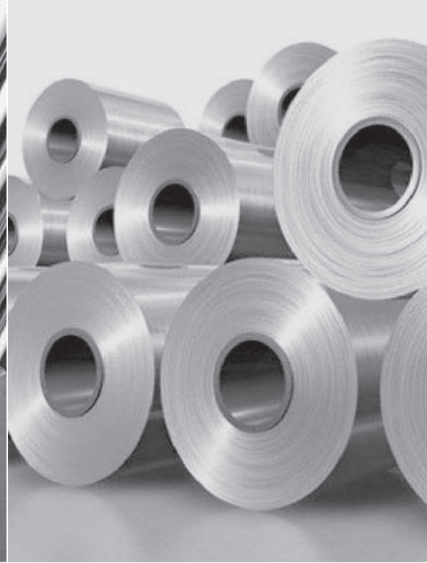
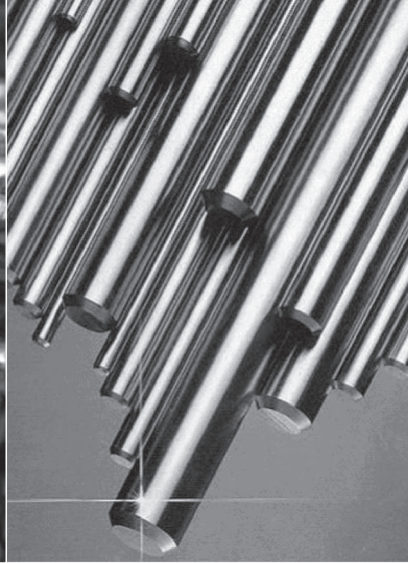
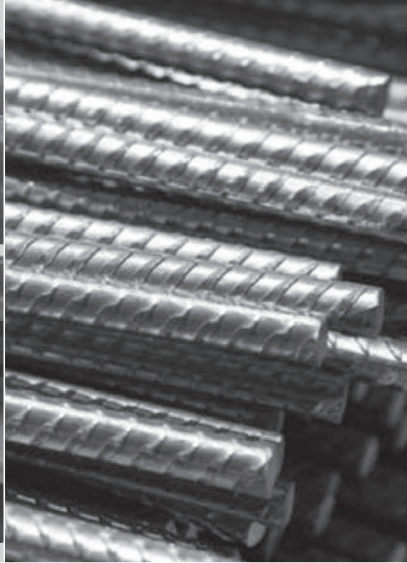
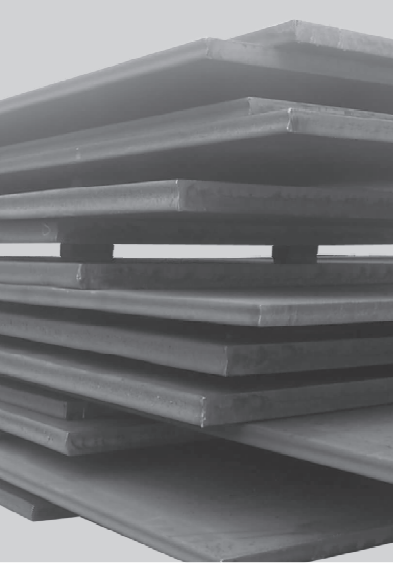


annual report

2011-12



Stainless Steel | Alloy & Special Steel | Armour Steel
Carbon Steel | Abrasion & Wear Resistant Steel | Tool Steel



SHAH ALLOYS

**BOARD OF DIRECTORS:**

| | |
|------------------------|---|
| Shri Rajendra V. Shah | <i>Chairman</i> |
| Shri K S Kamath | <i>Jt. Managing Director</i> |
| Shri Ashok Sharma | <i>Whole Time Director</i> |
| Shri M P Desai | <i>Executive Director-Works (ceased w.e.f. 08.12.2011)</i> |
| Shri G M Shaikh | <i>Director</i> |
| Shri N D Shah | <i>Director</i> |
| Shri Dilipkumar Sinha | <i>Director</i> |
| Shri Harshad M Shah | <i>Director</i> |
| Shri Tejpal S Shah | <i>Director</i> |
| Shri Bhaskar Ghosh | <i>Director</i> |
| Shri O P Dua | <i>Nominee Director- UBI</i> |
| Shri M B Kaul | <i>Nominee Director- IDBI Bank (ceased w.e.f. 16.04.2012)</i> |
| Shri Arakhita Khandual | <i>Nominee Director-IDBI Bank (w.e.f 16.04.2012)</i> |

COMPANY SECRETARY

Vinod Kumar Shah

REGISTERED OFFICE

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

CORPORATE OFFICE

Shah Alloys Limited
Block No. 2221,
Sola-Kalol Road, SANTEJ
Tal. Kalol, Dist. Gandhinagar - 382721

WORKS

Shah Industrial Estate, Block No. 2221
Sola-Kalol Road, Santej,
Tal. Kalol, Dist. Gandhinagar - 382721

AUDITORS

Talati & Talati
Chartered Accountants
Ambica Chambers
Nr. Old High Court, Navrangpura
Ahmedabad - 380 009

BANKERS TO THE COMPANY

1. Union Bank of India
2. State Bank of India
3. Bank of Baroda
4. Punjab National Bank
5. IDBI Bank Limited
6. Bank of Maharashtra
7. Axis Bank Limited

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

CONTENTS PAGE

| | |
|---|----|
| 1) Notice | 01 |
| 2) Directors' Report | 03 |
| 3) Management Discussion & Analysis | 08 |
| 4) Corporate Governance Report | 10 |
| 5) Auditors' Report | 15 |
| 6) Balance Sheet | 20 |
| 7) Statement of Profit & Loss | 21 |
| 8) Cash Flow Statement | 22 |
| 9) Notes forming part of Financial Statements | 24 |

**NOTICE**

NOTICE is hereby given that Twenty-Second Annual General Meeting of the Members of SHAH ALLOYS LIMITED will be held on Monday, 24th September, 2012 at 9:30 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 2012, Profit & Loss Account for the 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 Kandodi Srinivas Kamath, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri G M Shaikh, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Harshad M Shah, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Statutory Auditors, to hold office from the 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, retiring Auditors of the Company are eligible for re-appointment.

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.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the special business to be transacted at the meeting is annexed hereto.
3. Shareholders are requested to bring their copy of Annual Report to the meeting.
4. Members/Proxies should fill the Attendance Slip for attending the meeting.
5. All documents referred to in the accompanying the Notice are open for inspection at the Shah Alloys Corporate Office of the Company on all working days, except Saturday and Sunday between 11.00 a.m. and 4.00 p.m. up to the date of Annual General Meeting.
6. Members seeking any information or clarification on the Accounts are requested to send in 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.
7. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 17th September, 2012 to Monday, 24th September, 2012 (both days inclusive).
8. Corporate Members intending to send their authorised 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.

By Order of the Board

Date : 30th June 2012

Place : Santej

Registered Office:

5/1 Shreeji House,
B/h M.J. Library,
Ashram Road,
Ahmedabad – 380006

Vinod Kumar Shah
Company Secretary



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

| Name of Director | Srinivas Kamath | G M Shaikh | Harshad M Shah |
|---|--|---|---|
| Date of Birth | 05.05.1960 | 31.07.1940 | 01.07.1952 |
| Relationship with other Directors Inter se | None | None | None |
| Profile & Expertise in Specific functional Areas | 29 years of rich experience in marketing of Steel Products in domestic as well as global markets | 43 years experience in the field of Accounts, Audit & Taxation. He is proprietor of G.M Shaikh & Co., renowned Chartered Accountants Firm, Ahmedabad. | 35 years of experience in trading of Steel Products and in Construction Industry. |
| Qualification | B.Com. | F.C.A, B.Com | B.Com. |
| No. of Equity Shares held in the Company | Nil | Nil | Nil |
| List of other Companies in which Directorships are held | Nil | Nil | S.A.L Steel Limited |
| List of committees of Board of Directors (across all other Companies) in which Chairmanship/ Membership is held | Nil | Nil | Member of Audit Committee and Remuneration Committee in: S.A.L Steel Limited |



Dear Members,

Your Directors present 22nd Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2012.

FINANCIAL HIGHLIGHTS:

(₹ in Crores)

| Particulars | 2011-12 | 2010-11 |
|--|-----------------|-----------------|
| Turnover | 830.11 | 824.51 |
| <i>Less: Excise duty</i> | 72.30 | 72.79 |
| Net Turnover | 757.81 | 751.72 |
| Other Income | 3.19 | 2.67 |
| Gross Revenue | 761.00 | 754.39 |
| <i>Less: Cost of Sales</i> | 876.88 | 819.02 |
| Profit / (Loss) before depreciation, Interest & Tax | (115.88) | (64.63) |
| <i>Less: Depreciation & Amortisation</i> | 31.74 | 32.28 |
| <i>Less: Interest and Financial Expenses</i> | 92.22 | 87.19 |
| Profit / (Loss) before Taxes | (239.84) | (184.10) |
| <i>Less: Tax Expense (Income)</i> | (78.46) | (54.42) |
| Net Profit / (Loss) after Tax | (161.38) | (129.68) |
| <i>Add: Balance brought forward from previous year</i> | (267.40) | (137.71) |
| Carried forward Losses | (428.78) | (267.40) |

PERFORMANCE

Members are aware that due to the status of Sick industry, Company has been facing financial crunch and as such manufacturing capacity was very much underutilized. However, due to all round efforts Company could maintain turnover near to the figures of last year. Total Income for the year ended 31st March, 2012 amounted to ₹ 761 Crores as against ₹ 754.39 Crores for the year ended 31st March, 2011. Apart from the financial crisis, operations of the company are still influenced due to higher raw material prices, escalating fuel prices, higher inflationary conditions, lower margin realization and competition. Introduction of some good product mix and greater attention on the high value premium products have helped the Company to realize better margin in some areas.

REFERENCE TO BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTION (BIFR) UNDER SICA:

Members are aware that Company has gone to Hon'ble Board for Industrial and Financial Reconstruction (BIFR) under the Section 15 of Sick Industrial Company (Special Provisions) Act, 1985. Company has been registered as Sick Company vide order of Hon'ble BIFR dated 31st August 2010. Union Bank of India (UBI) has been appointed as Operating Agency (OA). On the directions of the consortium lenders, M/s MECON Ltd., a Public Sector Undertaking had been appointed to carry out Techno Economic Viability (TEV) Study. The study report has been received and submitted to the Operating Agency as well as to other lenders. Your Company is following the matter with the OA for Draft Rehabilitation Scheme.

FOREIGN CURRENCY CONVERTIBLE BONDS (FCCB)

During the year 2006, Company had issued 100 zero coupon unsecured Foreign Currency Convertible Bonds (FCCB) of US \$ 100,000 each aggregating to US\$ 10 million to international investors and raised funds to part finance its expansion and modernisation programme and for such other purpose as permitted under relevant laws and regulations. The Bonds, at the sole option of Bondholder, were convertible into equity share of ₹ 10/- each at a premium of ₹ 165/- per share during any time on or after 20th September 2006 and ending on 8th September 2011, unless previously redeemed, repurchased and cancelled. The Bonds which were not redeemed, repurchased and cancelled or converted were redeemable on 22nd September 2011 in cash at 148.255% of the principal amount of the Bonds.

Since the Bondholders did not exercise the option for conversion of Bonds into equity shares upto 8th September, the same became liable for redemption on 22nd September. Due to inadequacy of funds and ongoing sick status of the Company, Company could not repay the



aforesaid bonds on its due date i.e. 22nd September 2011. As such, the aforesaid Bonds of US\$ 10 million remains outstanding as at the end of financial year ended on 31st March 2012. The amount due shall be covered in the draft rehabilitation scheme.

CORPORATE GOVERNANCE

The Board of Directors supports the broad principles of corporate governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

Your company has been practicing the principles of good corporate governance over the years.

DIRECTORS

Shri Kandodi S Kamath, Shri G M Shaikh and Shri Harshad M Shah will be the Directors retiring by rotation and being eligible offer themselves for re-appointment at the ensuing Annual General Meeting.

During the year under review Shri Mahendra P Desai has resigned from the post of Director – Works w.e.f. 08.12.2011. Further Shri Arkhita Khandual was nominated by IDBI Bank in place of Shri M B Kaul.

PARTICULARS OF THE EMPLOYEES

Particulars of the employees as required under the provisions of section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended 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

CONSERVATION OF ENERGY, R & D TECHNOLOGY ETC.

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 the particulars relating to conservation of Energy, R & D, Technology absorption and foreign Exchange earnings / outgo are annexed.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm:

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- b) that they 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 of the profits of the company for that period;
- c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for prevailing the detecting fraud and other irregularities;
- d) that they 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.

Pursuant to Central Government's Order dated 3rd May 2011 Ref No. 52/26/CAB-2010, mandating appointment of Cost Auditor, your directors have reappointed M/s Ashish S. Bhavsar & Co. as Cost Auditor, for auditing cost accounting records of the Company for financial year 2012-13.

EXPLANATION TO THE AUDITORS' REMARKS

The Directors submit their explanations to the qualifications made by the Auditors in their report for the year 2011-12. The Para nos. of Auditors' Report and reply are as under:

Para 4 (d)

Dues on account of maturity of Foreign Currency Convertible Bonds (FCCB) on 22.09.2011 have been frozen on maturity and accordingly exchange rate fluctuation has not been considered thereafter. Payment of FCCB shall be considered as per the scheme that may be considered by Hon'ble BIFR.

Para ix (a)

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



SHAH ALLOYS LIMITED

Para xi

As per the scheme sanctioned by CDR (EG) consortium bankers were required to give working capital for the optimal utilization of production capacity. However, in the absence of non availability of funds from the members, the accruals were not in line with the sanctioned scheme and hence Company could not utilize optimally its production capacity. In view of this, Company was not able to make payments to banks/institutions and debenture holders as per the sanctioned scheme. However, before due date of repayment, Company had approached Hon'ble BIFR for declaring it as a Sick company and was declared so before the due date, i.e., June 2011. On account of sick status, payments were not made as per CDR and shall be considered based on the Rehabilitation scheme that may be considered and approved by the Hon'ble BIFR. Similarly payment to FCCB holders shall be considered as per Rehabilitation scheme that may be sanctioned.

Besides, other qualification, the notes to the Accounts are self explanatory and give suitable explanation to qualifications in Auditors' Report.

FIXED DEPOSIT

The Company has not accepted any deposits during the year.

REGULATORY STATEMENT

In conformity with amended provision of clause 32 in the Listing Agreement(s) the Cash Flow Statement for the year ended 31.03.2012 is annexed hereto.

The equity shares of your company are listed on the following stock exchanges and the listing fees are paid by the company for the year 2012-2013.

➤ **Bombay Stock Exchange Ltd.**

P. J. Tower, Dalal Street, Mumbai-400001.

➤ **National Stock Exchange of India Ltd**

"Exchange Plaza" Bandra Kurla Complex, C-1, Block-G, Bandra (East), Mumbai-400 051.

ACKNOWLEDGMENT:

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 endeavor.

For SHAH ALLOYS LIMITED

Date : 30th June 2012
Place : Santej

Sd/-
Rajendra V. Shah
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

(I) POWER & FUEL CONSUMPTION

| | | 2011-12 | 2010-11 |
|----------|---|---------------|--------------|
| 1 | ELECTRICITY | | |
| | (a) Purchased | | |
| | Unit (Kwh) | 13,09,96,467 | 14,05,18,765 |
| | Total Amount (₹) | 120,86,96,987 | 93,43,31,889 |
| | Rate / Unit (₹) | 9.23 | 6.65 |
| | (b) Own Generation | | |
| | (i) <i>Through Diesel Generator Unit (Kwh)</i> | NIL | 96,14,786 |
| | Unit Per Ltr of Furnace Oil | NIL | 3.53 |
| | Cost / Unit (₹) | NIL | 7.17 |
| | (ii) <i>Through Steam Turbine / Generator Unit (Kwh)</i> | NIL | NIL |
| | Unit Per Kg of Lignite | NIL | NIL |
| | Cost Lignite / Unit (₹) | NIL | NIL |
| 2 | COAL (Including Coal Fines) | | |
| | Quantity (MT) | NIL | NIL |
| | Total Cost (₹) | NIL | NIL |
| | Average Rate (₹) | NIL | NIL |
| 3 | FURNACE OIL (used in the generation of power) | | |
| | Quantity (K Ltr) | NIL | 27,22,821 |
| | Total Cost (₹) | NIL | 6,56,54,225 |
| | Average Rate (₹) | NIL | 24.11 |
| 4 | OTHERS - LIGNITE (used in the generation of steam) | | |
| | Quantity (K Tons) | NIL | NIL |
| | Total Cost (₹) | NIL | NIL |
| | Average Rate (₹) | NIL | NIL |

(II) CONSUMPTION PER M.T. OF PRODUCTION

| Particulars of Product | 2011-12 | 2010-11 |
|-------------------------|---------|---------|
| Electricity (in Unit) | 1,535 | 1,231 |
| Furnace Oil | NIL | NIL |
| Coal (Specify quantity) | NIL | NIL |
| Others | NIL | NIL |



SHAH ALLOYS LIMITED

B. TECHNOLOGY ABSORPTION

| (I) Research and Development (R & D) | | |
|--|-----|-----|
| 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 | | |
| b) Recurring | | |
| c) Total | | |
| d) Total R&D expenditure as a percentage of total turnover | NIL | NIL |
| (II) Technology absorption, adaptation: | | |
| 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, NIL cost reduction, product development, import substitution etc. | 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. | NIL | NIL |

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(₹ in Crores)

| | 2011-12 | 2010-11 |
|--------------------------------|---------|---------|
| 1) EARNINGS & OUTGO | | |
| a) Earnings | 35.14 | 17.98 |
| b) outgo | 7.78 | 20.86 |

For SHAH ALLOYS LIMITED

Date : 30th June 2012
Place : Santej

Sd/-
Rajendra V. Shah
CHAIRMAN



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

Indian steel industry plays a significant role in the country's economic growth. The major contribution directs the attention that steel is having a stronghold in the traditional sectors, such as infrastructure & constructions, automobile, transportation, industrial applications, Railways etc. Moreover, steel variant stainless steel is finding innovative applications due to its corrosion resistive property. India is the fifth largest steel producer at the global front. The Indian steel sector has grown significantly during the last decade, registering strong demand in the last five years. As the economy develops further, steel consumption is likely to increase. Indian steelmakers have plans to expand capacity substantially in order to meet the anticipated increase in demand. India has relatively large reserves of iron ore and is likely to remain self-sufficient in its supply of iron ore for the foreseeable future. In contrast, Indian steelmakers rely heavily on imports for their coking coal needs.

According to the provisional data released by World Steel Association (WSA), India with a production of 72.2 MT was the 4 highest Global Producer of crude steel in the year 2011.

The Working Group for Steel for the 12th Plan period has estimated that India's domestic Steel Demand will grow at an average annual rate of 10.3 percent during the next five years (2012-2017).

The Global Steel Industry witnessed sound growth during 2010 and 2011. This growth is mainly attributed to increase in demand from key steel end-user industries like infrastructure, construction and automotive in the emerging markets. The year 2011 began with a positive outlook as a fear of a recession was declined. Despite a good start to 2011, the global economy entered an uneven and uncertain territory in the second half of the year. Global industrial activity has weakened and confidence has fallen on account of financial turbulence in the Eurozone, weak private demand in the United States, and events in Japan and the Middle East. Emerging markets like India, Brazil, China etc. are also affected by the current economic slowdown, particularly where reliance on export income from developed markets is concerned. Inflation is also an issue in many emerging markets.

COMPANY'S PERFORMANCE AND HIGHLIGHTS

Due to financial constraints, this year also, Company could not do well. Since the Company is declared sick industry, it has become very difficult to arrange financial arrangements. However, with all round efforts, Company is able to maintain its sales figure during the year under review. Further performance of the company largely depends of the DRS that may be submitted by the Operating Agency to Hon'ble BIFR. Due to increased burden of interest and high cost of raw material, the loss of the company has been increased.

Amidst adverse factors, there is a good news, Company has been allowed for purchase of power from open market. This will facilitate company to reduce cost of power in future.

SWOT ANALYSIS

Strength

- Good Industry experience & knowledge of Promoters.
- Limited players in speciality steel manufacturing domain.
- Established manufacturing infrastructure.
- Backward integration support.
- Diverse Supplier base.
- Long standing contracts for purchase of raw material

Weaknesses

- Heavy debt burden.
- High power cost.
- Dependency on third party for raw material.

Opportunities

- Unexplored Markets.
- Demand visibility is firming up for domestic as well as global market
- Per capital consumption of stainless steel in the country is increasing and application of Stainless Steel is expanding.

Threats

- Rising raw material, fuel and power prices.
- High Cost of Capital.
- Long tenure of rehabilitation.
- Unforeseen general macro-economic factors and political turmoil.
- Global economic slow down.

RISKS AND CONCERNS

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

- Working Capital risks
- Government Policy and Political Structure risk



SHAH ALLOYS LIMITED

- Competition risk
- Debtor risk
- Exchange Rate fluctuation risk
- Geographic Concentration risk

The Company is taking appropriate steps to guard against these identified risks.

SEGMENT-WISE PERFORMANCE

Brief highlights of segment-wise financial performance of Company are as under:

(₹ in crores)

| PARTICULARS | 2011-12 | 2010-11 |
|---------------------------|-----------------|-----------------|
| TOTAL INCOME | 757.81 | 751.72 |
| Stainless Steel | 744.77 | 735.12 |
| Plant Medical Store & Lab | 13.04 | 16.60 |
| PROFIT BEFORE TAX | (239.84) | (184.10) |
| Stainless Steel | (242.15) | (187.56) |
| Plant Medical Store & Lab | 2.31 | 3.46 |
| Capital Employed | (344.36) | (181.96) |
| Stainless Steel | (356.25) | (194.63) |
| Plant Medical Store & Lab | 11.89 | 12.67 |

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. However, workers union has filed a suit against the company for their various claims and the matter is pending in court.

FUTURE OUTLOOK

The outlook for 2012 remains cautious. Global steel industry is expected to grow in 2012, although at a lower rate. Global Steel Production is expected to be at around 6.7% in 2012 and expected to grow at a CAGR of 2.6% by 2015.

On the other hand, according to the World Steel Association, Global Steel Consumption is estimated to increase by 5% (approx) in 2012, compared to increase of 6% in 2011.

Steel demand will vary depending on the outlook for different regions and countries. Steel demand in developed regions such as the North America and Europe is forecast to be lower, but stronger economic growth in China, India, Brazil, Russia and South Korea indicate the likelihood of stronger steel demand from these regions.

Fitch Ratings says that despite the risk of a slowdown in the growth of domestic steel demand, the outlook for the Indian Steel Producers will remain stable in 2012. Steel demand has a high correlation with growth in GDP, which is showing signs of a slowdown mainly because of higher prevailing domestic interest rates and a weaker global economy. Profitability margins of most Indian steel producers came under pressure in H1 FY12 due to increases in input costs led by a disruption in coking coal supply. While raw material cost pressures may ease in the coming months, reduced steel demand is likely to constrain steel prices, putting pressure on margins.

The rising interest rate scenario in the country could increase the overall cost of funding new projects. The domestic steel industry may also suffer from overcapacity in the medium to long term. Steel producers would have to focus on exports to maintain their operating rates at profitable levels which seem to be a challenging proposition given the current slowdown in the developed world.

In the midst of uncertainty, future of the Company largely depends on the Rehabilitation Scheme which is yet to be sanctioned. In the meantime, Company expects better performance on account of measures being taken to reduce the power cost and increase in margins by improving its product mix.

CAUTIONARY NOTE

Statements in Management Discussion and Analysis Report describing the Company's expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence Company's operations include global and domestic supply & demand conditions affecting selling prices of finished goods, input availability and prices, changes in the government regulations, tax laws, economic development within the country and other factors such as litigations and industrial relations.



REPORT ON CORPORATE GOVERNANCE

1) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The philosophy of Corporate Governance as manifested in the company's functioning is to achieve business excellence by enhancing long term shareholders value and interest. Good corporate governance has always been an integral part of the company's business philosophy. The company attaches significant importance to issue of corporate governance and has always focused on good corporate governance. Your company has consistently made efforts in ensuring transparency, accountability and responsibility in dealing with its Employees, Stakeholders Customers and Community at large.

2) BOARD OF DIRECTORS

The Board of Directors is entrusted with the ultimate responsibility of the management. The Board consists of eleven directors, comprising two Executive Directors, one Non-Executive Director and eight Independent Directors. The Board represents an optimal mix of Professionalism Knowledge and Experience.

NUMBER OF BOARD MEETINGS

Shah Alloys Limited held Six Board Meetings during the year ended 31st March, 2012. These meetings were on the maximum time gap between any two meetings was not more then four calendar months. None of the Directors of the Company was a member of more than ten Committees nor was the Chairman of more than five Committees across all companies in which they are Directors.

The Composition of the Board and other relevant details relating to Directors are given below:-

| Name of Director | Category | Numbers of Board Meetings. | | No. of Directorships held | Committee Memberships held in other companies | | Whether attended last AGM |
|----------------------------|----------------------------------|----------------------------|--------------------------|---------------------------|---|-------------|---------------------------|
| | | Held during the year | Attended during the Year | | as member | as Chairman | |
| Shri Rajendra V.Shah | Promoter Non- Executive Chairman | 6 | 6 | 1 | Nil | Nil | Yes |
| Shri Kondadi S Kamath | Non Promoter Executive Director | 6 | 5 | Nil | Nil | Nil | Yes |
| Shri Mahendra P. Desai * | Non Promoter Executive Director | 6 | 3 | Nil | Nil | Nil | No |
| Shri G.M. Shaikh | Non – Executive & Independent | 6 | 5 | Nil | Nil | Nil | Yes |
| Shri Harshad M. Shah | Non-Executive & Independent | 6 | 5 | 1 | 1 | Nil | No |
| Shri Ashok A Sharma | Non Promoter Wholetime Director | 6 | 6 | Nil | Nil | Nil | Yes |
| Shri N.D.Shah | Non-Executive & Independent | 6 | 0 | 1 | Nil | Nil | No |
| Shri Dilip Kumar Sinha | Non-Executive & Independent | 6 | 5 | 1 | Nil | Nil | No |
| Shri Tejpal S. Shah | Non-Executive & Independent | 6 | 5 | 1 | Nil | Nil | No |
| Shri Bhaskar Ghosh | Non-Executive & Independent | 6 | 0 | Nil | Nil | Nil | No |
| Shri Vincent Mendonsa ** | Nominee Director of UBI | 6 | 0 | Nil | Nil | Nil | No |
| Shri M B Kaul *** | Nominee Director of IDBI | 6 | 1 | Nil | Nil | Nil | No |
| Shri O. P. Dua ** | Nominee Director of UBI | 6 | 3 | Nil | Nil | Nil | No |
| Shri Arakhita Khandual *** | Nominee Director of IDBI | 6 | N.A | Nil | Nil | Nil | N.A. |

* Shri Mahendra P. Desai resigned w.e.f. 08.12.2011

** Nominated Shri O. P. Dua vice Shri Vincent Mendonsa w.e.f. 04.08.2011 by UBI

*** Nominated Shri Arakhita Khandual vice Shri M. B. Kaul w.e.f. 16.04.2012 by IDBI



SHAH ALLOYS LIMITED

BOARD PROCEDURE:

The Board meets at least once a quarter to review the Quarterly performance and the financial results. The Agenda for the Board/committee meeting is generally accompanied by background notes and other materials information which is circulated among the Directors in advance.

During the financial year ended 31st March 2012, Six Board meetings were held – 11.05.2011, 28.07.2011, 06.08.2011, 12.11.2011, 12.12.2011 and 03.02.2012

AUDIT COMMITTEE:

The Role and terms of reference of Audit Committee cover the areas mentioned under clause 49 of the Listing Agreement and Section 292A of the Companies Act 1956, besides other terms as may be referred by the Board of Directors from time to time.

The Board of Directors of the Company has constituted Audit Committee comprising three Non-Executive Directors viz Shri G.M. Shaikh –Chairman, Shri R.V.Shah, and Shri N.D. Shah who are eminent professional knowledgeable in Finance, Accounts and Law.

Audit Committee comprise of expert specializing in accounting/financial management. The Chairman of the Audit Committee is a non executive and independent Director.

The Audit Committee met Five times during the year on 11.05.2011, 28.07.2011, 06.08.2011, 12.11.2011 and 03.02.2012.

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

| Name of Director | Designation | No. of Meetings | Meetings attended |
|-----------------------|-------------|-----------------|-------------------|
| Shri G.M. Shaikh | Chairman | 5 | 5 |
| Shri Rajendra V Shah | Member | 5 | 5 |
| Shri Natverlal D Shah | Member | 5 | 0 |

REMUNERATION COMMITTEE:

The Remuneration Committee comprises of three independent Non-executive directors viz. Shri G.M. Shaikh –Chairman, Shri N. D. Shah and Shri H. M. Shah.

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

SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE:

The Shareholders' / Investors' Grievance Committee comprises of independent non-executive directors Shri G.M. Shaikh –Chairman, Shri N. D. Shah and Shri Ashok A. Sharma as Executive Director.

The committee reviews the performance and recommends measures for overall improvement in the quality of investor services.

The total number of complaints received were replied to satisfaction of shareholders during the year ended 31st March, 2012. Outstanding complaint as on 31.03.2012 was Nil.

REMUNERATION TO THE DIRECTORS:

The details of remuneration paid to Directors for the year ended March 31, 2011 are as follows:

| Name of Director | Sitting Fees Rs | Salaries & Perquisites Rs | Commission Rs | Total Rs |
|------------------------|-----------------|---------------------------|---------------|-----------|
| Shri Rajendra V. Shah | Nil | Nil | Nil | Nil |
| Shri Kondadi S Kamath | Nil | 12,92,400 | Nil | 12,92,400 |
| Shri Ashok Sharma | Nil | 12,00,000 | Nil | 12,00,000 |
| Shri Mahendra P. Desai | Nil | 14,49,449 | Nil | 14,49,449 |
| Shri G. M Shaikh | 25,000 | Nil | Nil | 25,000 |
| Shri Harshad M. Shah | 12,500 | Nil | Nil | 12,500 |
| Shri Natvarlal D. Shah | Nil | Nil | Nil | Nil |
| Shri Dilip Kumar Sinha | 12,500 | Nil | Nil | 12,500 |
| Shri Tejpal S. Shah | 12,500 | Nil | Nil | 12,500 |
| Shri Bhaskar Ghosh | Nil | Nil | Nil | Nil |
| Shri Vincent Mendonsa | Nil | Nil | Nil | Nil |
| Shri O. P. Dua | 7,500 | Nil | Nil | 7,500 |
| Shri M. B. Kaul | 2,500 | Nil | Nil | 2,500 |

- The agreement with Managing Director/Executive Directors/Whole Time Directors are for period of 5 years.
- The Company does not have a scheme for grant of Stock option to the Directors.

**CODE OF CONDUCT**

The Company has already adopted a Code of Conduct which was made applicable to all its Directors, whether executive or non-executive and all Senior Management Personnel of the Company. The said code has been communicated to all Board members and senior management personnel of the Company.

DISCLOSURES

- A) All details relating to financial and commercial transaction where Directors may have a pecuniary interest are provided to the Board. Details of related parties transactions have been reported in the Notes to the Accounts. There is no transaction of a material nature with any of the related party, which is in conflict with the interest of the company.
- B) There is no instance of non-compliance with the requirements of the regulatory authority on a matter relating to the capital market during last three years.
- C) The Company has laid down the procedures to inform the Board members about the risk assessment and minimization procedures. The Board is periodically informed about business and other risks and its minimization procedures.
- D) The company has followed the Accounting standard issued by Institute of Chartered Accountants of India (ICAI) in preparations of financial statement.

3. GENERAL BODY MEETINGS:

The location and time of the General Meetings held during the last three years is as follows:

| AGM / EGM | Date | Venue | Time | No. of special resolutions passed |
|-----------|--------------------|--|---------|-----------------------------------|
| AGM | September 24, 2009 | Raj path Club Ltd., Thaltej Satellite Road, Ahmedabad.- 380 054 | 9.30 AM | — |
| EGM | November 12, 2009 | SAL Institute & Engineering Research, Opp Science City, Ahmedabad-380060 | 9.30 AM | — |
| AGM | September 24, 2010 | SAL Institute & Engineering Research, Opp. Science City, Ahmedabad-380060 | 9.30 AM | — |
| AGM | September 24, 2011 | SAL Institute & Engineering Research, Opp. Science City, Ahmedabad-380060 | 9.30 AM | — |

During year ended 31st March, 2012 there have been no resolutions passed by the company's shareholders through postal ballot.

MANAGEMENT:**Management discussion and analysis**

The Management Discussion and Analysis forms part of this Report and is provided separately elsewhere in this report.

4. MEANS OF COMMUNICATION

- 1) The Board of Directors of the Company approves and takes on record the quarterly, half yearly and yearly financial results in the Performa prescribed by Clause 41 of the Listing Agreement within prescribed time limit.
- 2) The approved financial results are forthwith sent to the Listed Stock Exchanges and are published in the leading national English newspapers. In addition the same are published in local language (Gujarati) newspaper. The same are not sent to the shareholders separately.

5. GENERAL SHAREHOLDER INFORMATION

The Company is registered in the State of Gujarat having Corporate Identification Number (CIN) is allotted by the Ministry of Corporate Affairs as L27100GJ1990PLC014698.

As mentioned in the Notice, the 22nd Annual General Meeting of the Company will be held on 24th September 2012 at 9.30 a.m. at SAL Institute & Engineering Research, Opp Science City Ahmedabad-380060.

Financial Year

The financial year of the Company is 1st April to 31st March.

- **Financial Calendar (tentative & subject to change)**
 - (a) First Quarter Results : August 2012
 - (b) Second Quarter Results : November 2012
 - (c) Third Quarter Results : February 2013
 - (d) Fourth Quarter results : May 2013
- **Date of Book Closure** : 17/09/2012 to 24/09/2012 (Both days inclusive)
- **Listing on Stock Exchange** : The National Stock Exchange of India Limited (NSE)
- Bombay Stock Exchange Ltd. (BSE)
- The Company has paid the Annual Listing fees to the Stock Exchanges for the financial year 2012-2013.



SHAH ALLOYS LIMITED

- Stock Code**

The National Stock Exchange of India (NSE) : SHAHALLOYS

Bombay Stock Exchange Ltd. : 513436

Demat ISIN No. for NSDL and CDSL : INE 640C01011

Monthly Highs and Lows for the period April 2011 to March 2012

| NATIONAL STOCK EXCHANGE OF INDIA LTD. (NSE) | | |
|---|-------|-------|
| | HIGH | LOW |
| April 2011 | 14.45 | 11.85 |
| May 2011 | 15.20 | 11.75 |
| June 2011 | 14.20 | 11.70 |
| July 2011 | 13.60 | 11.70 |
| August 2011 | 12.45 | 08.80 |
| September 2011 | 13.00 | 08.55 |
| October 2011 | 11.55 | 09.00 |
| November 2011 | 10.85 | 09.00 |
| December 2011 | 09.35 | 05.70 |
| January 2012 | 08.00 | 05.85 |
| February 2012 | 08.75 | 07.05 |
| March 2012 | 08.70 | 06.40 |

Registrars & Share Transfer Agents : Bigshare Services Pvt. Ltd.
 E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (E),
 Mumbai 400 072
 Email: info@bigshareonline.com

- Share Transfer System**

As per the SEBI guidelines shares are transferred by the aforesaid Registrars & Transfer Agent.

The total number of shares transferred in the physical form during the year was -41,700.

- Distribution and Shareholding Pattern as on 31.03.2012**

| No. of equity shares held | No. of Folios | % | No. Shares | % |
|--|---------------|---------------|-----------------|---------------|
| Upto 500 | 7626 | 82.84 | 1393198 | 7.04 |
| 501 – 1000 | 836 | 9.08 | 686796 | 3.47 |
| 1001 – 2000 | 377 | 4.10 | 583420 | 2.95 |
| 2001 – 3000 | 124 | 1.35 | 321039 | 1.62 |
| 3001 – 4000 | 61 | 0.66 | 217587 | 1.10 |
| 4001 – 5000 | 40 | 0.43 | 187162 | 0.95 |
| 5001 – 10000 | 81 | 0.88 | 588654 | 2.97 |
| 10001 and above | 61 | 0.66 | 15819684 | 79.90 |
| TOTAL | 9206 | 100.00 | 19797540 | 100.00 |
| No. of shareholders in physical mode | 1760 | | 513132 | 2.59 |
| No. of shareholders in electronic mode | 7446 | | 19284408 | 97.41 |



- **Shareholding pattern as on 31.03.2012 is as follows**

| Category | No. of Shares | % |
|--------------------------------------|-----------------|---------------|
| Promoters | 10620306 | 53.64 |
| Directors / Relatives | 108940 | 0.55 |
| Indian Public | 4353748 | 21.99 |
| Domestic Companies | 2809018 | 14.19 |
| Nationalized Bank/ Insurance Company | 1776624 | 8.98 |
| NRI | 128904 | 0.65 |
| Total | 19797540 | 100.00 |

- Dematerialization of shares and liquidity : 97.41 % of the paid-up capital has been dematerialized as on 31.03.2012.
- Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion dates and likely impact on equity : None
- Plant Locations : 2221, Shah Industrial Estate, Sola-Kalol Road, Santej, Ta. Kalol, Dist. Gandhinagar-382721
- Shareholders' correspondence should be addressed to :
 - [1] **Bigshare Services Pvt. Ltd.**
E-2/3, Ansa Industrial Estate, Sakivihar Road, Sakinaka, Andheri (E), Mumbai 400 072 Email: info@bigshareonline.com
 - [2] **Regd. Office**
5/1, Shreeji House, B/H.M.J. Library, Ashram Road, Ahmedabad – 380 006.
 - [3] **Corp. Office :**
Shah Alloys Limited, Block No. 2221, Sola-Kalol Road, Santej, Ta. Kalol, Dist. Gandhinagar-382 721

Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participant.

DECLARATION

As provided under clause 49 of the Listing Agreement with the Stock Exchange, all Board Members and Senior Management Personnel have affirmed compliance with code of conduct.

For, **Shah Alloys Limited**

K. S. Kamath

Jt. Managing Director

Place : Santej

Date : 30th June 2012

CERTIFICATE ON CORPORATE GOVERNANCE

To the Members **Shah Alloys Limited**

We have examined the compliance of the conditions of Corporate Governance by Shah Alloys Limited for the year ended 31st March, 2012 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 review of 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.

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.

We state that no major of investor grievances are pending for period exceeding one month against the Company, as per the records maintained by the Shareholders/ Investors Grievance Committee and certified by the Company.

On the basis of our review and according to the information and explanations provided to us, the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement(s) with the Stock Exchange have been complied with in all material respect by the Company.

For, K.K.Patel & Associates

Sd/-

Kiran Kumar Patel
Proprietor

CP No. 6352

Place : Gandhinagar

Date : 30th June 2012



To
The Members
M/S. SHAH ALLOYS LIMITED.
AHMEDABAD.

- 1) We have audited the attached Balance Sheet of **M/s SHAH ALLOYS LIMITED** as at March 31, 2012, the Statement of Profit and Loss and the Cash-flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan & perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts & disclosures in the financial statements. An audit also includes assessing the accounting principles used & significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditors Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section(4A) of Section 227 of the companies Act 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said order to the extent applicable.
- 4) Further to our comments in the Annexure referred to in paragraph-3 above, we report as under: -
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (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 the books;
 - (c) The Balance Sheet , Statement of Profit and Loss and 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 Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.

We report that:

No foreign exchange loss has been provided in the financial statements on the Principal amount of 1,00,00,000 USD and on the Premium amount of 48,25,500 USD of the Foreign Currency Convertible Bonds(FCCB) which had become due for payment on September 22, 2011 and remain unpaid as at March 31, 2012. Non provision of the foreign exchange loss on the aforesaid Foreign Currency Convertible Bonds (FCCB) and the Premium amount relates to the period from September 23, 2011 to March 31, 2012. This is contrary to Accounting Standard (AS) 11, "The Effects of Changes in Foreign Exchange Rates", issued by the Institute of Chartered Accountants of India which requires that each foreign currency monetary items should be reported using the closing rate as at the balance sheet date. Had this Accounting Standard been followed, the Exchange loss for the financial year would have been more by ₹ 3,46,32,368/-. Accordingly, loss for the current financial year 2011-12 has been under-stated and reserves and surplus has been overstated to that extent.

Without qualifying our opinion, we would like to draw your attention to Note No. 40, regarding expense on account of purchase of Power due to which the results of the company are not comparable to the extent of ₹31,09,85,750/-

- (e) On the basis of the written representations received from the directors, as on March 31, 2012 and taken on record by the Board of Directors, we report that none of the directors of the company are disqualified as on March 31, 2012 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the significant accounting policies and notes thereon give the information required by the Companies Act, 1956 , in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - i. In the case of the Balance Sheet , of the State of affairs of the Company as at March 31, 2012 and
 - ii. In the case of the Statement of Profit and loss, of the Loss of the company for the year ended on that date and
 - iii. In the case of Cash Flow Statement, of the Cash flows for the year ended on that date.

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

Umesh Talati
Partner

Membership No: 034834

Place : Ahmedabad
Date : June 30, 2012



Annexure to Auditor's Report
Referred to in Paragraph 3 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 & 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, the Company has not disposed off a substantial part of its fixed assets during the year and 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) were physically verified by the management at reasonable intervals during the year.
 - (b) In our opinion & according to the information & explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable & adequate in relation to the size of the company & nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the company is maintaining proper records of inventory. The discrepancies, noticed on verification, between the physical stocks and the book records were not material.
- iii. In respect of Loans secured or unsecured, granted or taken by the company to / from companies, firm or other parties covered in the register maintained under section 301 of the Companies Act, 1956:
- (a) According to the information & explanations given to us and on the basis of records produced before us, the company has granted a loan to a 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 ₹80,00,00,000/- and the year-end balance of loan granted to such party is ₹80,00,00,000/-.
 - (b) In our opinion, the rate of interest and other terms and conditions on which loan has been granted to the company listed in the register maintained under section 301 of the Act are not prejudicial to the interest of the company.
 - (c) On the basis of information and explanation given to us and on the basis of records produced before us in respect of loans granted by the company in the earlier years to a party covered under the register maintained under section 301 of the Companies Act, 1956, recovery of the said loan has been fixed by the Corporate Debt Restructuring (CDR) Cell. As per the terms of CDR, the company has to recover ₹10,00,00,000/- in the financial year 2011-12. However, the company has not recovered the same.
 - (d) Based on our audit procedures and the information and explanation made available to us, reasonable steps have been taken by the Management of the company for recovery of the principal amount.
 - (e) According to information and explanation given to us and on the basis of records produced before us during the Year 2011-12, the company has taken loan from a party covered in the register maintained under section 301 of the Companies Act, 1956 amounting to ₹3,25,00,000/- . The Maximum amount involved during the year and the year-end balance of loans taken from such parties is ₹4,86,21,787/-
 - (f) In our opinion, the rate of interest and other terms and conditions on which loan has been taken from the parties 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 schedule stipulated for the terms and condition in respect of loans taken by the company, the repayment of the said loan is not due for repayment during 2011-12.
- iv. In our opinion & according to the information & explanations given to us, there are adequate internal control systems commensurate with the size of the company & nature of its business for the purchase of inventory, fixed assets and also 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 systems.
- 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.



SHAH ALLOYS LIMITED

- (b) In our opinion, and according to information and explanation given to us, the transactions of Purchase of goods and materials, sale of goods and materials 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, having regard to the prevailing market prices for such goods, materials & services or the prices at which the transactions for similar goods, materials & 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, based on the size, nature and extent of the business, the internal audit system of the company is commensurate with the size and nature of the 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, Investors 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, 2012 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 Income Tax, Sales Tax, Excise and Service Tax dues aggregating to ₹39,37,62,797/- (Net of Payments) that have not been deposited as on 31st March, 2012 on account of matters pending before appropriate authorities, 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 | Income Tax Act, 1961 | Income Tax | 1997-98 | Gujarat High court | 1,30,000/- |
| 2 | Sales Tax Act | Sales Tax | 1995-96 | Deputy commissioner of Sales Tax (Tribunal) Ahmedabad | 6,99,000/- |
| 3 | Gujarat Value Added Tax Act, 2003 | Value Added Tax | 2006-07 | Deputy Commissioner, VAT Ahmedabad | 4,06,27,791/- |
| 4 | Gujarat Value Added Tax Act, 2003 | Value Added Tax | 2007-08 | Deputy Commissioner, VAT Ahmedabad | 33,91,08,911/- |
| 5 | Central Excise Act, 1944 | Excise Duty and Service Tax | 2004-05 to 2011-12 | Central Excise & Service tax Appellate Tribunal / Joint / Deputy Commissioner of Central Excise | 1,31,97,095/- |

- x. The company's accumulated losses at the end of financial year are more than fifty percent of its net worth. It has incurred cash losses amounting to ₹207,77,08,543/- during the current year and the company has incurred ₹152,46,80,000/- cash losses in the immediately preceding previous year.
- xi. *Consequent upon the sanction of the restructuring package given under CDR mechanism by banks & financial institution, the company was required to start repaying the loans sanctioned by banks/institutions and debenture holders from June 2011 onwards, however the*



company has made default in repaying the dues as per the terms stipulated in the CDR rework proposal. The Amount and the period of default in respect of Term Loan, WCTL and Non convertible Debentures are as under:

| Particulars | Default (Amount in ₹) | Period for which the default subsists |
|---------------------------|----------------------------------|--|
| Term Loan | 17,37,96,290 | 91-366 days |
| Working Capital Term Loan | 18,64,03,089 | 91-366 days |
| Non Convertible Debenture | 10,41,66,667 | 91-366 days |
| Total | 46,43,66,046 | |

As per the CDR Terms, Interest on Term Loan, Working capital term loan (WCTL) and Non convertible debentures (NCD) had to be parked up to May 2011 into a separate account called Funded Interest Term loan (FITL). However, from June 2011 onwards, the interest on Term Loan, Working capital term loan (WCTL) and Non convertible debentures (NCD) has to be serviced as and when due..

However, the company has defaulted in payment of interest on Term Loan, Working capital term loan (WCTL) and Non convertible debentures (NCD) during the year 2011-12. The Amount and the period of default are as listed under:

| Particulars | Default (Amount in ₹) | Period for which the default subsists |
|---------------------------------------|----------------------------------|--|
| Interest on Term Loan | 12,04,69,127 | 91-366 days |
| Interest on Working Capital Term Loan | 14,95,31,027 | 91-366 days |
| Interest on Non Convertible Debenture | 8,18,90,411 | 91-366 days |
| Total | 35,18,90,565 | |

As per the terms of the CDR, Interest on funded interest term loan (FITL) was required to be paid as and when it was due. The company has made the default in payment of interest on FITL. The amount and the period of default are as mentioned below:

| Particulars | Period to which the default relates | Default (Amount in ₹) | Period for which the default subsists |
|--|--|----------------------------------|--|
| Interest on Funded Interest Term Loan (FITL) | 2010-11 | 4,31,63,185 | 457-700 days |
| Interest on Funded Interest Term Loan (FITL) | 2011-12 | 7,98,16,025 | 91-427 days |
| Total | | 12,29,79,210 | |

As per the terms of the CDR, Interest on working capital facilities was required to be paid as and when it was due. The company has made the default in payment of interest on the working capital facilities. The amount and the period of default are as mentioned below:

| Particulars | Period to which the default relates | Default (Amount in ₹) | Period for which the default subsists |
|--|--|----------------------------------|--|
| Interest on working capital facilities | 2010-11 | 22,69,93,827 | 457-792 days |
| Interest on working capital facilities | 2011-12 | 37,17,47,750 | 91-427 days |
| Total | | 59,87,41,577 | |



SHAH ALLOYS LIMITED

Moreover, the Company, in September 2006, has raised US \$ 10 million through Unsecured Zero Coupon Foreign Currency Convertible Bonds (FCCB), due on 22nd September, 2011. On full conversion of FCCB, the FCCB will be converted in to 26,41,143 Equity shares of ₹ 10 each at a premium of ₹ 165 per share, at the option of the Bondholders at any time before the maturity of the bonds. On Conversion, Capital will increase by ₹ 2,64,11,430 and Share Premium by ₹ 43,57,88,570/-. If Bonds are not converted, the company will have to repay the bonds at a premium & in US Dollars. The company has provided the premium till 22nd September, 2011 which has been adjusted against Security Premium in accordance with Section 78 of the Companies Act, 1956.

However, the company has defaulted in repayment of the foreign currency convertible bond (FCCB) dues on its maturity. The default is subsisting since 282 days .

- xii. In our opinion & according to the information & explanation given to us, no loans & 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. In our opinion, the terms & conditions on which the company has given guarantee for loans taken by others from Banks or financial institutions are not prejudicial to the interest of the company.
- 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 the 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 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 the 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 : June 30, 2012


Balance Sheet as at March 31, 2012

(Amount in ₹)

| | Note No | As At 31st March 2012 | As At 31st March 2011 |
|--|---------|--------------------------|--------------------------|
| I. EQUITY AND LIABILITIES | | | |
| (1) Shareholders' Funds: | | | |
| (a) Share Capital | 3 | 19 79 75 400 | 19 79 75 400 |
| (b) Reserves and Surplus | 4 | (3 63 74 83 993) | (1 97 92 72 787) |
| | | (3 43 95 08 593) | (1 78 12 97 387) |
| (2) Non-Current Liabilities: | | | |
| (a) Long Term Borrowings | 5 | 4 81 50 01 029 | 5 25 19 00 325 |
| (b) Other Long Term Liabilities | 6 | 17 55 00 000 | 20 55 00 000 |
| (c) Long Term Provisions | 7 | 1 56 50 053 | 1 69 33 215 |
| | | 5 00 61 51 082 | 5 47 43 33 540 |
| (3) Current Liabilities: | | | |
| (a) Short Term Borrowings | 8 | 3 11 02 40 893 | 3 13 10 64 568 |
| (b) Trade Payables | 9 | 1 27 03 39 637 | 64 96 39 405 |
| (c) Other Current Liabilities | 10 | 3 32 13 80 856 | 2 04 05 82 210 |
| (d) Short Term Provisions | 11 | 3 15 40 301 | 1 37 63 120 |
| | | 7 73 35 01 687 | 5 83 50 49 303 |
| TOTAL | | 9 30 01 44 176 | 9 52 80 85 456 |
| II. ASSETS | | | |
| (1) Non-Current Assets: | | | |
| (a) Fixed Assets | 12 | | |
| (i) Tangible Assets | | 2 76 14 75 984 | 3 07 97 66 300 |
| (ii) Capital work-in-progress | | 18 31 84 363 | 18 31 84 363 |
| (b) Non-Current Investments | 13 | 39 95 06 276 | 39 95 06 276 |
| (c) Long Term Loans and Advances | 14 | 50 24 99 175 | 75 34 46 035 |
| (d) Deferred Tax Assets (Net) | 15 | 2 37 45 32 352 | 1 58 93 29 250 |
| | | 6 22 11 98 150 | 6 00 52 32 224 |
| (2) Current Assets: | | | |
| (a) Inventories | 16 | 1 29 78 90 276 | 2 09 34 23 860 |
| (b) Trade Receivables | 17 | 1 09 66 52 096 | 98 32 30 128 |
| (c) Cash and Bank Balances | 18 | 3 07 95 620 | 2 79 52 950 |
| (d) Short Term Loans and Advances | 19 | 65 34 56 067 | 41 80 97 286 |
| (e) Other Current Assets | 20 | 1 51 967 | 1 49 008 |
| | | 3 07 89 46 026 | 3 52 28 53 232 |
| TOTAL | | 9 30 01 44 176 | 9 52 80 85 456 |
| The accompanying notes are an integral part of these financial statements. | | 1 to 41 | |

As per our Report of even date
For Talati & Talati

 Chartered Accountants
 FRNo: 110758W

Umesh Talati

 Partner
 M.No. 34834

 Place : Ahmedabad
 Date : June 30, 2012

**For and on behalf of the Board
 Shah Alloys Limited**
Rajendra V. Shah Chairman

K.S. Kamath Jt. Managing Director

Ashok Sharma Whole Time Director

Vinod Kumar Shah Company Secretary

 Place : Santej
 Date : June 30, 2012


Statement of Profit and Loss for the year ended 31st March, 2012

(Amount in ₹)

| | Note No | Year ended on 31 st March 2012 | Year ended on 31 st March 2011 |
|--|---------|---|---|
| I. Revenue from operations | 22 | 8 30 11 02 414 | 8 24 50 90 335 |
| Less: Excise duty | | (72 30 22 006) | (72 79 34 681) |
| | | 7 57 80 80 408 | 7 51 71 55 654 |
| II. Other income | 23 | 3 19 15 289 | 2 67 61 799 |
| III. Total revenue (I + II) | | 7 60 99 95 697 | 7 54 39 17 453 |
| IV EXPENDITURE : | | | |
| Cost of materials consumed | 24 | 5 03 92 19 141 | 5 29 03 16 879 |
| Purchases of Stock-in-Trade | | 8 12 81 882 | 10 55 34 300 |
| Changes in inventories of finished goods, work-in-progress and stock-in-trade. | 25 | 65 01 68 574 | 8 05 17 472 |
| Employee benefits expense | 26 | 26 56 07 561 | 28 73 15 846 |
| Finance costs | 27 | 92 22 32 592 | 87 19 26 107 |
| Depreciation and Amortization Expense | | 31 73 93 342 | 32 27 52 612 |
| Other Expenses | 28 | 2 73 15 82 652 | 2 38 73 39 595 |
| Total Expenses | | 10 00 74 85 744 | 9 34 57 02 811 |
| V Profit / (Loss) before exceptional items and tax (III-IV) | | (2 39 74 90 047) | (1 80 17 85 358) |
| VI Prior period items | 29 | 8 96 502 | 3 92 30 253 |
| VII Profit / (Loss) before tax (V-VI) | | (2 39 83 86 549) | (1 84 10 15 611) |
| VIII Tax expense: | | | |
| (1) Deferred tax | | (78 52 03 103) | (55 21 41 885) |
| (2) Short/(Excess) provision of Income Tax | | 5 71 524 | 79 81 009 |
| IX Profit / (Loss) for the period (VIII-IX) | | (1 61 37 54 970) | (1 29 68 54 735) |
| X Earnings per equity share of face value of ₹ 10 each | 30 | | |
| Basic & Diluted | | (81.51) | (65.51) |
| The accompanying notes are an integral part of these financial statements. | 1 to 41 | | |

As per our Report of even date
For Talati & Talati

 Chartered Accountants
 FRNo: 110758W

Umesh Talati

 Partner
 M.No. 34834

 Place : Ahmedabad
 Date : June 30, 2012

**For and on behalf of the Board
 Shah Alloys Limited**
Rajendra V. Shah Chairman

K.S. Kamath Jt. Managing Director

Ashok Sharma Whole Time Director

Vinod Kumar Shah Company Secretary

 Place : Santej
 Date : June 30, 2012


Cash Flow Statement for the year ended 31st March 2012

(Pursuant to the listing Agreement with Stock Exchange)

(Amount in ₹)

| Particulars | 2011-12 | 2010-11 |
|---|--------------------------|--------------------------|
| A CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Net Profit (Loss) before Tax and Extraordinary items | (2 39 74 90 047) | (1 80 17 85 358) |
| Adjustments for : | | |
| Depreciation | 31 73 93 342 | 32 27 52 612 |
| Misc. Expenses Written Off | 0 | 16 25 425 |
| Unrealised Foreign (Gain) / Loss | 4 00 29 010 | (14 24 338) |
| Profit on Sale of Assets | (1 94 666) | 0 |
| Interest expenses (Net) | 92 22 32 592 | 87 19 26 107 |
| Interest Income | (1 12 14 483) | (1 01 79 435) |
| | <u>1 26 82 45 795</u> | <u>1 18 47 00 371</u> |
| Operating Profit Before Working Capital Changes | (1 12 92 44 252) | (61 70 84 986) |
| Adjustments for : | | |
| Trade and other receivables | (14 87 83 707) | 7 88 63 442 |
| Inventories | 79 55 33 584 | 12 00 30 544 |
| Trade Payable and others | 38 48 71 628 | (66 11 07 210) |
| | <u>1 03 16 21 505</u> | <u>(46 22 13 224)</u> |
| Cash Generated From Operations | (9 76 22 748) | (1 07 92 98 210) |
| Direct Taxes Paid | 0 | 0 |
| Cash Flow Before Extraordinary Items | (9 76 22 748) | (1 07 92 98 210) |
| Less: Prior period items | 8 96 502 | 3 92 30 253 |
| Net Cash from Operating Activities(A) | (9 85 19 249) | (1 11 85 28 463) |
| B CASH FLOW FROM INVESTING ACTIVITIES: | | |
| Purchase of Fixed Assets | (28 360) | (1 26 20 285) |
| Sale of Fixed Assets | 11 20 000 | 0 |
| Movement of Long term Loans and Advances | 5 09 46 860 | 0 |
| Interest Income | 1 12 14 483 | 1 01 79 435 |
| | <u>6 32 52 983</u> | <u>(24 40 850)</u> |
| Net Cash from Investing Activities(B) | 6 32 52 983 | (24 40 850) |
| C CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Proceeds from Long term Borrowings (Net of repayments) | 98 11 65 203 | 49 14 83 943 |
| Proceeds from Bank/ FIS borrowings for Working Capital. | (2 08 23 674) | 1 45 29 43 557 |
| Proceeds from Unsecured Borrowings (Net of repayments) | 0 | 4 16 35 443 |
| Repayment of sales tax defferment loan | 0 | (2 48 99 730) |
| Deferred payment credits against vehicles (Net of repayments) | 0 | (9 18 110) |
| Interest Paid | (92 22 32 592) | (91 84 61 550) |
| Net Cash from Financing Activities(C) | 3 81 08 937 | 1 04 17 83 553 |
| Net Increase in Cash and Equivalent.(A+B+C) | 28 42 670 | (7 91 85 760) |
| Cash And Cash Equivalentents as at the Beginning of the year | 2 79 52 950 | 10 71 38 711 |
| Cash And Cash Equivalentents as at the Close of the year | 3 07 95 620 | 2 79 52 950 |

**SHAH ALLOYS LIMITED****Cash Flow Statement for the year ended 31st March 2012 [Contd...]****(Amount in ₹)**

| Particulars | 2011-12 | 2010-11 |
|--|---|-----------------------|
| Note: | | |
| Cash & Bank balances: | | |
| a) Balance with Banks : | | |
| - In Current accounts | 42 44 752 | 17 99 284 |
| - In EEFC accounts | 3 96 130 | 5 38 100 |
| b) Cash on hand | 13 82 309 | 14 92 965 |
| c) Earmarked balances with bank (unpaid dividend) | 5 15 295 | 9 17 230 |
| d) Other bank balances: | | |
| - In Margin Money | 2 42 57 134 | 2 32 05 371 |
| Total | 3 07 95 620 | 2 79 52 950 |
| As per our Report of even date | For and on behalf of the Board Shah Alloys Limited | |
| For Talati & Talati | Rajendra V. Shah | Chairman |
| Chartered Accountants | K.S. Kamath | Jt. Managing Director |
| FRNo: 110758W | Ashok Sharma | Whole Time Director |
| Umesh Talati | Vinod Kumar Shah | Company Secretary |
| Partner | Place : Santej | |
| M.No. 34834 | Date : June 30, 2012 | |
| Place : Ahmedabad | | |
| Date : June 30, 2012 | | |

**Notes to financial statement for the year ended 31st March 2012****1 1.1 CORPORATE INFORMATION :**

The company is engaged in manufacturing of wide range of Stainless Steel, Alloy & Special steel, Carbon/ Mild Steel and Armour Steel in Flat and Long products. Its is one of the key suppliers to many renowned companies in India and overseas. It exports various products to more than 50 countries around the world. Company has been successful in developing protection Armour Steel which is mainly required for defense purpose. Company has been registered with Defense Research and Development Organization as approved vendor and it is expected that good business will be available to the company. To reduce the cost of power, company has been making efforts to purchase power through Open Access which would be cheaper than the present cost of power.

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 in India, the provisions of the Companies Act 1956 , and the applicable Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006. All Income 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 as-sumptions 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:

Sales are stated net of rebate and trade discount and include Central Sales Tax, State Value Added Tax. With regard to sale of products, income is reported when practically all risks and rights connected with the ownership have been transferred to the buyers. this usually occurs upon dispatch, after the price has been determined. Export Benefits are accounted / recognized on accrual basis. Dividend income is recognized when right to receive is established. Interest income is recognized on accrual basis

2.3 Excise Duty

Excise Duties recovered are included in the sale of products & then shown as deduction on the face of Statement of Profit & Loss Excise duties in respect of Finished Goods lying in stock/bonded warehouse are shown separately under the head "Other expenses" and included in the valuation of finished goods.

2.4 Valuation of Inventories:

Inventories of Raw Materials and Stores are valued at cost or net realizable value whichever is lower after considering the credit of VAT and Cenvat. Inventories of finished goods are valued at lower of cost or net realizable value, including excise duties at the applicable rates.

Cost of Finished Goods and semi finished goods are valued at lower of cost or net realizable value. Cost of finished goods is determined using weighted average price method. Cost includes cost of material consumed, labour and systematic allocation of fixed and variable production overheads

2.5 Fixed Assets

Tangible Fixed Assets acquired by the Company are reported at acquisition value, with deductions for accumulated depreciation [other than "freehold land" where no depreciation is charged] and impairment losses, if any. The acquisition value includes the purchase price (excluding refundable taxes), and expenses directly attributable to assets to bring it to the factory and in the working condition for its intended use. Where the construction or development of any such asset requiring a substantial period of time to set up for its intended use, is funded by borrowings if any, the corresponding borrowing cost are capitalized up to the date when the asset is ready for its intended use.

Capital work in progress includes cost of assets at sites, construction expenditure, for acquisition of capital assets.

Pre-operative expenditure & trial run expenditure on the Project is capitalized amongst the various heads of fixed assets on the commencement of commercial production of respective project.

**2.6 Depreciation and Amortization**

Depreciation has been provided on Fixed Assets on Straight Line Method (other than mentioned in point (a) below as per the rates specified in Schedule XIV of the Companies Act, 1956 as amended from time to time.

- (a) Depreciation in respect of Plant and Machineries has been provided on the basis of triple shift working. (Except for H.R. Plate Mill, Cold Rolling Mill & Sheet Coil Project on which depreciation 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 year is charged on pro-rata basis with reference to the date of installation of the fixed assets.
- (b) No Depreciation has been provided in respect of assets whose accumulated depreciation exceeds 95% of original cost.

2.7 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.

2.8 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.

2.9 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 profit & loss account over the life of the contract. Transactions in the foreign currency other than those covered by forward contract rates are translated to the reporting currency based on the exchange rate on the date of the transaction. Exchange differences arising on settlement thereof during the year are recognized as income or expenses in the Profit and Loss Account.

Cash and bank balances, receivables and liabilities (monetary items) in foreign currencies as at the year end are translated at closing-date rates, and unrealized translation differences are included in the Profit and Loss Account.

2.10 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. These plans are financed by the Company in the case of defined contribution 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 employees perform 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 Benefit

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.

**2.11 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

2.12 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

2.13 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. Net selling price is the estimate selling price in the ordinary course of business less estimated cost of completion and to make the sales.

2.14 Earning per share

Basic earning 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 issued during the year. Diluted earning per Share is calculated by dividing net profit attributable to equity Shareholders (after adjustment for diluted earnings) by average number of weighted equity shares outstanding during the year.

2.15 Provisions, Contingent Liability and Contingent Asset

A provision is recognized when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding long term benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognized but are disclosed in the notes to the Financial Statements. A contingent asset is neither recognized nor disclosed.



| Note 3: SHARE CAPITAL | As At March 31, 2012 | As At March 31, 2011 |
|---|-------------------------|-------------------------|
| The Authorised, Issued, Subscribed and fully Paid up Share Capital comprises of equity shares having a par value of ₹ 10 each as follows: | | |
| Authorised | | |
| 35,000,000 Equity Shares of ₹ 10/- each (P.Y: 35,000,000 Equity Shares of ₹ 10/- each) | 35 00 00 000 | 35 00 00 000 |
| Total | 35 00 00 000 | 35 00 00 000 |
| Issued, Subscribed & Fully Paid-Up | | |
| 19,797,540 Equity Shares of ₹ 10/- each fully paid up (P.Y: 19,797,540 Equity Shares of ₹ 10/- each) | 19 79 75 400 | 19 79 75 400 |
| [It comprises of 1,977,500 equity shares of Rs 10/- each fully paid (P.Y. 1,977,500 equity shares) converted from Global Depository Receipts (GDRs). Outstanding number of GDRs is Nil (P.Y.- Nil)] | | |
| Total | 19 79 75 400 | 19 79 75 400 |

a) Reconciliation of Number of Shares:

| Equity Shares: | As at March 31, 2012 | | As at March 31, 2011 | |
|--|----------------------|---------------------|----------------------|---------------------|
| | Number of shares | Amount (₹) | Number of shares | Amount (₹) |
| Shares outstanding at the beginning of the year | 1 97 97 540 | 19 79 75 400 | 1 97 97 540 | 19 79 75 400 |
| Changes during the year | — | — | — | — |
| Shares outstanding at the end of the year | 1 97 97 540 | 19 79 75 400 | 1 97 97 540 | 19 79 75 400 |

b) Rights, Preferences and restrictions attached to shares

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 Shares held by Shareholders holding more than 5% in the Company

| Name of the Shareholder | As at March 31, 2012 | | As at March 31, 2011 | |
|-------------------------|----------------------|---------------------------|----------------------|---------------------------|
| | No of shares held | Percentage of Shares held | No of shares held | Percentage of Shares held |
| Mr. Rajendra V. Shah # | 94 44 364 | 47.71% | 94 44 364 | 47.71% |
| Mrs. Ragini R. Shah | 11 46 006 | 5.79% | 11 46 006 | 5.79% |

including 7.74 % shares held as Karta



| Note 4: RESERVES & SURPLUS | As At March 31, 2012 | As At March 31, 2011 |
|---|---------------------------------|---------------------------------|
| i) Capital Reserve: | 500 | 500 |
| | 500 | 500 |
| ii) Security Premium Reserve: | | |
| As per Last Balance Sheet | 9 47 17 244 | 14 12 52 687 |
| Add/(Less): Transfer on Premium of FCCB | (4 44 56 236) | (4 65 35 443) |
| | 5 02 61 008 | 9 47 17 244 |
| iii) Debenture Redemption Reserve: | 60 00 00 000 | 60 00 00 000 |
| | 60 00 00 000 | 60 00 00 000 |
| iv) Surplus / (Deficit) in Statement of Profit & Loss: | | |
| As per Last Balance Sheet | (2 67 39 90 531) | (1 37 71 35 796) |
| Add: Profit / (Loss) during the year | (1 61 37 54 970) | (1 29 68 54 735) |
| | (4 28 77 45 501) | (2 67 39 90 531) |
| Total (i)+(ii)+(iii)+(iv) | (3 63 74 83 993) | (1 97 92 72 787) |

| Note 5: LONG TERM BORROWINGS | As At March 31, 2012 | As At March 31, 2011 |
|--|---------------------------------|---------------------------------|
| (A) SECURED : | | |
| I) Debentures | | |
| - Non Convertible Debentures | 77 08 33 334 | 89 58 33 333 |
| II) Term Loans | | |
| a) From Banks | | |
| - Rupee Term Loan | 115 93 76 725 | 134 73 83 762 |
| - Funded Interest Term Loan | 133 72 38 700 | 126 19 12 504 |
| - Working Capital Term Loan | 137 93 82 858 | 160 30 66 564 |
| b) From Financial Institutions | 4 95 47 625 | 5 75 82 375 |
| | 469 63 79 242 | 516 57 78 538 |
| (B) UNSECURED: | | |
| Deposits | | |
| - Intercorporate deposit | 7 00 00 000 | 7 00 00 000 |
| Loans & Advances from related parties | | |
| - From Directors | 4 86 21 787 | 1 61 21 787 |
| | 11 86 21 787 | 8 61 21 787 |
| Total | 481 50 01 029 | 525 19 00 325 |

(A) SECURED :
a) Nature of security and terms of repayment for secured borrowings
I) Non Convertible Debentures

First Mortgage and charge on the company's all immovable and movable properties (other than working capital assets), both present and future, ranking pari-passu with all term lenders. Second charges on Working Capital assets of the company. Pledge of promoter's entire shareholding ranking pari passu with all Corporate Debts Restructuring lenders. Unconditional and irrevocable personal guarantee of the promoter-director Shri Rajendra Shah.

Non Convertible Debentures is repayable in equal monthly installment starting from June 2011 till May 2019.



SHAH ALLOYS LIMITED

Maturity profile of Non Convertible Debentures are as set out below :

| Financial Year | Rate of Interest | |
|----------------|------------------|--------------|
| | 9% | 10% |
| 2013-14 | 2 50 00 000 | 10 00 00 000 |
| 2014-15 | 2 50 00 000 | 10 00 00 000 |
| 2015-16 | 2 50 00 000 | 10 00 00 000 |
| 2016-17 | 2 50 00 000 | 10 00 00 000 |
| 2017-18 | 2 50 00 000 | 10 00 00 000 |
| 2018-19 | 2 50 00 000 | 10 00 00 000 |
| 2019-20 | 41 66 667 | 1 66 66 667 |

b) Period and Amount of default as on the Balance sheet

During the year 2011-12 as per the terms of the CDR, Principal amount of Non Convertible Debentures were due for repayment amounting ₹ 10,41,66,667/- and Interest amounting to ₹ 8,18,90,411/- However the company has defaulted in repayment of Principal amount as well as the interest on the same. The default is subsisting for a period from 91-366 days.

II) Term Loan from Bank / Financial Institution:

First Mortgage and charge on the company's all immovable and movable properties (other than working capital assets), both present and future, ranking pari-passu with all term lenders. (except Punjab National Bank's Corporate loan which has exclusive charge on 26,00,000 shares of Shah Alloys Limited. Thus First charge on fixed assets is not extended to Punjab national bank over the Corporate loan) Second charges on WC assets of the company. Pledge of promoter's entire shareholding ranking pari passu with all CDR lenders except for 26,00,000 shares on which Punjab national bank has exclusive charge . Unconditional and irrevocable personal guarantee of the promoter-director Shri Rajendra Shah.

Term Loan is repayable in equal monthly installment starting from June 2011 till May 2019.

Terms of repayment for term loans are as set out below :

(Amount in ₹)

| Particulars | 2013-14 | 2014-15 | 2015-16 | Beyond 2015-16 |
|--|---------------------|---------------------|---------------------|----------------------|
| Rupee term Loan (Rate of Interest @ 10 %) | 18 80 07 037 | 18 80 07 037 | 18 80 07 037 | 59 53 55 614 |
| Term Loans from Financial Institution (Rate of Interest @ 8.75 %) | 80 34 750 | 80 34 750 | 80 34 750 | 2 54 43 375 |
| Working Capital Term Loan (Rate of Interest @ 10 %) | 22 36 83 707 | 22 36 83 707 | 22 36 83 707 | 70 83 31 737 |
| Funded Interest Term Loan (Rate of Interest @ 6 %) | 13 37 23 870 | 26 74 47 740 | 26 74 47 740 | 66 86 19 350 |
| Total | 55 34 49 364 | 68 71 73 234 | 68 71 73 234 | 199 77 50 076 |

b) Period and Amount of default as on the Balance sheet

The company has made a default in repayment as follows:

| Particulars | Default in repayment of principal | Period of default | Default in payment of interest | Period of default |
|---------------------------------------|-----------------------------------|-------------------|--------------------------------|-------------------|
| Rupee term Loan | 16 71 00 665 | 91-366 days | 11 57 69 349 | 91-366 days |
| Term Loans from Financial Institution | 66 95 625 | 91-366 days | 46 99 778 | 91-366 days |
| Working Capital Term Loan | 18 64 03 089 | 91-366 days | 14 95 31 027 | 91-366 days |
| Funded Interest Term Loan* | — | | 12 29 79 210 | 91-700 days |
| Total | 36 01 99 379 | | 39 29 79 364 | |

* Including default of 2010-11 amounting to ₹ 4,31,63,185/-

(B) UNSECURED :

Loan from Directors

Loans from Director are interest free. The amount of loan is repayable after a period of 1 year from the date of Balance Sheet.



| Note 6: OTHER LONG TERM LIABILITIES | As At March 31, 2012 | As At March 31, 2011 |
|--|---------------------------------|---------------------------------|
| Trade Deposits | 17 55 00 000 | 20 55 00 000 |
| Total | 17 55 00 000 | 20 55 00 000 |

| Note 7: LONG TERM PROVISIONS | As At March 31, 2012 | As At March 31, 2011 |
|--|---------------------------------|---------------------------------|
| Provision for Employee Benefits | | |
| - Gratuity | 1 56 50 053 | 1 69 33 215 |
| Total | 1 56 50 053 | 1 69 33 215 |

| Note 8 : SHORT TERM BORROWINGS | As At March 31, 2012 | As At March 31, 2011 |
|---|---------------------------------|---------------------------------|
| SECURED | | |
| Loans repayable on Demand From Banks | | |
| - Cash Credit Facilities | 311 02 40 893 | 313 10 64 568 |
| Total | 311 02 40 893 | 313 10 64 568 |

a) **Nature of security and terms of repayment for secured borrowings**

Cash Credit Facilities

Hypothecation first charges on company's entire stocks of raw material, stock in progress, finished goods, book debts/receivables and all current assets stored in the company's factory premises, at all plants and / or elsewhere including those in transit covered by documents of title thereto, local and export usance bill ranking pari-passu in favor of all the working capital banks. Second charge on the entire movable and immovable assets both present and future on pari-passu basis. Pledge of promoter's entire shareholding ranking pari-passu with all CDR lenders. Unconditional and irrevocable personal guarantee of the promoter-director Shri Rajendra Shah.

b) **Period and Amount of default as on the Balance sheet**

| <i>Particulars</i> | <i>Default in payment of interest on working capital facilities</i> | <i>Period of default</i> |
|--|---|----------------------------------|
| Interest on Working capital facilities | 59 87 41 577 | 91-792 days |
| Total | 59 87 41 577 | |

* Including default of 2010-11 amounting to ₹ 22,69,93,827/-

| Note 9 : Trade Payables | As At March 31, 2012 | As At March 31, 2011 |
|--|---------------------------------|---------------------------------|
| Due to Micro, Small and Medium Enterprises * | 0 | 0 |
| Other than Micro, Small and Medium Enterprises | 127 03 39 637 | 64 96 39 405 |
| Total | 127 03 39 637 | 64 96 39 405 |

* 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.

Sundry Creditors includes dues to Associate concerns in which director of the Company are interested:

| | As At March 31, 2012 | As At March 31, 2011 |
|--|---------------------------------|---------------------------------|
| - SAL Steel Limited | 13 91 77 532 | 2 04 38 424 |
| - SAL Hospital & Medical Institute (A Division of SAL Care Pvt Ltd.) | 72 56 449 | 72 56 449 |
| - SAL Pharmacy (A Division of SAL Corporation Pvt. Ltd.) | 40 625 | 0 |



| Note 10: OTHER CURRENT LIABILITIES | As At March 31, 2012 | As At March 31, 2011 |
|---|---------------------------------|---------------------------------|
| (a) Current Maturities of Long Term Debts | | |
| - Non Convertible Debentures | 12 50 00 000 | 10 41 66 667 |
| - Term Loan from Banks | 18 80 07 037 | 15 67 41 023 |
| - Working Capital Term Loan | 22 36 83 706 | 18 64 03 089 |
| - Term Loan from Financial Institutions | 80 34 750 | 66 95 625 |
| - Foreign Currency Convertible Bond (FCCB) | 0 | 44 65 00 000 |
| Add: Premium Payable on FCCB | 0 | 19 11 27 087 |
| | 54 47 25 493 | 109 16 33 491 |
| (b) Interest accrued & due on Borrowings | 99 62 02 898 | 26 96 03 946 |
| | 99 62 02 898 | 26 96 03 946 |
| (c) Income received in Advance | 2 84 82 235 | 9 27 14 962 |
| (d) Unpaid Dividends* | 5 15 294 | 9 17 230 |
| (e) Unpaid Matured Debentures & Interest Accrued thereon | | |
| - Matured Non Convertible Debentures | 10 41 66 667 | 0 |
| - Interest Accrued on Matured Non Convertible Debentures | 39 20 74 103 | 31 18 54 925 |
| | 49 62 40 770 | 31 18 54 925 |
| (f) Unpaid Foreign Currency Convertible Bonds # | | |
| - Foreign Currency Convertible Bond (FCCB) | 48 82 05 000 | 0 |
| Add: Premium Payable on FCCB | 23 55 83 323 | 0 |
| | 72 37 88 323 | |
| (g) Other Payables | | |
| - Term Loan from Bank | 16 71 00 665 | 0 |
| - Working Capital Term Loan | 18 64 03 088 | 0 |
| - Term Loan from Financial Institution | 66 95 625 | 0 |
| - Credit balance in current account with Bank | 2 16 594 | 57 41 318 |
| - Statutory Dues Payable** | 6 86 64 423 | 17 01 17 982 |
| - Deferred Sales Tax Liability | 6 71 98 787 | 4 22 99 057 |
| - Unpaid Expenses | 3 51 46 661 | 5 56 99 299 |
| | 53 14 25 843 | 27 38 57 656 |
| Total | 332 13 80 856 | 204 05 82 210 |

The Company, in September 2006, has raised US \$ 10 million through Unsecured Zero Coupon Foreign Currency Convertible Bonds (FCCB), due in September, 2011. On full conversion of FCCB, the FCCB will be converted in to 26,41,143 Equity shares of ₹ 10 each at a premium of ₹ 165 per share, at the option of the Bondholders at any time before the maturity of the bonds. On Conversion, Capital will increase by ₹ 2,64,11,430 and Share Premium by ₹ 43,57,88,570/-. If Bonds are not converted, the company will have to repay the bonds at a premium & in US Dollars. The company has provided the premium till September, 2011 which has been adjusted against Security Premium in accordance with Section 78 of Companies Act, 1956.

Since Bond holders have yet not exercised the option no further interest has been accounted for. Accordingly Foreign Currency Convertible Bonds (FCCB) is due for repayment to Bond Holders. However, no payment has been made to Bond Holders.

*Liability towards Investors Education and Protection Fund u/s 205C of the Companies Act 1956 (not due as on 31.03.2012 / 31.03.2011)

** It includes amount in the nature of Statutory dues such as withholding taxes, service tax, VAT, Excise duty, etc.



| Note 11: SHORT TERM PROVISIONS | As At March 31, 2012 | As At March 31, 2011 |
|--|---------------------------------|---------------------------------|
| Provision for Employee Benefits | | |
| - Gratuity | 27 82 606 | 9 30 290 |
| - Leave Encashment | 54 16 560 | 54 19 465 |
| - Others* | 2 32 98 535 | 73 49 115 |
| Others | | |
| - Provision for Wealth Tax | 42 600 | 64 250 |
| Total | 3 15 40 301 | 1 37 63 120 |

* It includes bonus & other incentives to employees

Note 12: FIXED ASSETS
Tangible Assets :

| Particulars | Freehold Land | Factory Building | Office/ Residential Building | Plant and Machinery | Laboratory Equipments | Vehicles | Office Equipments | Furniture & Fixtures | TOTAL |
|-----------------------------------|--------------------|---------------------|------------------------------|-----------------------|-----------------------|--------------------|--------------------|----------------------|-----------------------|
| Cost of Assets | | | | | | | | | |
| As at 1 st April 2010 | 4 22 81 653 | 22 76 72 041 | 3 26 91 753 | 5 16 72 38 873 | 49 16 603 | 4 38 74 068 | 2 09 94 302 | 1 97 24 274 | 5 55 93 93 567 |
| Addition | 0 | 0 | 0 | 30 250 | 0 | 0 | 0 | 0 | 30 250 |
| Disposal / Adjustments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| As at 31 st March 2011 | 4 22 81 653 | 22 76 72 041 | 3 26 91 753 | 5 16 72 69 123 | 49 16 603 | 4 38 74 068 | 2 09 94 302 | 1 97 24 274 | 5 55 94 23 817 |
| Addition | 0 | 0 | 0 | 0 | 0 | 0 | 28 360 | 0 | 28 360 |
| Disposal / Adjustments | 0 | 0 | 0 | 0 | 0 | 35 20 634 | 0 | 0 | 35 20 634 |
| As at 31 st March 2012 | 4 22 81 653 | 22 76 72 041 | 3 26 91 753 | 5 16 72 69 123 | 49 16 603 | 4 03 53 434 | 2 10 22 662 | 1 97 24 274 | 5 55 59 31 543 |
| Depreciation | | | | | | | | | |
| As at 1 st April 2010 | 0 | 5 12 26 409 | 11 92 765 | 2 05 66 25 368 | 34 56 345 | 2 67 42 586 | 1 06 06 951 | 70 54 481 | 2 15 69 04 905 |
| Charge for the year | 0 | 73 67 310 | 5 32 876 | 30 87 74 351 | 2 33 539 | 35 04 210 | 11 03 244 | 12 37 082 | 32 27 52 612 |
| Disposal / Adjustments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| As at 31 st March 2011 | 0 | 5 85 93 719 | 17 25 641 | 2 36 53 99 719 | 36 89 884 | 3 02 46 796 | 1 17 10 195 | 82 91 563 | 2 47 96 57 517 |
| Charge for the year | 0 | 73 67 309 | 5 32 876 | 30 37 29 095 | 2 33 539 | 33 62 661 | 9 30 439 | 12 37 423 | 31 73 93 342 |
| Disposal / Adjustments | 0 | 0 | 0 | 0 | 0 | 25 95 300 | 0 | 0 | 25 95 300 |
| As at 31 st March 2012 | 0 | 6 59 61 028 | 22 58 517 | 2 66 91 28 814 | 39 23 423 | 3 10 14 157 | 1 26 40 634 | 95 28 986 | 2 79 44 55 559 |
| Net Block | | | | | | | | | |
| As at 31 st March 2011 | 4 22 81 653 | 16 90 78 322 | 3 09 66 112 | 2 80 18 69 404 | 12 26 719 | 1 36 27 272 | 92 84 107 | 1 14 32 711 | 3 07 97 66 300 |
| As at 31 st March 2012 | 4 22 81 653 | 16 17 11 013 | 3 04 33 236 | 2 49 81 40 309 | 9 93 180 | 93 39 277 | 83 82 028 | 1 01 95 288 | 2 76 14 75 984 |

| Capital work-in-progress | 31.03.2012 | 31.03.2011 |
|--------------------------------------|---------------------|---------------------|
| Plant & Machinery | 12 59 00 355 | 12 59 00 355 |
| Amount of borrowing cost capitalized | 5 72 84 008 | 5 72 84 008 |
| Total | 18 31 84 363 | 18 31 84 363 |

Notes:

- 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.



| Note 13: NON CURRENT INVESTMENTS | As At March 31, 2012 | As At March 31, 2011 |
|--|---------------------------------|---------------------------------|
| Trade Investments | | |
| Quoted | | |
| Investment in Equity instruments of Associate Company | 39 94 96 276 | 39 94 96 276 |
| 3,02,56,989 Equity shares of Face value ₹ 10/- each in SAL Steel Limited (P.Y: 3,02,56,989 Equity shares) | | |
| Other Investments | | |
| Unquoted | | |
| Investment in Government securities | | |
| National Savings Certificate (Deposited with Sales Tax Department) | 10 000 | 10 000 |
| Total | 39 95 06 276 | 39 95 06 276 |

Aggregate amount of Quoted Investment and Market Value ₹ 15,15,87,515/- (P.Y. ₹ 23,50,96,805/-)

Aggregate amount of Unquoted Investment ₹ 10,000/- (P.Y. ₹10,000/-)

| Note 14: LONG-TERM LOANS & ADVANCES (Unsecured, considered good unless otherwise stated) | As At March 31, 2012 | As At March 31, 2011 |
|---|---------------------------------|---------------------------------|
| Security Deposits # | 24 99 175 | 5 34 46 035 |
| Loans & advance to related parties | | |
| - Inter corporate loan* | 50 00 00 000 | 70 00 00 000 |
| Total | 50 24 99 175 | 75 34 46 035 |

Includes amount given to a Related party NIL (P.Y. 1,00,00,000)

*The company has advanced an interest free Intercorporate loan in earlier years to its Associate Concern

| Note 15: DEFERRED TAX | As At March 31, 2012 | As At March 31, 2011 |
|--|---------------------------------|---------------------------------|
| Deferred tax assets | | |
| Unabsorbed Depreciation and Business Loss | 191 71 28 727 | 145 17 90 766 |
| Unabsorbed Capital Loss | 26 315 | 26 315 |
| On account of disallowances under the Income tax act, 1961 | 89 84 22 221 | 60 63 27 692 |
| Gross deferred tax asset (A) | 281 55 77 263 | 205 81 44 773 |
| Deferred tax liabilities | | |
| Fixed Asset: Impact of difference between tax depreciation and depreciation charged for the financial reporting | 44 10 44 911 | 46 88 15 523 |
| Gross deferred tax liability (B) | 44 10 44 911 | 46 88 15 523 |
| Net Deferred Tax (A-B) | 237 45 32 352 | 158 93 29 250 |

| Note 16: INVENTORIES (valued at lower of cost or net realizable value) | As At March 31, 2012 | As At March 31, 2011 |
|---|---------------------------------|---------------------------------|
| (Inventories are taken, valued and certified by the management) | | |
| Raw Materials | | |
| i) In stock | 17 89 21 605 | 28 44 65 689 |
| ii) In Transit | 2 46 96 923 | 1 88 37 360 |
| Work in Progress | 13 62 88 607 | 30 27 05 805 |
| Finished Goods | 49 67 34 399 | 97 14 05 445 |
| Stock in trade (In respect of goods acquired for trading) | 0 | 90 80 330 |
| Stores & spares | 46 12 48 742 | 50 69 29 231 |
| Total | 129 78 90 276 | 209 34 23 860 |



| Note 17: TRADE RECEIVABLES | As At March 31, 2012 | As At March 31, 2011 |
|--|---------------------------------|---------------------------------|
| Unsecured considered good | | |
| Trade Receivable outstanding for more than six months from the date they became due for payments | 3 90 86 929 | 2 25 62 681 |
| Others | 105 75 65 167 | 96 06 67 447 |
| Doubtful | 1 16 07 976 | 1 16 07 976 |
| Total | 110 82 60 072 | 99 48 38 104 |
| Less: Provision for claim / Doubtful debts | 1 16 07 976 | 1 16 07 976 |
| Total | 109 66 52 096 | 98 32 30 128 |

| Sundry Debtors include dues from Associate concerns: | 2011-12 Amount | 2010-11 Amount |
|--|---------------------------|---------------------------|
| - Kesar SAL Hospital | 15 54 407 | 15 30 215 |
| - SAL Pharmacy (A Division of SAL Corporation Pvt. Ltd.) | 23 870 | 0 |
| - SAL Hospital & Medical Institute (A Division of SAL Care Pvt Ltd.) | 9 38 76 150 | 10 95 85 902 |

| Note 18: CASH AND BANK BALANCES | As At March 31, 2012 | As At March 31, 2011 |
|--|---------------------------------|---------------------------------|
| Cash & Cash Equivalents | | |
| a) Balance with Banks : | | |
| - In Current accounts | 42 44 752 | 17 99 284 |
| - In EEFC accounts | 3 96 130 | 5 38 100 |
| b) Cash on hand | 13 82 309 | 14 92 965 |
| c) Earmarked balances with bank (unpaid dividend) | 5 15 295 | 9 17 230 |
| d) Other bank balances: | | |
| - In Margin Money | 2 42 57 134 | 2 32 05 371 |
| Total | 3 07 95 620 | 2 79 52 950 |

* Margin Money deposits with a carrying amount of ₹ 2,42,57,134/- (P.Y.: ₹ 2,32,05,371) are given as margin against Letter of Credit opened with bank

| Note 19: SHORT TERM LOANS AND ADVANCES (Unsecured considered good, unless otherwise stated) | As At March 31, 2012 | As At March 31, 2011 |
|--|---------------------------------|---------------------------------|
| Loans & advances to related parties | | |
| - Intercompany Loan | 30 00 00 000 | 10 00 00 000 |
| Others | | |
| Advances to suppliers | 7 89 04 771 | 5 71 19 137 |
| Balances with government authorities | 19 28 47 279 | 23 30 23 112 |
| Prepaid expenses | 15 52 665 | 14 86 579 |
| Deposits | 6 10 44 862 | 26 25 220 |
| Other Loans and Advance* | 1 91 06 490 | 2 38 43 238 |
| Total | 65 34 56 067 | 41 80 97 286 |

* Includes Loan & advances given to Employees



(Amount in ₹)

| Note 20: OTHER CURRENT ASSETS | As At March 31, 2012 | As At March 31, 2011 |
|-------------------------------|-------------------------|-------------------------|
| Interest Accrued | | |
| - On Deposits | 1 45 117 | 1 42 158 |
| - On N.S.C. | 6 850 | 6 850 |
| Total | 1 51 967 | 1 49 008 |

| Note 21: CONTINGENT LIABILITIES AND COMMITMENTS (to the extent not provided for) | As At March 31, 2012 | As At March 31, 2011 |
|---|-------------------------|-------------------------|
| Contingent Liabilities | | |
| (a) Claims against the company not acknowledged as debts | | |
| - Claim by Parties | 273 42 22 336 | 23 68 54 000 |
| (b) Guarantees | | |
| - Corporate guarantee given to consortium Banks for SAL Steel Ltd. | 207 50 00 000 | 207 50 00 000 |
| - Corporate guarantee given to ABN AMRO Bank for SAL Steel Ltd. | 0 | 2 25 00 000 |
| - Corporate guarantee given to Banks for Adarsh foundation | 0 | 10 00 00 000 |
| - Bank guarantee given | 2 00 82 313 | 2 51 02 471 |
| - Corporate Guarantee given to L&T for Atithi Gokul | 0 | 22 80 000 |
| (c) Other money for which the company is contingently liable | | |
| - Disputed Income Tax Demand (net of Payment) | 1 30 000 | 1 30 000 |
| - Disputed sales tax demand (net of Advance) | 38 04 35 702 | 4 13 25 791 |
| - Disputed matter with excise and service tax | 1 31 97 095 | 1 31 97 095 |

Notes forming part of the Financial Statements

| Note 22: REVENUES FROM OPERATION | For the Year ended on 31 st March 2012 | For the Year ended on 31 st March 2011 |
|--------------------------------------|---|---|
| I. Sale of Products | | |
| (a) Manufactured Goods | | |
| - Domestic | 7 78 36 70 778 | 7 88 13 03 636 |
| - Export | 36 07 13 449 | 18 60 39 654 |
| (b) Sale of Trading Goods | 10 21 28 787 | 13 22 05 329 |
| | 8 24 65 13 014 | 8 19 95 48 619 |
| II. Sale of service | | |
| - Job work | 1 43 36 282 | 39 96 860 |
| - Revenues from Pathology Division | 2 83 05 646 | 3 38 74 855 |
| | 4 26 41 928 | 3 78 71 715 |
| III. Other Operating Revenues | | |
| - Export incentive | 1 19 47 472 | 76 70 001 |
| | 1 19 47 472 | 76 70 001 |
| Total | 8 30 11 02 414 | 8 24 50 90 335 |



| Note22.1: Particulars of Sale of Products | For the Year ended on 31st March 2012 | For the Year ended on 31st March 2011 |
|--|---|---|
| Sales of Iron & Steel | | |
| - Bars, Beams, Angles & wire rods | 41 09 62 749 | 36 62 10 202 |
| - S.S Flats | 1 07 63 69 807 | 1 16 20 73 990 |
| - M.S / S.S Plates | 3 32 46 04 171 | 3 47 57 60 737 |
| - S.S.HR / CR Coils | 3 32 22 25 758 | 3 03 57 22 391 |
| - S.S Slabs, Billets, Bloom, Ingots etc | 1 02 21 742 | 2 75 75 970 |
| Sales of Medicines | 10 21 28 787 | 13 22 05 329 |
| Total | 8 24 65 13 014 | 8 19 95 48 619 |

| Note 23: OTHER INCOMES | For the Year ended on 31st March 2012 | For the Year ended on 31st March 2011 |
|---|---|---|
| Interest Income | 1 12 14 483 | 1 01 79 435 |
| VAT credit recovered | 2 05 06 140 | 1 18 57 044 |
| Other Non operating income | | |
| - Foreign Exchange Fluctuation Gain (Net) | 0 | 47 25 320 |
| - Profit on sale of Fixed Asset | 1 94 666 | 0 |
| Total | 3 19 15 289 | 2 67 61 799 |

| Note 24: COST OF MATERIAL CONSUMED | For the Year ended on 31st March 2012 | For the Year ended on 31st March 2011 |
|---|---|---|
| Opening Stock | 30 33 03 049 | 26 18 03 465 |
| Purchases | 4 92 87 01 354 | 5 31 60 04 005 |
| Purchase of Pathology Chemicals & Consumables | 1 08 33 266 | 1 58 12 458 |
| | 5 24 28 37 669 | 5 59 36 19 928 |
| Less :Closing Stock | 20 36 18 528 | 30 33 03 049 |
| Total | 5 03 92 19 141 | 5 29 03 16 879 |

| Note 25: CHANGES IN THE INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS & STOCK-IN-TRADE. | For the Year ended on 31st March 2012 | For the Year ended on 31st March 2011 |
|--|---|---|
| A) Opening Stocks | | |
| - Finished Goods | 97 14 05 445 | 1 17 35 08 954 |
| - Work in process | 30 27 05 805 | 17 20 41 994 |
| - Stock in trade | 90 80 330 | 1 81 58 104 |
| Sub-Total (A) | 1 28 31 91 580 | 1 36 37 09 052 |
| B) Less: Closing Stocks | | |
| - Finished Goods | 49 67 34 399 | 97 14 05 445 |
| - Work in process | 13 62 88 607 | 30 27 05 805 |
| - Stock in trade | 0 | 90 80 330 |
| Sub-Total (B) | 63 30 23 006 | 1 28 31 91 580 |
| Total (A)-(B) | 65 01 68 574 | 8 05 17 472 |



| Note 26: EMPLOYEES BENEFIT EXPENSES | For the Year ended on 31 st March 2012 | For the Year ended on 31 st March 2011 |
|---|---|---|
| Salaries & Wages | 25 26 37 011 | 26 74 18 201 |
| Contribution to Provident & Other Funds | 76 25 327 | 76 54 255 |
| Staff Welfare Expenses | 53 45 223 | 1 22 43 390 |
| Total | 26 56 07 561 | 28 73 15 846 |

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

Defined Contribution Plan

Contribution to defined contribution plan, recognised as expense for the year are as under:

| Particulars | 2011-12 | 2010-11 |
|---|-----------|-----------|
| Employer's Contribution to Provident Fund | 76 15 967 | 76 10 895 |
| Contribution for Key Managerial Person | 9 360 | 43 360 |

The Company's Provident Fund is exempted under section 17 of Employees' Provident Fund and Miscellaneous Provisions Act, 1952. Conditions for grant of exemption stipulate that the employer shall make good deficiency, if any, in the interest rate declared by the trust vis-a-vis statutory rate.

Defined Benefit Plan

The Company has adopted Accounting Standard 15 (AS-15) (Revised) "Employee Benefits" which is mandatory from accounting periods starting from Dec 7, 2006. Accordingly, the Company has provided for gratuity and leave encashment based on actuarial valuation done as per Projected Unit Credit Method.

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

| Particulars | Gratuity (Unfunded) | |
|---|---------------------|--------------------|
| | 2011-12 | 2010-11 |
| Opening defined benefit obligation | 1 78 63 505 | 1 56 34 897 |
| Excess / Short provision | 0 | 0 |
| Service cost | 35 05 685 | 44 84 871 |
| Interest cost | 14 73 739 | 12 89 879 |
| Actuarial (Gain) / Loss | (34 79 980) | (3 00 181) |
| Benefits paid | (9 30 290) | (32 45 961) |
| Closing defined benefit obligation | 1 84 32 659 | 1 78 63 505 |

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

| Particulars | Gratuity (Unfunded) | |
|-----------------------------------|--|--|
| | 2011-12 | 2010-11 |
| Opening fair value of plan assets | Not applicable as Gratuity Liability is unfunded | Not applicable as Gratuity Liability is unfunded |
| Expected return | | |
| Actuarial Gain / (Loss) | | |
| Employer contribution | | |
| Benefits paid | | |
| Closing fair value of plan assets | | |

III. Reconciliation of fair value of assets and obligation

| Particulars | Gratuity (Unfunded) | |
|------------------------------------|--|--|
| | 2011-12 | 2010-11 |
| Fair value of plan assets | Not applicable as Gratuity Liability is unfunded | Not applicable as Gratuity Liability is unfunded |
| Present value of obligation | | |
| Amount recognised in balance sheet | | |


IV. Expense recognised during the year (under the head "Employee benefit expense" of Notes '25') (Amount in ₹)

| Particulars | Gratuity (Unfunded) | |
|---|---------------------|------------------|
| | 2011-12 | 2010-11 |
| Service cost | 35 05 685 | 44 84 871 |
| Interest cost | 14 73 739 | 12 89 879 |
| Expected return on plan assets | 0 | 0 |
| Actuarial (Gain) / Loss | (34 79 980) | (3 00 181) |
| Net cost included in 'Employee Benefit Expense' | 14 99 444 | 54 74 569 |

V. Investment Details

| Particulars | % invested | |
|--------------------------|----------------|----------------|
| | 2011-12 (%) | 2010-11 (%) |
| Public sector securities | Not applicable | Not applicable |
| Special deposit schemes | as Gratuity | as Gratuity |
| State Govt. securities | Liability is | Liability is |
| FDR with banks | not funded | not funded |
| Balance with banks | | |
| Total | | |

VI. Actuarial Assumptions

| Particulars | Gratuity (Unfunded) | |
|--|---------------------|---------|
| | 2011-12 | 2010-11 |
| Mortality Table (LIC) | 1994-96 | 1994-96 |
| Discount rate (per annum) | 8.50% | 8.25% |
| Expected rate of return on plan assets (per annum) | 0.00% | 0.00% |
| Rate of escalation in salary (per annum) | 7.00% | 7.00% |

VII Amount for the current and previous four year are as follows:-

| Gratuity (Unfunded) | 31.03.2012 Amount | 31.03.2011 Amount | 31.03.2010 Amount | 31.03.2009 Amount | 31.03.2008 Amount |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Defined Benefit obligation | 1 84 32 659 | 1 78 63 505 | 1 56 34 897 | 1 24 36 304 | 1 10 49 347 |
| Plan asset | 0 | 0 | 0 | 0 | 0 |
| Surplus/(deficit) | (1 84 32 659) | (1 78 63 505) | (1 56 34 897) | (1 24 36 304) | (1 10 49 347) |
| Experience adjustment on plan liability | (30 24 713) | (3 00 181) | 0 | 0 | 0 |
| Experience adjustment on plan assets | 0 | 0 | 0 | 0 | 0 |

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 2011-12 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.

| Note 27: FINANCE COSTS | For the Year ended on 31 st March 2012 | For the Year ended on 31 st March 2011 |
|---------------------------------|--|--|
| (1) Interest expenses | | |
| (a) Term loans | | |
| - From Banks | 41 18 12 968 | 39 39 69 660 |
| - From Financial institution | 56 39 734 | 56 24 325 |
| (b) Working capital facilities | 39 03 30 517 | 34 68 68 408 |
| (c) Debentures | 9 82 68 494 | 9 80 00 000 |
| (d) Others | 39 36 382 | 1 60 18 973 |
| | 90 99 88 095 | 86 04 81 366 |
| (2) Other Borrowing Cost | 1 22 44 497 | 1 14 44 741 |
| Total | 92 22 32 592 | 87 19 26 107 |



| Note 28: OTHER EXPENSES | For the Year ended on 31st March 2012 | For the Year ended on 31st March 2011 |
|---|---|---|
| Consumption of stores & spare parts | 1 13 74 91 309 | 1 05 30 01 516 |
| Power & fuel | 1 20 86 96 987 | 1 00 32 70 717 |
| Factory Labour expense | 8 36 21 816 | 7 37 77 739 |
| Freight and handling charges | 11 00 32 751 | 10 67 22 419 |
| Provision for Excise Duty on finished goods | (3 50 63 138) | (1 95 49 545) |
| Factory Expenses | 1 41 63 735 | 1 00 34 002 |
| Repairs and maintenance : | | |
| - to Factory Building | 15 21 228 | 15 28 015 |
| - to Plant & Machinery | 1 39 84 154 | 1 72 55 393 |
| - to Others | 61 23 072 | 54 55 265 |
| | 2 16 28 454 | 2 42 38 673 |
| Donation | 32 653 | 39 207 |
| Selling costs | 79 15 444 | 34 01 333 |
| Packing Cost | 1 46 37 077 | 1 61 53 231 |
| Freight outward expenses | 9 00 59 144 | 6 99 45 198 |
| Travelling & conveyance | 1 14 54 894 | 75 41 169 |
| Legal, Consultancy and Professional Fees | 1 29 37 132 | 84 91 358 |
| Miscellaneous expenses | 46 66 811 | 77 01 452 |
| Advertisement, Stationery and Communication | 57 98 646 | 53 35 793 |
| Payment to Auditors # | 7 41 000 | 6 45 000 |
| Rent | 10 89 600 | 10 89 600 |
| Rates and Taxes [includes Wealth Tax ₹ 42,600] [P.Y. Wealth Tax ₹ 64,250] | 40 52 191 | 59 40 774 |
| Insurance | 32 41 734 | 31 61 235 |
| Provision for Bad debt / Doubtful Loan & Advances | 0 | 53 15 603 |
| Sundry Balances Written off (Net) | 32 84 664 | 10 83 121 |
| Foreign exchange fluctuation loss (Net) | 3 10 99 748 | 0 |
| Total | 2 73 15 82 652 | 2 38 73 39 595 |

| # Payment to Auditors : | For the Year ended on 31st March 2012 | For the Year ended on 31st March 2011 |
|--------------------------------|---|---|
| As Auditor | | |
| - Statutory Audit | 6 50 000 | 6,00,000 |
| For other services | 91 000 | 45 000 |
| Total | 7 41 000 | 6 45 000 |

| Note 29: PRIOR PERIOD ITEM | For the Year ended on 31st March 2012 | For the Year ended on 31st March 2011 |
|--------------------------------------|---|---|
| (a) Debit relating to earlier years | 17 59 738 | 4 20 39 988 |
| (b) Credit relating to earlier years | 8 63 236 | 28 09 735 |
| Total | 8 96 502 | 3 92 30 253 |

| Note 30: EARNING PER SHARE | Unit | For the Year ended on 31st March 2012 | For the Year ended on 31st March 2011 |
|--|-------------|---|---|
| Net profit / (Loss) for the year attributable to Equity Shareholders | ₹ | (1 61 37 54 970) | (1 29 68 54 735) |
| Weighted Average Number of Equity Shares outstanding | Nos. | 1 97 97 540 | 1 97 97 540 |
| Basic & Diluted earnings per share (face value of ₹ 10 each) | ₹ | (81.51) | (65.51) |


Note 31: INFORMATION REGARDING STOCK
a) Consumption of Raw materials:

| Class of Goods | 2011-12 Amount (in ₹) | 2010-11 Amount (in ₹) |
|---------------------------------|--------------------------|--------------------------|
| Scrap | 2 62 04 10 650 | 2 72 16 59 369 |
| Ferro Chrome | 1 17 67 45 536 | 1 21 27 81 446 |
| Others | 1 23 12 29 689 | 1 34 00 63 606 |
| Pathology Chemical & Consumable | 1 08 33 266 | 1 58 12 458 |
| Total | 5 03 92 19 141 | 5 29 03 16 879 |

b) Sales, Opening and Closing Stock of Work in Progress:

| Class of Goods | Sales | | Opening Stock | | Closing Stock | |
|---------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 2011-12 Amount (in ₹) | 2010-11 Amount (in ₹) | 2011-12 Amount (in ₹) | 2010-11 Amount (in ₹) | 2011-12 Amount (in ₹) | 2010-11 Amount (in ₹) |
| S.S Slabs, Billets, Bloom, Ingots etc | 1 02 21 742 | 2 75 75 970 | 30 27 05 805 | 17 20 41 994 | 13 62 88 607 | 30 27 05 805 |

c) Sales, Opening and Closing Stock of Finished Goods:

| Class of Goods | Sales | | Opening Stock | | Closing Stock | |
|---------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 2011-12 Amount (in ₹) | 2010-11 Amount (in ₹) | 2011-12 Amount (in ₹) | 2010-11 Amount (in ₹) | 2011-12 Amount (in ₹) | 2010-11 Amount (in ₹) |
| Bars, Beams, Angles & wire rods | 41 09 62 749 | 36 62 10 202 | 7 60 54 612 | 3 29 97 253 | 3 65 36 397 | 7 60 54 612 |
| S.S Flats | 1 07 63 69 807 | 1 16 20 73 990 | 6 71 80 037 | 2 86 22 628 | 4 48 13 278 | 6 71 80 037 |
| M.S / S.S Plates | 3 32 46 04 171 | 3 47 57 60 737 | 32 13 51 079 | 32 69 80 199 | 11 33 63 276 | 32 13 51 079 |
| S.S.HR / CR Coils | 3 32 22 25 758 | 3 03 57 22 391 | 41 81 03 020 | 67 66 42 631 | 24 83 67 888 | 41 81 03 020 |
| Excise Duty on Finished Goods | 0 | 0 | 8 87 16 697 | 10 82 66 243 | 5 36 53 560 | 8 87 16 697 |
| Total | 8 13 41 62 485 | 8 03 97 67 320 | 97 14 05 445 | 1 17 35 08 954 | 49 67 34 399 | 97 14 05 445 |

d) Details of Goods Traded:

| Particulars | Medical Stores | | M S Plate # | |
|---------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Amount(in ₹) 2011-12 | Amount(in ₹) 2010-11 | Amount(in ₹) 2011-12 | Amount(in ₹) 2010-11 |
| Opening stock | 60 08 322 | 61 58 102 | 30 72 008 | 1 20 00 002 |
| Purchase | 8 12 81 882 | 10 55 34 300 | 0 | 0 |
| Turnover | 10 21 28 787 | 13 22 05 329 | 0 | 0 |
| Closing Stock | 0 | 60 08 322 | 0 | 30 72 008 |

Note: MS Plate has been Captively consumed



SHAH ALLOYS LIMITED

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

(Amount in ₹)

| Particulars | For the Year ended on 31 st March 2012 | For the Year ended on 31 st March 2011 |
|-----------------|---|---|
| Raw Materials | 3 19 60 457 | 15 53 40 405 |
| Stores & Spares | 4 24 60 014 | 5 28 08 235 |

f) Expenditure in foreign currency during the financial year

| Particulars | For the Year ended on 31 st March 2012 | For the Year ended on 31 st March 2011 |
|-----------------------------|---|---|
| Travelling Expenses | 5 98 224 | 2 10 907 |
| Commission on Export Sales. | 15 79 863 | 1 30 299 |
| Other Expenses | 12 06 972 | 66 487 |

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

| Particulars | 2011-12 | | 2010-11 | |
|--|-----------------------|------------------|-----------------------|------------------|
| | Amount (in ₹) | % of consumption | Amount (in ₹) | % of consumption |
| Raw Material-Manufacturing Activity | | | | |
| Imported | 3 20 61 871 | 0.64% | 18 04 53 116 | 3.41% |
| Indigenous | 5 00 71 57 270 | 99.36% | 5 10 98 63 763 | 96.59% |
| Total | 5 03 92 19 141 | 100.00% | 5 29 03 16 879 | 100.00% |
| Trading Goods purchased | | | | |
| Imported | — | — | — | — |
| Indigenous | 8 12 81 882 | 100.00% | 10 55 34 300 | 100.00% |
| Total | 8 12 81 882 | 100.00% | 10 55 34 300 | 100.00% |
| Stores & Spare parts | | | | |
| Imported | 4 58 43 311 | 4.03% | 5 78 05 256 | 5.49% |
| Indigenous | 1 09 16 47 998 | 95.97% | 99 51 96 260 | 94.51% |
| Total | 1 13 74 91 309 | 100.00% | 1 05 30 01 516 | 100.00% |

h) Earning in Foreign Exchange:

| Particulars | For the Year ended on 31 st March 2012 | For the Year ended on 31 st March 2011 |
|----------------------|---|---|
| FOB Value of exports | 35 13 55 260 | 17,98,45,954 |


Note 32: SEGMENT DISCLOSURES FOR THE YEAR ENDED 31/03/2012
I) Primary Segment Business
(Amount in ₹)

| REVENUE | Stainless Steel Unit | | Medical Stores & Pathology Laboratory Unit | | Total | |
|--|-----------------------|-----------------------|--|---------------------|-----------------------|-----------------------|
| | 31/3/2012 | 31/3/2011 | 31/3/2012 | 31/3/2011 | 31/3/2012 | 31/3/2011 |
| Domestic | 7 79 80 07 060 | 7 88 53 00 496 | 12 97 94 953 | 16 44 61 948 | 7 92 78 02 013 | 8 04 97 62 444 |
| Export (Incl. Export Incentives) | 37 26 60 921 | 19 37 09 655 | 0 | 0 | 37 26 60 921 | 19 37 09 655 |
| Total Sales | 8 17 06 67 981 | 8 07 90 10 151 | 12 97 94 953 | 16 44 61 948 | 8 30 04 62 934 | 8 24 34 72 099 |
| Add: Inter Segment Sales | 0 | 0 | 6 39 480 | 16 18 236 | 6 39 480 | 16 18 236 |
| Total Segment Revenue | 8 17 06 67 981 | 8 07 90 10 151 | 13 04 34 433 | 16 60 80 184 | 8 30 11 02 414 | 8 24 50 90 335 |
| Result | | | | | | |
| Segment Result | (1 49 82 41 851) | (1 00 24 74 864) | 2 31 37 894 | 3 45 85 360 | (1 47 51 03 957) | (96 78 89 504) |
| Less: | | | | | | |
| Interest | 92 22 32 592 | 87 19 26 107 | 0 | 0 | 92 22 32 592 | 87 19 26 107 |
| Unallocable Other Exp. | 0 | 0 | 0 | 0 | 10 50 000 | 12 00 000 |
| Profit Before Taxation | (2 42 04 74 443) | (1 87 44 00 971) | 2 31 37 894 | 3 45 85 360 | (2 39 83 86 549) | (1 84 10 15 611) |
| Income Tax | | | | | | |
| Current Tax | | | | | 0 | 0 |
| Short Provision for earlier years written off. | | | | | 5 71 524 | 79 81 009 |
| Deferred Tax | | | | | (78 52 03 103) | (55 21 41 885) |
| Net Profit | | | | | (1 61 37 54 970) | (1 29 68 54 735) |
| Other Information | | | | | | |
| Segment Assets | 9 17 01 36 989 | 9 35 10 97 360 | 12 46 79 583 | 13 13 45 196 | 9 29 48 16 572 | 9 48 24 42 556 |
| Segment Liabilities | 12 73 56 75 899 | 11 29 73 54 519 | 27 54 172 | 46 31 562 | 12 73 84 30 071 | 11 30 19 86 081 |
| Capital Expenditure | 0 | 1 25 90 035 | 28 360 | 30 250 | 28 360 | 1 26 20 285 |
| Depreciation | 31 69 47 157 | 32 21 64 999 | 4 46 185 | 5 87 613 | 31 73 93 342 | 32 27 52 612 |
| Non Cash Expenses other than Depreciation | 0 | 16 25 425 | 0 | 0 | 0 | 16 25 425 |

The company has disclosed business segment as the primary segment. Segments have been identified taking into account the nature of products, differing risks and returns and the organisation structure. The expenses, which are not directly attributable to the business segments, are shown as unallocated expenses.

**II) Information about Secondary Geographical Segments**

| Particulars | Year Ended 31/03/2012 | Year Ended 31/03/2011 |
|---|--------------------------|--------------------------|
| Revenue by Geographical Segment | | |
| India | 7 96 03 56 782 | 8 07 81 42 479 |
| Outside India | 37 26 60 921 | 19 37 09 655 |
| Total | 8 33 30 17 703 | 8 27 18 52 134 |
| Addition to Fixed Assets and Intangible Assets | | |
| India | 28 360 | 30 250 |
| Outside India | 0 | 0 |
| Carrying Amount of Fixed assets | | |
| India | 2 76 14 75 984 | 3 07 97 66 300 |
| Outside India | 0 | 0 |

Notes:**1) Geographical Segments considered for disclosures are as follows:**

Sales within India include Sales to customer located within India.

Sales outside India include Sales to customers located outside India**2) Revenue comprises**

| | |
|--------------|----------------------|
| Sales | 830 11 02 414 |
| Other Income | 3 19 15 289 |
| Total | 833 30 17 703 |

Note 33: RELATED PARTY DISCLOSURES

As per Accounting Standard 18, the disclosures of transactions with the related parties are given below:

i) Concern where significant interest exists.

| Sr. no | Name of the Concern | Nature of Relationship |
|--------|--|---------------------------------------|
| 1 | SAL Steel Limited | Associate |
| 2 | SAL Pharmacy (A Division of SAL Corporation Pvt. Ltd.) | Enterprise with significant influence |
| 3 | Adarsh Foundation | Enterprise with significant influence |
| 4 | SAL Hospital & Medical Institute (A Division of SAL Care Pvt Ltd.) | Enterprise with significant influence |
| 5 | Kesar SAL Hospital (A Division of Adarsh Foundation) | Enterprise with significant influence |

ii) Key Management Personnel and Relatives

| | | |
|---|----------------------|--|
| 1 | Mr. Rajendra V. Shah | Chairman |
| 2 | Mr. K. S. Kamath | Jt. Managing Director |
| 3 | Mr. Bhupendra T. Jha | Jt. Managing Director (Ceased from 08/07/2010) |



iii) Disclosure of Related Party Transactions

(Amount in ₹)

| Sr. no | Nature of Transaction | Parties mentioned at a (i) above | | Key management personnel | |
|--------|-----------------------------|----------------------------------|----------------|--------------------------|-----------|
| | | 2011-12 | 2010-11 | 2011-12 | 2010-11 |
| 1 | Purchase of goods | 77 46 56 127 | 1 74 28 85 817 | 0 | 0 |
| 2 | Purchase of Power | 79 02 82 250 | 48 53 38 500 | 0 | 0 |
| 3 | Deposits given / (returned) | (1 00 00 000) | 0 | 0 | 0 |
| 4 | Sales of Goods | 9 41 31 059 | 10 73 63 302 | 0 | 0 |
| 5 | Receiving of services | 0 | 46 34 824 | 0 | 0 |
| 6 | Rent paid | 9 60 000 | 9 60 000 | 19 600 | 19 600 |
| 7 | Loan Availed | 0 | 0 | 3 25 00 000 | 0 |
| 8 | Remuneration to Directors | 0 | 0 | 12 92 400 | 19 25 768 |

iv) Disclosures of material transactions with related parties during the year:

| Sr.No. | Description | Related Parties | Amount in ₹ |
|--------|---------------------------|--|--------------|
| 1 | Purchase of Goods | SAL Steel Ltd | 77 45 98 500 |
| | | SAL Pharmacy (A Division of SAL Corporation Pvt. Ltd.) | 57 627 |
| 2 | Purchase of power | SAL Steel Ltd | 79 02 82 250 |
| 3 | Sales of goods | SAL Steel Ltd | 2 42 20 957 |
| | | SAL Pharmacy (A Division of SAL Corporation Pvt. Ltd.) | 1 48 557 |
| | | SAL Hospital & Medical Institute | 6 96 90 241 |
| | | Kesar SAL Hospital | 71 304 |
| 4 | Rent paid | SAL Steel Ltd | 9 60 000 |
| | | Mr. Rajendra V Shah | 9 600 |
| | | Rajendra V Shah HUF | 10 000 |
| 5 | Remuneration to Directors | Mr. K S Kamath | 12 92 400 |
| 6 | Loan Availed | Mr. Rajendra V Shah | 3 25 00 000 |
| 7 | Deposits returned | Adarsh Foundation | 1 00 00 000 |

34 In the opinion of the Board of Directors, the current assets, loans and advances are approximately 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 Corporate Debt Restructuring (CDR) Cell through their lead bank, Union Bank of India had sanctioned a comprehensive debt restructuring scheme vide their letter No. BY.CDR (ABP) No. 1084 dated 22.1.2008. As per scheme company was supposed to make monthly payment of interest & installment by 1st October 2009. Looking to prevailing condition & losses incurred by the company in the year 2008, company had again approached CDR Cell for extension of moratorium period and CDR Cell had approved the rework proposal of the company vide their letter dated BY.CDR (ABP) NO.380/2009-10 dated 03-07-2009. The principal terms of the 2nd CDR Scheme and its compliances are as under:

- a) Deferring repayment of Term loan ₹ 1,56,05,13,132/- Working capital term loan ₹ 1,77,82,65,205/- and Non Convertible Debentures ₹ 1,00,00,00,000/- for another 20 months, (from original due date for repayment of 01.10.2009) i.e. up to 31.05.2011. Repayment shall start from June 2011 and end on May 2019.



SHAH ALLOYS LIMITED

- b) Interest for the moratorium period i.e. up to May 2011 shall be converted into Funded interest term loan (FITL) carrying interest rate of 6% p.a. repayable in 20 equal quarterly installments commencing from December 2013 quarter. Interest on FITL shall be serviced as and when due.

Consequent upon the sanction of the restructuring package, the company had to start repaying the aforesaid loans sanctioned by banks/institutions and debenture holders from June 2011 onwards however the company has made default in repaying the dues as per the terms stipulated in the CDR rework proposal. The Amount and the period of default in respect of Term Loan, WCTL and Non convertible Debentures are as under:

| Particulars | Default (Amount in ₹) | Period for which the default subsists |
|---------------------------|-----------------------|---------------------------------------|
| Term Loan | 17,37,96,290 | 91-366 days |
| Working Capital Term Loan | 18,64,03,089 | 91-366 days |
| Non Convertible Debenture | 10,41,66,667 | 91-366 days |
| Total | 46,43,66,046 | |

As per the CDR Terms, Interest on Term Loan, Working capital term loan (WCTL) and Non convertible debentures (NCD) had to be parked up to May 2011 into a separate account called Funded Interest Term loan (FITL). However, from June 2011 onwards, the interest on Term Loan, Working capital term loan (WCTL) and Non convertible debentures (NCD) has to be serviced as and when due.

However, the company has defaulted in payment of interest on Term Loan, Working capital term loan (WCTL) and Non convertible debentures (NCD) during the year 2011-12. The Amount and the period of default are as listed under:

| Particulars | Default (Amount in ₹) | Period for which the default subsists |
|---------------------------------------|-----------------------|---------------------------------------|
| Interest on Term Loan | 12,04,69,127 | 91-366 days |
| Interest on Working Capital Term Loan | 14,95,31,027 | 91-366 days |
| Interest on Non Convertible Debenture | 8,18,90,411 | 91-366 days |
| Total | 35,18,90,565 | |

As per the terms of the CDR, Interest on funded interest term loan (FITL) was required to be paid as and when it was due. The company has made the default in payment of interest on FITL. The amount and the period of default are as mentioned below:

| Particulars | Period to which the default relates | Default (Amount in ₹) | Period for which the default subsists |
|--|-------------------------------------|-----------------------|---------------------------------------|
| Interest on Funded Interest Term Loan (FITL) | 2010-11 | 4,31,63,185 | 457-700 days |
| Interest on Funded Interest Term Loan (FITL) | 2011-12 | 7,98,16,025 | 91-427 days |
| Total | | 12,29,79,210 | |

As per the terms of the CDR, Interest on working capital facilities was required to be paid as and when it was due. The company has made the default in payment of interest on the working capital facilities. The amount and the period of default are as mentioned below:

| Particulars | Period to which the default relates | Default (Amount in ₹) | Period for which the default subsists |
|--|-------------------------------------|-----------------------|---------------------------------------|
| Interest on working capital facilities | 2010-11 | 22,69,93,827 | 457-792 days |
| Interest on working capital facilities | 2011-12 | 37,17,47,750 | 91-427 days |
| Total | | 59,87,41,577 | |

- c) Rate of interest on Term Loan, Non Convertible Debenture and WCTL will be 10% p.a. for the term lenders who are presently charging more than 10% p.a. payable monthly. Existing rates will continue for those lenders who are charging less than 10% p.a. payable monthly and FITL will carry interest at the rate of 6 percent per annum.



d) The company had extended an inter corporate loan of ₹ 95,00,00,000/- to SAL Steel Limited in earlier years out of which at present, the balance outstanding is ₹ 80,00,00,000/-. The terms of the Repayment of the same amount of is ₹10,00,00,000/- in FY 2012, ₹ 20,00,00,000/- each in FY 2013 to 2015 and ₹ 10,00,00,000/- in FY 2016. The company shall make all efforts to bring back the amount faster. The Monitoring committee shall monitor the same on half yearly basis.

As per the terms of the CDR, the company had to recover ₹ 10,00,00,000/- in FY 2012 from SAL Steel Ltd. However, the company has not received / recovered the same from SAL Steel Ltd.

e) As per the terms of the CDR, the company has brought in Promoters' contribution during the year 2009-10.

36 The company had filed a reference with BIFR u/s 15(1) of the Sick Industrial Companies (Special Provision) Act, 1985. The Honorable BIFR vide its order number 13/2010 dated 31st August, 2010 has declared that the company has become sick industrial company u/s 3(1)(o) of SICA. [Sick Industrial Companies (Special Provision) Act, 1985]

37 Balances of Unsecured Loans, bank balances, Sundry debtors, Creditors and Loans and advances are subject to confirmation from respective parties.

38 Certain balance of Debtors, Loans and Advances and Creditors are non moving/ slow moving since long, however in view of the management the same is recoverable / payable and hence no provision for the same is made in the books of accounts.

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

| | As at 31st March 2012 | As at 31st March 2011 |
|--|--------------------------|--------------------------|
| Advance payment to suppliers | | |
| Rupees | 85,07,687 | 46,86,204 |
| US Dollar | 86,956 | 85,012 |
| Euro | | 14,080 |
| Japan Yen | 65,02,240 | |
| Receivables against export of goods | | |
| Rupees | 3,45,38,488 | 1,84,62,051 |
| US Dollar | 6,75,153 | 4,13,484 |
| Advance received from customers | | |
| Rupees | 94,44,657 | 68,51,323 |
| US Dollar | 1,84,623 | 1,40,894 |
| Euro | 0 | 9,000 |
| FCCB Payable (Including Interest) | | |
| Rupees | 72,37,88,323 | 63,76,27,087 |
| US Dollar | 1,48,25,500 | 1,42,80,562 |

40 The company had entered into a power purchase agreement with SAL Steel Limited on February 21, 2006 which enunciates minimum guarantee and uninterrupted supply of power. In pursuance of this contract during the year, Shah Alloys Limited has incurred an expense of short lifting of power from SAL Steel limited amounting ₹ 31,09,85,750/- since the date of the agreement. This expense of short lifting of power from SAL Steel Limited is included in Power expense.

41 Till the year ended 31st March, 2011, the Company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended 31st March, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company. The Company has re-classified previous year figures to conform to this year's classification. Previous year figures have been re-arranged and re-grouped, wherever necessary to make them comparable with those of current year as per revised Schedule-VI.

As per our report attached to the Balance Sheet

Signatures to Notes 1-41

The accompanying notes are an integral part of these financial statements.

As per our Report of even date

For Talati & Talati

Chartered Accountants
FRNo: 110758W

Umesh Talati

Partner
M.No. 34834

Place : Ahmedabad

Date : June 30, 2012

**For and on behalf of the Board
Shah Alloys Limited**

Rajendra V. Shah Chairman

K.S. Kamath Jt. Managing Director

Ashok Sharma Whole Time Director

Vinod Kumar Shah Company Secretary

Place : Santej

Date : June 30, 2012



SHAH ALLOYS LIMITED

SHAH ALLOYS LIMITED

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

ATTENDANCE SLIP

PLEASE FILL IN ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

Joint shareholders may obtain additional Slip at the venue of the meeting.

DP Id* _____ Master Folio No. _____

Client Id* _____ No. of Shares _____

NAME & ADDRESS OF SHAREHOLDER / PROXY: _____

I certify that I am a shareholder / proxy of the shareholder of the Company.

I/We hereby record my/our presence at the **Twenty-Second Annual General Meeting** of the Company held on Monday, 24th September, 2012 at 09.30 A.M. at SAL Institute & Engineering Research, Opp. Science City, Ahmedabad – 380060.

Signature of Shareholder / Proxy

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

Note: Members are requested to bring their copies of Annual Report to the Meeting.

SHAH ALLOYS LIMITED

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

PROXY FORM

DP Id* _____ Master Folio No. _____

Client Id* _____

I/We _____ of _____

being a member/members of **Shah Alloys Limited** hereby appoint _____ of _____ or

failing him/her _____ of _____ as

my/our proxy to vote for me/us and on my/our behalf at the **Twenty-Second Annual General Meeting** of the Company to be held on Monday, 24th September, 2012 at 09.30 A.M. at SAL Institute & Engineering Research, Opp. Science city, Ahmedabad – 380060 or at any adjournment thereof.

Signed this _____ day of _____ 2012 _____

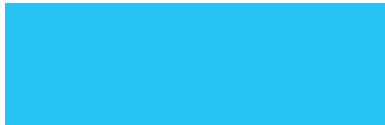
Signature

Affix
Revenue
Stamp

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

INSTRUCTIONS:

1. The proxy in order to be effective should be deposited duly stamped, completed and signed at the Registered Office of the Company not less than 48 hours before the time for holding the meeting or adjourned meeting.
2. The Proxy need not be a member of the Company.



Book-Post

To,



SHAH ALLOYS

If Undelivered please return to :

Shah Alloys Ltd.

Block No. 2221, Sola-Kalol Road,

Santej - 382721, Ta. Kalol,

Dist. Gandhinagar, Gujarat, INDIA.

Tel : +91-2764-661100

E-mail : info@shahalloys.com

www.shahalloys.com