

SARDA METALS & ALLOYS LIMITED

THIRD ANNUAL ACCOUNTS

For the year ended on 31st March, 2011



Registered Office

125 B, Mittal Court, Nariman Point, Mumbai. 400021

Letter Head of Auditor

Auditors' Report

To
The Members of Sarda Metals & Alloys Limited

1. We have audited the attached Balance Sheet of Sarda Metals & Alloys Limited ('the Company') as at March 31, 2011 and also 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 and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial 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 (Auditor's 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' (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the paragraph 3 above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v. On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:-

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011; and
- b) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For HARIBHAKTI & CO.
Chartered Accountants
FRN: 103523W

Place: Mumbai
Date: 30-Apr-11

(RAKESH RATHI)
Partner
Membership No.045228

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Sarda Metals & Alloys Limited on the financial statements for the year ended March 31, 2011]

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets of the company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
- (c) During the year, the Company has not disposed off any Fixed Assets.
- (ii) The company is in the Project construction phase. Accordingly, the provision of clause (ii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 (as amended) in respect of inventories are not applicable to the Company.
- (iii)(a) As per our information and the explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of Clauses 4(iii)(b), 4(iii)(c) and 4(iii)(d) of the Companies (Auditors' Report) order, 2003 (as amended) are not applicable to the Company.
- (e) As per our information and the explanations given to us, the Company has taken unsecured loan from its Holding company. The amount outstanding as at 31st March 2011 was Rs. 418,835,325.
- (f), (g) The rate of interest is prima-facie not prejudicial to the interest of the company. There are no other stipulations.
- (iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets. The activities of the Company during the year did not involve purchase of inventory or sale of goods, accordingly provisions of clause 4(iv) to this extent are not applicable to the Company. During the course of our audit, we have not observed any continuing failure to correct weakness in internal control system of the Company.
- (v) (a) According to the information and explanations given to us, there were no contracts or arrangements referred to in section 301 of the Companies Act, 1956 the particulars of which need to be entered into the register maintained under section 301. Therefore, the provisions of clause 4(v)(b) are not applicable to the company.
- (vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- (vii) The Company is having an internal audit system, which is commensurate with the size of the Company and the nature of its business.

- (viii) The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, service tax customs duty, excise duty, cess have been regularly deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became.
(b) According to the information and explanation given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) The company has been registered for a period of less than five years and accordingly the provisions of clause 4(x) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank. The company has not issued any debentures during the year.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- (xvi) According to the information and explanations given to us term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

- (xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xix) The Company has not issued any debentures during the year. Accordingly, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of any such case by the management.

For, HARIBHAKTI & CO.
Chartered Accountants
FRN: 103523W

Place: Mumbai
Date: 30-Apr-11

(RAKESH RATHI)
Partner
Membership No.045228

SARDA METALS & ALLOYS LIMITED
BALANCE SHEET AS AT 31ST MARCH 2011

(Amount in Rs.)

PARTICULARS	SCHEDULE	AS AT 31.03.2011	AS AT 31.03.2010
I) SOURCES OF FUND			
1) SHAREHOLDERS' FUND			
(a) Capital	"A"	50,450,000	7,600,000
(b) Reserve and Surplus	"B"	449,362,184	(187,816)
		499,812,184	7,412,184
2) LOAN FUND	"C"		
Secured Loan		720,726,514	-
Unsecured Loan		418,835,325	359,902,240
		1,139,561,839	359,902,240
3) DEFERRED TAX LIABILITY		-	-
TOTAL		1,639,374,023	367,314,424
II) APPLICATION OF FUNDS			
1) FIXED ASSETS			
Gross Block	"D"	205,660,951	135,598,718
Less: Depreciation		1,613,769	215,432
Net Block		204,047,183	135,383,286
Capital Work in Progress		1,196,232,962	210,547,342
2) Expenditure During Construction pending allocation	"E"	135,940,995	16,697,606
		1,536,221,141	362,628,234
3) CURRENT ASSETS, LOANS AND ADVANCES			
(a) Sundry Debtors		-	-
(c) Cash and Bank Balance	"F"	116,544,369	2,310,136
(d) Loans & Advances	"G"	37,903,540	2,981,141
		154,447,909	5,291,277
Less: CURRENT LIABILITIES AND PROVISIONS			
(a) Current Liabilities	"H"	50,628,961	605,087
(b) Provision for Gratuity		666,066	-
		51,295,027	605,087
Net Current Assets		103,152,882	4,686,190
4) MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)		-	-
TOTAL	"I"	1,639,374,023	367,314,424

AS PER OUR REPORT OF EVEN DATE ATTACHED
FOR HARIBHAKTI & CO.
CHARTERED ACCOUNTANTS
FRN: 103523W

ON BEHALF OF THE BOARD OF DIRECTORS

Rakesh Rathi
PARTNER

M. No. : 045228
PLACE : Mumbai
DATE : 30-Apr-11

K.K.SARDA
DIRECTOR

PLACE: VISAKHAPATNAM
DATE: 29-Apr-11

NEERAJ SARDA
DIRECTOR

GAURAV THAKKAR
DGM (FINANCE) &
COMPANY SECRETARY

SARDA METALS & ALLOYS LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

(Amount in Rs.)

	Particulars	Year Ended 31.03.2011	Year Ended 31.03.2010
A.	CASH FLOW FROM OPERATING ACTIVITIES	-	-
B.	CASH FLOW FROM INVESTING ACTIVITIES		
	Investment in Fixed Assets including capital WIP	(1,054,349,517)	(346,146,060)
	Other pre operative expenditure to be capitalized	(87,137,719)	(16,482,174)
	Increase in current assets on capital account	(34,922,399)	(2,981,141)
	Increase in current liability on capital account	50,689,940	576,237
	Net cash from investing activities	(1,125,719,695)	(365,033,138)
C.	CASH FLOW FROM FINANCING ACTIVITIES		
	Share Application Money Received	-	6,941,034
	Secured Loans Received	720,726,514	-
	Unsecured loan received (See note 2 below)	551,333,085	359,902,240
	Interest Expenditure Capitalized	(32,105,670)	-
	Net cash from financing activities	1,239,953,929	366,843,274
	NET INCREASE IN CASH & CASH EQUIVALENTS	114,234,234	1,810,136
	CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,310,136	500,000
	CASH & CASH EQUIVALENTS AT THE END OF THE PERIOD	116,544,370	2,310,136

Notes to the cash flow statement

1 Cash & Cash Equivalents consist of the following

Cash on hand	313,311	132,478
Balances with Scheduled Banks	116,231,059	2,177,658
	116,544,369	2,310,136

2 During the Year the company received Rs 55,13,33,085 (Net of amount repaid) as unsecured loans from Holding company. 49,95,000 equity shares of Rs 10/- each were allotted to the Holding Company at a Premium of Rs 90/- per share by converting these loans. Cash Inflows in the form of Unsecured Loans Received includes the total value of Shares allotted of Rs 49,95,00,000/-

3 Figures in the bracket represents cash outflow

AS PER OUR REPORT OF EVEN DATE ATTACHED
FOR HARIBHAKTI & CO.
CHARTERED ACCOUNTANTS
FRN: 103523W

ON BEHALF OF THE BOARD OF DIRECTORS

Rakesh Rathi
PARTNER
M. No. 045228
PLACE Mumbai
DATE 30-Apr-11

K.K.SARDA
DIRECTOR
PLACE
DATE

NEERAJ SARDA
DIRECTOR
VISAKHAPATNAM
29-Apr-11

GAURAV THAKKAR
DGM (FINANCE) &
COMPANY SECRETARY

SARDA METALS & ALLOYS LIMITED		
SCHEDULES 'A' TO 'I' ANNEXED TO AND FORMING PART OF THE		
BALANCE SHEET		
<i>(Amount in Rs.)</i>		
Particulars	As at 31.03.2011	As at 31.03.2010
SCHEDULE "A" - SHARE CAPITAL		
AUTHORISED		
2,50,00,000 Equity Shares of Rs. 10/- each		
(PY 10,00,000 Equity Shares) of Rs. 10/- each	250,000,000	10,000,000
Total	250,000,000	10,000,000
ISSUED SUBSCRIBED AND PAID UP		
50,45,000 (50,000) Equity Shares of Rs. 10/- each fully paid up	50,450,000	500,000
(Fully held by the Holding company Sarda Energy & Minerals Ltd)		
Share Application Money Pending Allotment	-	7,100,000
Total	50,450,000	7,600,000
SCHEDULE "B" - RESERVES & SURPLUS		
A. SECURITIES PREMIUM ACCOUNT		
Opening Balance	-	-
Add: Addition During the year	449,550,000	-
	449,550,000	-
B. PROFIT AND LOSS ACCOUNT		
Opening balance	(187,816)	(187,816)
	(187,816)	(187,816)
Total	449,362,184	(187,816)
SCHEDULE "C" - Loan Funds		
A. Secured Loans		
From Banks		
Term Loans	720,726,514	-
B. Unsecured Loans		
From others - Holding company		
	418,835,325	359,902,240
Total	1,139,561,839	359,902,240

SARDA METALS & ALLOYS LIMITED

SCHEDULE "D" - Fixed Assets

Particulars	Gross block				Depreciation				Net Block	
	As at 01.04.10	Additions	Deduction	As at 31.03.2011	Upto 01.04.10	For the Year	Transfer/ Adj	Up to 31.03.2011	As at 31.03.2011	As at 31.03.2010
Freehold Land	132,249,105	63,918,340	-	196,167,445	-	-	-	-	196,167,445	132,249,105
Plant & Machinery	860,643	-	-	860,643	35,767	114,740	-	150,507	710,136	824,876
Computer & Accessories	605,577	2,298,830	-	2,904,407	70,242	511,342	-	581,584	2,322,823	535,335
Furniture & fixture	910,363	735,107	-	1,645,469	59,658	213,231	-	272,889	1,372,580	850,705
Office Equipments	530,750	988,758	-	1,519,508	15,256	138,655	-	153,911	1,365,597	515,494
Vehicles	442,280	2,121,200	-	2,563,480	34,509	420,369	-	454,878	2,108,602	407,771
Total	135,598,718	70,062,234	-	205,660,951	215,432	1,398,337	-	1,613,769	204,047,182	135,383,286
Previous year	-	135,598,718	-	135,598,718	-	215,432	-	215,432	135,383,286	-

SARDA METALS & ALLOYS LIMITED		
SCHEDULES 'A' TO 'I' ANNEXED TO AND FORMING PART OF THE		
(Amount in Rs.)		
Particulars	As at 31.03.2011	As at 31.03.2010
SCHEDULE "E" - Expenditure During Construction pending allocation		
Audit Fees	350,000	50,000
Legal & Consultancy charges	12,207,040	4,257,425
Licence & Fees	5,277,205	1,534,024
Insurance Charges	481,466	9,191
Interest & Banking Charges	64,159,541	20,549
Staff Recruitment Expenditure	1,253,284	355,233
Employee Related Expenses	24,796,658	2,380,247
Travelling & Conveyance Expenditure	9,649,018	3,866,277
Advertisement Expenditure	101,842	101,842
Telecommunication Charges	861,456	267,202
Security & Services Charges	2,341,858	784,450
Rent	2,995,471	819,661
Repairs & Maintenance - Others	1,092,144	231,646
Repairs & Maintenance - Building	984,655	375,114
Office Maintenance	860,167	462,884
Printing & Stationary	425,049	123,885
Electricity	2,462,201	455,599
Depreciation	1,613,769	215,432
Miscellaneous Expenditure	4,434,391	586,946
	136,347,214	16,897,606
Less :		
Miscellaneous Income	406,219	200,000
Net Pre - Operative Expenses transferred to Balance Sheet	135,940,995	16,697,606
SCHEDULE "F" - CASH AND BANK BALANCES		
Cash in hand (As certified by Management)	313,311	132,478
Balance With Scheduled Banks in Current Account	116,231,059	2,177,658
Total	116,544,369	2,310,136
SCHEDULE "G" - Loans & Advances		
Advances recoverable in cash or in kind or for value to be received.		
Security deposits	640,049	527,347
Advances to Staff	1,762,717	486,831
Input credit receivable	33,107,311	1,966,963
Prepaid Expenses	2,393,463	-
Total	37,903,540	2,981,141
SCHEDULE "H" - CURRENT LIABILITIES		
Sundry creditors		
Due to Micro and small enterprises		
Due to others	39,867,075	11,000
Other liabilities	4,828,899	463,693
Duties and taxes payable	5,932,987	130,394
Total	50,628,961	605,087

SCHEDULE "I": ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

I) BACKGROUND

Sarda Metals & Alloys Limited ('The Company') was incorporated on 21st October 2008 under the provisions of Companies Act 1956. It is coming up with a Green Field Project of 6X33 MVA Ferro Alloys Furnaces and 240 MW Captive Power Plant. In the first phase the company is installing 2X33 MVA Ferro Alloys Furnaces & 80 MW Captive Power Plant. The first phase of the Green Field Project is under progress and the company is yet to commence Commercial Operations.

II) SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention

The accounts of the Company are prepared under the historical cost convention using the accrual method of accounting in accordance with the generally accepted accounting principles in India, mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent liabilities as at the date of financial statements. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

3. Fixed Assets & Capital Work in Progress

- Fixed Assets are stated at cost less accumulated depreciation / amortization and impairment losses if any. Cost comprises the purchase price and any cost attributable for bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.
- All project related expenditure viz, civil works, machinery under erection, Construction and erection materials, capital advances, capital stocks, borrowing cost incurred prior to the date of commercial operation are grouped under Capital Work-in-Progress.

4. Impairment of Fixed Assets

The carrying amount of the Company's fixed assets is reviewed at each balance sheet date and if any indication of impairment exists based on internal /external factor Impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on

an appropriate discount factor. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years.

5. Depreciation / Amortization

Depreciation on fixed assets is provided on Written Down Value (WDV) method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956. In the case of assets where impairment loss is recognized, the revised carrying amount is depreciated over the remaining estimated useful life of the asset.

Intangible Assets are amortized over the expected duration of benefits not exceeding ten years.

6. Borrowing Cost

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of that asset. The amount of borrowing costs eligible for capitalization is determined in accordance with Accounting Standard 16 (AS 16) on "Borrowing Costs". Other borrowing costs are recognized as an expense in the period in which they are incurred.

7. Employee Benefits

- i) Retirement benefit in the form of Provident fund contributed to the Statutory Provident Fund is a defined contribution scheme and the payments when due to the respective funds are treated as Expenses During Construction till the commencement of commercial operations. There are no obligations other than contribution payable to Provident Fund Authorities.
- ii) Retirement benefit in the form of Gratuity is a defined benefit obligation. Gratuity Liability at each balance sheet date is ascertained on Actuarial Valuation basis using projected unit credit method. Actuarial gains/losses are not deferred and are taken to Expenses During Construction Account till commencement of Commercial Operations.
- iii) The liability for encashable leaves as estimated is provided on accrual basis and is charged to Expenses During Construction Account.

8. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

9. Foreign Currency Transactions

(a) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(b) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(c) Exchange Differences

Exchange differences arising on the settlement of monetary items, or on reporting such monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise

10. Taxes on Income

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law), and deferred tax charge or credit (reflecting that tax effects of timing differences between accounting income and taxable income for the period). Current income tax and tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India.

The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognised using the tax rates and the tax laws that have been enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realization of assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized. Current tax and deferred tax assets and liabilities are offset to the extent to which the Company has a legally enforceable right to set off and they relate to taxes on income levied by the same governing taxation laws

11. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

III) NOTES TO ACCOUNTS

1. Estimated amount of contracts remaining to be executed on Capital Account, net of advance given – Rs 25808.00 lacs (Prev. year Rs. 13562.00 lacs).
2. Contingent Liabilities not provided for in respect of Outstanding Letters of Credit Rs 5345.00Lacs (Prev. year – Rs. NIL).
3. Notes to Schedule 'C' – Secured Loans

Term Loans from Banks, as per sanctioned terms, are to be secured by a pari-passu first charge on entire present and future immovable assets and pari-passu second charge on all present and future current assets of the company. Pending creation of security these loans are secured by Post Dated Cheques issued by Holding Company Sarda Energy & Minerals limited.

4. Retirement Benefit Plans

i) Defined contribution plans

The Company makes provident fund contributions to defined contribution retirement benefit plans for qualifying employees. The contributions are made to the statutory provident fund of the Govt. of India. During the year the Company recognized and capitalized Rs 6.54 Lacs (previous year Rs NIL) for provident fund contributions

ii) Defined Benefit Plans

The Company has made provision for gratuity and capitalized Rs. 6,66,066/- (Prev Year – Rs. NIL) on the basis of the valuation conducted by the Actuary. The liability has been ascertained on the assumption of lumpsum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary for each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five years of service.

The present value of defined obligation and the related current service cost were measured using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date.

The following table sets out the funded status of the gratuity plan and the amounts recognized in the Company's balance sheet as at 31st March 2011.

		As at March 31, 2011	As at March 31, 2010
1	Assumptions		
	Discount Rate (beginning of the year)	-	-
	Discount Rate (end of the year)	8.00%	-
	Rate of increase in Compensation levels	5.00%	-
	Rate of Return on Plan Assets	-	-
	Expected Average remaining working lives of	21.60	-

		As at March 31, 2011	As at March 31, 2010
	employees (years)		
2	Table showing changes in present value of obligations		-
	Present Value of Obligation as at the beginning of the year	-	-
	Acquisition adjustment	-	-
	Interest Cost	-	-
	Current Service Cost	2,24,377	-
	Curtailement Cost / (Credit)	-	-
	Settlement Cost / (Credit)	-	-
	Benefits paid	-	-
	Actuarial (gain) / loss on obligations	4,41,689	-
	Present Value of Obligation as at the end of the year	6,66,066	-
3	Table showing changes in the Fair value of Plan Assets		
	Fair Value of Plan Assets at the beginning of the year	-	-
	Acquisition Adjustments	-	-
	Expected Return of Plan Assets	-	-
	Contributions	-	-
	Benefits paid	-	-
	Actuarial Gain / (loss) on Plan Assets	4,41,689	-
	Fair Value of Plan Assets at the end of the year	-	-
4	Tables showing Fair Value of Plan Assets		-
	Fair value of plan asset at the beginning of year	-	-
	Acquisition adjustments	-	-
	Actual return on plan assets	-	-
	Contributions	-	-
	Benefits paid	-	-
	Fair value of plan assets at the end of year	-	-
	Funded status	-	-
	Excess of actual over estimated return on plan assets	-	-
5	Actuarial Gain / Loss Recognized		-
	Actuarial (gain) / loss for the year – Obligation	4,41,689	-
	Actuarial (gain) / loss for the year – Plan Assets	-	-
	Total (gain) / loss for the year	4,41,689	-
	Actuarial (gain) / loss recognized in the year	4,41,689	-
	Unrecognized actuarial (gains) / losses at the	-	-

		As at March 31, 2011	As at March 31, 2010
	end of year		
6	The amounts to be recognized in Balance Sheet and Statements of Profit & Loss		
	Present value of obligation as at the end of the year	6,66,066	-
	Fair value of Plan Assets as at the end of the year	-	-
	Funded status	-	-
	Net Asset / (Liability) Recognized in Balance Sheet	(6,66,066)	-
7	Expense recognized in the Statement of Profit & Loss		
	Current Service Cost	2,24,377	-
	Interest Cost		-
	Expected Return of Plan Assets		-
	Curtailment Cost / (Credit)		
	Settlement Cost / (Credit)		
	Net actuarial (gain) / loss recognized in the year	4,41,689	-
	Expenses recognized in the Statement of Profit & Loss	6,66,066	-
			-

iii) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion & other relevant factors, such as supply and demand in the employment market.

iv) The company expects to contribute approximately Ra 1,76,000 during fiscal 2012.

5. Directors remuneration is as under:-

(Rs. in Lacs)

	Particulars	2010-11	2009-10
i)	Salary, Allowances etc. to Whole Time Directors	40.66	NIL
ii)	Perquisites	0.44	NIL
iii)	Contribution to Provident Fund	1.35	NIL
iv)	Sitting Fees	0.10	NIL
	Total	42.54	NIL

Notes:

1. The above amount does not include Provision for gratuity, as separate figures are not available for Whole Time Directors.
2. The above figures of Director's Remuneration are capitalized as Expenses During Construction.

6. Payments to Auditors represents:

(Rs. in Lacs)

		2010-11	2009-10
i)	Audit Fees*	3.00	0.50
ii)	Taxation Matters	NIL	0.05
iii)	Other Services	NIL	NIL
iv)	Reimbursement of traveling and out of pocket exp.	NIL	NIL
v)	Tax Audit Fees *	NIL	NIL
Total		3.00	0.55

*Net of service tax which is cenvatable and is accounted as and when paid.

7. The company has not received any memorandum (as required to be filed by the suppliers with the notified authority under the Micro, Small and Medium Enterprises development Act, 2006) claiming their status as on 31st March, 2011 as micro, small or medium enterprises. Consequently the amount paid/payable to these parties during the year is nil.

8. Interest includes:

(Rs. in Lacs)

		2010-11	2009-10
i)	Interest on Term Loans	25.03	NIL
ii)	Interest on others	295.81	NIL
iii)	Less: Interest Capitalized	320.84	NIL
Total		NIL	NIL

9. As the company is yet to commence commercial operations the disclosures as mentioned in clause 4C of Part II of Schedule VI of the companies Act on Capacity, Production, Sales and Stock Particulars of each class of Goods are not applicable.

10. FOREIGN EXCHANGE EARNING & OUTGO

(Rs. in lacs)

	2010-11	2009-10
(A) CIF Value of Imports	NIL	NIL
(B) FOB Value of Exports (direct)	NIL	NIL
(C) Expenditure in Foreign Currency		
Machinery and components	460.01	NIL
Traveling Expenses	14.05	NIL
Technical consultancy	4.71	NIL

11. Deferred Tax

As there is no timing difference, deferred tax asset/liability has not been provided for in the books of account.

12. Related Party Disclosure

I) Names of related parties and description of relationship:

S.No.	Description of Relationship	Names of Related Parties
1	Holding Company	Sarda Energy And Minerals Limited
2	Key Management Personnel	Mr. Neeraj Sarda Mr. K L Mehrotra

II) Material Transactions with Related Parties (Amt. in lacs)

Particulars	Holding Company	Key Management Personnel
Share Application converted into Equity	71.00 (NIL)	
Loan Converted Into Equity	4924.00 (NIL)	
Loan Received	9493.33 (3599.02)	
Loans Repaid	3980.00 (NIL)	
Remuneration paid		42.44 (NIL)
Interest Paid	295.81 (NIL)	

13. Provision for Contingencies - NIL

14. The Company is in the Project Construction phase and accordingly no separate Profit & Loss Account has been presented.

15. Previous year figures are have been regrouped wherever necessary to conform to current year's classification.

**16. INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT 1956
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

I Registration Details

Registration No.187689 State Code 11 Balance Sheet Date 31.03.2011

II Capital raised during the year (Amount in Rs Thousands)

Public Issue : NIL Rights Issue : 499,500
Bonus issue : NIL Private Placement : NIL

III Position of mobilization and deployment of funds (Amount in Rs Thousands)

Total Liabilities : 1,690,669 Total Assets : 1,685,580

Source of funds

Paid up Capital : 50,450 Reserve and Surplus : 449,362
Secured Loans : 720,727 Unsecured Loans : 418,835
Deferred Tax Liability : NIL

Application of funds

Net Fixed Assets : 1,536,221 Investments : NIL
Net Current Assets : 103,153 Miscellaneous Expenditure : NIL

IV Performance of the company (Amount in Rs Thousands)

Turnover : NIL Total Expenditure : NIL
Profit Before Tax : NIL Profit After Tax : NIL
Earning Per Share(basic): NIL Dividend Rate : NIL

V Generic Name of Three principal Products /Services of the Company (as per monetary terms)

Item Code (ITC Code) : 3322 Product Description : Ferro Alloys
Item Code (ITC Code) : 98010003 Product Description : Thermal Power

SIGNATURE TO SCHEDULE "A" TO "Q"

As per our report of even date attached

For HARIBHAKTI & CO.
Chartered Accountants
FRN: 103523W

For and on behalf of the Board,

(RAKESH RATHI)
Partner
Membership No.045228

(K. K. SARDA)
Director

(NEERAJ SARDA)
Director

(GAURAV THAKKAR)
DGM (Finance) &
Company Secretary

MUMBAI
Dated : 30th April 2011

VISAKHAPATNAM
Dated: 29th April 2011