the head "Employee benefit expense" of Notes '24') :

Particulars	Gratuity (Unfunded)		Leave Encashment (Unfunded)	
	2013-14	2012-13	2013-14	2012-13
Service cost	10 91 973	15 11 987	4 47 975	6 48 460
Interest cost	4 22 582	3 18 014	1 43 865	91 011
Expected return on plan assets	-	-	-	-
Actuarial Gain / (Loss)	(19 22 878)	(3 06 068)	(10 35 832)	(52 220)
Net cost included in 'Employee Benefit Expense'	(4 08 323)	15 23 933	(4 43 992)	6 87 251



(Amount in ₹)

V. Investment details:

Particulars	Gratuity (Unfunded)		Leave Encashment (Unfunded)	
	2013-14	2012-13	2013-14	2012-13
GOI Securities	Not applicable as Gratuity Liability is not funded		Not applicable as Gratuity Liability is not funded	
Public Securities				
Special Deposit Schemes				
State Govt. Securities				
Private Sector Securities				
Insurance Policies				
Others				

VI. Actuarial assumptions:

Particulars	Gratuity (Unfunded)		Leave Encashment (Unfunded)	
	2013-14	2012-13	2013-14	2012-13
Mortality Table	LIC 2006-08	LIC 1994-96	LIC 2006-08	LIC 1994-96
Discount rate (per annum)	9.10%	8.20%	9.10%	8.20%
Expected rate of return on plan assets (per annum)	-	-	-	-
Rate of escalation in salary (per annum)	6.00%	6.00%	6.00%	6.00%

VII. Amount for the current and previous four periods are as follows :

Particulars	31/03/2014	31/03/2013	31/03/2012	31/03/2011	31/03/2010
Gratuity (Unfunded)					
Defined Benefit obligation	46 37 537	52 61 013	37 45 590	27 26 075	20 82 822
Plan assets	0	0	0	0	0
Surplus / (Deficit)	(46 37 537)	(52 61 013)	(37 45 590)	(27 26 075)	(20 82 822)
Experience adjustments on plan liability	(1,483,361)	(4 64 632)	(1 87 834)	(5 35 509)	(3 47 638)
Experience adjustments on plan assets	-	-	-	-	-
Leave encashment (Unfunded)					
Defined benefit obligation	13 06 959	17 57 963	10 70 713	7 98 644	3 63 424
Experience adjustment on plan liability	(9 20 470)	(1 04 745)	(2 64 108)	73 242	(3 95 914)

VIII. Expected Employer's Contribution for the financial year

On the basis of previous year's trend company is expecting to contribute the same amount as in 2013-14 (₹ 19,45,678/-) to the defined contribution plan.

However, for the defined benefit plan company is not liable to contribute any amount as the plans are unfunded.

The estimate of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.



(Amount in ₹)

Note 24 : Finance costs	For the Year ended on 31st March 2014	For the Year ended on 31st March 2013
(A) Interest expense :		
Term loans	18 21 57 402	19 33 72 527
Working capital	10 85 10 896	7 29 15 013
Others	1 17 27 112	2 25 03 644
(B) Other borrowing cost:	1 38 15 257	2 96 71 169
Total	31 62 10 667	31 84 62 353

Note 25 : Other expenses	For the Year ended on 31st March 2014	For the Year ended on 31st March 2013
Consumption of stores & spares	6 73 52 177	6 69 90 734
Power & fuel (Including cost of power generation)	41 53 99 833	53 65 46 189
Labour charges	4 11 01 499	5 03 73 287
Rent expenses	19 89 038	24 40 467
"Rates & taxes (incl. wealth tax of ₹ 1,33,129/-)" [Previous year wealth tax ₹ 1,25,000/-]"	2 93 612	6 11 980
Legal, consultancy & professional charges	49 95 970	73 93 189
Commission and Brokerage expense	47 40 006	39 42 462
Bad debts	10 68 454	64 70 427
Payment to Auditors #	6 88 510	7 08 510
Freight outward	6 45 14 375	2 53 26 026
Sales tax	2 19 97 205	2 29 03 136
Service tax	9 14 343	27 91 160
Repairs		
- to Plant & machinery	33 76 370	13 70 490
- to Others	59 61 513	1 04 54 638
Insurance	18 16 615	14 78 041
Excise duty adjustment for stock*	(1 59 73 934)	74 79 481
Foreign exchange fluctuation loss (Net)	1 89 93 917	55 45 324
Miscellaneous expenses	3 82 14 083	3 35 27 178
Total	67 74 43 586	78 63 52 719

* Excise duty adjustment for stock represents the difference between excise duty on opening and closing stock of finished goods.

# Payments to Auditors	For the Year ended on 31st March 2014	For the Year ended on 31st March 2013
As Auditors	4 50 000	4 50 000
For other services	2 38 510	2 58 510
Total	6 88 510	7 08 510

Note 26 : Prior period items	For the Year ended on 31st March 2014	For the Year ended on 31st March 2013
(a) Debit relating to earlier years	4 358 541	57 57 005
(b) Credit relating to earlier years	1 441 284	30 81 450
Total	29 17 257	26 75 555



S.A.L. STEEL LIMITED

Notes forming part of the financial statements [Contd...]

27. Foreign currency exposure at the year end not hedged by derivative instruments:

- a) Foreign currency exposure at the year-end not hedged by derivative instruments:

	As at March 31, 2014	As at March 31, 2013
Payables against import of goods and services		
Rupees	0	27 11 56 093
US Dollar	0	49 85 468

28. Segment reporting :

The Company is manufacturing Ferro Alloys & Sponge Iron, which is basically used in Iron & 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 & 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".

- 29 The Company has applied for the Debt Restructuring to CDR Cell and flash report has been admitted by the competent authority. However, the detailed terms and conditions of the restructuring plan are not yet finalized.

30 RELATED PARTY DISCLOSURES

- (a) List of Related Parties and Relationships:

- i. Concern where significant interest exists.

Name of the Concern	Nature of Relationship
Shah Alloys Limited	Associate
SAL Care Private Limited	Promoter Group company
SAL Corporation Private Limited	Promoter Group company

- ii. Key Management Personnel and Relatives.

1.	Shri Rajendra V. Shah	Chairman
2.	Shri K.C.Thatoi	Managing Director (upto 30/04/2013)
3.	Shri Sujal Shah	Executive Director
4.	Shri B.L Singhal	Wholtime Director
5.	Shri Anil Pandya	Wholtime Director
6.	Shri Piyush Chandarana	Wholtime Director (upto 13/05/2014)

- (b) Disclosure of Related Party Transactions

(Amount in ₹)

Sr No	Related Party	Nature of Transaction	2013-14	2012-13
1.	Shah Alloys Limited	Purchases	12 33 20 414	45 34 46 382
		Sales (incl Power)	28 01 92 600	37 92 36 355
		Rent Income	9 60 000	9 60 000
2.	SAL Corporation Pvt Ltd	Interest	12 00 000	12 17 398
3.	SAL Care Pvt Ltd	Loan taken	7 62 00 000	1 50 00 000
		Loan repaid	8 15 34 168	2 90 00 000
		Interest	2 61 885	19 39 625
4.	Shri K.C.Thatoi	Remuneration	3 50 000	39 43 547
5.	Shri Sujal Shah	Remuneration	4 32 000	4 32 000
6.	Shri B.L Singhal	Remuneration	4 92 000	5 09 698
7.	Shri Anil Pandya	Remuneration	4 72 200	4 70 640
8.	Shri Piyush Chadarana	Remuneration	3 38 549	6 00 000


31. Earnings per share :

Particulars	Amount in ₹ 2013-14	Amount in ₹ 2012-13
Net Profit for the year attributable to Equity shareholders	(35 42 66 957)	(28 59 23 368)
Weighted average number of Equity Shares outstanding for Basic EPS	8 49 66 700	8 49 66 700
Weighted average number of Equity Shares outstanding for Diluted EPS	8 49 66 700	9 00 37 738
Basic earnings per share (Face value of ₹ 10 each)	(4.17)	(3.37)
Diluted earnings per share (Face value of ₹ 10 each)	(4.17)	(3.37)

Note : In computing diluted earnings per share, only potential equity shares that are dilutive and that either reduces earnings per share or increases loss per share are included.

- 32.** Certain Balance of Debtors, Creditors, Loans & Advances for Capital expenditures are non- moving / sticky since last 3 years. However in view of the management, the same is recoverable / payable. Hence no provision for the same is made in the books of accounts.
- 33.** The company has opted for Tax Remission Scheme in place of original composite scheme of Sales Tax. Due to this change, the VAT collected by the Company becomes Income of the Company and accordingly credited to Statement of profit And Loss.
- 34.** In the opinion of the Board of Directors, the current assets, loans and advances are ap-proximately of the value stated, if realized in the ordinary course of business and the provisions for depreciation and all known and ascertained liabilities are adequate and not in excess of the amounts reasonably necessary.
- 35.** Balances of Unsecured Loans, Sundry debtors, Creditors and Loans and advances are subject to confirmation from respective parties.

36. Information regarding stock:
Capacity

Class of Products	Annual Licensed capacity [P.A.]		Annual Installed capacity	
	2013-2014	2012-2013	2013-2014	2012-2013
Sponge Iron	N.A.	N.A.	180,000 MT P A	180,000 MT P A
Ferro Alloys	N.A.	N.A.	61,890 MT P A	61,890 MT P A
Rolling Mill	N.A.	N.A.	25,000 MT P A	25,000 MT P A
Power Plant	N.A.	N.A.	40 MW P Hour	40 MW P Hour

Note: Installed capacity is as certified by the Management and being a technical matter, accepted by the Auditors as correct.

Production (Net Saleable Production) :

Class of Products	2013-14 Qty (in M.T.)	2012-13 Qty. (in M.T.)
1 Finished Goods		
a) Sponge Iron		
Sponge Iron	1,07,601.000	96,533.000
b) Ferro Alloys		
Ferro Chrome	5,843.905	5,929.000
Silicon Manganese	222.500	6,437.500
Others	0	1,094.635
c) Rolling Mill		
M S Angle, S S Angle, Round Bar etc	0	0.205
2 Waste Products & By-Products		
a) Iron Ore Fines	1,502.000	20,620.340
b) Coal and Others	9,464.500	31,085.800
3 Power MWH	55,991.260	59,409.125



S.A.L. STEEL LIMITED

Turnover (Gross) (Net of return) :

Class of Goods	2013-2014		2012-2013	
	QTY (in MT)	Value (₹)	QTY (in MT)	Value (₹)
1 Sponge Iron				
Sponge Iron	1,11,690.670	2 63 55 11 041	95,405.540	2 37 62 47 968
2 Ferro Alloys				
Ferro Chrome	6,165.530	52 33 70 901	5,748.340	45 22 97 499
Sillico Manganese	506.390	3 48 33 751	6,185.640	40 02 41 798
Others	0	0	21.000	6 43 166
3 Rolling Mill				
M S Angle, S S Angle, Round Bar etc	0		19.036	5 14 706
4 Waste Products / By-Product				
Iron Ore Fines	7,587.220	2 73 91 635	13,983.570	8 06 31 430
Coal and Others	544.220	5 73 280	547.910	66 72 718
TOTAL	1,26,494.030	3 22 16 80 608	1,21,911.036	3 31 72 49 285
Power Units MWH	55991.260	27 99 56 300	59,409.125	36 77 00 000

Opening and Closing Stocks :

Class of Goods	Opening Stock				Closing Stock			
	As at 01.04.2012		As at 01.04.2013		As at 31.03.2013		As at 31-03-2014	
	QTY [MT]	Value (₹)	QTY [MT]	Value (₹)	QTY [MT]	Value (₹)	QTY [MT]	Value (₹)
1) Finished Goods								
a) Sponge Iron	3,290.347	7 79 92 627	4,417.807	9 91 16 397	4,417.807	9 91 16 397	328.137	66 80 749
b) Ferro Alloys	2,265.941	7 32 94 542	3,772.096	9 64 63 743	3,772.096	9 64 63 743	3,166.581	11 29 77 095
c) Rolling Mill M S Angle, S.S Angle, Round Bar etc	18.831	9 14 625	0.000	0	0.000	0	0	0
2) Waste Products / By-Products								
Iron Ore Fines	1,330.582	69 70 385	7,967.352	4 23 25 581	7,967.352	4 23 25 581	1,882.127	62 11 019
Coal and Others	40,837.515	3 96 34 304	71,375.405	3 13 40 616	71,375.405	3 13 40 616	80,295.685	36 45 499
TOTAL	47,743.216	19 88 06 483	87,532.660	26 92 46 337	87,532.660	26 92 46 337	85,672.530	12 95 14 362

Work in progress :

Product	2013-14 (Amount in ₹)	2012-13 (Amount in ₹)
Sponge Iron	14 49 600	44 92 722
Ferro Alloys	10 49 529	0
TOTAL	24 99 129	44 92 722

Raw Material Consumed (Excluding trading goods & Captive Used) :

Class of Goods	2013-2014		2012-2013	
	QTY [MT]	Value (in ₹)	QTY [MT]	Value (in ₹)
Iron Ore	1,55,984	1 43 17 91 513	1,67,862	1 43 99 05 670
Steam Coal	85,289	50 19 88 888	82,220	53 72 76 776
Chrome Ore	17,440	19 45 69 917	17,667	17 94 21 415
Manganese Ore	1,611	1 95 57 647	11,162	14 24 84 776
Others		8 82 17 602		12 82 80 344
TOTAL		2 23 61 25 567		2 42 73 68 981


Details of Goods Traded

Goods Sold	2013-14 (Amount in ₹)	2012-13 (Amount in ₹)
Steel & Iron	11 58 35 668	45 00 28 355

Value of imports calculated on C.I.F. basis during the financial year in respect of:

CIF VALUE OF IMPORTS	2013-14 (Amount in ₹)	2012-13 (Amount in ₹)
i) Raw Materials	1 00 86 081	60 17 97 609
ii) Capital Goods	-	-
iii) Components & Spares parts	-	-
Expenditure in Foreign Currency	-	-
Earning in Foreign Exchange	-	2 06 82 487
Amount remitted during the year in Foreign currency in respect of Dividend	-	-

Value of Raw Materials, Stores, and Chemical & Spares consumed during the year:

	Amount (in ₹)		% of Total Consumption	
	2013-14	2012-13	2013-14	2012-13
Raw Materials:				
i) Imported	1 00 86 081	60 17 97 609	0.46	24.79
ii) Indigenous	2 22 60 39 486	182 55 71 372	99.54	75.21
Total	2 23 61 25 567	2 42 73 68 981	100.00	100.00
Stores Spares & Chemical:				
i) Imported	-	-	-	-
ii) Indigenous	6 73 52177	6 69 90 734	100.00	100.00
Total	6 73 52177	6 69 90 734	100.00	100.00

37. The Company has re-classified previous year figures to conform to this year's classification. Previous year figures have been re-grouped / rearranged, wherever necessary to make them comparable with those of current year.

Signatures to Notes - 1 to 37

Notes referred to herein above form an integral part of the Financial Statements.

As per our Report of even date
For Talati & Talati

Chartered Accountants
FRNo: 110758W

Umesh Talati

Partner
M.No. 034834

Place : Ahmedabad

Date : May 28, 2014

For and on behalf of the the Board of Directors

Rajendra V. Shah (DIN 00020904) Chairman

Sujal A. Shah (DIN 01431407) Director

B.M. Singhal (DIN 01484213) Director

Anil Pandya (DIN 02453919) Director

Hardik Modi Company Secretary

Place : Santej

Date : May 28, 2014

**S.A.L. STEEL LIMITED****S.A.L. STEEL LIMITED**

CIN: L29199GJ2003PLC043148

Registered Office : 5/1, Shreeji House, B/h M.J. Library, Ashram Road, Ahmedabad-380006.**ATTENDANCE SLIP**

DP Id* _____ Folio No. _____
Client Id* _____ No. of Shares _____

NAME AND ADDRESS OF THE SHAREHOLDER : _____

I hereby record my presence at the **11TH ANNUAL GENERAL MEETING** of the Company held on Wednesday, 24th September, 2014 at 10:30 A.M. at SAL Institute & Engineering Research, Opp. Science City, Ahmedabad - 380 060.

Signature of Shareholder / Proxy

*Applicable for investors holding shares in electronic (demat) form.

S.A.L. STEEL LIMITED

CIN: L29199GJ2003PLC043148

Registered Office : 5/1, Shreeji House, B/h M.J. Library, Ashram Road, Ahmedabad-380006.**Form No. MGT- 11****PROXY FORM**

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of Members: _____
Registered Address: _____
E-mail Address: _____
Folio No. | Client ID: _____ DP ID: _____

I/we, being the member(s) of _____ shares of S.A.L. Steel Ltd, hereby appoint:

- 1) _____ of _____ having e-mail id _____
_____ or failing him
- 2) _____ of _____ having e-mail id _____
_____ or failing him
- 3) _____ of _____ having e-mail id _____

and whose signature(s) are appended below as my / our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 11th Annual General Meeting of the Company, to be held on Wednesday, 24th September, 2014 at 10:30 a.m. at SAL Institute & Engineering Research, Opp. Science City, Ahmedabad - 380060 and at any adjournment thereof in respect of such resolutions as are indicated below:

S.NO	RESOLUTIONS	S.NO	RESOLUTIONS
	ORDINARY BUSINESS		
1	Adoption of financial statements for the year ended on 31 st March, 2014	5	Appointment of Shri Ambalal C. Patel as an Independent Director
2	Reappointment of Shri Anil Kumar Pandya as Director	6	Appointment of Shri Harshad M. Shah as an Independent Director
3	Appointment of Talati & Talati as Statutory Auditor and fix their remuneration	7	Appointment of Shri Tejpal Shah as an Independent Director
	SPECIAL BUSINESS	8	Appointment of Shri Jethalal Shah as an Independent Director
4	Re-appointment of Shri Anil Kumar Pandya as Director - Commercial	9	Appointment of Shri Shrikant Jhaveri as an Independent Director
		10	Ratification of remuneration of the cost auditor

Signed this _____ day of _____ 2014

Signature of First proxy holder_____
Signature of Second proxy holder_____
Signature of Third proxy holder**Affix
Revenue
Stamp**

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.



S.A.L. STEEL LIMITED

If undelivered please return to:
Administrative office

S.A.L. Steel Limited

Corporate House, Sola-Kalol Road,
Santej - 382721, Ta. Kalol, Dist. Gandhinagar.
www.salsteel.co.in