SARDA

SARDA ENERGY & MINERALS LTD.

SARDA'S STRATEGY FOR SUSTAINABLE GROWTH

37th Annual Report 2009-10

IT IS SAID THAT THE ONLY THING CONSTANT IN THE WORLD IS CHANGE. WE WOULD LIKE TO AMEND THAT A BIT.

THE ONLY THING CONSTANT IN THE WORLD IS CHALLENGE.

Fuelled by the global liquidity crisis, the recession of 2008-09 led to a slowdown in every single economy in the world including India. 2009-10 brought a different set of challenges for us.

A law and order problem led to the suspension of our iron ore mining operations. There was a decline in the selling prices of sponge iron, steel and ferro alloys due to the global recession. Our operations were also impacted by a fire in our captive power plant. The situation normalized only in September 2009.

We feel there are two ways of looking at any challenge. We could be pessimistic or we could use it as an opportunity.

To become better. And bigger.

To integrate, to consolidate, to expand.

To create a foundation for sustainable growth.

Not just for ourselves but for our society and our environment as well.

And this is what we have done.

We are integrating backwards to become self sufficient in raw materials for at least the next 30 years.

We are consolidating our business to achieve cost efficiencies and ensure optimum utilisation of resources.

We are converting all the waste generated from our operations into wealth.

We are expanding our operations geographically, qualitatively and quantitatively.

And we are doing all this in a manner that preserves and sustains the environment for our future generations.

In the following pages of the annual report, we share our strategy for sustainable growth with you. We believe that this strategy will enable us to deliver sustainability and create long term value for all our stakeholders in the coming years.

THE KEY INITIATIVE IN OUR STRATEGY FOR SUSTAINABLE GROWTH IS SELF SUFFICIENCY IN RAW MATERIAL AND TOTAL VERTICAL INTEGRATION.

Total integration of our operations from the raw material to the finished product stage will not only ensure cost efficiency but will also enable us to exercise strict quality control.

And hence we have undertaken a number of initiatives to achieve the same.

- We have started extraction of coal from our Raigarh coal mines for captive use in the sponge iron plant at Siltara.
- We have installed a raw material preparation unit to agglomerate manganese ore fines into lumps.
- We have operationalised a 1.8 lac TPA wire rod mill.
- A railway siding inside the plant has also been operationalised along with a wagon tippler, a truck tippler and stacker & reclaimer. The siding is connected to the Mumbai-Howrah trunk route. This has strengthened logistic support and augmented our material handling capacity.
- We have operationalised the 6 lac tonnes iron ore pellet plant to convert fines and rejects generated at iron ore mines into pellet.
- Set up a state-of-the-art fly ash brick manufacturing plant with an installed capacity of 192,000 TPA to utilize the ash generated from power plant and slag generated from ferro alloys plant.

For the past few years, we have been making sincere efforts to utilise all our waste products productively.

This is not just an initiative towards environment conservation, but in the process, we are also generating incremental revenues from our waste. And fuelling sustainable growth.

Apart from setting up a state-of-the-art fly ash bricks plant and the pellet plant, the other steps taken in this direction include:

- Installation of the waste heat recovery boiler to convert the waste gases, generated in the sponge iron plant into power.
- Installation of Pithead Thermal Power Plant to utilize the middling and rejects, generated in the coal washery, to generate power.
- Utilisation of fly ash, bed material and slag for construction of roads.

We believe that the opportunity in the mining, power, ferro alloys and steel industries in the future will be huge. We intend to maximise it to create sustainable growth for us.

We have added significant capacities over the years.

- Our sponge iron manufacturing capacity has gone up from 30,000 TPA in 1993 to 360,000 TPA in 2010, up 12 times.
- Our ferro alloys manufacturing capacity has gone up from 33,000 TPA in 2001 to 66,000 TPA in 2010, up 2 times.
- Our steel manufacturing capacity has gone up from 40,000 TPA in 2001 to 240,000 TPA in 2010, up 6 times.
- Our power generating capacity has gone up from 20 MW in 2001 to 61.5 MW in 2010, up over 3 times.

And this is just the beginning.

WE ARE VERY OPTIMISTIC ABOUT OUR FUTURE. AND WE HAVE BEEN PREPARING FOR IT.

This is how.

- We have been granted a prospecting license for iron ore mining over an area of 150 hectares by the Central Government.
- We have also received the Central Government approval under MM (D&R) Act for Prospecting Licence of four more areas for iron ore mining.
- We have received two manganese ore mining leases in Goa over an area of 54 hectares. We have also received three manganese ore prospecting licenses in Madhya Pradesh over an area of 319 hectares.
- We have been allotted coal mines in Chhattisgarh in a JV where our share would amount to 36 million MT.
- We have been granted mining lease for coal mines in an SPV over an area of 10,000 hectares in Indonesia, which has already received environmental clearance for the same. We expect to commence mining here in the coming fiscal year.
- In the power sector, we are installing hydro power projects aggregating to 230 MW in all, through our subsidiaries. First project of 5 MW is running well since last 2 years. Loans have already been sanctioned for two projects for a total of 120 MW and civil work has begun on one project of 96 MW.
- We are setting up a 350 MW pit head thermal power plant in Chhattisgarh. While land has been acquired and water has been allotted for the project, statutory clearances are expected in the current year.

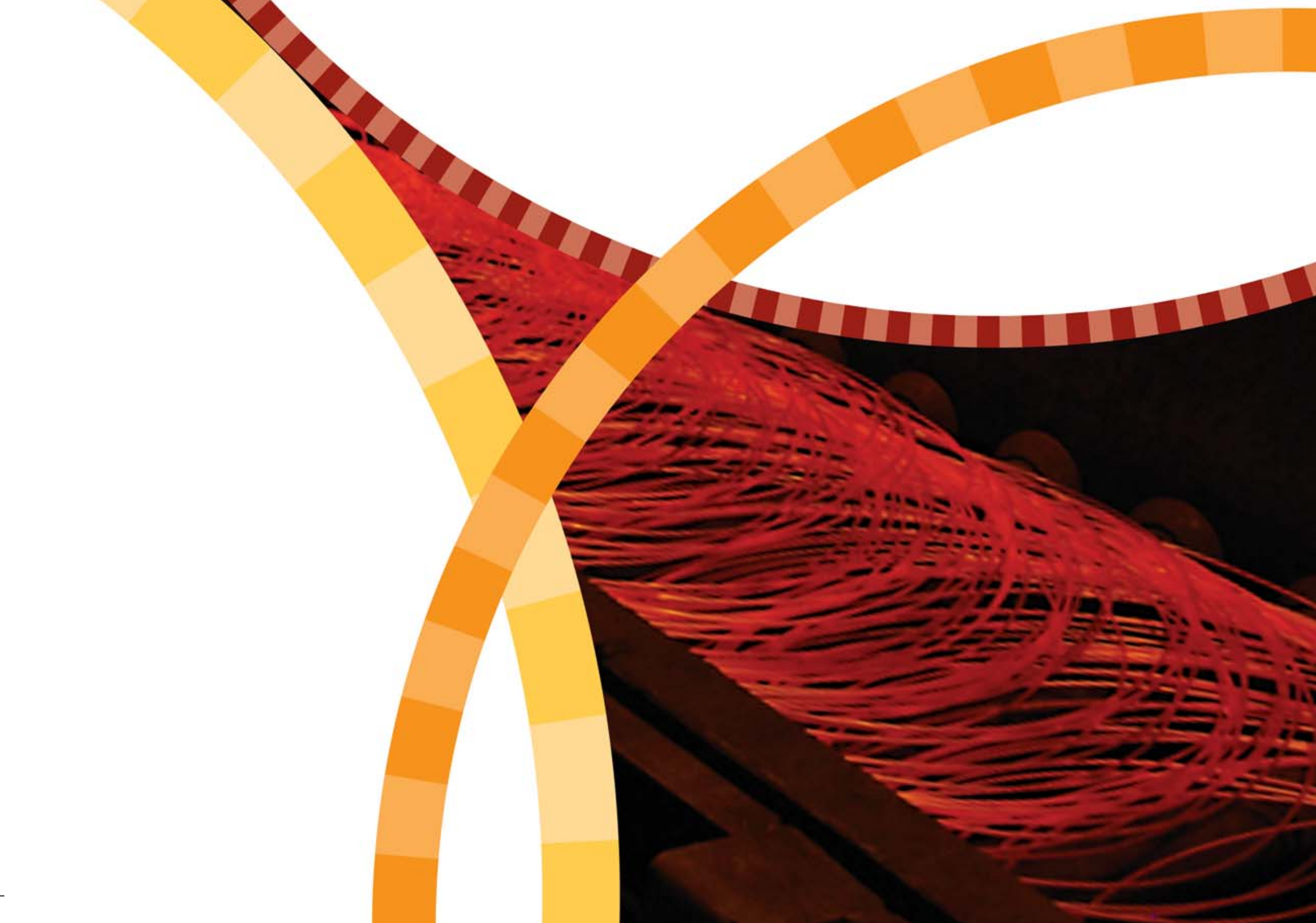
- For our 1,320 MW IPP thermal power project in Chhattisgarh, Terms of Reference (ToR) has been cleared by the Ministry of Environment, Government of India. While water has been allocated for the project, land acquisition is in progress and coal linkage and grant of long term open access is under consideration.
- We are also exploring the option of entering the clean energy space by venturing into solar power.
- We have already commenced work on a 2X33 MVA greenfield ferro alloys plant that is backed by an 80 MW captive power plant near the Visakhapatnam port through a wholly owned subsidiary. This plant will be operational by the first quarter of FY13.
- We have been granted consent to establish a 1.1 million tonne integrated steel plant in the Industrial Growth Centre at Siltara. We have acquired land and created requisite infrastructure for the plant including laying the railway siding. The installation of this plant will be synchronized with the opening of the new iron ore mines.

Sarda is on the path to strong, sustainable and value-creative growth.

We are adding scale, integrating our operations and converting all the waste generated from our operations into wealth to become even more cost efficient. We are penetrating further into our existing markets by enhancing our offerings in these markets. We are entering new international regions and establishing a strong base there.

We have great aspirations for Sarda.

And we remain committed to creating, nurturing and enhancing long term value for all our stakeholders through our strategy for sustainable growth.



VIEW FROM THE TOP

Dear Shareholders,

After a turbulent 2008-09, the year 2009-10 witnessed modest recovery in the world economy. Most sectors are gradually recovering now and the trends point to a positive outlook. Conditions in the financial markets have improved and household spending has gone up, indicating that the worst may be over. This revival however has been very uneven with the developing and emerging nations recovering faster than the developed world. According to the International Monetary Fund's World Economic Outlook Report released in April 2010, the world output is expected to rise by about 4.25% in 2010, following a 0.5% contraction in 2009.

In 2009-10, India posted a better-than-expected GDP growth rate of 7.4% aided by strong fundamentals and timely intervention by regulatory bodies in matters related to monetary and credit measures. Investor confidence is back and FII inflows have become strong again. The sensex bounced back from a low of 8,047 points to the 30 months new high of 18,455 points (as on 19th August, 2010). With favourable demographics, rapid urbanization, rising disposable income and a large consumption base, India is poised for strong growth in the coming years. Appreciation of the Yuan augurs well for the Indian economy.

The Indian manganese alloy industry witnessed a very good year as well and is expected to post better performance in the coming years. However, 2009 was a tough year for the global steel industry. Global production dipped by 8% in response to weak demand by end-user industries. India and China, on the other hand, stood apart with positive growth amidst this turmoil. Analysts predict that steel demand in India will continue to remain robust on the back of the Government's massive infrastructure building initiatives.

Since my last communication to you, much has happened. The year 2009-10, started with a great challenge posed by a fire in our captive power plant. It affected our operations considerably, which could be normalized only by September 2009. Iron ore mining could not be resumed due to law and order problem in the area. The selling prices of sponge iron, steel and ferro alloys fell during the year due to the global meltdown of 2008-09, without a corresponding fall in the raw material cost. This coupled with our preference to sale power over using it for production of steel on economic considerations resulted in fall of turnover by 45% and PAT by 48% during the year.

While the year 2009-10 has been challenging for us, I am extremely optimistic about the future. Various initiatives, including creation of separate Asset Management Group, have been taken to fully exploit design capacities of the manufacturing facilities. This will also improve operating parameters. Today, there exists a wide gap between demand and supply of power in the country. This scenario coupled with the initiatives taken by the Government, presents a huge opportunity for power sector. As mentioned in the previous pages, to take advantage of this, your Company has taken up a number of hydro and thermal power projects which are in different stages of implementation or statutory clearances. We also have plans to venture into solar power which is being promoted aggressively by the Central Government. Our steel and ferro alloys operations are subject to cyclical movement in commodities. To hedge against the price volatility and for sustainable growth in this segment, your Company has secured mining rights of iron ore, coal and manganese ore. The upcoming ferro alloys project with captive power will enable your Company to meet growing demand from quality conscious developed economies and increase its market share substantially.

Your Company considers manpower as its most valuable asset and invests on continuous training and knowledge updation through focused HR initiatives. During the year under review the Company arranged 3,812 man days of structured training covering all levels of employees.

As a responsible corporate citizen, your Company has always cared about the environment and the society in which it operates. To protect the environment, the Company has taken a number of initiatives towards waste utilization and control. The new fly ash brick plant is a major milestone. Your Company uses fly ash and slag in all road and civil constructions. The Company has installed one more ESP in the sponge iron plant to ensure cleaner emissions. Intensive plantation drive was carried out in and around plant sites. We have also initiated process for ISO 14000 and OHSAS certification.

Your Company believes that the future of the country lies in a well educated society and inclusive development. As our contribution to this noble cause, we have sponsored 270 single teacher schools in deep interior tribal areas for inclusion of the deprived section of society in main stream development. In addition to this, the Company has taken a number of other initiatives for the benefit of people left out of the development process. To provide quality education at affordable cost, your Company has also provided land and building, conforming to international standards, to Bhartiya Vidya Bhawan in Raipur.

Finally, I would like to express my gratitude to all for the trust you have reposed in us. Sarda is poised for strong, sustainable growth. As we aim to create long term value for all our stakeholders – customers, employees, bankers, partners, shareholders - we hope you will continue to support and encourage us as before.

Yours sincerely,

Kamal K. Sarda

Chairman and Managing Director

THE SARDA SEVEN

1. Vision

To be a globally respected energy and minerals company creating superior value for our stakeholders on a sustainable basis.

2. Values

- Quality
- Customer focus
- Partnership with our people
- Integrity and ethics
- Corporate social responsibility

3. Quality Policy

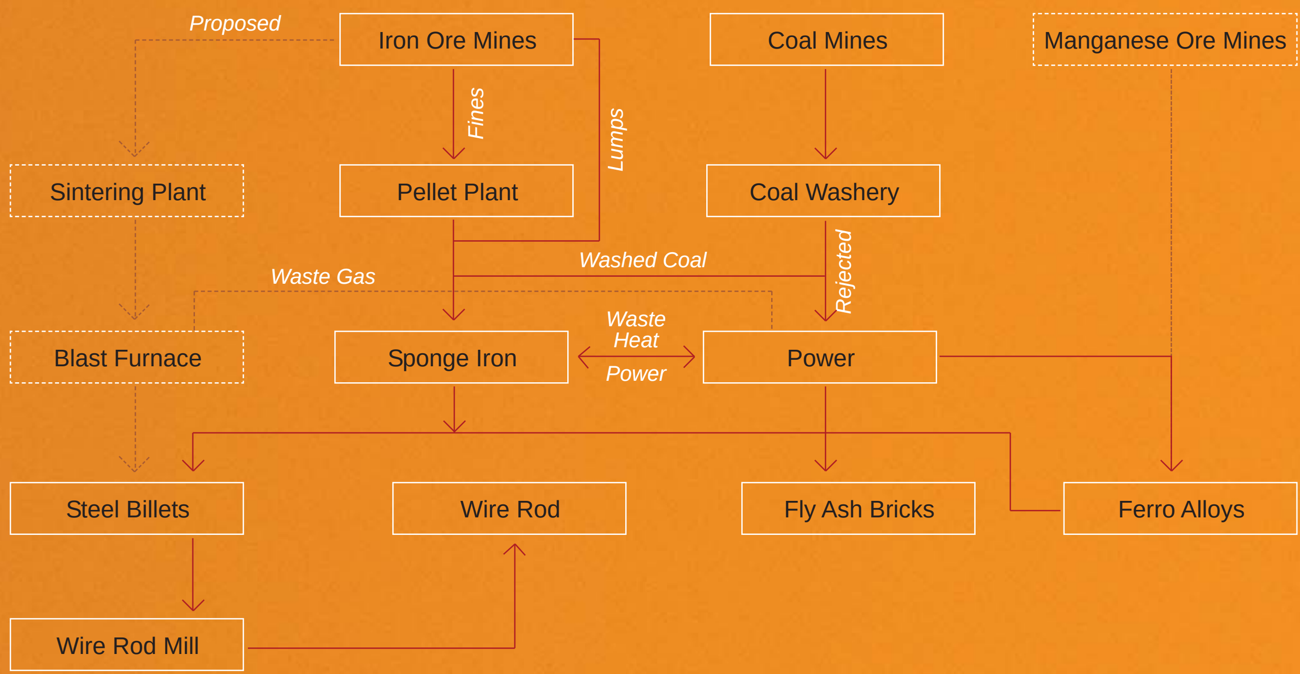
The manufacturing facilities of the Company are ISO 9001:2008 certified from ABS Quality Evaluations. The Company is also taking steps to get ISO 14000 certification.

4. Manufacturing Facilities

S. No.	Facility	Unit	Capacity/ Yr
1	Sponge Iron	MT	360,000
2	Steel	MT	240,000
3	Ferro Alloys	MT	66,000
4	Power (Thermal)	MW	61.5#
5	Iron Ore Pelletisation Plant	MT	600,000
6	Wire Rod Mill	MT	180,000
7	Iron Ore Mining	MT	1,500,000
8	Iron ore Sizing & Screening Plant	MT	600,000
9	Coal Mining	MT	1,200,000
10	Coal Washery	MT	1,000,000*
11	Fly Ash Bricks	MT	192,000

** Under installation, # currently operational*

5. Business Model



6. Awards and Accolades

- Achieved the coveted Star Export House status from the Government of India.
- Received a Certificate of Appreciation from the Commissioner of Central Excise and Customs, Raipur, for outstanding contribution in collection of central excise revenue in Raipur.
- Won the Highest Exporter award among the large sector units, conferred by the Government of Chhattisgarh.
- Received the Most Preferred Supplier Award for ferro alloys from Rashtriya Ispat Nigam Limited, Government of India.
- Dongarbore mines received the first prize for maintenance of good roads on hilly terrain for transportation of material as per the specification and norms of the Directorate General of Mines Safety (DGMS).
- Dongarbore mines received the second prize for maintenance of the lighting system as per the specification and norms of DGMS.

7. Team

The Company is led by Mr. Kamal K. Sarda, Chairman and guiding light, who has more than 35 years of industry experience. He is joined by a team of 9 directors and 1,254 highly passionate and qualified employees who are the key to the Company's success and growth.

CREATING SUSTAINABILITY IN OUR SOCIETY

We believe it is our duty to give back to the society that has played a key role in our success and growth. Hence, we undertake a number of initiatives to contribute to the welfare of our society and fulfill our Corporate Social Responsibility (CSR).

Education

- Set up R. K. Sarda Vidya Mandir, a state-of-the-art CBSE school near Raipur, in association with Bharatiya Vidya Bhavan. Currently, upto standard 5, it will eventually be extended upto standard 12.
- Adopted 270 single teacher schools.

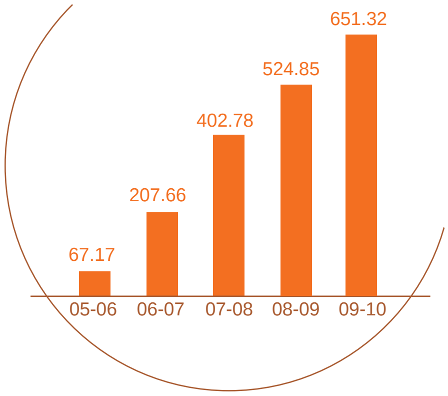
Healthcare

Round the year, our mobile dispensary provide free medical service to people in tribal areas. Critical patients are taken at Company's cost to hospitals in Raipur. 28,572 patients benefitted from this facility in 2009-10.

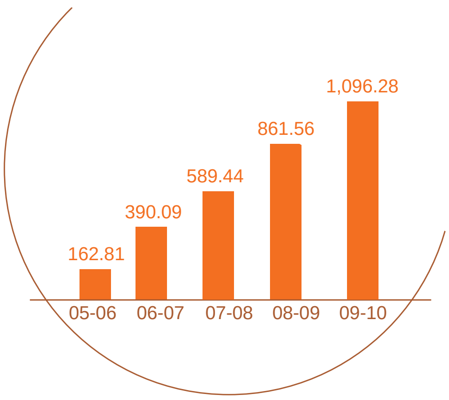
Community Development

- Infrastructure upgradation of villages by constructing approach roads, water tanks, pipelines for supplying drinking water, repair and deepening of village ponds, plantations, community hall construction, etc.
- Promotion of sports by supporting State and District Games Associations.
- Promotion of social and cultural activities in nearby villages.
- Adopted and developed Moti Bagh Garden at Raipur.

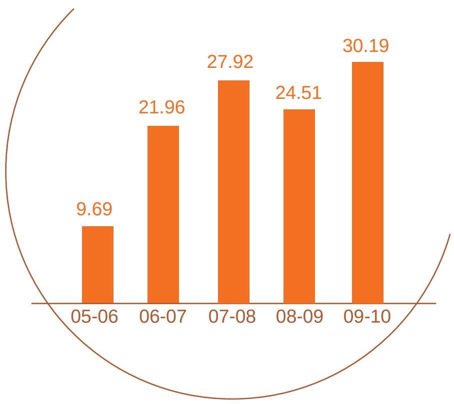
KEY PERFORMANCE INDICATORS - CONSOLIDATED ACCOUNTS



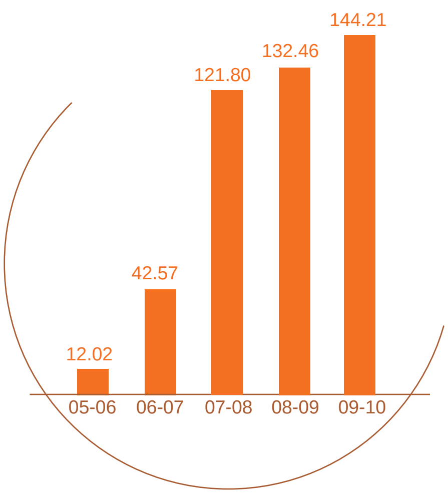
Net Worth (Rs. in cr)



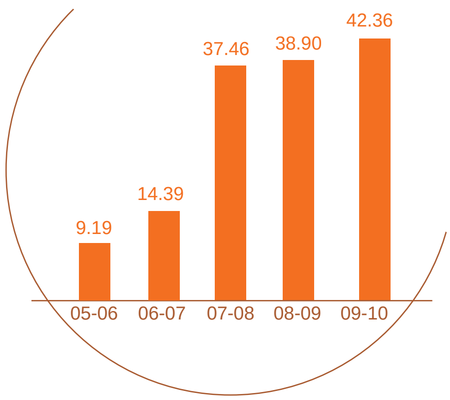
Gross Block (including CWIP) (Rs. in cr)



EBDITA Margin (%)



Profit After Tax (Rs. in cr)



Basic Earnings Per Share (Rs.)

Directors' Report

Dear Shareholders,

We hereby present the Thirty-Seventh Annual Report on business and operations of your company for the financial year ended 31st March 2010.

Financial results

(Rs. in lacs)

Particulars	Standalone		Consolidated	
	2009-10	2008-09	2009-10	2008-09
Gross sales	55,592	1,03,214	56,081	1,03,220
Less: Excise duty	3,310	8,338	3,310	8,338
Net sales	52,282	94,876	52,770	94,882
Export	7,259	21,176	7,259	21,176
EBIDTA	8,402	22,668	15,930	23,257
Interest	1,272	459	32	66
Forex Fluctuation (Gain) / Loss	(4,470)	4,491	(4,303)	4,492
Depreciation	3,880	2,789	4,093	2,813
Profit before tax	7,719	14,919	15,878	15,877
Provision for taxation	1,399	2,595	1,441	2,632
	6,320	12,324	14,437	13,245
Appropriations:				
Transfer to general reserve	1,500	1,500	1,500	1500
Transfer to debenture redemption reserve	-	-	-	
Dividend (including tax on dividend)	1,195	1,195	1,195	1,195

Dividend

Your Directors recommend a dividend of Rs. 3/- per share (30%) for the year ended 31st March, 2010. The total outgo on account of Dividend including tax thereon will be Rs. 1195 lacs. The dividend shall be paid after approval of the members in annual general meeting.

Operations

The operations in manufacturing facilities of the Company were adversely affected during the year under review on account of fire on 29.03.2009 in the captive power plant of the Company. The operations could be normalized only by September, 2009. The iron ore mining operations remained suspended throughout the year due to non-conducive environment in the area due to law and order problem. Recently the Company has restarted bringing in iron ore lying in the mining area; however, mining operations have not yet been resumed. In view of the unremunerative prices of steel, the Company preferred to sell power over using the same for production of steel. All these factors along with fall in the selling prices post global meltdown adversely affected the quantum of revenue. For product-wise analysis, the Members are requested to refer to the Management Discussion and Analysis, forming a part of this Annual Report.

Projects

This was the year of happening on the project front. During the year the Company spent Rs. 13,206 lacs on ongoing projects for expansion and new projects. The project-wise detail is enumerated hereunder:

Coal Mines

The production from coal mines was started in March, 2009. During the year coal production is stabilized and mine production has reached to a level to meet full requirement of end use project.

Pellet Plant

The installation of the 6 lac tonnes iron ore pellet plant with complete infrastructure for integrated steel plant including railway siding has been completed. The plant has stabilised and commenced commercial production w.e.f. 1st April, 2010. The pellet plant will use the fines generated at iron ore mines, which otherwise goes as waste and rejects, as feed stock.

Wire Rod Mill

The installation of 1.8 lac tonnes Wire Rod Mill at Siltara, Raipur, has been completed. The plant is ready for commissioning.

Fly Ash Bricks Plant

The installation of state of the art Fly Ash Bricks plant at Siltara, Raipur with a capacity of 1,92,000 TPA has been completed and the production commenced in February, 2010. This will use a substantial part of fly ash generated from the thermal power plant and slag generated in ferro alloys plant of the company serving as an ideal waste management project. This will enable your company to maintain and improve the clean and green environment.

Pithead Thermal Power Project

The Company has acquired sufficient land for the proposed thermal power project at Kolam, Raigarh near its captive coal mines. Water has already been allocated for the project. The work on the project will start during the current year after receipt of statutory clearances.

Coal Washery

The work on installation of one million tonne coal washery in coal mines in Raigarh is awaiting statutory approvals and is expected to be operational during current financial year. Washed coal will help in improvement of quality and efficiency of the sponge iron plant of the Company. The middling and rejects generated in the washery will be used for power generation at Pithead Thermal Power Plant.

Mineral Resources

Iron Ore

The Company has received prospecting licence for iron ore over an area of 150 hect. in Narangsur area of Chhattisgarh, which is at about 15 Kms. aerial distance from iron ore mines of SAIL Bhilai Steel plant. In addition to this, Company has been granted in principle approval for prospecting licences in four more areas.

Manganese Ore

Your Company has acquired Manganese Ore and Iron Ore mines in Goa and steps are being taken to operationalise the mines. The mining lease has been registered in the name of the company. Applications for seeking various clearances have been made and the environmental clearance is awaited.

Coal Mines

The Company has got interest in one more coal mine in a JV and also interest in coal mines in Indonesia through a wholly owned subsidiary. These mines will ensure long-term sustainable and uninterrupted availability of raw materials to the Company.

Iron Ore Sizing and Screening plant

The construction of Iron Ore Sizing and Screening Plant of 6.0 LTPA capacity at Dhruvatola near Iron Ore Mines is progressing well. After commissioning, it would enable the company to get the desired quality of iron ore for the Pellet Plant as well as the Sponge Iron Plant from our own mines.

The Plant Construction & Commissioning was planned in Two Phases. First phase has been completed & commissioned on 01.08.2009.

Subsidiary companies

During the year under review your company has made additional investment in three hydro power companies of the group resulting into majority control in these companies. Your company has also acquired 100% shareholding in Sarda Energy Ltd. promoted by it as an SPV for Mega thermal power project. Sarda Metals & Alloys Limited incorporated last year by the company along with promoters has also been converted into 100% subsidiary. A brief about subsidiaries is given hereunder.

Sarda Energy & Minerals Hongkong Ltd, Hongkong (SEMHKL), a wholly owned subsidiary of your company, incorporated in the year 2007 as international trading and investment arm of the company is performing well. During the year 2009-10, it has posted a profit of HK$ 15.21 crores.

Sarda Global Ventures Pte. Ltd. Singapore (SGV), a wholly owned subsidiary of your company, was incorporated during the year 2008 in Singapore for global acquisitions. SGV has acquired economic interest in coal mines in Indonesia. The mining is expected to start in 2011. However, the work on development of the mine has been slowed due to frequent changes in the mining law in Indonesia. The Company has deputed dedicated force to ensure the compliances and commencement of mining as per the schedule.

Sarda Metals & Alloys Limited, has taken up a Greenfield Ferro Alloys plant near Visakhapatnam. 281 acres of land has already been acquired from APIIC. In the first phase, it is putting up a 2 x 33 MVA Furnaces backed by captive thermal power plant of 80 MW capacity. Orders for long delivery items including Turbine, Boiler and Furnaces have been placed. The work for the installation of the plant is progressing as per schedule. The project is expected to be completed in first quarter of financial year 2012-13.

Sarda Energy Limited, was incorporated as an SPV for taking up the installation and operation of the 1320 MW power plant in Chhattisgarh for which the MOU had been signed by your company. State Govt. has allocated water for the project. Ministry of Environment & Forests, Government of India has cleared Terms of Reference. The Company has applied for Long Term Open access for evacuation of the power. The acquisition of land required for the project is in progress.

Parvatiya Power Ltd. is operating a 4.8 MW Loharkhet Small hydro power plant in Uttarakhand. In spite of belated monsoon the plant has generated 18.59 Million KWH of power in the financial year 2009-10, its second year of commercial operation. During the year the Company has reported net profit of Rs. 26.74 lacs. During the year your Company has increased its holding in the company from 48% to 54%.

Madhya Bharat Power Corporation Limited is implementing 96 MW Rongnichu Hydro Power Project in East Sikkim on Rongnichu river near Gangtok. The project is close to State Highway. The project has been appraised by PFC. The project will be operational in the financial year 2014-15. Long term access agreement has been entered into with Power Grid Corporation of India for direct evacuation of power from the generating units. Civil contracts have already been awarded and the work is in progress. Tenders for award of hydro-mechanical and electro-mechanical works have also been floated in accordance with International Competitive Bidding norms and the contracts would be awarded in the current financial year. Your Company has acquired 52% stake in the company during the year under review.

Chhattisgarh Hydro Power Pvt. Ltd. has been allotted hydro-electric projects of 110 MWs in the State of Chhattisgarh. First project of 24 MW is in the advanced stage of various clearances. In – principal forest clearance has been received and final forest clearance is expected anytime. Land acquisition is in progress. During the year under review your Company has increased its stake in Chhattisgarh Hydro Power Pvt. Ltd. from 50% to 61%. Banks have sanctioned the financial assistance required for the project. Work on the project will be started soon and it will be commissioned in the financial year 2013-14. Application is being made for CDM benefit.

Joint Ventures

Raipur Infrastructure Company Ltd. operates a private railway siding in Mandhar near the manufacturing facility of the company and other joint venture partners for movement of their goods, which are transported through the railways. Your Company has one-third share in the joint venture. During the year 2009 – 10, the company has handled a total of **162 rakes** of different material. The total quantity handled 6,05,105.03 MTs.

In order to increase the operations, the Company is expanding its rake handling capacity. During the year the company has already completed the job of other side platform for unloading. The Company has also applied for another private railway siding in Orissa. The in-principal approval from Railways has been received and DPR has been submitted to Railways for approval. The approval of DPR from Railway is under process. The acquisition of land required for railway siding is in process.

Madanpur South Coal Co. Ltd. has been allotted a coal block in Madanpur area of Dist. Korba of Chhattisgarh in consortium. Your company has a 20.63% share for its share of 36 million tonnes of coal in the Joint Venture. The work on the Coal Mine is progressing smoothly. However, due to delay by the Ministry of Environment and Forests (MoEF), the Forest Clearance is held up. The work would be put on fast track once the Forest Clearance is received from MoEF.

Awards/Appreciation

Your Company has been granted Star Export House status certificate for a period of 5 years starting from 1.4.2009 to 31.3.2014.

Your Company has also been awarded the Best Exporter of the State from Urla Industry Association and Container Corporation of India Ltd.

Consolidated accounts

Your Company has prepared consolidated accounts after including figures of the subsidiaries, joint ventures and associates, as per the Accounting standard 21, 27 and 23 respectively. The Auditors' Report on the consolidated accounts are made a part of this Annual Report. The annual accounts of the subsidiary companies and the related information will be made available to the investors of the holding and subsidiary companies seeking such information at any point of time. The annual accounts of the subsidiary companies will also be kept for inspection of the investors at the Registered Office of the Company and the subsidiary company concerned.

Fixed deposits

Your Company has not accepted any fixed deposits within the meaning of Section 58A of the Companies Act, 1956, and the rules made there under, during the year under review.

Environmental protection and pollution control

Your Company is a committed player in environmental protection and preservation of ecological balance while persuing its business objectives. The Company firmly believes in co-existence of nature and human activities which is manifested in it's continuous efforts towards development of cleaner production processes while reducing pollution levels. The Company meticulously monitors impact of it's manufacturing activities on the environment be it water, air or the human habitation close by and take corrective measures as and when necessary backed by adequate budgetary provisions. Some of such measures taken by the Company during the year include installation of Ammonia dosing system in FBC boilers, commissioning of separate new Electrostatic Precipitator (ESP) for waste heat recovery boiler (No-2), construction of 40 TPH ash conveying system with 1000 MT silo for ash removal etc. A new water sprinkling system has been installed in coal handling plant to reduce the coal dust pollution. A state-of-the-art fly ash brick-making facility with a capacity of 1,92,000 TPA has been commissioned in February, 2010 which will ensure substantial utilization of increased generation of fly ash from the Power Plant. Extensive plantation has also been done to increase the green buffer between the plants and the human habitations close by and thereby reduce the effect of any pollution. An intensified drive has been launched for large scale plantation in and around the plants, particularly in the newly developed Mandhar complex.

Corporate social responsibility

Being a corporate citizen, your Company has the responsibility to contribute to the welfare of the society in which it operates. The Group has adopted a voluntary and proactive approach towards Corporate Social Responsibility by organizing various awareness programmes for its employees and the general public to ensure a better, sustainable way of life for the weaker sections of the society. This helps the Company to develop a sense of belongingness and would also develop a spirit of co-existence and harmony among the society. The immediate society is the beneficiary of the CSR activities of the Company. The Company has embarked upon long term structured programmes as a part of it's CSR activities, some of them are as under:

Educational Programmes

The Company aims to nurture young minds and educate them, so that they contribute to the nation's development. A number of initiatives have been undertaken in this direction and some of the important benchmarks achieved are:

- Established School in the name of Bhavan's R.K. Sarda Vidya Mandir from class KG1 to V and every year the school would add 1 class till 12th standard to provide best education to the children. The school is affiliated to CBSE. The year 2010-11 is the first year of the school. The Company has provided land and required financial assistance to Bharatiya Vidya Bhawan for setting up the school.

- Company continues to contribute to Friends of Tribal Society for running 270 single teacher schools for providing basic education to tribal students from class 1 to 3 and around 7800 students are benefiting out of this initiative.
- Company is the founder member of 'Siksha Deep Trust'. Main objective of this trust is to provide financial aid to deserving, poor and needy students for higher education.
- Contributed for upgrading infrastructure in schools near its operational area as well as mining site, which includes providing computers, furniture, sports kit, expansion of building, construction of boundary wall etc. Apart from providing infrastructure facilities, financial aid is also provided to the schools around the plant and mining sites of the Company.

Healthcare Programmes

The Company through its mobile dispensaries continues to provide free medical service to tribal area people, where general medical facilities are not available. The dispensaries are under the direct supervision of a full time doctor and compounder and provide free medicines to the tribal and other weaker section people. Critical patients of tribal area are taken, at Company's cost, to hospitals at Raipur. During the year 2009-10 total 28572 patients availed benefit of the facility. The company has also organized health camps in the areas nearby its plant and mining sites. Organized blood donation camp at its operational area and collected 201 units of blood through Modern Blood Bank, Dr. B.R. Ambedkar Hospital, Raipur which will be utilised for the poor and needy patients.

Company provided drinking water facility and dug bore well at its plant and mining sites. Your company has also constructed over head water tanks and laid down the pipeline for supply of drinking water to the nominated points in the villages surrounding its plant site in addition to providing for sanitation facilities for the villagers.

Community development

At your company, the social welfare means much more than just providing education and health care facilities. With the rapid pace of industrialization the plant area and its surroundings have undergone a lot of transformation. Being at the helm of development, SEML has undertaken the responsibility of infrastructure up gradation in the near by villages by constructing approach roads, water tanks, pipe lines for supplying drinking water, repair and deepening of village ponds, widening areas under plantations, etc. The company has also undertaken various social, sporting and cultural activities of nearby villages. Financial aid for various local festivals, purchase of computers and an Ambulance for the Siltara village panchayat, has also been provided. The Company also plays an active role in promotion of sports and has been providing all possible support to the State & District Games Associations

Directors

Mr. G. D. Mundra, Mr. P.R. Tripathi and Mr. G.S. Sahni, Directors of your Company, retire by rotation and being eligible, offer themselves for reappointment. The brief resume/details of Directors who are to be appointed / reappointed are given in the Corporate Governance Report.

Directors' responsibility statement

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors state as under:

i) that in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation;

ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year;

iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) that the Directors have prepared the Annual Accounts on a going concern basis.

Auditors

M/s. M.M. Jain & Associate, Chartered Accountants, the retiring auditors of the Company, holds office till the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

The Company has received a letter from M/s. M.M. Jain & Associate, Chartered Accountants, Nagpur to the effect that their appointment as auditors for the year 2010-11, if made, would be within the limits under Section 224 (1-B) of the Companies Act, 1956.

Auditors' Report

The observations made in the Auditor's Report, read with the relevant notes thereon, are self-explanatory and do not call for any comments under Section 217 of the Companies Act, 1956.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is annexed and marked as Annexure 'A', forming a part of this report.

Particulars of employees

The particulars of employees, as required under Section 217 (2A) read with the Companies (Particulars of Employees) Rules, 1975, are given in Annexure 'B' to this report.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement with the stock exchanges, a Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

Acknowledgement

Your Directors express their thanks and record appreciation for the co-operation they received from various government authorities, financial institutions, bankers, suppliers and customers of your Company. Your Directors place on record, their sincere appreciation for the devoted services rendered by the employees at all levels of your Company and look forward to their continued co-operation.

On behalf of the Board of Directors,

Place: Visakhapatnam **(K.K. Sarda)**
Dated: 30.07.2010 Chairman and Managing Director

Annexure 'A'
to the Directors' Report

Additional information as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. Conservation of energy

a)	Energy conservation measures taken	:	i)	VVVF Drives installed for Cooler-D (500 tpd)
			ii)	Dolochar produced in the process of sponge iron making freed of tramp iron by installing Rare earth type magnetice separators to facilitate usage in ABC Boiler for power plant,
			iii)	TG-3 CEP No.7 motor control system replaced with VFD
			iv)	TG-3 old 02 M.O.P.S. replaced with high efficiency pumps
			v)	Modification of cooling water pipeline resulting in elimination of booster pumps used for return water circulation.
			vi)	Installation of timers for plant and yard lighting for switching on & off power supply and use of sodium vapour lamps in place of halogen lamps.
			vii)	Reduction in auxiliary power consumption
b)	Additional investment and proposals if any, being implemented for reduction of consumption of energy.	:	i)	Work under progress to install VVVFD Drives for ABC fan
			ii)	VVVFD Drives installation work under progress for DPV's of kiln A & B
			iii)	Installation of Mn RM preparation unit
			iv)	Installation of Metix design Lower Electrode Assembly
c)	Impact of measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods.	:	i)	Energy saving of 1,300,814 kwh per annum.
			ii)	Saving in dolochar usage in power plant upto 100-150 mt/day
d)	Total energy consumption and energy consumption per unit of production in Prescribed Form 'A'.	:		As per "Form A" attached

B. Technology absorption

Research and development

1.	Specific areas in which R&D are carried out by the Company	:	--
2.	Benefits derived as a result of above R&D.	:	--
3.	Future plan of action	:	--
4.	Expenditure on R&D	:	Expenditure on R & D is not specifically accounted for. Internal team undertakes the R & D activities.
5.	Technology absorption adaptation and innovation	:	--
	a) Efforts in brief made towards technology absorption, adaptation and innovation	:	--
	b) Benefits derived as a result of above efforts.	:	--
	c) Information regarding technology imported during the last five years	:	--

C. Foreign exchange earnings and outgo

1.	Activities relating to export initiatives taken to increase exports, development of new export markets for products and services and export plans.	:	Last year our major exports were to Middle East and Europe. In view of Euro zone reeling under pressure, now we have developed & penetrated niche export market of Japan supplying special grade of SiMn.
2.	Total foreign exchange used and earned (Rs. in lacs)		
	a) Foreign exchange used	:	Rs. 6,421.51 Lacs
	b) Foreign exchange earned	:	Rs. 7,780.98 Lacs

On behalf of Board of Directors,

Place : Visakhapatnam
Dated: 30.07.2010

(K.K. Sarda)
Chairman and Managing Director

FORM 'A'

Form of disclosure of particulars with respect to conservation of energy

A. Power and fuel consumption

	2009-10	2008-09
1. Electricity		
a) Purchase		
Units (Kwh)	NIL	NIL
Total amount (Rs. in lacs)	NIL	NIL
(Rs. / Kwh)	NIL	NIL
b) Own generation		
i) Through diesel generator		
Units (Kwh)	NIL	NIL
Units per litre of diesel	NIL	NIL
Cost/unit (Rs.)	NIL	NIL
ii) Through steam turbine/generator		
Units	1,10,68,005	6,55,49,710
Units per litre of fuel - oil/gas	N.A.	N.A.
Cost/unit (Rs.)	2.10	1.84
2. Coal for domestic use		
Quantity (M.T.)	NIL	NIL
Total cost (Rs.)	NIL	NIL
Average rate (Rs.)	NIL	NIL
3. Furnace oil		
Quantity (K. litres)	NIL	NIL
Total cost (Rs. in lacs)	NIL	NIL
Average rate (Rs. / K. litre)	NIL	NIL
4. Other internal generation		
Units	NIL	NIL
Total cost (Rs. in lacs)	NIL	NIL
Rate unit	NIL	NIL

B. Consumption per unit of production

Electricity (units)	915	893
Coal	NIL	NIL
Furnace oil	NIL	NIL
Other (specify)	NIL	NIL
Own power	NIL	NIL

Note: Form 'A' is not applicable to sponge iron, power and ferro alloys industry.

Annexure B to Directors' Report

Statement pursuant to Section 217(2A) of the Companies Act, 1956, and the Companies (Particulars of Employees) Rules, 1975

S. No.	Name	Age	Qualification	Designation	Nature of Duties	Commencement of Employment	Experience (years)	Remuneration Rs. (Gross)	Last employment held, designation Period for which post held
1	Mr. K.K. Sarda #	58	B.E. (Mech.)	Chairman & Managing Director	Overall management and administration	16.12.1978	36	2,11,76,909.00	---
2	Mr. G.K. Chhanghani	58	B.E. (Mech.)	Executive Director	Mining and Business Development	10.04.1984	36	2,788,852.00	Marathawada Alloys Steel Co. Ltd. Maint. Suptd., Oct. 82 - Mar 84
3	Mr. R.T. Laddha	38	B.E. (Mech.)	ED - Operations	Project Management	14.06.1995	12	2,844,404.00	---
4	Mr. P.K. Jain	46	CA & CS	CFO & Company Secretary	Accounts, Finance Secretarial & Taxation	10.04.1997	23	2,419,776.00	Somaiya Organo Chemicals Ltd., CS June - 96 - March 97
5	Mr. S.K. Goel*	48	B. Ele., PGDPM, PGDHRM	President	Overall incharge for plant operations	12.10.2009	25	1,475,481.00	BALCO, VP, 1.04.08 - 5.10.09

* Employed for a part of year.

Notes:

1) Remuneration, as shown above includes salary allowances, commission, contribution to provident & superannuation fund and monetary value of perquisites but excludes contribution to gratuity fund on basis of acturial valuation as separate figures are not available.

2) # The employment is contractual in nature.

3) Other terms and conditions are as per company's Rules/Scheme.

4) None of the employees mentioned above is a relative of any director of the Company.

Management Discussion and Analysis

1. Economic overview

The year 2009-10 exhibited clear signs of a revival, following a challenging 2008-09. Strong growth in manufacturing and agriculture led to the Indian economy growing at a better-than-expected 7.4%. The positive trend continues in 2010-11 as well. While inflation remains a cause of worry, recovery has firmly taken root with exports, industrial production and infrastructure growth up quite sharply. India is likely to continue on a strong growth path in the coming years, given the country's strong fundamentals viz. rising per capita income, rapid urbanisation, favourable demographics, declining household size and increasing job security.

2. Industry overview

Power

India's power generation capacity has grown substantially from a mere 1,713 MW in 1950 to 1,47,965.41 MW at the end of March 2009. Electricity generation in India is predominantly thermal based, accounting for more than 60% of the total installed capacity. Hydropower and Renewable Energy Sources were the other major sources with an installed capacity of 36,916.76 MW and 13,242.41 MW respectively. There has not been much variation in composition during the period.

However, there still exists a wide gap between demand for power and the actual supply in the country. This translates into a huge opportunity for power sector companies to capitalise on. The commissioning of the proposed power projects during the current Five Year Plan along with capex expansion during the next two Five Year Plans will be crucial for bridging the deficit. The Government plans to add 78,700 MW of power capacity during the Eleventh Plan from thermal, hydro and nuclear energy sources with 1,00,000 MW each being recommended for the Twelfth and the Thirteenth Plan. Power is hence one of the primary sectors that is likely to witness exponential growth in the near future.

Steel

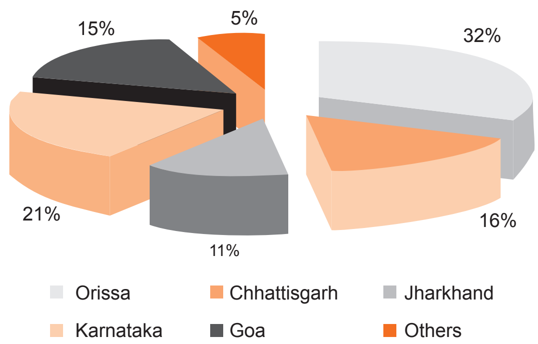
2009 was a difficult year for the steel industry as production dipped in response to weak demand from end-user industries due to the global meltdown. In response to the declining demand, producers across the globe resorted to production cuts in an attempt to restore the distorted demand-supply balance and prevent a further dip in prices. Global steel production dipped by 8% to 1.2 billion tonnes in 2009.

Amidst the turmoil in the global industry, India and China stood apart with positive growth at a time when the world was reeling under demand pressures. In 2009, backed by fiscal stimulus from the Government, India's steel industry registered a 3% growth against decline of 8% in world steel production, maintaining its 5th position in the world. This was on account of demand from the infrastructure, manufacturing and automobile sectors. During the year, the Indian sponge iron industry produced 22.99 million tonnes of sponge iron as against 21.33 million tonnes in 2008-09, registering a growth of 7.79%. The exports also grew from 33,824 MTs to 67,781 MTs, registering a growth of 100.39%.

Steel demand in India is expected to remain strong on the back of the Government's plan to spend USD 8.95 billion this fiscal on infrastructure building. The Government expects the country to become the second-largest producer of steel by 2015 through capacity additions. However, greenfield projects have been facing multiple regulatory issues in terms of land acquisition, relief and rehabilitation policies as well as allotment of raw material resources. Raw material security and vertical integration are other key aspects necessary for sustained growth. While Indian companies have taken some initiatives to acquire resources outside the country, they are not as aggressive as their Chinese counterparts.

Iron ore is the most important raw material for steel production. The top five countries viz. China, Australia, Brazil, India and Russia together account for 80% of the global iron ore output. In terms of exports, Australia, Brazil and India rule the industry, contributing close to 80% of the total exports in the industry. China is the largest importer of iron ore due to the insatiable demand from its steel industry as well as a lack of quality reserves. The iron ore miners are seeking an increase of 20%–30% in benchmark prices but China, the largest importer, is resisting the hike.

Statewise share of Iron Ore Production



Source: ICRA Research

India could meet its additional iron ore requirements by making investments in beneficiation facilities to improve the quality of the existing ore. Another initiative in this direction would be to focus more on exploration and prospecting to identify resources and boost production significantly. A large number of pellet plants are coming up to utilise the huge quantity of iron ore fines generated over the years.

Globally, prices of coking coal - another important component of steel manufacturing - have shot up due to rising demand from the emerging economies of China and India. The global coking coal market has been in deficit due to lack of supply commensurate with the demand. It is expected that global prices of coking coal will continue to move upwards and settle in the range of USD 150–200 per tonne. Rising demand from China and restricted supply is likely to drive the price increase. Further, growing utilisation levels in the developed world also support the demand for coking coal, and consequently, rise in prices.

In India, a significant proportion of steel is produced through the blast furnace route due to high electricity costs for an electric arc furnace. The blast furnace route uses coking coal as a reducing agent to form coke used in steel production. Coking coal reserves in the country are limited and India has to depend on imports to meet its coking coal/coke requirement. In order to reduce dependence on imports, the Indian Government has approved a Special Purpose Vehicle International Coal formed by Public Sector Units (PSUs) for acquiring coal reserves abroad.

It is expected that coal production would grow by 8.40% in 2010-11 due to healthy production of coal by Coal India Ltd. and South Eastern Coalfields Ltd. Further, the Union Budget 2010-11 proposed three important announcements for the coal sector – setting up of a separate regulatory authority; introduction of competitive bidding process for allocation of captive coal blocks; and the levy of a clean energy cess @ Rs. 50/- per tonne on domestic and imported coal for improving coal availability and distribution.

Delays in rake movement by the railways, congestion, lack of multiple access points at steel plants and insufficient line capacity are some of the infrastructural problems the industry is facing today. Indian ports face challenges in terms of low productivity, high costs, long vessel turnaround period and lengthy custom delay, which does not bode well for the industry. The power scenario in the country is also unfavourable with issues such as frequent outages and high voltage fluctuations. Such bottlenecks add to the costs of steel manufacturers and impede their profitability.

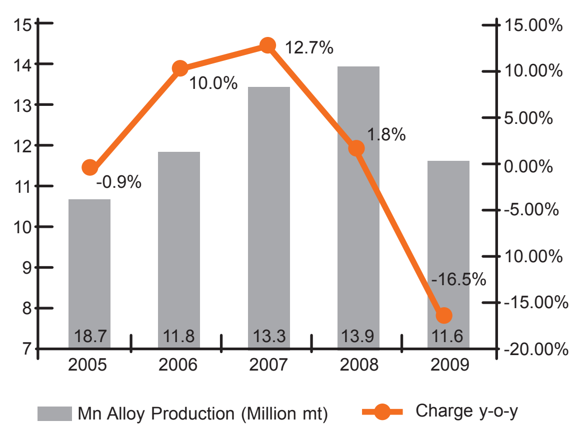
Ferro-alloys

During 2009, manganese alloys smelters cut their production due to a significant decline in demand for steel from downstream users. Total manganese alloy production in 2009 was 11.6 million MT which is 16% less than that in 2008. Towards the end of the year, as steel production began rising incrementally month on month, alloy smelters followed cautiously but avoided oversupplying the spot market.

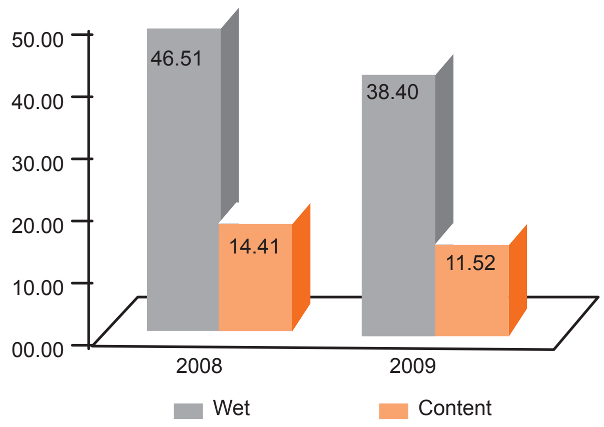
High Carbon Ferro Manganese (HC FeMn) continued to face a run down of stock piles, resulting in a production of 3.8 million MT, a decline of 20% over the previous year. HC FeMn is consumed mostly in the production of steel flat products such as automobiles and white goods. It was only in the last quarter of 2009, that the global production of HC FeMn increased y-o-y by 20% to 1.1 million MT, due to improved economic conditions and increasing demand from the user industries.

On the other hand, Silico Manganese (SiMn) production was 7 million MT, a decline of 11% over the previous year. SiMn is consumed in the production of long steel products used in infrastructure and construction projects. China continued to be the major producer and consumer of SiMn and its large stimulus package funded many such projects throughout the country.

Mn Alloy Production



Mn Ore Production



In spite of the ore market being adversely affected by reduced demand from alloy smelters, China imported record amounts of ore which represented 25% of the global production. Manganese ore (wet) production decreased by 16.5% y-o-y, to 38 million MT and contained 11 million MT of Manganese content (units), a decrease of 21% y-o-y. The disparity in the growth rates signifies an increase in the mining of lower grade ores.

To sum up, after a deep crisis-related production cuts in the production of manganese ore and alloys, the growth has started picking up from the fourth quarter of 2009. Global inventories have gone down. The return of demand outside China coupled with continuous strength from China has tightened the manganese ore and alloy markets.

The Indian manganese alloy industry has witnessed a very good year and the future looks even more promising. Lucrative prices have attracted a lot of new entrants, while existing producers are in expansion mode. India has become the largest producer of low nickel bearing austenitic stainless steel (82% of stainless steel produced in India belongs to variety).

The domestic demand for alloys has been quite strong as steel production has been expanding and exports in the future would, more or less, follow the same pattern.

Majority of the production in the future will be dependent on imported ores and any shortages or disruption in ore supply may cause capacities to remain idle or switch over to alloy productions.

The total proven manganese ore reserves are 76 million metric tonnes which is just above 15% of the total reserves of 460 million metric tonnes. The exploration of the remaining 85% of the total reserves is still not economically viable. Most of the mining is centered in Madhya Pradesh and Maharashtra with the majority of the ore production being conducted by Manganese Ore India Limited (MOIL), a government organisation. Orissa is also an active producer of manganese ore but has recently been more focused on iron ore mining. Other producers like Tata, Rungta and Sandur are mining for their captive use. Tata has recently stopped all its ore sales, which has also led to shortages in the market.

Nearly 45% of the manganese ore in India is of low and medium grade. Reserves of high grade manganese ore are limited in India and are mostly controlled by MOIL. Production of manganese ore has not gone up to keep pace with the increased production of ferro-alloys. Indian producers have to depend on imported manganese ore, particularly for high grade manganese ore. Thus, the future of manganese alloy, for a long time, will depend on imported manganese ore.

Historically, Indian manganese ore prices have never been linked with international ore prices. However, for the last two years, MOIL has been linking the domestic prices with international prices and has made repeated and substantial increase in the prices without any improvement on the supply side.

3. Opportunities and threats

Sarda Energy & Mineral Limited (Sarda) is optimistic that the coming years will bring significant opportunities for the Company in the segments in which it is operational viz. Mining, Power, Ferro-alloys and Steel. The Company is well poised to capitalise on these opportunities. Sarda has a well defined strategy for sustainable growth in place that will enable the Company to create long-term value for all its stakeholders in the time to come.

In spite of the Government's focus and encouragement for capacity addition in the power sector, there still exists a huge gap in the demand and supply of power. Sarda sees several opportunities in the power sector and has planned substantial investments in both thermal and hydro power plants directly as well as through subsidiaries. The availability of a captive coal block and an MoU with the State Government for a mega power project provide the Company with a good opportunity to grow sustainably in the power sector.

The Company has created strong brand equity for its high quality ferro-alloys products and sees good prospects, particularly in the export market. With this in mind, the Company is putting up 2 x 33 MVA Furnaces backed by a captive Thermal power plant of 80 MW capacity near Visakhapatnam through a wholly owned subsidiary. This initiative will also enable the Company to substantially increase its market share.

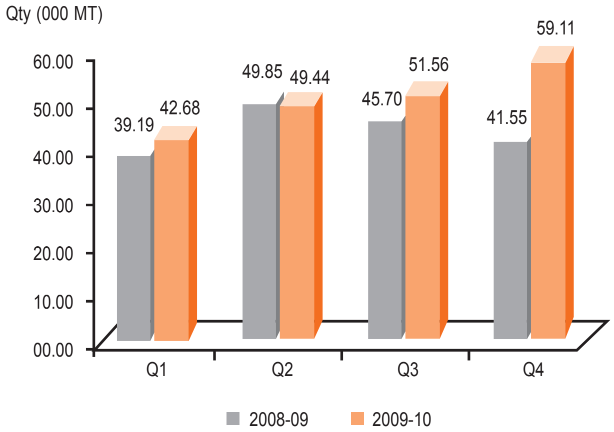
Sarda's strong balance sheet with low gearing and high credit rating will enable the Company to expand in scale by taking up larger projects. The Company has also taken measures to secure raw materials for the production of steel and ferro-alloys. This will facilitate the Company to grow sustainably in these segments without being exposed significantly to the risk of volatility and cyclicality in commodity prices.

4. Product-wise performance

As stated in the Directors' Report, the manufacturing operations were adversely affected by a fire in captive power plant of the Company and curtailment of steel production due to economic consideration. The revenue was also affected due to lower selling prices as compared to the previous year. The product-wise performance is discussed hereunder:

Sponge iron

Sponge Iron Production



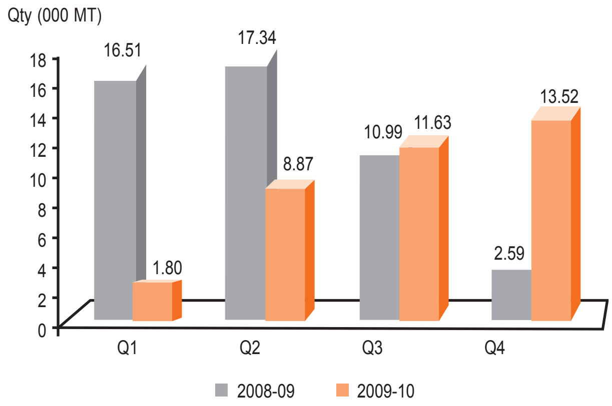
During the year under review, the Company produced 2,02,788 MT of sponge iron as compared to 1,76,292 MT in the previous year, recording a growth of 15.03%. Only 12,446 MT of sponge iron was captively consumed for manufacturing steel as against 71,679 MT in the previous year due to curtailment of steel production. The Company achieved the highest ever sales of sponge iron at 1, 86,437 MT. The average realisation of sponge iron was Rs. 13,598/- per MT as compared to Rs. 17,429/- in the previous year.

Steel

During the year, steel production fell drastically due to a fire in the power plant in the first half of the year. The Company also preferred selling power over manufacturing steel in the second half of the year. The Company produced 4,780 MT of ingots and 7,322 MT of billets during the year against 20,187 MT ingots and 53,190 MT billets in the previous year. The average realisation for ingots was Rs. 19,202/- per MT and for billets was Rs. 22,843/- as compared to Rs. 25,663/- per MT and Rs. 29,448/- respectively, in the previous year.

Ferro-alloys

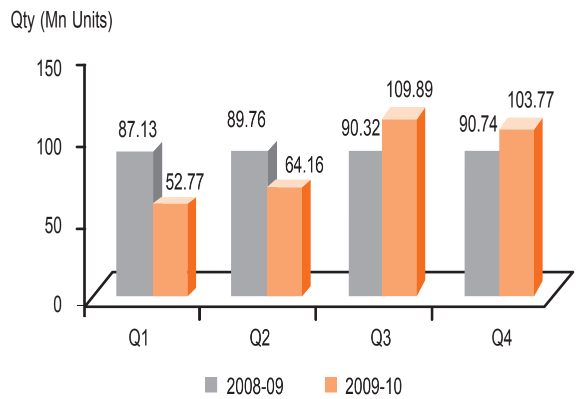
Ferro Alloys Production



Ferro-alloys production was also affected due to the fire in the power plant. The Company achieved ferro-alloys production of 35,819 MT (25,729 MT silico manganese and 10,090 MT ferro manganese) during the year compared to 47,432 MT in the previous year (18,881 MT silico manganese and 28,551 MT ferro manganese). The average realisation was Rs. 50,655/- per MT against Rs. 77,581/- per MT in the previous year. The Company exported ferro-alloys worth Rs. 73 crores during the year.

Power

Power Generation



In spite of the fire, the power plant generated 330.59 million Kwh of power against 357.94 million Kwh in the previous year. The Company could not benefit from the high prices of power in summer. Insufficient availability of power also affected other production units.

During the year, the Company sold 1040.46 lac Kwh of power as compared to 776.52 lac Kwh in the previous year by curtailing power supply to the steel plant on account of better realisation. It is this flexibility that gives the Company strength and sustainability in challenging market conditions.

Iron ore mines

The operations in the Company's iron ore mines remained suspended throughout the year due to a non-conducive environment in the region due to law and order problem. The situation however, is expected to improve going forward. During the current year, the Company began shifting iron ore fines lying in the mining area to its beneficiation/pellet plant.

Coal mines

The captive coal mines of the Company that began operations in March 2009 are now operating at full scale. During the year, the Company produced 2,91,127 MT of coal from the mines. Several initiatives are in the pipeline that will enable the Company to enhance its production capacity and sustain Sarda's raw material sufficiency.

Pellet plant

During the year, the Company completed the installation of its pellet plant as an initiative towards achieving sustainable growth. The plant faced some teething problems and took time to stabilise. During the year, the Company produced 27,121 MT of pellets in the course of trial runs. Now the plant has stabilised and started commercial production from 1st April, 2010.

Fly ash bricks

The Company has put in significant efforts to ensure that all the waste generated from its various operations is utilised productively. Consequently, the existing fly ash brick plant has been replaced with a state-of-the-art fly ash brick plant. The new plant was commissioned in February 2010. The Company produced 17,61,244 bricks/blocks/tiles during the year as against 20,01,556 in the previous year.

5. Outlook

According to the International Monetary Fund's World Economic Outlook projections, released in July 2010, India's GDP growth is expected to accelerate to 9.4% in 2010. The country's growth forecast for 2011 is estimated at 8.4%.

Given the favourable prospects of the Indian economy and the large infrastructural shortages that will have to be plugged in to achieve the anticipated economic growth, the Company's outlook for the future looks quite positive and promising.

Sustainable growth is Sarda's goal. The Company is taking several initiatives in this direction by integrating, consolidating and expanding its operations. The focus of the Company is on generating power and harnessing natural resources. There is a huge gap between the demand and supply of power which is expected to continue in the coming years. The Company has also focused on acquisition of natural resources which will enable the Company to achieve long-term sustainability.

Work on multiple thermal and hydro energy projects is in progress. Two mines are currently operational and many others are at different stages of acquisition and development. These projects will provide further impetus to the sustainable growth of the Company.

Looking ahead, the Company believes that profitability in the steel segment would be influenced by international trends in steel prices on the one hand, and raw material price levels on the other hand. Although international steel prices and production levels have recovered from the lows of early 2009, the strength of the global economic recovery after various economic stimulus packages are phased out, would decide the future trend of steel prices. The Company also expects raw material contract prices to increase in the near term, given the improved industry conditions at present, and the substantial industry concentration internationally in these raw materials. Considering the above, the Company has built up inventory of manganese ore. On the back of strong demand from global market, the prices of ferro-alloys have also strengthened.

In the current financial year, the Company believes that full capacity of the pellet plant and the coal mine will be available. Barring unforeseen circumstances, the Company also expects to restart iron ore mining in the current year. The above are expected to reflect positively on the financial performance of the Company during the current year.

6. Risks and concerns

The Company is operating in an environment that is becoming more and more competitive. As it gets into the expansion mode, it is poised to exploit several new opportunities. The Company ensures that the risks it undertakes are commensurate with better returns. Through strategic focus, forward thinking and contingency planning, the Company has devised a risk management policy to control risks involved in all corporate activities in order to maximise opportunities and minimise adversity.

The steel industry is cyclical in nature and in the recent times, has witnessed huge volatility in prices. This exposes the Company to pricing risks. However, the Company has taken steps to acquire sufficient mineral resources to meet its long term requirement to mitigate this risk.

The Company is also exposed to foreign exchange fluctuation risk. With its presence in the export market, the Company has got a natural hedge to a large extent. The Company also uses suitable risk hedging in consultation with experts for mitigating this risk.

Concerns like shortage of skilled manpower and technological obsolescence remain. However, these are threats faced by the entire industry. Given its expertise, experience and strengths, Sarda is well positioned to lead a high growth path.

7. Internal control systems and their adequacy

In any industry, the processes and internal control systems play a critical role in the health of the Company. Sarda has adequate internal controls in place, providing reasonable assurance that transactions in significant areas are properly authenticated and monitored to prevent any misuse.

Operations are closely monitored through budgets, costs and variance analysis. Authorities, responsibilities and job descriptions have been properly defined. Proper policies, rules and workflows have been defined, through exceptional reporting, for smooth functioning and adequate internal controls. The control systems are regularly reviewed by the Company's independent internal auditors and audit committee, and corrective measures taken wherever necessary. Moreover, the Company continuously upgrades its internal control systems in line with the best available practices. The Company has appointed M/s BDO Haribhakti & Company for review of the business processes for effective planning, budgeting, costing and monitoring.

8. Financial performance with respect to operational performance

A brief overview of the Company's financial performance is given below:

Turnover

During the year under review, the Company recorded turnover of Rs. 555.92 crores as against Rs. 1,032.15 crores in the previous year. The fall in the turnover was on account of the following reasons:

(i) Fire in the captive power plant affected manufacturing facilities.

(ii) Fall in average realisations as compared to the previous year.

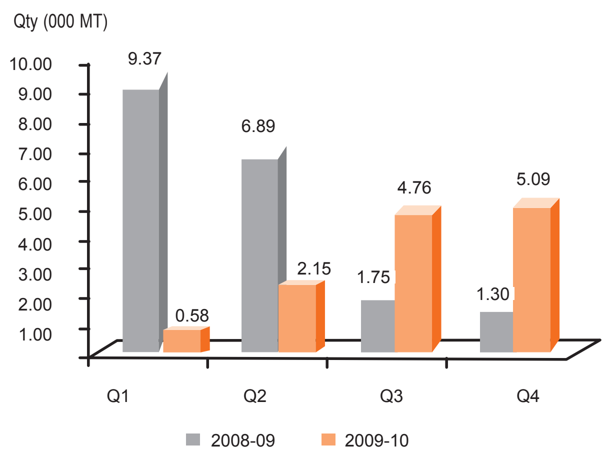
(iii) Preference of selling power over producing steel on economic consideration.

The product-wise revenue is given in the following table:

(Rs. in crores)

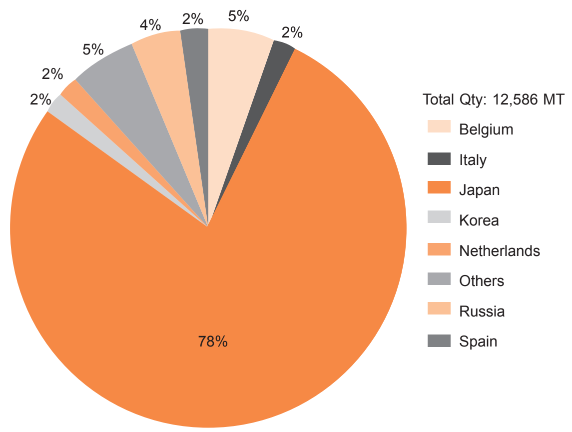
Products	2009-10	% of turn-over	2008-09	% of turn-over
Ferro-alloys	196.75	35.39	459.37	44.51
Sponge iron	278.39	50.08	211.95	20.54
Steel	23.68	4.26	240.20	23.27
Power	46.46	8.36	35.84	3.47
Manganese ore	10.64	1.91	84.78	8.21

Exports

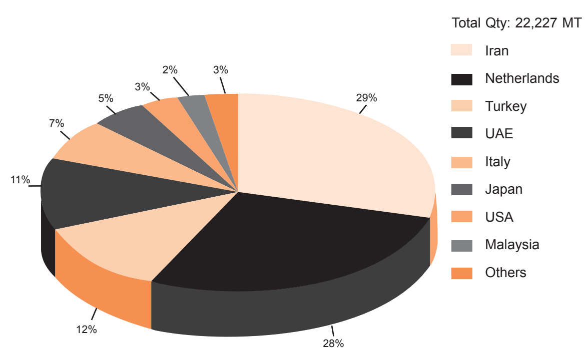


During the year, the Company exported 12,586 MT of ferro-alloys as against 22,227 MT in the previous year. The first half of the financial year 2008-09 had witnessed strong growth in exports but in the second half of the year, the exports dried up due to the global meltdown. The effect of this was visible in the first half of the financial year 2009-10 as well. Gradually, the export demand picked up as the year progressed. To counter the continuing slowdown in the Euro zone, the Company has developed a market in Japan. In the year under review, Japan's share in the total exports was 78%. The export performance of the Company in 2009-10 and 2008-09 is summarised as under:

Country wise exports: 2009-10



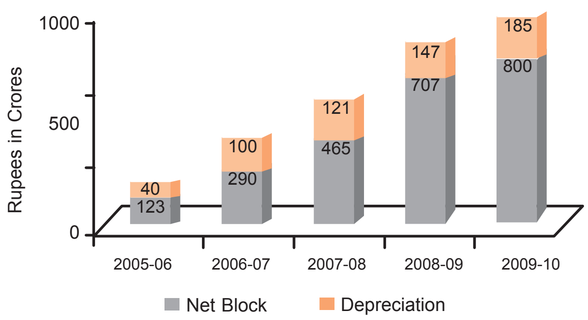
Country wise exports: 2008-09



Long term funds

No fresh long term funds were raised by the Company during the year. During the year, the Company repaid term loans of Rs. 15.69 crores and non-convertible debentures of Rs. 19.38 crores. Unsecured loans represent conversion of deferred sales tax liability into loans. The amount of deferred sales tax due during the year was paid on the due date. All the loans and the interest payment commitments were met on time. CARE has maintained the credit rating of the Company at the same level as the previous year at PR1+ (highest) for short term loans and AA- for the long term loans.

Fixed assets



During the year, the Company incurred capital expenditure of Rs. 132 crores mainly on the pellet plant, power plant expansion, rolling mill, fly-ash brick plant and coal mines/washery. The gross block has gone up from Rs. 854 crores in the previous year to Rs. 985 cores during the year and net block has gone up from Rs. 707 crores to Rs. 800 crores.

Investments

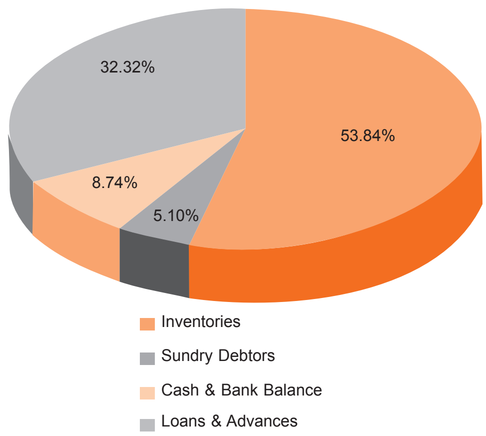
During the year, the Company has made an investment of Rs. 37 crores in Sarda Metals & Alloys Limited (SMAL), a wholly owned subsidiary of the Company. SMAL is putting up a greenfield ferro-alloys project in Visakhapatnam. Sarda Energy Limited, a company promoted for the execution of mega thermal power project has also been converted into a wholly owned subsidiary of the Company. The Company also increased its holding in three hydro power companies of the Group to have a majority control in these companies.

Current Assets

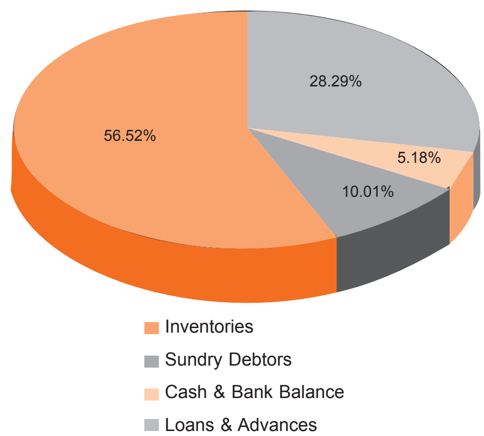
(Rs. in crores)

Particulars	2009-10	2008-09
Inventories	151.98	99.63
Sundry debtors	14.39	18.25
Cash & bank balance	24.67	35.26
Loans & advances	91.22	199.10

Current Assets in 2009-10



Current Assets in 2008-09



The Company has built up a higher level of inventory of manganese ore based on a considered view of its tight supply position at the global level. The Company has also built up inventory of iron ore fines for the pellet plant and billets for the rolling mill (which is ready for commissioning). The inventory as of 31st March, 2009 was on the lower side because of a drastic curtailment in production activities in the last quarter of 2008-09 due to higher realisation on sale of power.

The cash & bank balance includes ECB funds parked outside India. The loans & advances include loans given to subsidiaries partly recoverable in cash and partly for execution of projects undertaken by them. Income tax advance includes amount deposited against demand of Rs. 22.34 crores relating to the financial years 2002-03 to 2004-05 which has been quashed by the Income Tax Appellate Tribunal and the refund received in the current financial year.

Current liabilities & provisions

(Rs. in crores)

Particulars	2009-10	2008-09
Current liabilities	83.95	45.36
Provisions	11.95	11.95

The current liability has gone up on account of availing the longer credit facility against import of raw material to save on the interest cost and advances received against supply of finished goods. The current liability also includes liability provided in the books against disputed tax demands. The provisions represent the proposed dividend and tax thereon.

9. Material developments in human resources/industrial relations

Sarda believes that its people are critical to achieving its vision of sustainable growth. Sarda's Human Resource (HR) practices are geared towards creating a performance driven organisation. Various measures have been taken to attract and retain the best talent and reduce attrition. As a result, the attrition rate came down from 16% in 2008-09 to 12.8% in 2009-10. Sarda also recognises the importance of providing training and development opportunities to its people to enhance their skills and experience, which in turn enables the Company to achieve its business objectives.

Average training man days increased to 3.8 man days per employee per year during the year, up from 1.9 man days in the previous year. 5 'S' and Quality Circle (QC) initiatives for the shop floor employees, P@CE programme for the senior management level employees, coaching in business English for white collar employees, ITI for non-ITI employees and training in industrial pneumatics and process parameters of coal based sponge iron were the highlights of Training & Development activities during the year. Employee welfare amenities were also improved during the year. Further, the management pool was strengthened keeping in mind the organisation's projected growth. Thus, the Company's HR initiatives form a key part of its strategy for a sustainable future.

As of 31st March, 2010, the total number of employees stood at 1,254 in comparison to 1,012 in the previous year.

10. Cautionary statement

Statements in the Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations, may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. The economic conditions affecting demand/supply and price conditions in the domestic market, changes in raw material prices, changes in the government regulations, tax laws, other statutes and other incidental factors, could make a difference to the Company's operations.

Corporate Governance Report

1. Company's philosophy on Corporate Governance

Good Corporate Governance is essentially an integral part of values, ethics and the best business practices followed by the Company. The Company stresses upon the following core values:

- **Quality:** We believe in setting benchmark through the quality of our products.
- **Customer focus:** We believe in high customer satisfaction and becoming a part of our customers' success story.
- **People centric:** We believe in our people and constant upgradation of their skills and leadership capabilities.
- **Integrity and ethics:** we believe in our commitments and strive to set high ethical standards.
- **Corporate and social responsibilities:** We believe in caring for our environment and our communities.

The Company believes in transparency, professionalism and accountability, the basic principles of Corporate Governance, and would constantly endeavour to improve these aspects.

2. Board of Directors

Composition

The Board of Directors comprises ten Directors, including six Non-Executive as well as Independent Directors. The Board composition is in accordance with the requirements of the Listing Agreement. The Non-Executive and Independent Directors are eminent professionals having rich and sound experience in business, industry and finance.

The names and categories of the Directors on the Board and also the number of Directorships and committee memberships held by them in other companies are as under:

Names of the Directors	Category	No. of other Directorships held*	No. of other Board committees member/ Chairman	No. of Board Meetings attended	Last AGM attended
Mr. K.K. Sarda	Promoter Executive	5	-	5	No
Mr. G.K. Chhanghani	Wholetime Director Executive	2	-	4	No
Mr. Pankaj Sarda	Wholetime Director Executive	4	-	3	No
Mr. G.D. Mundra	Wholetime Director Executive	1	-	5	No

Mr. Rakesh Mehra	Independent Non-Executive	1	-	3	No
Mr. A.K. Basu	Independent Non-Executive	1	-	4	Yes
Mr. P.R. Tripathi	Independent Non-Executive	7	9	3	No
Mr. G.S. Sahni	Independent Non-Executive	-	-	5	No
Mr. C. K. Lakshminarayanan	Independent Non-Executive	1	_	4	No
Mr. Jitender Balakrishnan#	Independent Non-Executive	6	2	-	-

* excluding Pvt. Ltd. companies and foreign companies
# w.e.f. 30th July, 2010

As required by the Companies Act, 1956 and Clause 49 of the Listing Agreement, none of the Directors hold Directorship in more than 15 public companies, membership of Board Committees (Audit/Investors' Grievance Committees) in excess of 10 and Chairmanship of Board Committees as aforesaid in excess of five.

2.2 Number of Board meetings held

Five meetings of the Board of Directors were held during the year ended 31st March, 2010 as under:

Date of meeting	No. of Directors present
30th June, 2009	6
31st July, 2009	7
29th October, 2009	8
25th January, 2010	7
13th March, 2010	8

2.3 Particulars of Directors seeking appointment/reappointment

As required under Clause 49 VI (A), particulars of Directors seeking appointment/ reappointment at the ensuing Annual General Meeting are as under:

1	a)	Name	:	**Mr. Kamal Kishore Sarda**
	b)	Age	:	58 years
	c)	Qualification	:	B.E. (Mech.)
	d)	Director of the Company	:	Since December 1978
	e)	Experience	:	More than 35 years of experience in the steel industry.

	f)	Other Directorships	:	1. Chhattisgarh Investments Ltd.
				2. Sarda Energy Ltd.
				3. Sarda Metals & Alloys Ltd.
				4. Madhya Bharat Power Corporation Ltd.
				5. Parvatiya Power Ltd.
				6. Chhattisgarh Hydro Power Pvt. Ltd.
				7. Orissa Precious Mining Pvt. Ltd.
				8. Natural Resources Energy Pvt. Ltd.
2	a)	Name	:	**Mr. Ghanshyam Das Mundra**
	b)	Age	:	50 years
	c)	Qualification	:	Chartered Accountant
	d)	Director of the Company	:	Since December, 2000
	e)	Experience	:	He has more than 27 years experience in the field of finance and accounting.
	f)	Other Directorships	:	1. Chhattisgarh Investments Ltd.
				2. Chhattisgarh Plastics Pvt. Ltd.
				3. Mundra Polymers Pvt. Ltd.
				4. Prayag Thermoplast (P) Ltd.
				5. Fair Energy & Minerals Pvt. Ltd.
				6. Good Minerals Development Pvt. Ltd.
				7. Jaichandi Energy & Natural Resources Development Pvt. Ltd.
				8. Minmet International Resources Pvt. Ltd.
				9. Sarda Global Venture Pte. Ltd. – Singapore
	g)	Member of committees	:	1. Sarda Energy & Minerals Ltd. (Audit & Corporate Governance)
3	a)	Name	:	**Mr. Prabhakar Ram Tripathi**
	b)	Age	:	67 years
	c)	Qualification	:	Mining Engineer
	d)	Director of the Company	:	Since October, 2003
	e)	Experience	:	He is Ex-CMD, NMDC. He has more than 47 years of experience in the mining and related activities.

	f)	Other Directorships	:	1. Minman Consultancy Services Pvt. Ltd.
				2. HDO Technologies Ltd.
				3. IVR Prime Urban Developers Ltd.
				4. Eastern Coalfields Ltd.
				5. Premier Explosive Ltd.
				6. Hindustan Dorr Oliver Ltd.
				7. IVRCL Infrastructure Ltd.
				8. Dharni Sampada Pvt. Ltd.
				9. Creative Port Development (P) Ltd.
				10. IVR Prime Hotels & Resorts Ltd.
	g)	Chairman/member of committees	:	1. IVRCL Infrastrucutre Ltd. (Audit and Comp.)
				2. Hindustan Dorr Oliver Ltd. (Audit and Comp.)
				3. Premier Explosives Ltd. (Audit and Comp.)
				4. IVR Prime Urban Developers Ltd. (Audit)
				5. Eastern Coalfields Ltd. (Audit)
				6. Sarda Energy & Minerals Ltd.(Remuneration)
4.	a)	Name	:	**Mr. Gajinder Singh Sahni, IAS (Retd)**
	b)	Age	:	63 years
	c)	Qualification		Post Graduate Diploma in Public Administration, Cardiff University, U. K.
	d)	Director of the Company	:	Since March, 2008
	e)	Experience	:	He is a retired IAS officer of Madhya Pradesh Cadre belonging to 1971 batch. He has played a major role as a Member of the Indian Administrative Service, in a wide spectrum of areas at the highest levels of decision making in the government. He is experienced in toning up administrative mechanism for operational efficiency, creation of effective delivery systems of public service and realization of synergies to society. He has in-depth exposure to multi-sectoral areas of policy formulation, planning and administration.
	f)	Other Directorships	:	Quippo- Prakash Pte Ltd, Singapore
	g)	Chairman/member of committees	:	Member of Corporate Governance Committee of Sarda Energy & Minerals Ltd.

5	a)	Name	:	**Mr. Jitender Balakrishnan**
	b)	Age	:	61 years
	c)	Qualification	:	B.E. (Mech.). P.G. Diploma in Industrial Management
	d)	Director of the Company	:	Since July, 2010
	e)	Experience	:	Mr. Jitender Balakrishnan has done B.E. (Mech.) from National Institute of Technology, Madras University and has also done Post Graduate Diploma in Industrial Management from Bombay University. He had a long career with IDBI Bank Group serving in various positions before retiring as Advisor in May 2010. He has wide experience in the sectors like, Oil and Gas, Refineries, Power, Telecom, Airports, Roads, Ports, Steel, Cement, Fertilizers, Petrochemicals, Hotel, Pharmaceuticals, Paper, etc.
	f)	Other Directorships	:	1. Usha Martin Ltd.
				2. Polyplex Corporation Ltd.
				3. IDBI Capital Market Services Ltd.
				4. Bharti AXA Life Insurance Co. Ltd.
				5. Bharti AXA General Insurance Co. Ltd.
				6. Bhoruka Power Ltd.
	g)	Chairman/member of Committees	:	Member of HR and Audit committee of IDBI Capital Market Services Ltd.

2.4 Remuneration

Executive Directors have been paid remuneration as per terms of their appointment as explained in note 6 of Notes to Accounts of Schedule Q, showing all elements of remuneration.

3. Audit Committee

The Audit Committee of the company comprises of four Directors. Mr. A.K. Basu is the Chairman of the Committee and Mr. Rakesh Mehra, Mr. C. K. Lakshminarayanan and Mr. G.D. Mundra are the members of the Committee. The terms of reference of the committee are as per the provisions of Section 292 (A) of the Companies Act, 1956, read with Clause 49 of the Listing Agreement. The Company Secretary acts as the secretary to the Audit Committee.

The invitees to the Audit committee include the Statutory Auditors, the Internal Auditors, and the respective department heads.

Five meetings of the committee were held during the year 2009-10 on 30th June, 2009, 30th July, 2009, 29th October, 2009, 23rd January, 2010 and 13th March, 2010. The attendance particulars are as under:

Name of Chairperson/member	Meetings	
	Held	Attended
1. Mr. A.K. Basu – Chairman	5	4
2.Mr. Rakesh Mehra – Member	5	3
3.Mr. G.D. Mundra – Member	5	5
4.Mr. C. K. Laksminarayanan - Member	5	4

4. Remuneration Committee

The Remuneration Committee of the Company consists of three Directors, with Mr. Rakesh Mehra as its Chairman. Mr. P.R. Tripathi and Mr. A.K. Basu are the members. All the members of the committee are Non-Executive Independent Directors. A meeting of the Committee was held on 30th June, 2009.

5. Corporate Governance Committee

During the year, the Board of Directors have formed a sub-committee – “Corporate Governance Committee” with Mr. C.K. Lakshminarayanan as Chairman & Mr. G.S. Sahni, Mr. Rakesh Mehra and Mr. G.D. Mundra as members. The scope of the committee’s functioning includes:

i. Compliance of the Corporate Governance requirements under the Listing Agreement and Companies Act.

ii. Disclosure of information to the Board.

iii. Frequency and number of the Audit Committee and Board meetings.

iv. Finalisation of the Report on Management Discussions & Analysis and Corporate Governance.

v. Benchmarking of Company’s Corporate Governance practices with best practices and drawing a time frame for improvement.

6. Shareholders’/Investors’ Grievance Committee

The Shareholders’/Investors’ Grievance Committee, consisting of Mr. A.K. Basu (Chairman), Mr. Rakesh Mehra and Mr. G.D. Mundra as members, has the specific task of looking into and resolving the shareholders’/ investors’ grievances. The Chairman is a Non-Executive and Independent Director.

Name and designation of the Compliance Officer: Mr. P.K. Jain, the Company Secretary

The number of complaints received during the year	:	67 complaints were received which were attended to in time. Apart from the above, requests for issue of duplicate shares, share transmissions, revalidation of warrants and change in bank account details, were also received and were attended promptly.
The number of complaints not redressed at the end of the year.	:	All the complaints have been attended satisfactorily and no complaints were pending at the end of the year.
Number of pending share transfers	:	All the requests for transfer received during the year were duly attended.

7. General Body Meetings

The venue, date and time of the last three Annual General Meetings are as under:

Date	Time	Location
29th September, 2007	3.30 p.m.	73-A, Central Avenue, Nagpur 440018
30th September, 2008	2.30 p.m.	73-A, Central Avenue, Nagpur 440018
30th September, 2009	2.00 p.m.	73-A, Central Avenue, Nagpur 440018

The following Special Resolutions were passed in the last three Annual General Meetings:

- Resolution for alteration of Articles of Association to give the right to appoint Directors on the Board of Company to M/S LB India Holdings Mauritius II Ltd. & Infrastructure Development Finance Company Ltd., to whom the Company has issued equity shares on private placement - Section 31 in the AGM held on 29th September, 2007
- Resolution for approval of ESOP Scheme - Section 81(1A) in the AGM held on 29th September, 2007
- Resolution for alteration of Article 102 of the Articles of Association to increase the retirement age of directors from 65 years to 75 years - Section 31 in the AGM held on 30th September, 2008
- Resolution for deletion of Articles 103 of the Articles of Association of the Company - Section 31 in the AGM held on 30th September, 2008
- Resolution for alteration of object clause of Memorandum of Association for addition of clause no. 40 and 41 - in the AGM held on 30th September, 2008.
- Resolution authorising the company to take up the business as mentioned in item no. 40 and 41- Section 149 (2A) in the AGM held on 30th September, 2008.
- Resolution for appointment of Dr. K.K. Rathi to place of profit subject to the approval of the Central Government - Section 314, in the AGM held on 30th September, 2009
- Resolution for payment of commission to the Non-Executive Directors within the limits prescribed by the Companies Act, 1956 - Section 198/309, in the AGM held on 30th September, 2009

No Special Resolution was passed through postal ballot in the last AGM.

Special Resolution for alteration of Object Clause of the Memorandum of Association is proposed to be passed through postal ballot in the ensuing AGM.

8. Disclosure

Related-party transactions during the year have been disclosed in detail in note 17 of Schedule Q, required under Accounting Standard 18, issued by the Institute of Chartered Accountants of India. These transactions are not likely to have any conflict with the Company's interest.

Compliance of SEBI, stock exchange requirements: The Company has complied with all the requirements of Companies Act, 1956, the Regulations of the Securities Exchange Board of India (SEBI) and the Listing Agreements with the stock exchanges. The Company's application for delisting is pending with the Calcutta Stock Exchange, for long. The matter has been reported to SEBI. In view of the pendency of delisting application with the Calcutta Stock Exchange, the Company has stopped sending the information to the Calcutta Stock Exchange. There were no defaults or non-compliance related to any of the statutory requirements.

9. Means of communication

Half-yearly report/Quarterly results: Quarterly, half-yearly and annual results are submitted to the stock exchange in accordance with the Listing Agreement and published in English and vernacular newspapers. The financial results and other relevant information including operational data are placed simultaneously on the Company's website - www.seml.co.in. Neither official news releases nor any presentations have been made to the institutional investors or to the analysts during the year.

10. General shareholder information

Annual General Meeting	:	Date:	25th September, 2010
	:	Time:	2.30 p.m.
	:	Venue:	73-A, Central Avenue, Nagpur- 440018

Financial calendar for 2010-11 (tentative)

Financial results for the quarters ended:			
30th June, 2010	:	4th week of July, 2010	
30th September, 2010	:	4th week of October, 2010	
31st December, 2010	:	4th week of January, 2011	
31st March, 2011	:	2nd Week of May, 2011(if unaudited)	
		Last week of May, 2011 (if audited)	
Annual General Meeting	:	September, 2011	
Book Closure Date	:	1st June, 2010 to 5th June, 2010 (both days inclusive)	
Dividend payment date	:	On or after 25th September, 2010	
Listing on stock exchanges	:		
Equity shares		The shares of the Company are listed on the following exchanges:	
		i.	The Bombay Stock Exchange Ltd., Mumbai (504614)
		ii.	The National Stock Exchange of India Ltd. Mumbai (SARDAEN)
		ii.	The Calcutta Stock Exchange Association Ltd.
			ISIN no. NSDL & CDSL INE385C01013
			During the year, the equity shares of the company were listed on the National Stock Exchange Limited and the trading commenced from 03.12.2009.

		The Company's application for delisting of its shares from the Calcutta Stock Exchange Association Ltd is pending and the matter has been reported to SEBI.
Non-convertible debentures	:	The non-convertible debentures of the Company are listed on the Bombay Stock Exchange Limited, Mumbai. During the year the Company has paid the final instalment and redeemed the 7.90% NCDs issued by it.

Particulars	8.00% NCDs
Market Lot	1
Code Number	945237
Scrip ID on Bolt	RASL20FEB06
ISIN Number	INE385C07010
Credit Rating	CARE AA-

		The Company has paid annual listing fees to the Bombay Stock Exchange Ltd. for equity shares and the NCD and to The National Stock Exchange of India Ltd., Mumbai, for the equity shares for the financial year 2010-11.
Trustees for NCDs (8%)	:	Axis Bank Limited 111 Maker Tower F, Cuffe Parade, Colaba, Mumbai 400 005
Registrar and share transfer agents (for physical and electronic) (for equity shares and NCDs)	:	Sharepro Services (India) Pvt. Ltd. 13 A-B, Sam Hita Warehousing Complex, Warehouse No.52 & 53, Plot No.13AB 2nd Floor, Sakinaka, Mumbai 400 072
Share transfer system	:	Share transfers in physical form can be lodged with the R&T agents at the above address. Transfers are processed within the stipulated time, if the documents are complete in all respects. All share transfer requests are approved by the Share Transfer Committee or the persons authorised by the Board.

Shareholding pattern as on 31st March, 2010

S. No.	Category	No. of shares	Percentage
1	Promoters	2,38,55,007	70.07%
2	Banks/mutual funds	31,63,875	9.29%
3	Foreign institutional investors	26,21,233	7.70%
4	Bodies corporate	12,80,910	3.76%
5	Others	31,24,084	9.18%
	Total	**3,40,45,109**	**100.00 %**

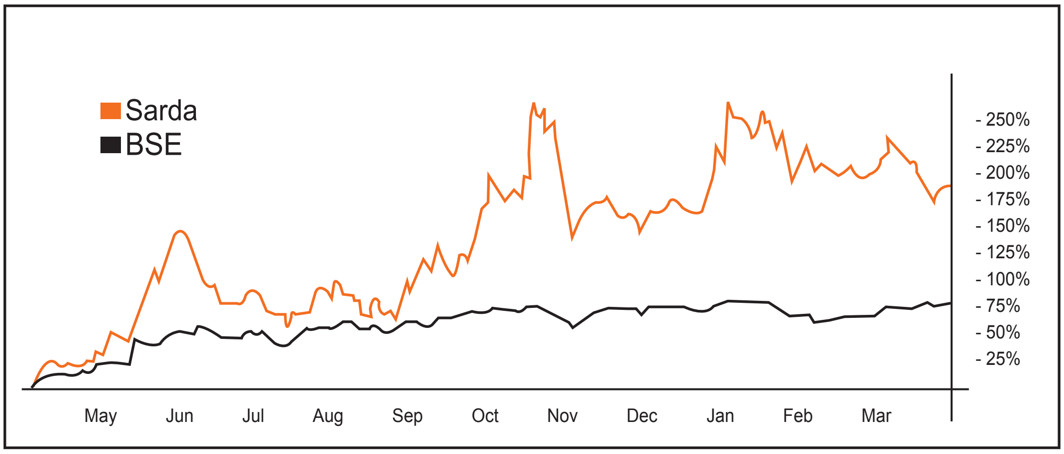
Distribution of shareholding as on 31st March, 2010

Shareholding of nominal value (Rs.)	Shareholders		Share amount	
	Number	% to total	Rs.	% to total
Up to 5,000	11,699	92.21%	13028860	3.83%
5,001 – 10,000	441	3.48%	3596130	1.06%
10,001 – 20,000	240	1.89%	3659140	1.07%
20,001 – 30,000	85	0.67%	2157660	0.63%
30,001 – 40,000	43	0.34%	1561360	0.46%
40,001 – 50,000	43	0.34%	2075690	0.61%
50,001 – 1,00,000	64	0.50%	4543950	1.33%
1,00,001 and above	72	0.57%	309828300	91.01%
Total	**12,687**	**100.00%**	**34,04,51,090**	**100.00 %**

Market price data: High/low during the year 2009-10

Month	SEML on the BSE (in Rs.)		SEML on the NSE* (in Rs.)		BSE Sensex	
	High	Low	High	Low	High	Low
Apr 2009	86.75	61.40	-	-	11,492.10	9,546.29
May 2009	146.80	82.15	-	-	14,930.54	11,621.30
Jun 2009	169.85	112.25	-	-	15,600.30	14,016.95
Jul 2009	138.30	100.10	-	-	15,732.81	13,219.99
Aug 2009	140.95	107.00	-	-	16,002.46	14,684.45
Sep 2009	204.00	133.15	-	-	17,142.52	15,356.72
Oct 2009	248.35	175.00	-	-	17,493.17	15,805.20
Nov 2009	189.80	154.00	-	-	17,290.48	15,330.56
Dec 2009	225.70	167.10	225.50	152.00	17,530.94	16,577.78
Jan 2010	246.90	186.10	248.70	186.00	17,790.33	15,982.08
Feb 2010	240.00	192.95	224.00	177.00	16,669.25	15,651.99
Mar 2010	223.00	180.10	247.00	181.30	17,793.01	16,438.45

*Equity shares were listed on the NSE w.e.f. 3rd December, 2009



Dematerialisation of securities	:	The Company has an arrangement with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) for demat facility. As on 31st March, 2010, out of the total 3,40,45,109 equity shares held by about 12,687 (PY 11,413) shareholders, approximately 3,28,56,984 (PY 3,27,72,440) equity shares held by 7,885 (PY 6,511) shareholders representing 96.51 (PY 96.26%) percent of the total paid-up equity capital have been dematerialised. Debentures are also in dematerialised form.
Plant location	:	The plant of the Company is located at Industrial Growth Centre, Siltara, Raipur.
Address for correspondence	:	Sarda Energy & Minerals Limited Industrial Growth Centre, Siltara, Raipur [C.G.] 493 111 Ph: 0771-2216100 Fax: 0771-2216198 e-mail: cs@seml.co.in

CERTIFICATE

To the members of
Sarda Energy & Minerals Limited

We have examined the compliance of conditions of Corporate Governance by Sarda Energy & Minerals Limited, for the year ended 31st March, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

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

For, **M.M. Jain & Associate**
Chartered Accountants

(M.M. Jain)
Partner
Membership No. 5727

Place: Nagpur
Date: 02.08.2010

Auditors' Report

To
The Members of
Sarda Energy & Minerals Limited

We have audited the attached balance sheet of Sarda Energy & Minerals Limited as at 31st March, 2010, the Profit and Loss Account and 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.

1. We conducted our audit in accordance with the 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 misstatements. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. As required by the Companies (Auditor's Report) Order,2003 (as amended) issued by the 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 matter specified in paragraphs 4 and 5 of the said order.

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

   (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

   (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as it 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 written representations received from the directors as on 31st March 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 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 read together with the significant accounting policies and notes appearing 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:

(a) in the case of the Balance Sheet, of the state of the affairs of the Company, as at 31st March, 2010.

(b) in the case of the Profit and Loss account, of the profit for the year ended on that date; and

(c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For, M. M. JAIN & ASSOCIATE
Chartered Accountants
(Registration No : 112538W)

Place: Nagpur
Dated: 11th May 2010

M M Jain
(Partner)
Membership No. 5727

Annexure to Auditors' Report

Annexure referred to in paragraph 2 of our report of even date

On the basis of such checks as we considered appropriate and in terms of information & explanations given to us we state that: -

(i) (a) The Company has maintained proper records in electronic mode showing full particulars including quantitative details and situation of fixed assets.

(b) All the major assets except certain low value items of Furniture, Fixtures and Office Equipments have been physically verified by the Management at reasonable intervals. As informed, no material discrepancies were noticed on such verification.

(c) The fixed assets disposed off are not substantial so as to affect its going concern status.

(ii) (a) As informed, inventories have been physically verified at reasonable intervals by the management.

(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

(c) The company is maintaining proper records of inventories. The discrepancies noticed on verification between the physical stocks and book records were not material.

(iii) (a) The company has granted unsecured loan to five companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 15751.59 lacs and the year end balance of loans granted to such companies was Rs. 3273.43 lacs.

(b) In our opinion, the rate of interest wherever charged and other terms and conditions of loans given by the company are prima facie not prejudicial to the interest of the company.

(c) As per information and explanation given to us the repayment of principal and interest amount are regular.

(d) There is no overdue amount of loan advanced to the companies covered in the register maintained under section 301 of the Companies Act , 1956

(e) The company has not taken any loan secured or unsecured from any of the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly the provisions of sub clause (f) and (g) of clause 4 (iii) of the Companies (Auditor's Report) Order, 2003, (as amended) are not applicable to the company.

(iv) In our opinion and according to the information & explanations given to us, there is adequate internal control system commensurate with the size of the company and nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. There is no major weakness in internal control system requiring correction.

(v) (a) According to the information & explanations given to us, the transactions that need to be entered into a register in pursuance of section 301 of the companies Act, 1956 have been so entered.

(b) In our opinion and according to the information & explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lac in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

(vi) The company has not accepted any deposits from the public.

(vii) The company is having an internal audit system, which is commensurate with the size of the company and nature of its business.

(viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Govt. for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 and We are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

(ix) (a) According to the information and explanations given to us, the company is generally regular in depositing with the appropriate authorities, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, Service tax, custom duty, excise duty, cess and other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed amount payable were in arrears as at 31st March 2010, for a period of more than six months from the date they become payable.

(b) According to the information and explanation given to us dues of Income tax, Excise Duty, Service tax and Sales tax have not been deposited on account of dispute, the particulars of which and the forum where the dispute is pending are given below :-

Name of the Statute	Nature of the Dues	Amount not deposited (Rs. in Lacs)	Period to which it relates	Forum where dispute is pending
Central Excise Act	Excise Duty	19.51	1989	High Court
	Excise Duty	1.06	1995	High Court
	Excise Duty	7.62	1990	Commissioner Appeals
	Excise Duty	17.84	2004-05 to 2006-07	Commissioner Appeals
	Penalty	18.68	2004-05 to 2006-07	Commissioner Appeals
	Excise Duty	501.40	2006-07 to 2007-08	Commissioner Appeals
	Penalty	486.80	2006-07 to 2007-08	Commissioner Appeals
Central Excise Act	Excise Duty	63.42	2001 to 2003	CESTAT, Delhi
Central Excise Act	Excise Duty Penalty	41.24 10.00	2004-05 to 2005-06	CESTAT
Central Excise Act	Excise Duty Penalty	165.31 165.31	2006-07 to 2007-08	CESTAT
Central Excise Act	Excise Duty Penalty	123.68 123.68	2005-06 to 2006-07	CESTAT
Central Excise Act	Penalty	6.97	2006-07	CESTAT
Income Tax Act	Income Tax	433.15	A Y 2007-08	CIT (Appeals), Nagpur
Sales Tax & Entry Tax Act	Sales tax (including Local and Central sales tax) and Entry tax.	50.02	1992-93 to 2005-06	Appellate Authority – upto Commissioner's level

(x) The company does not have any accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year and in the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to any financial institutions or banks or debenture holders.

(xii) According to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) On the basis of information and explanation given to us the company is not a chit fund or a nidhi / mutual benefit fund / society. Accordingly the provision 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 or trading in shares, securities, debentures, mutual funds and other investments. Accordingly the provision of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the company.

(xv) According to the information and explanations given to us, the company has given corporate guarantee for loans taken by a joint venture company from banks / financial institutions, the terms and conditions of which in our opinion is not prima facie prejudicial to the interest of the company.

(xvi) On the basis of information and explanation given to us, the term loans have been applied for the purpose for which the loans were obtained except the funds deployed temporarily else where.

(xvii) According to the information and explanations given to us and on an overall examination of balance sheet of the company, we report that funds raised on short-term basis have not been used for long-term investment.

(xviii) The company has not made any preferential allotment of shares during the year to any of the parties or companies covered in the register maintained u / s 301 of the Companies Act,1956

(xix) According to the information given to us the required security or charge has been created in respect of debentures issued by the company.

(xx) The company has not raised any money by way of public issue during the year.

(xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our Audit.

For, M M JAIN & ASSOCIATE
Chartered Accountants
(Registration No: 112538W)

Place: Nagpur
Dated: 11th May 2010

M M Jain
(Partner)
Membership No. 5727

Balance Sheet
as at 31st March, 2010

(Rs. in lacs)

	Particulars	Schedule	As at 31.03.2010	As at 31.03.2009
I.	**Sources Of Funds**			
	1. Shareholders' Funds			
	A) Share Capital	A	3,404.51	3,404.51
	B) Reserves & Surplus	B	53,053.02	47,928.06
			56,457.53	**51,332.57**
	2. Loan Funds			
	A) Secured Loans	C	44,720.64	52,470.23
	B) Unsecured Loans	D	1,230.27	826.83
			45,950.91	**53,297.06**
	3. Deferred Tax Liability (Net)		2,859.21	2,824.50
	Total		**105,267.65**	**107,454.13**
II.	**Application Of Funds**			
	1. Fixed Assets	E		
	A) Gross Block		61,154.88	49,840.68
	B) Less : Depreciation / Amortisation		18,504.31	14,678.17
	C) Net Block		42,650.57	35,162.51
	D) Add : Capital Work In Progress		37,334.43	35,535.03
			79,985.00	**70,697.54**
	2. Investments	F	6,646.00	7,263.13
	3. Current Assets, Loans & Advances			
	A) Inventories	G	15,198.44	9,962.62
	B) Sundry Debtors	H	1,439.48	1,825.34
	C) Cash & Bank Balances	I	2,466.57	3,525.87
	D) Loans & Advances	J	9,122.26	19,909.80
			28,226.75	**35,223.63**
	Less : Current Liabilities & Provisions			
	A) Current Liabilities	K	8,395.41	4,535.73
	B) Provisions		1,194.93	1,194.93
			9,590.34	**5,730.66**
	Net Current Assets		18,636.41	29,492.97
	4. Miscellaneous Expenditure			
	(To The Extent Not Written Off Or Adjusted)			
	Preliminary Expenses		0.24	0.49
			0.24	0.49
	Total		**105,267.65**	**107,454.13**
	Accounting policies and notes to accounts	Q		

As per our report of even date attached

For M.M.Jain & Associate
Chartered Accountants

(M.M Jain)
Partner
Membership No. 5727
Nagpur
Dated : 11th May 2010

For and on behalf of the board

(K. K. Sarda)
Chairman & Managing Director

(G. K. Chhanghani)
Executive Director

(P. K. Jain)
CFO & Company Secretary

Raipur
Dated: 11th May 2010

Profit & Loss Account
for the year ended 31st March, 2010

(Rs. in lacs)

Particulars	Schedule	Year Ended 31.03.2010	Year Ended 31.03.2009
Income			
Sales (Gross)		55,591.48	103,214.60
Less: Excise Duty		3,309.85	8,338.50
Sales (Net)		**52,281.63**	**94,876.10**
Other Income	L	727.52	368.54
Increase / (decrease) In Stocks	M	2,555.01	(618.02)
Total		**55,564.16**	**94,626.62**
Expenditure			
Purchase Of Trading Goods		924.57	11,331.00
Raw Materials Consumed	N	38,519.37	49,815.17
Stores & Spares Consumed		1,151.34	1,965.73
Power		443.89	528.85
Payments & Other Benefits To Employees	O	1,940.60	1,725.44
Manufacturing & Other Expenses.	P	4,182.45	6,592.38
Total		**47,162.22**	**71,958.57**
Profit Before Interest, Depreciation & Tax		**8,401.94**	**22,668.05**
Interest (Net)		1,272.32	459.12
Net Forex Fluctuation Loss / (Gain)		(4,470.47)	4,491.28
Depreciation / Amortisation		3,879.78	2,789.34
Profit Before Tax & Prior Period Items		**7,720.31**	**14,928.31**
Less : Prior-Period Expense		1.83	9.25
Profit Before Taxes		**7,718.48**	**14,919.06**
Provision For Taxation			
Current Tax		1,369.50	1,680.00
Deferred Tax		34.70	884.52
Fringe Benefit Tax		-	23.25
Total Tax		1,404.20	2,587.77
		6,314.28	**12,331.29**
Income Tax (Expense) / Refund Related to Earlier Years		5.61	(7.30)
Profit After Taxes		**6,319.89**	**12,323.99**
Balance Brought Forward From Last Year		30,822.05	21,192.99
Profit Available For Appropriation		**37,141.94**	**33,516.98**
Appropriations			
Proposed Dividend		1,021.35	1,021.35
Dividend Distribution Tax		173.58	173.58
Transfer To General Reserve		1,500.00	1,500.00
		2,694.93	**2,694.93**
Surplus Carried To Balance Sheet		34,447.01	30,822.05
Basic Earning Per Share		18.56	36.20
Diluted Earning Per Share		18.56	36.20
Accounting policies and notes to accounts	Q		

As per our report of even date attached

For M.M.Jain & Associate
Chartered Accountants

(M.M Jain)
Partner
Membership No. 5727
Nagpur
Dated : 11th May 2010

For and on behalf of the board

(K. K. Sarda)
Chairman & Managing Director

(G. K. Chhanghani)
Executive Director

(P. K. Jain)
CFO & Company Secretary

Raipur
Dated: 11th May 2010

Cash Flow Statement
for the year ended 31st March 2010

(Rs. in lacs)

	Particulars	Year ended 31.03.2010	Year ended 31.03.2009
A.	**Cash flow from operating activities :**		
	Net profit before tax as per profit & loss account	7,718.48	14,919.06
	Adjustment for :		
	Depreciation	3,879.78	2,789.34
	Interest (net)	1,272.32	459.12
	Unrealised exchange (gain) / loss	(4,135.21)	4,174.29
	Dividend income	(42.81)	(126.38)
	(Profit) / loss on sale of fixed assets	133.17	(0.24)
		1,107.25	**7,296.13**
	Operating profit before working capital changes	8,825.71	22,215.20
	Adjustment for :		
	Inventories	(5,235.82)	5,026.22
	Trade and other receivable	351.52	4,862.40
	Loans and advances	4,210.96	(3,352.06)
	(Increase) / decrease in fixed deposits with scheduled banks under lien	2,000.00	222.00
	Trade payable	3,998.16	(6,657.68)
		5,324.82	100.88
	Cash generated from operations	14,150.52	22,316.08
	Direct taxes (net)	(1,559.55)	(2,201.88)
	Net cash from operating activities	**12,590.97**	**20,114.20**
B.	**Cash flow from investing activities :**		
	Investment in fixed assets incuding capital wip	(13,354.99)	(23,435.25)
	Sale of fixed assets	54.82	41.55
	(Increase) / decrease in investments	617.14	(5,218.29)
	Loan given to subsidiary	6,611.78	(8,512.76)
	Interest received	498.27	1,063.84
	Dividend received	42.81	126.38
	Net cash used in investing activities	**(5,530.17)**	**(35,934.54)**
C.	**Cash flow from financing activities :**		
	Interest paid	(1,770.60)	(1,522.96)
	Dividend & dividend tax paid	(1,194.93)	(1,194.93)
	Term loans received	1,972.92	13,166.27
	Repayment of term loans	(3,497.48)	(4,104.08)
	Sales tax defferment	403.44	387.40
	Bank borrowings	(2,033.45)	3,013.13
	Net cash from financing activities	**(6,120.10)**	**9,744.83**

Cash Flow Statement
for the year ended 31st March 2010 (contd..)

(Rs. in lacs)

Particulars		Year ended 31.03.2010	Year ended 31.03.2009
Increase / (decrease) in cash and cash equivalents (A+B+C)		940.69	(6,075.51)
Net Increase / (decrease) in cash and cash equivalents		**940.69**	**(6,075.51)**
Cash and cash equivalents as at 01/04/2009 (as per schedule 'i')		**1,525.87**	**7,601.38**
Cash and cash equivalents as at 31/03/2010 (as per schedule 'i')		**2,466.57**	**1,525.87**
Increase / (decrease) in cash and cash equivalents		**940.69**	**(6,075.51)**
Notes:			
(A) Cash and cash equivalent include the following :			
Cash on hand		19.22	19.29
Balances with scheduled banks	67.50		
Fixed deposits	2,379.85		
		2,447.35	1,506.58
Total		2,466.57	1,525.87
(B) Previous year figures have been recast / restated wherever necessary.			
(C) Figures in brackets represent outflows.			

As per our report of even date attached
For M.M.Jain & Associate
Chartered Accountants

(M.M Jain)
Partner
Membership No. 5727
Nagpur
Dated : 11th May 2010

For and on behalf of the board

(K. K. Sarda)
Chairman & Managing Director

(G. K. Chhanghani)
Executive Director

(P. K. Jain)
CFO & Company Secretary

Raipur
Dated: 11th May 2010

Auditor's Certificate

We have examined the attached Cash flow Statement of M/s Sarda Energy & Minerals Limited for the year ended 31st March,2010. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of listing agreement with the Stock Exchange and is based on and in agreement with the corresponding Profit and Loss account and Balance Sheet of the company.

For **M.M. Jain & Associate**
Chartered Accountants

Nagpur
Dated: 11th May 2010

(M.M JAIN)
Partner

Schedules 'A' to 'Q'

annexed to and forming part of the Balance Sheet and Profit & Loss Account

(Rs. in lacs)

Particulars	As at 31.03.2010	As at 31.03.2009
Schedule 'A' - Share Capital		
Authorised		
5,00,00,000 Equity shares of Rs. 10/- Each	5,000.00	5,000.00
Issued,subscribed and paid up		
3,40,45,109 (3,40,45,109) Equity shares of Rs. 10/- Fully paid up out of the above :	3,404.51	3,404.51
1. 6,00,000 Shares alloted as fully paid-up by way of bonus shares by capitalisation of reserves.		
2. 1,95,64,229 Shares allotted as fully paid up shares to the shareholders of erstwhile chattisgarh electricity company ltd and raipur gases pvt.Ltd on amalgamation with the company		
Total	**3,404.51**	**3,404.51**
Schedule 'B' - Reserves & Surplus		
A. Capital reserve		
Opening balance	404.78	354.78
Add:addition during the year	-	50.00
	404.78	404.78
B. Securities premium accolacsunt		
Opening balance	10,143.48	10,143.48
Add : received during the year	-	-
	10,143.48	10,143.48
C. Debenture redemption reserve		
Opening balance	2,500.00	2,500.00
Less: transfer to general reserve	1,500.00	-
	1,000.00	2,500.00
D. General reserve		
Opening balance	4,057.75	2,557.75
Add : transfer from profit and loss account	1,500.00	1,500.00
Add : transfer from debenture redemption reserve	1,500.00	-
	7,057.75	4,057.75
E. Profit and loss Account		
Balance carried forward	34,447.01	30,822.05
Total	**53,053.02**	**47,928.06**
Schedule 'C' - Secured Loans		
(A) Debentures		
i. 500 - secured redeemebale non - convertible debentures of Rs. 2 lac each (PY F.V. Rs. 4 Lac each)	1,000.00	2,000.00
ii. 500 - 7.9% Secured redeemebale non - convertible debentures of Rs. Nil/- each (PY F.V. Rs. 1,87,500/- Each)	-	937.50
(B) Term loan		
i. from banks	35,986.22	38,482.74
ii. from finacial institutions	185.00	925.00
iii. from others	22.92	2.78
	37,194.14	42,348.02
(C) Working capital & demand loans from banks	7,526.50	10,122.21
Total	44,720.64	52,470.23
Schedule 'D' - Unsecured Loans		
Sales tax defferment	1,230.27	826.83
Total	**1,230.27**	**826.83**

Schedules 'A' to 'Q'

annexed to and forming part of the Balance Sheet and Profit & Loss Account (contd..)

Schedule E : Fixed Assets

(Rs. in lacs)

Particulars	Gross Block				Depreciation				Net Block	
	As on 01.04.2009	Addition during year	Transfer / Sale	As on 31.03.2010	Upto 01.04.2009	Depreciation for the year	Transfer / Adjustment	As on 31.03.2010	As on 31.03.2010	As on 31.03.2009
Freehold land	2,280.16	33.63	3.70	2,310.09	-	-	-	-	2,310.09	2,280.16
Leasehold Land	829.82	-	-	829.82	4.16	0.93	-	5.09	824.73	825.65
Iron Ore mine	462.91	-	-	462.91	61.47	9.31	-	70.78	392.13	401.43
Building	7,620.80	679.95	14.44	8,286.30	1,447.20	305.99	2.55	1,750.65	6,535.66	6,173.60
Plant & Machinery	36,944.68	10,412.90	14.97	47,342.61	12,323.29	3,304.19	9.44	15,618.04	31,724.56	24,621.38
Furniture , Fixture & Equipment	569.97	171.52	1.80	739.69	322.52	87.22	0.63	409.11	330.57	247.45
Vehicles	956.82	90.33	57.41	989.74	492.77	133.66	41.02	585.40	404.34	464.05
Intangible	175.53	18.20	-	193.73	26.75	38.48	-	65.23	128.49	148.77
Total	**49,840.68**	**11,406.52**	**92.32**	**61,154.88**	**14,678.17**	**3,879.78**	**53.64**	**18,504.31**	**42,650.57**	**35,162.51**
Previous Year	33,121.71	17,184.41	465.43	49,840.68	12,137.88	2,789.34	249.06	14,678.17	35,162.51	20,983.82
Capital Work in Progress (including advances for Capital Expenditure and Stock of Capital items)				**37,334.43**					**37,334.43**	**35,535.03**

Schedules 'A' to 'Q'

annexed to and forming part of the Balance Sheet and Profit & Loss Account (contd..)

(Rs. in lacs)

Particulars	As at 31.03.2010	As at 31.03.2009
Schedule 'F' - Investments		
Long Term Investments (at Cost) (of Rs. 10/- each fully paid up unless otherwise stated)		
Trade Investments in Subsidiary companies (Unquoted)		
10,00,000 (PY 10,00,000) Equity Shares of HK$ 1.00 par value of Sarda Energy & Minerals Hongkong Limited (Partly paid up)	26.55	21.08
100 (PY 100) Equity shares of US$ 100 each of Sarda Global Venture Pte. Ltd.	4.30	4.30
50,000 (PY 5,000) Equity Shares of Sarda Energy Ltd.	5.00	0.50
50,000 (PY 5,000) Equity Shares of Sarda Metals & Alloys Ltd.	5.00	0.50
1,28,200 (PY 39,640) Equity Shares of Chhattisgarh Hydro Power Pvt. Ltd.	277.00	55.60
5,20,000 (PY NIL) Equity Shares of Madhya Bharat Power Corporation Ltd.	52.00	-
783182 (PY 6,12,500) Equity Shares of Parvatiya Power Ltd.	783.52	612.50
Total	**1,153.37**	**694.48**
In Other Companies (Unquoted)		
46,200 (PY 46,200) Equity Shares of Raipur Infrastructure Co.Ltd.	41.70	41.70
4,000 (PY 4,000) Equity Shares of Chhattisgarh Bricks Pvt. Ltd.	0.40	0.40
4,85,000 (PY 4,85,000) Equity Shates of Chhattisgarh Ispat Bhumi Ltd.	48.50	48.50
1,88,127 (PY 1,72,654) Equity Shares of Madanpur South Coal Co. Ltd.	237.58	206.63
5000 (PY 5000) Equity shares of Natural Resources Energy Private Limited.	0.50	0.50
Total	**328.68**	**297.73**
Other Investments (at Cost)		
Quoted Investments (of Rs. 10/- each Fully paid up, unless otherwise stated)		
32813 (PY 32813) Equity Shares of Abhishek Corporation Ltd.	32.81	32.81
10,00,000 (PY 10,00,000) Equity Shares of Can Fin Homes Ltd.	496.58	496.58
NIL (PY 10,000) Equity Shares of GIC Housing Ltd.	-	5.60
NIL (PY 1,52,440) Equity Shares of Gujarat Industries Power Co. Ltd.	-	103.72
3688 (PY 4219) Equity Shares of Indian Metals & Ferro Alloys Ltd.	1.85	13.63
47679 (PY 47679) Equity Shares of Kanoria Chemicals Ltd.	20.07	20.07

Schedules 'A' to 'Q'

annexed to and forming part of the Balance Sheet and Profit & Loss Account (contd..)

(Rs. in lacs)

Particulars	As at 31.03.2010	As at 31.03.2009
12400 (PY 12400) Equity Shares of Mangalam Cement Ltd.	24.46	24.46
NIL (PY 22332) Equity Shares of Pix Transmission Ltd.	-	8.70
Total	**575.77**	**705.57**
Investments in Mutual Funds	**-**	**4,200.00**
Total	**-**	**4,200.00**
Share Application Money Pending Allotment in Subsidiaries		
Sarda Metals & Alloys Ltd.	3,687.27	1.59
Sarda Global Venture Pte Ltd	74.81	74.81
Sarda Energy Ltd.	669.10	336.02
Parvatiya Power Ltd.	-	513.52
Chhattisgarh Hydro Power Pvt. Ltd.	-	221.40
Total	**4,431.18**	**1,147.34**
In Other Companies		
Chhattisgarh Bricks Pvt. Ltd.	-	1.00
Madanpur South Coal Co. Ltd.	-	0.01
Raipur Infrastrucutre Company Ltd.	157.00	217.00
Total	**157.00**	**218.01**
Aggregate Long Term investments	**6,646.00**	**7,263.13**
Aggregate book value of quoted investments	575.77	705.58
Aggregate book value of unquoted investments	6,070.23	6,557.56
Aggregate market value of quoted investments	872.90	607.82

Schedules 'A' to 'Q'

annexed to and forming part of the Balance Sheet and Profit & Loss Account (contd..)

(Rs. in lacs)

Particulars	As at 31.03.2010	As at 31.03.2009
Schedule 'G' - Inventories		
(As certified by the management)		
Stores and spares	674.86	1,308.50
Raw materials	7,062.88	4,093.61
Finished goods	7,460.70	4,560.51
Total	**15,198.44**	**9,962.62**
Schedule 'H' - Sundry Debtors		
Exceeding six months	369.36	250.68
Other debts	1,439.44	1,654.74
	1,808.80	**1,905.42**
Less : provision for doubtful debts	369.32	80.08
Total (Unsecured and Considered Good)	**1,439.48**	**1,825.34**
Schedule 'I' - Cash and Bank Balances		
Cash in hand	19.22	19.29
Balance with scheduled banks		
In current accounts	67.50	27.73
In deposit accounts	2,379.85	3,478.85
Total	**2,466.57**	**3,525.87**
Schedule 'J' - Loans and Advances		
(Unsecured and considered good)		
Loans to employees	66.34	155.98
Advances recoverable in cash or in kind or for value to be received :		
To suppliers net of doubtful advances	2,106.75	1,315.64
To others	1,951.80	5,711.10
To subsidiaries	2,528.40	9,300.69
Cenvat credit & PLA (unutilised)	1,068.57	2,296.00
Security and other deposits	485.60	411.26
Income-tax advance and TDS (net of provision)	914.80	719.13
Total	**9,122.26**	**19,909.80**
Schedule 'K' - Current Liabilities & Provisions		
Current liabilities		
Sundry creditors	4,895.56	570.73
Other liabilities	1,563.50	3,000.92
Interest accrued but not due	105.52	188.34
Unclaimed dividend	38.64	35.70
Advances and deposits	1,792.19	740.04
	8,395.41	**4,535.73**
Provisions		
For proposed dividend (including dividend distribution tax)	1,194.93	1,194.93
	1,194.93	1,194.93
Total	**9,590.34**	**5,730.66**

Schedules 'A' to 'Q'

annexed to and forming part of the Balance Sheet and Profit & Loss Account (contd..)

(Rs. in lacs)

Particulars	For the year ended 31.03.2010	For the year ended 31.03.2009
Schedule 'L' - Other Income		
Miscellaneous income	325.75	159.97
Profit on sale of investments	156.26	16.67
Surplus on sale of fixed assets (net)	-	0.24
Export incentives	120.44	65.43
Dividend	42.81	126.38
Sundry balances written back (net)	82.26	(0.15)
Total	**727.52**	**368.54**
Schedule 'M' - Increase / (decrease) In Stocks		
Closing stock of finished goods	7,460.70	4,560.51
Opening stock of finished goods	(4,560.51)	(5,784.26)
Excise duty on (Increase) / decrease in stock of finished goods	(345.18)	605.73
Total	**2,555.01**	**(618.02)**
Schedule 'N' - Raw Material Consumed		
Opening stock	4,093.61	8,275.69
Add:purchases	41,476.93	44,960.77
Add:cost of material produced (mining expenses)	11.71	672.32
	45,582.25	53,908.78
Less: closing stock	7,062.88	4,093.61
Total	**38,519.37**	**49,815.17**
Schedule 'O' - Payments and Other Benefits To Employees		
Salaries, wages, bonus and other allowances	1,748.33	1,584.47
Staff welfare expenses	50.02	40.96
Contribution to provident and other funds	142.25	100.01
Total	**1,940.60**	**1,725.44**

Schedules 'A' to 'Q'
annexed to and forming part of the Balance Sheet and Profit & Loss Account (contd..)

(Rs. in lacs)

Particulars	For the year ended 31.03.2010	For the year ended 31.03.2009
Schedule 'P' - Manufacturing And Other Expenses		
Plant operation expenses	264.76	365.79
Conversion charges	195.63	640.20
Material handling expenses	1,072.32	931.78
Travelling and conveyance	223.26	248.65
Rents, rates and taxes	158.25	159.07
Insurance	80.56	64.81
Repairs and maintenance to -		
Building	14.03	18.53
Plant and machinery	314.52	186.62
Others	46.77	86.01
Bank charges and commission	174.01	282.44
Carriage outwards	451.86	1,038.05
Commission and brokerage	200.26	173.25
Taxes & duties	(262.23)	1,378.01
Professional & legal charges	182.07	173.83
Loss on sale / destruction of fixed assets (net)	133.17	-
Establishment and other expenses	322.16	367.07
Charity & donation	84.66	12.38
Social welfare & development expenses	62.42	67.54
Directors remuneration	230.27	314.92
Bad debts written off	1.19	9.12
Provision for doubtful debts and advances	220.55	63.65
Payment to auditors	11.96	10.66
Total	**4,182.45**	**6,592.38**

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts

I) 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, 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 and the results of operations during the reporting period. 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

Fixed Assets are stated at cost less accumulated depreciation / amortization and impairment losses if any. Cost comprises the purchase price and any attributable costs of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition / construction 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 for commercial use.

Intangibles

Intangible assets are carried at its cost less accumulated amortization and impairment losses if any.

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 recognized 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 recognized 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 recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

5. Depreciation / Amortization

Depreciation on Building and Plant & Machinery in respect of Steel and Oxygen Gas Division are provided on Straight Line Method and on all other assets including vehicles & office equipments on Written Down Value method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.

Mining Rights and expenditure incurred on development of mines are amortized over useful life of the mines or lease period whichever is shorter.

Leasehold lands are amortized over the period of lease.

Intangible Assets are amortized over technically useful life of the asset.

6. Investments

Trade Investments are the investments made to enhance the Company's business interests. Investments are either classified as current or long-term based on Management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value determined by category of investment. Cost for overseas investments comprises the Indian Rupee value of the consideration paid for the investment translated at the exchange rate prevalent at the date of investment. Long-term investments are carried at cost less provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

7. Valuation of Inventories

i) Stores and Spares are carried at cost (net of CENVAT & VAT Credit availed) on moving average basis.

ii) Raw Materials are carried at cost (net of CENVAT & VAT credit availed) on moving average basis and net realizable value whichever is lower.

iii) Finished and semi finished products produced and purchased by the company are carried at lower of cost and net realizable value.

8. 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. Interest earned is reduced from interest and finance charges.

9. Employee Benefits

i) Retirement benefit in the form of Provident fund contribution to the Statutory Provident Fund is a defined contribution scheme and the payments are charged to the Profit and Loss Account of the

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

period when the payments to the fund is due.

ii) Certain employees of the Company are also participants in the superannuation plan which is a defined contribution plan. The Company makes contribution under the plan to the SEML Employees' Superannuation Trust. The Company has no further obligation to the plan beyond its periodic contributions.

iii) Retirement benefit in the form of Gratuity is a defined benefit obligation and is covered under group gratuity scheme. The company contributes the ascertained gratuity liability to the approved Gratuity Trust which is charged to revenue on accrual basis. Gratuity Liability at each balance sheet date is ascertained on Actuarial Valuation basis using projected unit credit method. Actuarial gains / losses are immediately taken to Profit and Loss Account and are not deferred.

iv) The liability for encashable leaves / compensated absences outstanding as on reporting date is provided based on the salary prevailing on reporting date.

10. 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.

Sale of Goods

Sale is recognized, when the significant risks and rewards of ownership of the goods is passed to the buyer, which is generally on dispatch of goods to customers. Sales include excise duty and exclude VAT and is net of discounts and incentives to the customers. Excise Duty to the extent included in the gross turnover is deducted to arrive at the net turnover. Excise duty incurred on finished goods as at balance sheet date is disclosed separately and adjusted with changes in stock of finished goods in the profit & loss account.

Dividends

Revenue is recognized when the shareholder's right to receive the payment is established by the balance sheet date. Dividend from subsidiaries is recognized even if the same are recognized after the balance sheet date but pertains to the period on or before the date of balance sheet as per the requirement of Schedule VI to the Companies Act, 1956.

Interest

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

Tax Incentives

Revenue is recognized when the right to receive the credits is established and there is no significant uncertainty regarding the ultimate collection of export proceeds.

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

11. Foreign Currency Transactions

I. Monetary Items

Year end balance of foreign currency monetary items are translated at the closing rates as on Balance Sheet date.

Foreign exchange forward contracts are marked to market at Closing Rate as on Balance Sheet date. The premium / discount earned or expended is amortized over the life of the forward contract.

All exchange differences including mark to market losses / gains are dealt with in the profit and loss account and disclosed under the head "Forex Fluctuation Gain / Loss Account" , except to the extent that they are regarded as an adjustment to the interest costs and capitalized to fixed assets as per AS 16.

II. Non Monetary Items

Non Monetary items such as investments are carried at historical cost using the exchange rate on the date of transaction.

12. Taxes on Income

Current Tax (Considering MAT) payable in respect of taxable income is calculated as per the provisions of the Income Tax Act, 1961.

Deferred tax is recognized subject to consideration of prudence, on timing differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognized only to the extent there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax can be realized.

13. Capital Work in Progress / Project Expenses

Projects under commissioning including other capital work in progress are carried at cost, comprising direct cost, related incidental expenses, attributable cost and advances for capital goods. Expenses incurred on exploration of new projects are capitalized in the relevant project on materialization. If project does not materialize, expenditure incurred till date is charged to Profit & Loss Account.

14. Earnings per Share

The Company reports basic and diluted Earnings per Share (EPS) in accordance with Accounting Standard 20 "Earnings per Share". Basic EPS is computed by dividing the net profit or loss attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the year. Diluted EPS is computed by dividing the net profit or loss attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all potential equity shares, except where the results are anti-dilutive.

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

15. 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.

16. Cash Flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

17. Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Company has a present legal obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by the best estimate of the outflow of economic benefits required to settle the obligation at the reporting date. Where no reliable estimate can be made, a disclosure is made as contingent liability. A disclosure for a contingent liability is also made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

18. Onerous Contracts

Provisions for onerous contracts are recognized when the expected benefits to be derived by the company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected cost of terminating / exiting the contract and the expected net cost of fulfilling the contract.

II) Notes to Accounts

1. Estimated amount of contracts remaining to be executed on Capital Account, net of advance given Rs. 932.67 lacs (Prev. year Rs. 7312.79 lacs).

2. Contingent Liabilities not provided for in respect of:

   i) Guarantee given by Company's bankers Rs. 424.78 lacs (Prev. year Rs. 873.37 lacs).

   ii) Guarantee (equal to Company's share in Joint Venture) given by the Company to IDBI Bank Ltd against guarantee issued by the Bank in favour of Government of India on behalf of Madanpur South Coal Company Ltd (The Joint Venture Company for Coal Mining) Rs. 900.00 lacs (Prev. year Rs. 900.00 lacs)

   iii) Outstanding Letters of Credit Rs. 7836.25 lacs (Prev. year Rs. 1169.00 lacs)

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

iv) Bills discounted with the Company's bankers under Letters of Credit Rs. 1328.14 lacs (Prev. year Rs. 569.99 lacs)

v) Claims against the Company not acknowledged as debt & disputed in appeal Rs. 72.00 lacs (Prev. year Rs. 67.39 lacs)

vi) Uncalled amount on partly paid shares of Sarda Energy & Minerals Hongkong Limited Rs. 38.72 Lacs (Prev. year Rs. 44.20 Lacs)

vii) Excise Duty & Service Tax

a) Excise duty demand of Rs. 20.56 lacs (Prev. year Rs. 20.56 lacs) raised on account of modvat credit availed, which the company has disputed in High Court.

b) Excise Duty demand of Rs. 44.14 lacs (Prev. year Rs. 7.62 lacs) raised on account of modvat credit availed which the company has disputed and has filed appeal with Commissioner Appeals, Raipur.

c) Excise Duty demand of Rs. 381.87 lacs (Prev. year Rs. 381.87 lacs) raised on account of sale of electricity which the company has disputed and has already received stay from CESTAT. Excise Duty demand of Rs. 247.35 Lacs (Prev. year Nil) raised on account of sale of Steam and Heat to erstwhile Chhattisgarh Electricity Company Limited against which the company has filed an appeal with CESTAT.

d) Excise Duty demand of Rs. 63.42 lacs (Prev. year Rs. 126.84 lacs) raised on account of sale of electricity against which the company has filed an appeal with High Court of Chhattisgarh.

The Finance Act 2010 has amended Central Excise Rules and Cenvat Credit Rules retrospectively with effect from 01.09.1996 giving an option to reverse pro-rata credits in all disputed cases pending as on 8th May 2010. The Company has already been reversing pro-rata cenvat credit. As such demands mentioned under clauses (c) and (d) above will stand annulled.

e) Rs. 6.97 Lacs (Prev. year Rs. 5.47 Lacs) on account of duty on VAT collected by the company against which the company has filed an appeal before the CESTAT.

f) Excise Duty demand of Rs. 988.20 lacs (Prev. year Nil) raised for want of proof of export. The company has exported goods within the permitted time and has already submitted the required documents. Such demands raised in earlier years were also subsequently withdrawn by the department on submission of documents.

viii) Commercial Tax / Entry Tax

Commercial Tax / Entry Tax demand of Rs. 59.58 lacs (Prev. year Rs. 20.60 lacs) are pending in appeal against assessment of various years.

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

ix) Income Tax

Rs. 433.15 lacs (Prev Year NIL) for the Assessment year 2007-08 on account of partial disallowance of deduction claimed under section 80IA disputing the transfer pricing of Power captively consumed by other divisions, pending with CIT Appeal. This issue has already been decided in favour of the company by the Income Tax Appellate Tribunal for earlier Assessment years.

x) Energy development cess of Rs. 1288.00 lacs net of amount deposited of Rs. 294.34 lacs (Prev. year Rs. 478.77 lacs) demanded by the Chief Electrical Inspector, Govt. of Chhattisgarh for the period May 2006 to December 2009. The Honorable High Court of Chhattisgarh has held the levy of cess as unconstitutional vide its order dated 20th June 2008. The State Govt. has filed a Special Leave Petition before the Hon'ble Supreme Court.

3. Notes to Schedule 'C' – Secured Loans

i) Term Loans from Banks and Financial Institutions and Debentures are secured by first pari-passu charge by way of hypothecation of entire movable assets of the company situated at Industrial Growth Centre, Siltara, Raipur subject to prior charge on current assets in favour of Working Capital Bankers and by way of joint equitable mortgage of immovable properties of the company situated at Industrial Growth Centre, Siltara. The Debentures are also secured by a registered mortgage of an immovable property of the company situated at Ahmedabad.

In case of Debentures, there is stipulation of additional security by way of assignment of all rights, title & interest into and / or exclusive mortgage of captive iron ore mines subject to prior consent of State Government in this regard. Pending creation of assignment, the company has created a negative lien on all movable and immovable assets of captive iron ore mines. These Debentures are redeemable in twenty equal quarterly installments commencing from June 2006.

Besides this, the Term Loan from Banks & Financial Institutions and Non Convertible Debentures are also secured by unconditional and irrevocable personal guarantees of Mr K K Sarda & Mr Manish Sarda.

ii) Working Capital loans from banks are secured by first pari-passu charge on stocks & book debts and second pari-passu charge on all present and future movable Plant & Machinery and by joint equitable mortgage of immovable properties located at Industrial Growth Centre, Siltara, Raipur , for which credit facilities have been sanctioned. These facilities are also secured by irrevocable personal guarantees of Mr. K.K. Sarda and Mr. Manish Sarda.

iii) Other Loans are secured by hypothecation of related vehicles.

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

4. Notes to Schedule 'F' – Investments

Details of Investments in Mutual Funds

(Rs. in lacs)

S. No.	Name	Opening Value	Purchase Value	Sale Value	Closing Units	Closing Value
1	IDFC Dynamic Bond Fund Plan B - Growth	500.00	--	483.27	--	--
2	ICICI Prudential Institutional Income Plan - Growth	225.00	--	239.60	--	--
3	Birla Sunlife Income Plus	1250.00	--	1299.78	--	--
4	HDFC High Interest Fund – Growth	500.00	--	498.13	--	--
5	Reliance Income fund Retail Plan - Growth	1000.00	--	1020.94	--	--
6	ICICI Prudential	500.00	--	506.44	--	--
7	IDFC Dynamic Fund Plan – A - Growth	225.00	--	227.42	--	--
8	Templeton India TMA –IP-G I Fund	--	1185.00	1185.00	--	--
9	Tata Liquid Fund SHIP	--	3224.00	3224.00	--	--
10	Reliance Liquid Fund	--	1050.00	1050.00	--	--
11	IDFC Cash Fund- Plan B-IP –growth	--	250.00	250.00	--	--
12	Birla Sunlife Cash Plus	--	500.00	500.00	--	--
13	Birla Cash Plus Collection Account		400.00	400.00	--	--
14	Reliance Mutual Fund	--	100.00	100.00	--	--
	Total	**4200.00**	**6709.00**	**10984.58**	**--**	**--**

5. 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 Rs. 88.54 Lacs (net of amount capitalized of 17.02 lacs) (previous year Rs. 75.55 lacs (net of amount capitalized of 6.22 lacs)) for provident fund contributions in the Profit & Loss Account.

ii) Defined Benefit Plans

The Company makes annual contributions to the approved Gratuity Trust, which in turn contributes to the Employees Group Gratuity cum Life Insurance Scheme of the Life Insurance Corporation of India and SBI Life Insurance Company Ltd. The Scheme provides for lumpsum payment to vested

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

employees at retirement / resignation / 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 2010.

		As at March 31, 2010	As at March 31, 2009
1	**Assumptions**		
	Discount Rate (beginning of the year)	7.00%	7.50%
	Discount Rate (end of the year)	7.00%	7.50%
	Rate of increase in Compensation levels	7.00%	10%
	Rate of Return on Plan Assets	7.00%	7.50%
	Expected Average remaining working lives of employees (years)	24.20	24.04
2	**Table showing changes in present value of obligations**		
	Present Value of Obligation as at the beginning of the year	156.69	116.58
	Acquisition adjustment	--	--
	Interest Cost	10.87	8.74
	Current Service Cost	43.94	21.81
	Curtailment Cost / (Credit)	--	--
	Settlement Cost / (Credit)	--	--
	Benefits paid	(2.71)	(4.46)
	Actuarial (gain) / loss on obligations	(23.30)	14.01
	Present Value of Obligation as at the end of the year	185.49	156.69
3	**Table showing changes in the Fair value of Plan Assets**		
	Fair Value of Plan Assets at the beginning of the year	199.69	152.76
	Acquisition Adjustments	--	--
	Expected Return of Plan Assets	14.52	12.73
	Contributions	18.29	38.41

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

		As at March 31, 2010	As at March 31, 2009
	Benefits paid	(2.71)	(4.46)
	Actuarial Gain / (loss) on Plan Assets	4.71	0.25
	Fair Value of Plan Assets at the end of the year	234.51	199.69
4	**Tables showing Fair Value of Plan Assets**		
	Fair value of plan asset at the beginning of year	199.69	152.76
	Acquisition adjustments	--	--
	Actual return on plan assets	19.23	12.98
	Contributions	18.29	38.41
	Benefits paid	(2.71)	(4.46)
	Fair value of plan assets at the end of year	234.50	199.69
	Funded status	49.02	43.00
	Excess of actual over estimated return on plan assets	4.71	0.25
5	**Actuarial Gain / Loss Recognized**		
	Actuarial (gain) / loss for the year – Obligation	(23.30)	14.01
	Actuarial (gain) / loss for the year – Plan Assets	(4.71)	(0.25)
	Total (gain) / loss for the year	(28.01)	13.76
	Actuarial (gain) / loss recognized in the year	(28.01)	13.76
	Unrecognized actuarial (gains) / losses at the end of year	(28.01)	13.76
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	185.49	156.69
	Fair value of Plan Assets as at the end of the year	234.51	199.69
	Funded status	49.02	43.00
	Net Asset / (Liability) Recognized in Balance Sheet	49.02	43.00
7	**Expense recognized in the Statement of Profit & Loss**		
	Current Service Cost	43.94	21.81
	Interest Cost	10.87	8.74
	Expected Return of Plan Assets	(14.52)	(12.73)
	Curtailment Cost / (Credit)	--	--
	Settlement Cost / (Credit)	--	--
	Net actuarial (gain) / loss recognized in the year	(28.01)	13.76
	Expenses recognized in the Statement of Profit & Loss	12.27	31.59

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

6. Directors remuneration is as under:-

(Rs. in lacs)

		2009-10	2008-09
i)	Salary, Allowances etc. to Managing Director & Whole Time Director	103.25	95.00
ii)	Perquisites	11.04	5.40
iii)	Contribution to Provident Fund	10.04	9.50
iv)	Commission to Managing Director	150.00	240.00
v)	Sitting Fees	2.55	2.15
	Total	**276.88**	**352.05**

Notes:

1. The above amount does not include contribution to gratuity fund, as separate figures are not available for the Managing Director and Whole Time Directors.

2. Out of the above figures Salary, Allowances & Perquisites amounting to Rs. 22.97 Lacs (Prev. year Rs. 20.08 Lacs) and Employer's Contribution to Provident Fund amounting to Rs. 1.63 lacs (Prev. year Rs. 1.44 Lacs) of Mr. G.K. Chhanghani, Executive Director (Coal Mines) has been debited to Coal Mines Capital Work in Progress.

7. Computation of net profit in accordance with section 198 and 349 of the Companies Act, 1956

(Rs. in lacs)

	2009-10	2008-09
Net Profit as per profit & loss account	6319.89	12323.99
Add:		
Managerial Remuneration Paid (including sitting fees paid to independent directors)	276.88	352.05
Depreciation Charged in the accounts	3879.78	2789.34
Provision for doubtful debts	221.74	63.65
Loss on sale of fixed assets	133.17	-
Total	**10831.46**	**15529.03**
Less:		
Depreciation as per section 350 of the Companies Act,1956	3879.78	2789.34
Profit on sale of assets	--	0.24
Excess provision of income tax written back	5.61	--
Net Profit as per section 349 of the Companies Act,1956	6946.07	12739.45
Maximum Remuneration payable @ 10% of net profit	694.61	1273.95
Maximum Remuneration payable @ 5% of net profit to each director	347.30	636.97

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

8. Payment to Auditor represents:

(Rs. in lacs)

		2009-10	2008-09
i)	Audit Fees*	8.00	7.00
ii)	Taxation Matters	0.25	0.60
iii)	Other Services	0.12	0.28
iv)	Reimbursement of traveling and out of pocket exp.	1.59	0.79
v)	Tax Audit Fees *	2.00	2.00
	Total	**11.96**	**10.66**

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

9. 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, 2010 as micro, small or medium enterprises. Consequently the amount paid / payable to these parties during the year is nil.

10. Interest includes:

(Rs. in lacs)

		2009-10	2008-09
i)	Interest on Term Loans and Debentures*	1205.25	1584.31
ii)	Interest on others	565.34	669.08
iii)	Less: Interest received	498.27	1794.27
	Total	**1272.32**	**459.12**

* Net of interest Capitalized Rs. 701.58 lacs (Prev. year Rs. 985.23 Lacs)

11. Capacity, Production, Sales and Stock Particulars of each class of Goods (as certified by the Management):

i) Capacity and Production

	Items	Licensed	Unit	Installed	Production
i)	Steel Ingots / Runner Riser	N.A.	MT	40,000	4,948
		N.A.		(40,000)	(20,909)
ii)	Steel Billets	N.A.	MT	2,00,000	7,322
				(2,00,000)	(53,190)
iii)	Sponge Iron	N.A.	MT	3,60,000	2,02,788
		N.A.		(3,60,000)	(1,76,292)
iv)	Iron Ore	N.A.	MT	N.A.	--
		N.A.		N.A.	(4,05,277)
v)	Power	N.A.	MW / KWH	61.50 MW	33,05,85,871
				(61.50 MW)	(35,79,45,200)
vi)	Ferro Alloys	N.A.	MT	66,000	35,819
				(66,000)	(47,432)
vii)	Fly Ash Bricks, Blocks & Tiles	N.A.	Nos	6,000/Day	17,61,244
				(6,000/Day)	(20,01,556)

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

ii) Purchases and Sales Particulars

	Items	Unit	Purchases		Sales	
			Qty.	Amount Rs. in lacs	Qty.	Amount Rs. in lacs
i)	Steel Ingot / Runner & Riser	MT	(NIL)	(NIL)	4,832	1,013.76
			(NIL)	(NIL)	(20,358)	(5,934.04)
ii)	Steel Billets	MT	(NIL)	(NIL)	5,086	1,272.88
			(NIL)	(NIL)	(53,001)	(17,368.32)
iii)	Rolled products	MT	(NIL)	(NIL)	385	80.88
			(0.66)	(0.20)	(1,889)	(717.86)
iv)	Sponge Iron	MT	(NIL)	(NIL)	1,86,437	27,559.95
			(NIL)	(NIL)	(1,07,084)	(21,135.61)
v)	By-products	MT	(NIL)	(NIL)		278.95
			(NIL)	(NIL)		(59.87)
vi)	Ferro Alloys	MT	648	345.22	36,268	19,501.00
			(4,754)	(4,476.07)	(51,061)	(43,954.09)
vii)	Ferro Mn Slag	MT	(NIL)	(NIL)	2,676	173.62
			(NIL)	(NIL)	(23,080)	(1,982.93)
viii)	Manganese Ore	MT	8,253	579.34	8,253	1064.01
			(30,214)	(6,774.90)	(30,214)	(8,477.79)
ix)	Power	KWH	(NIL)	(NIL)	10,40,46,075	4,581.87
			(NIL)	(NIL)	(7,76,51,937)	(3,519.64)
x)	Fly Ash Bricks, Blocks & tiles	Nos.	(NIL)	(NIL)	18,28,935	64.56
			(NIL)	(NIL)	(19,67,348)	(64.46)

Notes:

1. Sale of Runner Riser is exclusive of 160 MT (Prev. year 778 MT) of Runner Riser consumed internally for manufacturing of Steel Ingots.
2. 362 MT (Prev. year NIL) of Ingot and 4 MT (Prev. year 2,575 MT) of billets was used by the rerolling subcontractor for conversion into Rolled Products.
3. 344 MT (Prev. year 2,007 MT) of Rolled Product was obtained on conversion of Ingot & Billet through reroller.
4. Sale of Rolled Products includes 385 MT (Prev.year 1,718 MT) of material valued at Rs. 80.88 Lacs (Prev. year Rs. 653.32 Lacs) consumed captively for various projects of the company.
5. Sale of Sponge Iron is exclusive of 12,446 MT (Prev. year 71,679 MT) consumed internally for manufacturing of Steel Ingots / Billets.

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

6. Sale of Ferro Alloys is exclusive of 152 MT (Prev. Year 1034 MT) consumed internally for manufacturing of Steel Ingots / Runner Risers and Billets.

7. Purchase of Ferro Manganese Slag and Manganese Ore does not include purchase made for self consumption which is included in the raw material.

iii) Stock Particulars of Goods

(Value Rs. in lacs)

	Items	Opening Stock		Closing Stock	
		Qty. (MTs)	Value	Qty. (MTs)	Value
i)	Steel Ingots / Runner Riser	465 (692)	94.60 (152.07)	12 (465)	2.20 (94.60)
ii)	Steel Billets	465 (2,852)	93.30 (608.64)	2,778 (465)	653.48 (93.30)
iii)	Sponge Iron	3,575 (6,313)	465.64 (872.75)	7,479 (3,575)	1197.83 (465.64)
iv)	Iron Ore (at mines)	4,25,235 (1,53,710)	573.23 (391.96)	4,25,235 (4,25,235)	573.18 (573.23)
v)	Ferro Alloys	5,395 (5,305)	2,312.13 (2,666.78)	5,442 (5,395)	2,500.31 (2312.13)
vi)	Semi Finished Goods & By Products		1,014.59 (1,089.28)		2529.81 (1014.59)
vii)	Fly Ash Bricks, Block & Tiles		7.02 (2.78)		3.88 (7.02)

Notes

i) 39.438 MT (Prev. year NIL) of Ingot has been booked as burning loss at vendor location based on conversion stock account received from the vendor.

ii) 35.915 MT (Prev. year NIL) of Billet has been booked as burning loss at vendor location based on conversion stock account received from the vendor.

14. Consumption of Important Raw Materials

(Value Rs. in lacs)

Items	2009-10			2008-09		
	Qty. (MT)	Value	%	Qty. (MT)	Value	%
a. Indigenous						
i) Iron & Steel	1,067.25	265.98		10,913.91	2,853.67	
ii) Iron Ore	412,187.58	18,320.19		226,105.90	13,861.91	

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

(Value Rs. in lacs)

		2009-10			2008-09		
	Items	Qty. (MT)	Value	%	Qty. (MT)	Value	%
iii)	Manganese Ore	51,761.41	3,062.19		43,432.16	7,391.25	
iv)	Coal / Coke / Char	365,058.06	7,386.37		641,305.90	14,174.34	
v)	Others	-	4,932.36		--	645.40	
	Total (A)		**33,967.09**	**88.18%**		**38,926.58**	**78.14%**
b.	**Imported**						
i)	Manganese Ore	31,934.30	3,175.65		58,005.65	9,682.61	
ii)	Coke	22,781.75	1,376.63		5,901.17	820.56	
iii)	Iron & Steel				1,463.90	385.43	
	Total (B)		**4,552.28**	**11.82%**		**10,888.60**	**21.86%**
	Total (A + B)		**38,519.37**	**100%**		**49,815.18**	**100%**

Notes:

1. Iron & Steel

a. Consumption of Iron & Steel scrap excludes consumption of 12,466.260 MT (Prev. year 71,947 MT) of Sponge Iron and NIL MT (Prev. year 778 MT) of Runner Riser produced internally and 642.750 MT (Prev. year 745 MT) of waste & Scrap generated internally.

2. Iron Ore

a. Consumption is inclusive of 40,558.440 MT (Prev. year 33,199 MT) of Iron ore fines generated during the production of Sponge Iron.

b. Consumption is inclusive of 1,68,710.850 MT (Prev. year 66,545 MT) of Purchased Lump Ore issued for Production of Sized Ore. Out of Sized ore produced therefrom 484.74 MT (Prev. year 896 MT) remains in stock as on 31st March 2010 which is included in semi finished goods.

c. Ore produced from Captive Mines is considered as Semi Finished Goods. Hence consumption of Iron Ore is exclusive of 310.100 MT (Prev. year1,24,408 MT) of Captive Ore consumed.

d. Consumption is exclusive of 16,244.44 MT (Prev. year NIL) of Iron Ore Pellets (produced during trial run of Iron Ore Pelletisation Plant) consumed for production.

3. Mangenese Ore

a. Consumption is inclusive of 17,211.93 MT of fines issued for Sintering and consequently used for Production.

b. Consumption is exclusive of captive consumption of 12,753.920 MT of slag internally generated.

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

4. Coal

a. Consumption is exclusive of 2,50,062.77 MT of captive coal produced from Mines.

b. Consumption is exclusive of 32,060.75 MT of captive consumption of Char / Dolochar generated internally.

c. Consumption is inclusive of 28,329.620 MT of ROM Coal issued for washing. Washed Coal received thereafter has been fully consumed.

5. Other Raw Materials

Consumption includes consumption of miscellaneous raw material and also cost of manufacture of Iron Ore Pellets & Coal used / intended for captive consumption.

15. FOREIGN EXCHANGE EARNING & OUTGO

(Rs. in lacs)

		2009-10	2008-09
(A)	CIF Value of Imports		
	Raw Materials	7057.85	13304.80
	Components & Spare Parts	10.00	44.52
	Capital Goods	842.55	3786.06
(B)	FOB Value of Exports (direct)	6367.46	19423.66
	Interest Received	192.65	423.28
	Discounts & Despatch Money Received	329.01	--
(C)	Expenditure in Foreign Currency		
	Machinery and components	557.53	2807.32
	Traveling Expenses	13.29	29.62
	Technical consultancy	NIL	NIL
	Raw Materials	4614.04	10577.47
	Commission	NIL	4.86
	Others	7.74	8.77
	Interest	1228.91	1382.73

16. Deferred Tax

The Company has estimated the deferred tax charge using the applicable rate of taxation and the same has been charged to Profit & Loss Account. Accordingly Deferred tax liability (Net) of Rs. 2859.21 lacs is disclosed under separate heading in the Balance Sheet as given below:

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

(Rs. in lacs)

Particulars	Deferred tax liability / (asset) as at 01.04.2009	Charges / (Credit) during the year	Deferred tax liability / (asset) as at 31.03.2010
On account of Time difference:			
Depreciation	3105.72	(91.03)	3014.69
Excise Duty on closing stock	75.62	34.28	109.90
Liability of Leave Salary	(13.92)	(17.46)	(31.38)
Liability of Amalgamation Exp	(26.12)	9.34	(16.78)
Asset of Electricity Duty	(316.80)	99.57	(217.23)
	2824.50	**34.70**	**2859.21**

17. Related Party Disclosure

I) Names of related parties and description of relationship:

S.No.	Description of Relationship	Names of Related Parties
1	Subsidiary	Sarda Energy & Minerals Hongkong Limited, Hongkong Sarda Global Ventures Pte Ltd, Singapore Sarda Metals & Alloys limited Sarda Energy limited Parvatiya Power limited Madhya Bharat Power Corporation Limited Chhattisgarh Hydro Power Private limited
2	Associate	Chhattisgarh Bricks Private Limited Natural Resources Energy Private limited
3	Related Enterprises where significant influence exist	Prachi Agriculture & Properties Private Limited Sarda Agriculture & Properties Private Limited R.R. Sarda & Company
4	Key Management Personnel	Mr. Kamal Kishore Sarda Mr. Gopal Krishna Chhanghani Mr. Pankaj Sarda Mr. Ghanshyam Das Mundra
5	Relative of Key Management Personnel	Mrs. Shakuntala Devi Sarda Mrs. Uma Sarda
6	Joint Venture	Raipur Infrastructure Company Limited Madanpur South Coal Company Limited

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

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

Particulars	Subsidiaries	Associates	Related Enterprises	Key Management Personnel	Relatives of Key Management Personnel	Joint Venture
Sale of Goods			-- (0.04)			-- (0.09)
Services Received						202.82 (118.18)
Loans / Advances Given	1423.36 (9338.81)					
Loans / Advances Received Back	9402.21 (253.68)					
Share Application converted into Loan	595.70 (--)					
Interest Received	370.74 (215.54)					
Remuneration				267.67 (349.90)		
Rent Paid			9.60 (9.60)	1.80 (--)	9.36 (3.96)	
Shares Purchased			4.30 (--)	1.70 (--)	0.70 (--)	
Services Offered						3.00 (3.00)
Corporate Guarantee Given						900.00 (900.00)
Investments made	3865.87 (89.05)	-- (366.52)			(--) (--)	30.95 (224.03)
Outstanding as on 31.03.2010						
Receivable	2528.40 (9300.69)				(0.05)	2.70 (4.93)
Investments	5584.76 (100.18)	0.90 (1403.52)				436.28 (465.35)
Payable		(0.04)	2.12 (0.60)		0.03 (--)	

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

18. a) Interest in Joint Ventures:

	Name of the Company	Proportion of ownership interest as on 31st March	
		2010	**2009**
i)	Raipur Infrastructure Company Limited	33.33%	33.33%
ii)	Madanpur South Coal Company Limited	20.63%	20.63%

b) The above joint venture companies are incorporated in India. The companies' share of the assets and liabilities as on 31st March, 2010 and income and expenses for the year ended on that date are given below which are based on Audited figures of the joint venture companies.

(Rs. in lacs)

	Particulars	As on 31st March	
		2010	**2009**
A.	Assets		
	Long term Assets	551.94	516.70
	Short term Assets	100.50	97.97
	Total	**652.44**	**614.67**
B.	Liabilities		
	Long Term liabilities	30.59	36.49
	Current Liabilities and Provisions	5.38	3.84
	Total	**35.97**	**40.33**
C.	Contingent Liabilities	**900.00**	**899.47**
D.	Capital Commitments	35.00	--
E.	Income	153.12	123.89
F.	Expenses	79.71	68.64

19. Earning Per Share

Particulars	**Year ended 31.03.2010**	**Year ended 31.03.2009**
Net Profit (Rs. in lacs)	6319.89	12323.99
Nominal Value of Equity Shares (Rs.)	10/-	10/-
Weighted average number of Equity Shares for Basic EPS	34045109	34045109
Basic Earnings per Share (Rs.)	18.56	36.20
Weighted average number of Equity Shares for Diluted EPS	34045109	34045109
Diluted Earnings per share (Rs.)	18.56	36.20

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

20. Provision for Contingencies - NIL

21. Disclosure as per Clause 32 of the Listing Agreement

Name of Company	Relationship	Amount outstanding as at 31.03.2010	Maximum amount outstanding during the year	Investment in shares of the Company
		Rs. Lacs	Rs. Lacs	No. of shares
Sarda Energy & Minerals Hongkong Ltd.	Subsidiary	1427.74	9300.69	NIL
Sarda Global Ventures Pte Ltd	Subsidiary	12.76	12.76	NIL
Parvatiya Power Limited	Subsidiary	315.45	315.45	NIL
Madhya Bharat Power Corporation Ltd.	Subsidiary	772.45	2260.19	NIL
Chhattisgarh Investments Ltd.	Others	745.02	3862.50	11346707

22) Segment Reporting

Segment information has been prepared in confirmity with the accounting policies adopted for preparing and presenting the financial statements of the company. As part of secondary reporting , the company has no geographical segment by location.

A) Business Segment Primary

Particulars	2009-2010			2008-2009		
	Steel	Ferro	Total	Steel	Ferro	Total
Revenue						
Sales & other income	27,896.66	19,958.65	47,855.31	39,821.71	51,317.83	91,139.54
Inter segment sales	-	45.88	45.88	-	701.54	701.54
Others Unallocated			5,153.84	-		4,105.10
Total Revenue	27,896.66	20,004.53	53,055.03	39,821.71	52,019.37	95,946.18
Result						
Segment Result	1,047.95	4,721.97	5,769.92	9,256.72	13,215.66	22,472.38
Miscellaneous Income			948.00			1,066.26

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

Particulars	2009-2010			2008-2009		
	Steel	Ferro	Total	Steel	Ferro	Total
Unallocated Corporate Expenses			(2,197.59)			3,659.79
Operating Profit			**4,520.33**			**19,878.85**
Interest & Forex Fluctuation Loss (Net)			3,198.15			4,950.41
Profit Before Tax & Extraordinary Item			7,718.48			14,928.31
Add: Extra Ordinary Item			-			(9.25)
Provision for taxation						
For Current Year			(1,369.50)			(1,680.00)
For Deffered Taxation			(34.70)			(884.52)
For Fringe Benefit Tax			-			(23.25)
Income Tax for Earlier years			5.61			(7.30)
Profit After Taxation			6,319.89			12,323.99
Other Information						
Segment Assets	58,029.82	58,616.35	116,646.17	54,735.10	51,023.23	105,758.33
Unallocated Assets			(1,788.47)			7,333.46
Total Assets			**114,857.70**			**113,091.79**
Segment Liabilities	(15,413.05)	(10,456.41)	(25,869.46)	7,528.21	4,101.02	11,629.23
Unallocated Liabilities			84,269.91			50,130.49
Total Liabilities			**58,400.45**			**61,759.72**
Capital Expenditure	5,906.92	459.17	6,366.09	8,846.55	1,558.60	10,405.15
Depreciation / Amortisation	1,586.20	534.42	2,120.62	1,358.28	478.27	1,836.55
Unallocated Capital Exp. & Depreciation			8,598.98			17,745.89
Non - cash Expenditure other than depreciation / (amortisation)			NIL			NIL

Schedules 'A' to 'Q'

annexed to and forming part of Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

23) **Previous year figures are shown in bracket and have been recast / regrouped / restated wherever necessary to make them comparable.**

24) **INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT 1956.**

Balance sheet abstract and company's general businesss profile

I	**Registration Details**					
	Registration no:	:	16617 State Code 11 Balance Sheet Date		:	31.03.2010
II	**Capital raised during the year (Amount in Rs. Thousands)**					
	Public Issue	:	NIL	Rights Issue	:	NIL
	Bonus issue	:	NIL	Private Placement	:	NIL
III	**Position of mobilization and deployment of funds (Amount in Rs. Thousands)**					
	Total Liabilities	:	10526765	Total Assets	:	10526765
	Source of funds					
	Paid up Capital	:	340451	Reserve and Surplus	:	5305302
	Secured Loans	:	4472064	Unsecured Loans	:	123027
	Deferred Tax Liability	:	285921			
	Application of funds					
	Net Fixed Assets	:	7998500	Investments	:	664600
	Net Current Assets	:	1863641	Miscellaneous Expenditure	:	24
IV	**Performance of the company (Amount in Rs. Thousands)**					
	Turnover	:	5556416	Total Expenditure	:	4784568
	Profit Before Tax	:	771848	Profit After Tax	:	631989
	Earning Per Share (basic)	:	18.56	Dividend Rate	:	30%
V	**Generic Name of Three principal Products / Services of the Company (as per monetary terms)**					
	Item Code (ITC Code)	:	7203	Product Description	:	Sponge Iron
	Item Code (ITC Code)	:	7207	Product Description	:	Steel ingots / Billets
	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 M.M.Jain & Associate
Chartered Accountants

(M.M Jain)
Partner
Membership No. 5727
Nagpur
Dated : 11th May 2010

For and on behalf of the board

(K. K. Sarda) Chairman & Managing Director

(G. K. Chhanghani) Executive Director

(P. K. Jain) CFO & Company Secretary

Raipur
Dated: 11th May 2010

Statement pursuant to section 212
of the Companies Act, 1956 in respect of the Subsidiary Companies

S. No.	Particulars / Name of the Subsidiary Company	SEMHKL Hongkong	SGV Singapore	SMAL India	SEL India	CHPPL India	MBPCL India	PPL India
1	Financial year of the Subsidiary Company ended on	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010
2	Date from which it became Subsidiary Company	17th Sepember, 2007	12th June, 2008	15th June, 2009	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010
3	Number of equity shares held by Holding Company in the Subsidiary Company							
	Quantity	10,00,000	100	50,000	50,000	1,28,200	5,20,000	7,83,182
	Face Value (per share)	HK$ 1	US$ 100	Rs.10/-	Rs.10/-	Rs.10/-	Rs.10/-	Rs.10/-
	Fully paid up / partly paid up	partly paid-up	fully paid up	fully paid up	fully paid up	fully paid up	fully paid up	fully paid up
4	Extent of holding of Sarda Energy & Minerals Limited	100.00%	100.00%	100.00%	100.00%	60.92%	52.00%	54.41%
5	Net aggregate amount of profit (losses) of the subsidiary so far as they concern members of Sarda Energy & Minerals Ltd.							
	a. for the current financial year of the Subsidiary							
	i) Dealt with in the accounts of the Holding Company	HK$ 152069893	(US$ 30265)	Rs.187816	NIL	NIL	NIL	Rs.11,37,744/-
	ii) Not dealt with in accounts of the Holding Company	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	b. for the previous financial years since it became Subsidiary							
	i) Dealt with in the accounts of the Holding Company	HK$ 7549226	(US$ 3452)	NIL	NIL	NIL	NIL	Rs.14,47,867/-
	ii) Not dealt with in accounts of the Holding Company	NIL	NIL	NIL	NIL	NIL	NIL	NIL
6	As the financial year of the subsidiary companies coincides with the financial year of the Holding Company, Section 212(5) of the Companies Act, 1956 is not applicable.							
	Notes:							
1	SEMHKL - Sarda Energy & Minerals Honkgkong Ltd.							
2	SGV - Sarda Global Venture Pte. Ltd.							
3	SMAL - Sarda Metals & Alloys Ltd.							
4	SEL - Sarda Energy Ltd.							
5	CHPPL - Chhattisgarh Hydro Power Pvt. Ltd.							
6	MBPCL - Madhya Bharat Power Corporation Ltd.							
7	PPL - Parvatiya Power Ltd.							

Summary of Financial Information
of Subsidiary Companies

(Rs. in lacs)

S. No.	Particulars / Name of Subsidiary Company	SEMHKL Hongkong	SGV Singapore	SMAL India	SEL India	CHPPL India	MBPCL India	PPL India
1	Capital	58.00	4.49	5.00	5.00	21.04	100.00	143.95
2	Reserves	8,207.57	(27.90)	(1.88)	-	407.56	(1.15)	1,454.12
3	Total Assets	24,802.20	339.65	3,695.97	689.34	432.86	2,648.77	3,328.31
4	Total Liabilities	16,536.64	363.06	5.57	15.24	4.26	915.92	1,724.23
5	Investments	20,490.09	-	-	-	-	-	-
6	Turnover	-	-	-	-	-	-	520.73
7	Profit before Tax	8,249.73	(27.21)	-	-	-	1.10	31.61
8	Provision for Tax	-	-	-	-	-	-	4.87
9	Profit After Tax	8,249.73	(27.21)	-	-	-	1.10	26.74
10	Proposed Dividend	-	-	-	-	-	-	-

The Indian rupee equivalents of the figures given in the foreign currencies in the accounts of the subsidiary companies, have been given based on the exchange rates as on 31.03.2010, i.e. 1HK$ = Rs. 5.7998 [SEMHKL] and 1US$ = Rs. 44.9175 [SGV]

Notes:

1 SEMHKL - Sarda Energy & Minerals Hongkong Ltd.

2 SGV - Sarda Global Venture Pte. Ltd.

3 SMAL - Sarda Metals & Alloys Ltd.

4 SEL - Sarda Energy Ltd.

5 CHPPL - Chhattisgarh Hydro Power Pvt. Ltd.

6 MBPCL - Madhya Bharat Power Corporation Ltd.

7 PPL - Parvatiya Power Ltd

Auditors' Report

TO THE BOARD OF DIRECTORS OF SARDA ENERGY & MINERALS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF SARDA ENERGY & MINERALS LIMITED AND ITS SUBSIDIARIES.

1) We have audited the attached consolidated Balance sheet of SARDA ENERGY & MINERALS LIMITED (the "company"), as at 31st March, 2010, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto. The consolidated accounts include investments in associates accounted for under the equity method in accordance with Accounting Standard 23 (Accounting for Investments in Associates in consolidated financial statements) and in joint ventures, accounted as jointly controlled entities in accordance with Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures). These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based Our audit.

2) We have conducted our audit in accordance with the 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 misstatements. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3) We have not conducted the audit of the financial statement of subsidiaries whose financial statements reflect total assets (net) of Rs. 16372.18. lacs as at 31st March 2010, total revenues of Rs. 7597.64 Lacs for the year ended on that date and Joint Ventures whose financial statements include the Company's share of assets (net) amounting to Rs. 616.89 lacs as at 31st March 2010, the Company's share of revenues amounting to Rs. 153.12 lacs for the year ended on that date as considered in the consolidated accounts

4) We report that the consolidated accounts have been prepared by the management in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements), Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) and Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures) notified by the (Companies Accounting Standard) Rules, 2006.

5) Based on Our audit and considering the audited separate financial statements of the subsidiaries and audited financial statements of Joint Ventures and Associates, we are of the opinion that the aforesaid consolidated accounts give a true and fair view in conformity with the accounting principles generally accepted in India:

   a. In the case of the Consolidated Balance Sheet of the consolidated state of affairs of the group as at March 31, 2010.

   b. In the case of the Consolidated Profit & Loss Account, of the consolidated profit of the group for the year ended on that date and

   c. In the case of the Consolidated cash flow statement, of the cash flows for the year ended on that date.

For, M M JAIN & ASSOCIATE
Chartered Accountants
(Registration No : 112538W)

Place: Nagpur
Dated: 11th May 2010

M M Jain
(Partner)
Membership No. 5727

Balance Sheet

Consolidated as at 31st March, 2010

(Rs. in lacs)

	Particulars	Schedule	As at 31.03.2010	As at 31.03.2009
I.	**Sources of Funds**			
	1. Shareholders' Funds			
	A) Share Capital	A	3,404.51	3,404.51
	B) Reserves & Surplus	B	61,731.43	49,081.70
			65,135.94	**52,486.21**
	2. Loan Funds			
	A) Secured Loans	C	60,774.81	73,555.76
	B) Unsecured Loans	D	1,431.83	828.07
			62,206.64	**74,383.83**
	3. Minority Interest		2,584.52	-
	4. Deferred Tax Liability (Net)		2,865.34	2,829.95
	Total		**132,792.44**	**129,699.99**
II.	**Application Of Funds**			
	1. Fixed Assets	E		
	A) Gross Block		66,729.85	50,110.82
	B) Less: Depreciation/Amortisation		18,990.59	14,725.96
	C) Net Block		47,739.26	35,384.86
	D) Add: Capital Work In Progress		42,897.72	36,045.27
			90,636.98	**71,430.13**
	2. Investments	F	21,116.01	37,667.96
	3. Current Assets, Loans & Advances			
	A) Inventories	G	15,200.45	9,962.63
	B) Sundry Debtors	H	2,266.83	2,261.16
	C) Cash & Bank Balances	I	6,279.82	3,668.11
	D) Loans & Advances	J	7,311.40	10,690.78
			31,058.50	**26,582.68**
	Less : Current Liabilities & Provisions			
	A) Current Liabilities	K	8,828.21	4,786.90
	B) Provisions		1,194.93	1,194.93
			10,023.14	**5,981.83**
	Net Current Assets		**21,035.36**	**20,600.85**
	4. Miscellaneous Expenditure			
	(To the extent not written off or adjusted)			
	Preliminary Expenses		4.09	1.06
			4.09	1.06
	Total		**132,792.44**	**129,699.99**
Accounting policies and notes to accounts		Q		

As per our report of even date attached

For M.M.Jain & Associate
Chartered Accountants

(M.M Jain)
Partner
Membership No. 5727
Nagpur
Dated : 11th May 2010

For and on behalf of the board

(K. K Sarda)
Chairman & Managing Director

(G. K. Chhanghani)
Executive Director

(P. K. Jain)
CFO & Company Secretary

Raipur
Dated: 11th May 2010

Profit & Loss Account

Consolidated for the year ended 31st March, 2010

(Rs. In lacs)

Particulars	Schedule	Year ended 31.03.2010	Year ended 31.03.2009
Income			
Sales (Gross)		56,080.69	103,220.29
Less: Excise Duty		3,309.85	8,338.50
Sales (Net)		**52,770.84**	**94,881.79**
Other Income	L	7,805.20	886.57
Increase/(Decrease) In Stocks	M	2,555.01	(618.02)
Total		**63,131.05**	**95,150.34**
Expenditure			
Purchase Of Trading Goods		924.57	11,331.00
Raw Materials Consumed	N	38,335.49	49,696.99
Stores & Spares Consumed		1,151.34	1,965.71
Power		443.89	528.85
Payments & Other Benefits To Employees	O	2,017.58	1,757.89
Manufacturing & Other Expenses.	P	4,328.46	6,613.11
Total		**47,201.33**	**71,893.55**
Profit Before Interest, Depreciation & Tax		**15,929.72**	**23,256.79**
Interest (Net)		32.41	65.73
Forex Fluctuation Loss (Net)		(4,303.11)	4,491.79
Depreciation / Amortisation		4,093.29	2,812.62
Profit Before Tax		**16,107.13**	**15,886.65**
(Before Tax and Prior Period Items)			
Less: Prior-Period Item		228.99	9.25
Profit Before Taxes		**15,878.14**	**15,877.40**
Provision For Taxation			
Current Tax		1,411.07	1,709.66
Deferred Tax		35.39	887.69
Fringe Benefit Tax		-	23.25
Total Tax		**1,446.46**	**2,620.60**
		14,431.68	13,256.80
Income Tax Related To Earlier Years		5.63	(11.63)
Profit After Taxes (Before Share of Profit From Associates)		**14,437.31**	**13,245.17**
Add/(Less): Share of Net Profit From Associate (Equity Method)		(0.89)	0.89
Less: Share Of Profit Of Minority Interest		12.19	-
Less: Pre Acquisition Profit Of Subsidiary		3.17	-
Profit After Taxes		**14,421.06**	**13,246.06**
Balance Brought Forward From Last Year		31,786.76	21,235.63
Add: Opening Profits of Companies that Became Subsidiaries During the Year		10.36	-
Profit Available For Appropriation		**46,218.18**	**34,481.69**
Appropriations			
Proposed Dividend		1,021.35	1,021.35
Dividend Distribution Tax		173.58	173.58
Transfer To General Reserve		1,500.00	1,500.00
		2,694.93	**2,694.93**
Surplus Carried To Balance Sheet		43,523.25	31,786.76
Basic Earning Per Share		42.36	38.90
Diluted Earning Per Share		42.36	38.90
Accounting policies and notes to accounts	Q		

As per our report of even date attached

For M.M.Jain & Associate
Chartered Accountants

(M.M Jain)
Partner
Membership No. 5727
Nagpur
Dated : 11th May 2010

For and on behalf of the board

(K. K Sarda)
Chairman & Managing Director

(G. K. Chhanghani)
Executive Director

(P. K. Jain)
CFO & Company Secretary

Raipur
Dated: 11th May 2010

Cash Flow Statement

Consolidated for the year ended 31st March 2010

(Rs. in lacs)

	Particulars	Year ended 31.03.2010	Year ended 31.03.2009
A.	**Cash flow from operating activities:**		
	Net profit before tax as per profit & loss account	15,878.14	15,877.40
	Adjustment for:		
	Depreciation	4,093.29	2,812.62
	Interest (net)	32.41	65.73
	Unrealised exchange (gain)/loss	(4,295.73)	4,962.20
	Dividend income	(42.81)	126.38
	(Profit) / loss on sale of fixed assets	133.63	0.24
	Profit on sale of other investments	(7,227.33)	(462.35)
	Effect of exchange differences on translation of subsidiaries	(630.93)	188.93
	Profit pertaining to associates/minority interest & pre acquisition profits (net)	(5.90)	-
		(7,943.37)	**7,693.75**
	Operating profit before working capital changes	7,934.77	23,571.16
	Adjustment for :		
	Inventories	(5,237.82)	5,026.22
	Trade and other receivable	(40.02)	4,448.52
	Loans and advances	3,579.25	(3,940.41)
	(Increase)/decrease in fixed deposits with scheduled banks under lien	2,000.00	222.00
	Trade payable	4,179.81	(6,417.24)
		4,481.22	**(660.91)**
	Cash generated from operations	12,415.99	22,910.25
	Direct taxes (net)	(1,605.30)	(1,743.34)
	Net cash from operating activities	**10,810.69**	**21,166.91**
B.	**Cash flow from investing activities :**		
	Investment in fixed assets incuding capital wip	(23,491.62)	(23,914.16)
	Sale of fixed assets	54.82	41.55
	(Increase) / decrease in investments	16,551.95	(35,868.94)
	Interest received	2,062.67	2,062.67
	Dividend received	42.81	(126.38)
	Profit on sale of other investments	7,227.33	462.35
	Reduction in share in joint venture	0.00	(35.40)
	Increase/(decrease) in minority interest	2,584.52	-
	Capital reserve on acquisition of subsidiaries	44.16	-
	Net cash used in investing activities	**5,076.64**	**(57,378.31)**
C.	**Cash flow from financing activities :**		
	Interest paid	(2,095.08)	(2,128.40)
	Dividend & dividend tax paid	(1,194.93)	(1,194.93)
	Term loans received	3,680.53	13,148.48
	Repayment of term loans	(4,091.70)	(4,104.08)
	Unsecured loan	200.32	(0.25)
	Sales tax defferment	403.44	387.40
	Bank borrowings	(8,178.20)	24,063.40
	Net cash from financing activities	**(11,275.62)**	**30,171.62**

Cash Flow Statement

Consolidated for the year ended 31st March 2010 (contd..)

(Rs. in lacs)

Particulars		Year ended 31.03.2010	Year ended 31.03.2009
Net increase/(decrease) in cash and cash equivalents (A+B +C)		4,611.71	(6,039.78)
Cash and cash equivalents as at 01/04/2009 (as per schedule 'I')		1,668.11	7,707.89
Cash and cash equivalents as at 31/03/2010 (as per schedule 'I')		6,279.82	1,668.11
Increase/(decrease) in cash and cash equivalents		4,611.71	(6,039.78)
Notes:			
(A) Cash and cash equivalent include the following :			
Cash on hand		26.31	21.88
Balances with banks	6,253.51		
	-	6,253.51	1,646.23
Total		6,279.82	1,668.11
(B) Figures in brackets represent outflows.			

As per our report of even date attached
For M.M.Jain & Associate
Chartered Accountants

(M.M Jain)
Partner
Membership No. 5727
Nagpur
Dated : 11th May 2010

For and on behalf of the board

(K. K Sarda)
Chairman & Managing Director

(G. K. Chhanghani)
Executive Director

(P. K. Jain)
CFO & Company Secretary

Raipur
Dated: 11th May 2010

AUDITOR'S CERTIFICATE

We have examined the attached Consolidated Cash Flow Statement of M/s Sarda Energy & Minerals Limited for the year ended 31st March, 2010. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of listing agreement with the Stock Exchange and is based on and in agreement with the corresponding Profit and Loss account and Balance Sheet of the company.

For **M.M.Jain & Associate**
Chartered Accountants

Nagpur
Dated: 11th May 2010

M M Jain
Partner

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account

(Rs. in lacs)

	Particulars	As at 31.03.2010	As at 31.03.2009
Schedule 'A' - Share Capital			
	Authorised		
	5,00,00,000 Equity shares of Rs. 10/- each	5,000.00	5,000.00
	(PY 5,00,00,000 equity shares of Rs. 10/- each)		
	Issued,subscribed and paid up		
	3,40,45,109 Equity shares of Rs.10/- Fully paid up	3,404.51	3,404.51
	Total	**3,404.51**	**3,404.51**
Schedule 'B' - Reserves & Surplus			
A.	**Capital reserve**		
	Opening balance	404.78	354.78
	Add:addition during the year	44.16	50.00
		448.94	**404.78**
B.	**Securities premium account**		
	Opening balance	10,143.49	10,143.48
	Add: recd during the year	-	-
		10,143.49	**10,143.48**
C.	**Debenture redemption reserve**		
	Opening balance	2,500.00	2,500.00
	Less: transfer to general reserve	1,500.00	-
	Closing balance	**1,000.00**	**2,500.00**
D.	**General reserve**		
	Opening balance	4,057.75	2,557.75
	Add: transfer from profit	1,500.00	1,500.00
	Add: transfer from debenture redemption reserve	1,500.00	-
	Closing balance	**7,057.75**	**4,057.75**
E.	**Foreign currency transalation reserve**	**(442.00)**	**188.93**
F.	**Profit and loss account**	**43,523.25**	**31,786.76**
	Total	**61,731.43**	**49,081.70**
Schedule 'C' - Secured Loans			
(A)	**Debentures**	**1,000.00**	**2,937.50**
(B)	**Term loan**		
	I) from banks	36,249.21	38,518.00
	Ii) from finacial institutions	1,070.66	925.00
	Ii) from others	22.92	2.78
		37,342.79	**39,445.78**
(C)	**Working capital & demand loans from banks**	**22,432.02**	**31,172.48**
	Total	**60,774.81**	**73,555.76**
Schedule 'D' - Unsecured Loans			
	From bodies corporate	201.56	1.24
	Sales tax defferment account	1,230.27	826.83
		1,431.83	**828.07**

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule E: Fixed Assets

(Rs. in lacs)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2009#	Addittions	Transfer / Sale	As on 31.03.2010	Up to 01.04.2009#	During the Year	Transfer/ Adjustment	As on 31.03.2010	AS ON 31.03.2010	AS ON 31.03.2009
Freehold Land	2,539.75	1,438.25	3.70	3,974.31	-	-	-	-	3,974.31	2,331.95
Leasehold Land	863.09	2.90	-	865.99	11.62	2.04	-	13.67	852.33	825.65
Iron Ore Mine	462.91	-	-	462.91	61.47	9.31	-	70.78	392.13	401.43
Building	7,641.88	679.95	14.44	8,307.38	1,447.45	306.48	2.55	1,751.39	6,555.99	6,183.43
Plant & Machinery	40,701.75	10,474.78	90.78	51,085.75	12,554.16	3,513.44	9.44	16,058.16	35,027.59	24,781.04
Furniture, Fixture & Equipments	607.89	211.50	1.80	817.59	340.78	95.77	0.63	435.91	381.68	248.47
Vehicles	1,000.72	95.68	74.23	1,022.16	502.50	139.99	47.04	595.45	426.72	464.10
Intangibles	175.53	18.20	-	193.73	26.75	38.48	-	65.23	128.49	148.77
Total	**53,993.52**	**12,921.26**	**184.96**	**66,729.85**	**14,944.74**	**4,105.51**	**59.65**	**18,990.59**	**47,739.26**	**35,384.86**
Less: Transferred to Preoperative						12.22				
						4,093.29				
Previous Year	**33,307.61**	**17,268.69**	**465.48**	**50,110.82**	**12,162.17**	**2,812.62**	**248.82**	**14,725.97**	**35,384.86**	**21,152.97**
Capital Work in Progress (including advances for Capital Expenditure and Stock of Capital items)				42,897.72					42,897.72	36,045.27
Notes:										

Incudes Opening balances of entities that became subsidiaries during the year.

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

(Rs. in lacs)

Particulars	As at 31.03.2010	As at 31.03.2009
Schedule 'F' - Investments		
A. Investment in associates		
Equity share & share application money	0.90	1,404.92
Add: adjustment of post acquisition share of profit and reserves of associates	-	0.89
B. Other investments		
Equity shares	625.02	755.08
Share application money pending allotment	-	337.97
Other investments	20,490.09	35,169.10
Aggregate long term investments	**21,116.01**	**37,667.96**
Schedule 'G' - Inventories		
(As certified by the management)		
Stores and spares	676.87	1,308.51
Raw materials	7,062.88	4,093.61
Finished goods	7,460.70	4,560.51
	15,200.45	**9,962.63**
Schedule 'H' - Sundry Debtors		
Exceeding six months	369.36	250.68
Other debts	2,266.79	2,090.56
	2,636.15	**2,341.24**
Less : provision for doubtful debts	369.32	80.08
Total (unsecured and considered good)	**2,266.83**	**2,261.16**
Schedule 'I' - Cash And Bank Balances		
Cash in hand	26.31	21.88
Balance with banks	6,253.51	3,646.23
	6,279.82	**3,668.11**
Schedule 'J' - Loans And Advances		
(Unsecured and considered good)		
Loans to employees	73.39	155.98
Advances recoverable in cash or in kind or for value to be received :		
To suppliers net of doubtful advances	2,117.75	1,318.20
To others	2,618.22	5,787.29
Cenvat credit & pla (unutilised)	1,089.55	2,296.63
Security and other deposits	491.85	411.91
Income-tax advance and tds (net of provision)	920.64	720.77
	7,311.40	**10,690.78**
Schedule 'K' - Current Liabilities & Provisions		
Current liabilities		
Sundry creditors	5,014.45	572.74
Other liabilities	1,848.40	3,248.75
Interest accrued but not due	105.52	188.34
Unclaimed dividend	38.64	35.70
Advances and deposits	1,792.19	740.04
Duties & taxes payable	29.01	1.33
	8,828.21	4,786.90
Provisions		
For proposed dividend	1,021.35	1,021.35
For tax on dividend	173.58	173.58
	1,194.93	**1,194.93**
	10,023.14	**5,981.83**

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

(Rs. in lacs)

Particulars	For the year ended 31.03.2010	For the year ended 31.03.2009
Schedule 'L' - Other Income		
Miscellaneous income	332.36	232.32
Profit on sale of other investments	7,227.33	462.35
Surplus on sale of fixed assets	-	0.24
Depb,ddb claim on exports	120.44	65.43
Dividend	42.81	126.38
Sundry balances written back (net)	82.26	(0.15)
Total	**7,805.20**	**886.57**
Schedule 'M' - Increase/(Decrease) In Stocks		
Closing stock of finished goods	7,460.70	4,560.51
Opening stock of finished goods	(4,560.51)	(5,784.26)
Excise duty on (increase)/decrease in stock of finished goods	(345.18)	605.73
Total	**2,555.01**	**(618.02)**
Schedule 'N' - Raw Material Consumed		
Opening stock	4,093.61	8,275.69
Add:purchases	41,293.05	44,842.59
Add:cost of material produced (mining expenses)	11.71	672.32
	45,398.37	53,790.60
Less : closing stock	7,062.88	4,093.61
Total	**38,335.49**	**49,696.99**
Schedule 'O' - Payments and Other Benefits To Employees		
Salaries, wages, bonus and other allowances	1,814.71	1,616.92
Staff welfare expenses	59.34	40.96
Contribution to provident and other funds	143.53	100.01
Total	**2,017.58**	**1,757.89**
Schedule 'P' - Manufacturing and Other Expenses		
Plant operation expenses	266.39	365.79
Conversion charges	195.63	640.20
Material handling expenses	1,072.32	931.78
Travelling and conveyance	250.97	251.43
Rents, rates and taxes	169.14	167.64
Insurance	83.07	64.81
Repairs and maintenance to -		
Building	14.03	18.53
Plant and machinery	354.53	188.26
Others (including vehicles)	49.34	86.01
Bank charges and commission	192.74	282.44
Carriage outwards	451.86	1,038.05
Selling commission and brokerage	200.26	173.25
Taxes & duties	(262.23)	1,378.01
Professional & legal charges	192.43	177.24
Loss on sale / Destruction of fixed assets	133.63	-
Preliminary expenses written off	0.15	0.33
Establishment and other expenses	350.52	370.04
Charity & donation	84.68	12.38
Social welfare & development expenses	62.42	67.54
Directors remuneration	230.27	314.92
Bad Debts Written Off	1.19	9.12
Provision for doubtful debts	220.56	63.65
Payment to auditors	14.57	11.69
Total	**4,328.46**	**6,613.11**

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts

I) Significant Accounting Policies

1. Accounting Convention

The accounts of the group are prepared under the historical cost convention using the accrual method of accounting in accordance with the generally accepted accounting principles in India, 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 and the results of operations during the reporting period end. 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

Fixed Assets are stated at cost less accumulated depreciation / amortization and impairment losses if any. Cost comprises the purchase price and any attributable costs of 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.

Intangibles

Intangible assets are carried at its cost less accumulated amortization and impairment losses if any.

4. Impairment of Fixed Assets

The carrying amount of the Group'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 recognized 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 Building and Plant & Machinery in respect of Steel and Oxygen Gas Division are provided on Straight Line Method and on all other assets including vehicles & office equipments on Written Down

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

Value method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.

Mining Rights and expenditure incurred on development of mines are amortised over useful life of the mines or lease period whichever is shorter.

Leasehold lands are amortised over the period of lease.

Intangible Assets are amortized over technically useful life of the asset.

6. **Investments**

Trade Investments are the investments made to enhance the Group's business interests. Investments are either classified as current or long-term based on Management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value determined by category of investment. Cost for overseas investments comprises the Indian Rupee value of the consideration paid for the investment translated at the exchange rate prevalent at the date of investment. Long-term investments are carried at cost less provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

7. **Valuation of Inventories**

i) Stores and Spares are carried at cost (net of CENVAT & VAT Credit availed) on moving average basis.

ii) Raw Materials are carried at cost (net of CENVAT & VAT credit availed) on moving average basis and net realizable value whichever is lower.

iii) Finished and semi finished products produced and purchased by the company are carried at lower of cost and net realizable value.

8. **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. Interest earned is reduced from interest and finance charges.

9. **Employee Benefits**

i) Retirement benefit in the form of Provident fund contribution to the Statutory Provident Fund is a defined contribution scheme and the payments are charged to the Profit and Loss Account of the period when the payments to the fund is due.

ii) Certain employees of the Holding Company are also participants in the superannuation plan which is a defined contribution plan. The Holding Company makes contribution under the plan to the SEML Employees' Superannuation Trust. The Holding Company has no further obligation to the plan beyond its periodic contributions.

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

iii) Retirement benefit in the form of Gratuity is a defined benefit obligation and is covered under group gratuity scheme of the Holding Company. The Holding Company contributes the ascertained gratuity liability to the approved Gratuity Trust which is charged to revenue on accrual basis. Gratuity Liability at each balance sheet date is ascertained on Actuarial Valuation basis using projected unit credit method. Actuarial gains/losses are immediately taken to Profit and Loss Account and are not deferred.

iv) The liability for encashable leaves / compensated absences outstanding as on reporting date is provided based on the salary prevailing on reporting date.

10. 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.

Sale of Goods

Sale is recognized, when the significant risks and rewards of ownership of the goods is passed to the buyer, which is generally on dispatch of goods to customers. Sales include excise duty and exclude VAT and is net of discounts and incentives to the customers. Excise Duty to the extent included in the gross turnover is deducted to arrive at the net turnover. Excise duty incurred on finished goods as at balance sheet date is disclosed separately and adjusted with changes in stock of finished goods in the profit & loss account.

Dividends

Revenue is recognized when the shareholder's right to receive the payment is established by the balance sheet date. Dividend from subsidiaries is recognized even if the same are recognized after the balance sheet date but pertains to the period on or before the date of balance sheet as per the requirement of Schedule VI to the Companies Act,1956.

Interest

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

Tax Incentives

Revenue is recognized when the right to receive the credits is established and there is no significant uncertainty regarding the ultimate collection of export proceeds.

11. Foreign Currency Transactions

I. Monetary Items

Year end balance of foreign currency monetary items are translated at the closing rates as on Balance Sheet date.

Foreign exchange forward contracts are marked to market at Closing Rate as on Balance Sheet date. The premium/discount earned or expended is amortized over the life of the forward contract.

Schedule ‘A’ to ‘Q’

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule “Q”: Accounting policies and notes to accounts (contd..)

All exchange differences including mark to market losses/gains are dealt with in the profit and loss account and disclosed under the head “Forex Fluctuation Gain/Loss Account”, except to the extent that they are regarded as an adjustment to the interest costs and capitalized to fixed assets as per AS 16.

II. Non Monetary Items

Non Monetary items such as investments are carried at historical cost using the exchange rate on the date of transaction.

12. Taxes on Income

Current Tax (Considering MAT) payable in respect of taxable income is calculated as per the provisions of the Income Tax Act, 1961.

Deferred tax is recognized subject to consideration of prudence, on timing differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognized only to the extent there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax can be realized.

13. Capital Work in Progress / Project Expenses

Projects under commissioning including other capital work in progress are carried at cost, comprising direct cost, related incidental expenses, attributable cost and advances for capital goods. Expenses incurred on exploration of new projects are capitalized in the relevant project on materialization. If project does not materialize, expenditure incurred till date is charged to Profit & Loss Account.

14. Earnings per Share

The Group reports basic and diluted Earnings per Share (EPS) in accordance with Accounting Standard 20 “Earnings per Share”. Basic EPS is computed by dividing the net profit or loss attributable to the equity shareholders of the Holding Company for the year by the weighted average number of equity shares of the Holding Company outstanding during the year. Diluted EPS is computed by dividing the net profit or loss attributable to the equity shareholders of the Holding Company for the year by the weighted average number of equity shares of the Holding Company outstanding during the year as adjusted for the effects of all potential equity shares of the Holding Company, except where the results are anti-dilutive.

15. 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.

16. Cash Flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Group are segregated.

17. Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Group has a present legal obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by the best estimate of the outflow of economic benefits required to settle the obligation at the reporting date. Where no reliable estimate can be made, a disclosure is made as contingent liability. A disclosure for a contingent liability is also made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

18. Onerous Contracts

Provisions for onerous contracts are recognized when the expected benefits to be derived by the company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected cost of terminating/exiting the contract and the expected net cost of fulfilling the contract.

19. Basis of Consolidation

(A) The Consolidated Financial Statements comprise the individual financial statements of Sarda Energy & Minerals Limited, its subsidiaries, jointly controlled entities and associates as on March 31, 2010 and for the year ended on that date. The Consolidated Financial Statements have been prepared on the following basis:

i. The Financial Statements of the Company and its subsidiaries have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra group balances and intra group transactions resulting in unrealized profits or losses as per Accounting Standard 21 on 'Consolidated Financial Statements' as notified by the Companies (Accounting Standard) Rules, 2006. The assets and liabilities of foreign subsidiaries are translated at year end exchange rates and all other items in Profit and Loss Account are translated at the average annual rate. The resultant gain and losses are shown separately as Foreign Currency Translation Reserve under Reserves and Surplus.

ii. The Financial Statements of jointly controlled entities have been considered on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra group balances and intra group transactions resulting in unrealized profits or losses as per Accounting Standard 27 on 'Financial Reporting of Interests in Joint Ventures' as notified by the Companies (Accounting Standard) Rules, 2006 using the proportionate consolidation method.

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

iii. The Company's investments in associates are accounted under the equity method and its share of pre-acquisition profits / losses is reflected as Capital Reserve / Goodwill in the carrying value of investments in accordance with Accounting Standard 23 on 'Accounting for Investments in Consolidated Financial Statements' as notified by the Companies (Accounting Standard) Rules, 2006.

iv. The Financial Statements of the subsidiaries, the jointly controlled entities and the associates used in the consolidation are drawn up to the same reporting date as that of the company i.e. March 31, 2010.

v. The difference between the cost of investment in the subsidiaries over the net assets at the time of acquisition of shares in the subsidiaries is recognized in the financial statements as Goodwill/Capital Reserve as the case may be.

vi. Minority interest in the net assets of the subsidiaries consists of the amount of equity attributable to minorities at the date on which investment is made in a subsidiary .Net Profit for the year of the subsidiaries attributable to minorities is identified and adjusted against the Profit of the Group in order to arrive at the net profit attributable to the shareholders of the company.

(B) i. The financial statement of the following subsidiaries have been consolidated as per the Accounting Standard 21 on Consolidated Financial Statement as notified by the Companies (Accounting Standards) Rules,2006

Name of Subsidiary Company	Current Year Proportion of ownership interest (%)	Previous Year Proportion of ownership interest (%)
Sarda Energy & Minerals Hongkong Ltd	100%	100%
Sarda Global Ventures pte Ltd.	100%	100%
Sarda Metals and Alloys Ltd.	100%	10%
Sarda Energy Ltd.	100%	10%
Chhattisgrah Hydro Power Pvt. Ltd.	60.92%	50%
Parvatiya Power Ltd.	54.41%	48%
Madhya Bharat Power Corporation Ltd.	52.00%	NIL

ii. The Financial Statements of the following jointly controlled entities have been incorporated as per Accounting Standard 27 on 'Financial Reporting of Interests in Joint Ventures' as notified by the Companies (Accounting Standard) Rules, 2006. All the jointly controlled entities are incorporated in India.

Name of jointly controlled entity	Proportion of ownership interest (%)
Raipur Infrastructure Company Ltd.	33.33
Madanpur South Coal Company Ltd.	20.63

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

The following amounts are included in the Financial Statements in respect of the jointly controlled entities referred to in note (ii) above, based on the proportionate consolidation method.

	Particulars	Current Year Rs (in Lacs)	Prev Year Rs (in Lacs)
A.	**Assets**		
	Fixed Assets	551.94	516.13
	Current Assets	100.50	97.82
	Total	**652.44**	**613.95**
B	**Liabilities**		
	Long Term liabilities	30.59	41.94
	Current Liabilities and Provisions	5.38	3.69
	Total	**35.97**	**45.63**
C.	Contingent Liabilities	900.00	899.47
D.	Capital Commitments	0.00	0.00
E.	Income	153.12	123.89
F.	Expenses	79.71	72.96

iii. The Holding Company has investments in the following associates which are accounted for on the equity method in accordance with Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' as notified by the Companies (Accounting Standard) Rules, 2006.

Name of Associates	Current Year	Prev. Year
	Proportion of ownership interest (%)	Proportion of ownership interest (%)
Chhattisgarh bricks Pvt Ltd	40	40
Natural Resources Energy Pvt Ltd	50	50

II) Notes to Accounts

1. Estimated amount of contracts remaining to be executed on Capital Account, net of advance given – Rs. 13986.58 Lacs (Prev. year Rs. 7312.79 lacs).

2. Contingent Liabilities not provided for in respect of:

   i) Guarantee given by Group's bankers – Rs. 1324.25 lacs (Prev. year Rs. 1773.37 lacs).

   ii) Outstanding Letters of Credit – Rs. 7836.25 lacs (Prev. year – Rs. 1169.00 lacs)

   iii) Bills discounted with the Holding Company's bankers under Letters of Credit – Rs. 1328.14 lacs (Prev. year – Rs. 569.99 lacs)

   iv) Claims against the Holding Company not acknowledged as debt & disputed in appeal – Rs. 72.00 lacs (Prev. year Rs. 67.39 lacs)

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

v) Excise Duty & Service Tax

a) Excise duty demand of Rs. 20.56 lacs (Prev. year Rs. 20.56 lacs) raised on account of modvat credit availed, which the Holding Company has disputed in High Court.

b) Excise Duty demand of Rs. 44.14 lacs (Prev. year Rs. 7.62 lacs) raised on account of modvat credit availed which the Holding Company has disputed and has filed appeal with Commissioner Appeals, Raipur.

c) Excise Duty demand of Rs. 381.87 lacs (Prev. year Rs. 381.87 lacs) raised on account of sale of electricity which the Holding Company has disputed and has already received stay from CESTAT. Excise Duty demand of Rs. 247.35 Lacs (Prev. year Nil) raised on account of sale of Steam and Heat to erstwhile Chhattisgarh Electricity Company Limited against which the Holding Company has filed an appeal with CESTAT.

d) Excise Duty demand of Rs. 63.42 lacs (Prev. year Rs. 126.84 lacs) raised on account of sale of electricity against which the Holding Company has filed an appeal with High Court of Chhattisgarh.

The Finance Act 2010 has amended Central Excise Rules and Cenvat Credit Rules retrospectively with effect from 01.09.1996 giving an option to reverse pro-rata credits in all disputed cases pending as on 8th May 2010. The Holding Company has already been reversing pro-rata cenvat credit. As such demands mentioned under clauses (c) and (d) above will stand annulled.

e) Rs. 6.97 Lacs (Prev. year Rs. 5.47 Lacs) on account of duty on VAT collected by the Holding Company against which the Holding Company has filed an appeal before the CESTAT.

f) Excise Duty demand of Rs. 988.20 lacs (Prev. year Nil) raised for want of proof of export. The Holding Company has exported goods within the permitted time and has already submitted the required documents. Such demands raised in earlier years were also subsequently withdrawn by the department on submission of documents.

vi) Commercial Tax/Entry Tax

Commercial Tax / Entry Tax demand of Rs. 59.58 lacs (Prev. year Rs. 20.60 lacs) are pending in appeal against assessment of various years of Holding Company.

vii) Income Tax

Rs. 433.15 lacs pertaining to Holding Company (Prev Year NIL) for the Assessment year 2007-08 on account of partial disallowance of deduction claimed under section 80IA disputing the transfer pricing of Power captively consumed by other divisions of Holding Company, pending with CIT Appeal. This issue has already been decided in favour of the Holding Company by the Income Tax Appellate Tribunal for earlier Assessment years.

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

3. **Deferred Tax**

The Group has estimated the deferred tax charge using the applicable rate of taxation and the same has been charged to Profit & Loss Account. Accordingly Deferred tax liability (Net) of Rs. 2865.34 lacs is disclosed under separate heading in the Balance Sheet as given below:

(Rs.in Lacs)

Particulars	Deferred tax liability / (asset) as at 01.04.2009	Charges / (Credit) during the year	Deferred tax liability / (asset) as at 31.03.2010
On account of Time difference:			
Depreciation	3111.17	(90.34)	3020.83
Excise Duty on closing stock	75.62	34.28	109.90
Liability of Leave Salary	(13.92)	(17.46)	(31.38)
Liability of Amalgamation Exp	(26.12)	9.34	(16.78)
Asset of Electricity Duty	(316.80)	99.57	(217.23)
	2829.95	35.39	2865.34

4. **Related Party Disclosure**

I) **Names of related parties and description of relationship:**

S.No.	Description of Relationship	Names of Related Parties
1	Related Enterprises where significant influence exist	Prachi Agriculture & Properties Private Limited Sarda Agriculture & Properties Private Limited R.R. Sarda & Company
2	Key Management Personnel	Mr. Kamal Kishore Sarda Mr. Gopal Krishna Chhanghani Mr. Pankaj Sarda Mr. Ghanshyam Das Mundra
3	Relative of Key Management Personnel	Mrs. Shakuntala Devi Sarda Mrs. Uma Sarda

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

Particulars	Related Enterprises	Key Management Personnel	Relatives of Key Management Personnel
Sale of Goods	-- (0.04)		
Share Application Money Refunded		9.00 (--)	15.00 (--)
Remuneration		267.67 (364.06)	
Rent Paid	9.60 (8.40)		9.36 (2.16)
Outstanding as on 31.03.2010 Receivable			-- (0.05)
Payable	2.12 (0.60)		0.03 (--)

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

5. **Earning Per Share**

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
Net Profit (Rs. in lacs)	14,421.06	13,246.06
Nominal Value of Equity Shares (Rs.)	10/-	10/-
Weighted average number of Equity Shares for Basic EPS	34045109	34045109
Basic Earnings per Share (Rs.)	42.36	38.90
Weighted average number of Equity Shares for Diluted EPS	34045109	34045109
Diluted Earnings per share (Rs.)	42.36	38.90

6. **Provision for Contingencies - NIL**

7. **Segment Reporting**

Segment information has been prepared in confirmity with the accounting policies adopted for preparing and presenting the financial statements of the company. As part of secondary reporting, the company has no geographical segment by location.

A) **Business Segment Primary**

(Rs. in lacs)

Particulars	2009-2010			2008-2009		
	Steel	Ferro	Total	Steel	Ferro	Total
Revenue						
Sales & other income	27,896.66	19,958.65	47,855.31	39,821.71	51,317.83	91,139.54
Inter segment sales	-	45.88	45.88	-	701.54	701.54
Others Unallocated			12,720.74	-		4,105.10
Total Revenue	27,896.66	20,004.53	60,621.93	39,821.71	52,019.37	95,946.18
Result						
Segment Result	1,047.95	4,721.97	5,769.92	9,256.72	13,215.66	22,472.38
Miscellaneous Income			7,306.65			1,066.26
Unallocated Corporate Expenses			(1,468.92)			3,659.79
Operating Profit			**11,607.65**			**19,878.85**
Interest & Forex Fluctuation Loss (Net)			4,270.70			4,950.41
Profit Before Tax & Extraordinary Item			**15,878.35**			**14,928.31**
Add: Extra Ordinary Item			-			(9.25)

Schedule 'A' to 'Q'

annexed to and forming part of the Consolidated Balance Sheet and Profit & Loss Account (contd..)

Schedule "Q": Accounting policies and notes to accounts (contd..)

(Rs. in lacs)

Particulars	2009-2010			2008-2009		
	Steel	Ferro	Total	Steel	Ferro	Total
Provision for taxation						
For Current Year			(1,411.07)			(1,680.00)
For Deffered Taxation			(35.39)			(884.52)
For Fringe Benefit Tax			-			(23.25)
Income Tax for Earlier years			5.63			(7.30)
Profit After Taxation			14,437.53			12,323.99
Other Information						
Segment Assets	58,029.82	58,616.35	116,646.17	54,735.10	51,023.23	105,758.33
Unallocated Assets			26,165.32			7,333.46
Total Assets			**142,811.49**			**113,091.79**
Segment Liabilities	(15,413.05)	(10,456.41)	(25,869.46)	7,528.21	4,101.02	11,629.23
Unallocated Liabilities			102,354.16			50,130.49
Total Liabilities			**76,484.70**			**61,759.72**
Capital Expenditure	5,906.92	459.17	6,366.09	8,846.55	1,558.60	10,405.15
Depreciation / Amortisation	1,586.20	534.42	2,120.62	1,358.28	478.27	1,836.55
Unallocated Capital Exp. & Depreciation			15,380.31			17,745.89
Non-cash Expenditure other than depreciation /(amortisation)			NIL			NIL

8. Previous year figures are shown in bracket and have been recast / regrouped / restated wherever necessary to make them comparable.

SIGNATURE TO SCHEDULE "A" TO "Q"

As per our report of even date attached
For M.M.Jain & Associate
Chartered Accountants

(M.M Jain)
Partner
Membership No. 5727
Nagpur
Dated : 11th May 2010

For and on behalf of the board

(K. K Sarda)
Chairman & Managing Director

(G. K. Chhanghani)
Executive Director

(P. K. Jain)
CFO & Company Secretary

Raipur
Dated: 11th May 2010

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. K. K. Sarda	Chairman & Managing Director
Mr. G. K. Chhanghani	Executive Director
Mr. Pankaj Sarda	Wholetime Director
Mr. G. D. Mundra	Wholetime Director
Mr. P. R. Tripathi	
Mr. Rakesh Mehra	
Mr. A. K. Basu	
Mr. G. S. Sahni	
Mr. C. K. Lakshminarayanan	
Mr. J. Balakrishnan	

CHIEF FINANCIAL OFFICER cum COMPANY SECRETARY

Mr. P. K. Jain

AUDITORS

M.M. Jain & Associate
Chartered Accountants
Shreemohini, Kingsway, Nagpur

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Bank of Baroda
UCO Bank
Axis Bank Ltd.

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