

58th
Annual Report
2011 - 2012



The Sandur Manganese & Iron Ores Limited



The Sandur Manganese & Iron Ores Limited

ANNUAL REPORT 2011 - 12

DIRECTORS

S. Y. Ghorpade, Chairman & Managing Director
Nazim Sheikh, Joint Managing Director
S. H. Mohan, Technical Director
Syed Abdul Aleem, Director
M. S. Rama Rao, Director
S. R. Sridhar, Director (Mines)
N. Viswanathan, Director
R. Subramanian, Director
V. Balasubramanian, Director
P. Vishwanatha Shetty, Director
U. R. Acharya, Director (Commercial)
K. Raman, Director (Finance)

COMPANY SECRETARY & COMPLIANCE OFFICER

Md. Abdul Saleem

CHIEF FINANCE OFFICER

K. Raman, Director (Finance)

AUDITORS

M/s. Deloitte Haskins & Sells
Bangalore

BANKER

State Bank of Mysore

AUDIT COMMITTEE

R. Subramanian, Chairman
Syed Abdul Aleem, Member
M. S. Rama Rao, Member
N. Viswanathan, Member

REMUNERATION COMMITTEE

P. Vishwanatha Shetty, Chairman
Syed Abdul Aleem, Member
M. S. Rama Rao, Member
N. Viswanathan, Member
R. Subramanian, Member
V. Balasubramanian, Member

INVESTORS' GRIEVANCE & SHARE TRANSFER COMMITTEE

Syed Abdul Aleem, Chairman
S. Y. Ghorpade, Member
Nazim Sheikh, Member
M. S. Rama Rao, Member

SHARE TRANSFER AGENT

Venture Capital & Corporate
Investments Private Limited
Hyderabad

REGISTERED OFFICE:
LAKSHMIPUR, SANDUR - 583 119
BELLARY DIST., KARNATAKA



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The Sandur Manganese & Iron Ores Limited

Regd. Office: Lakshmipur, Sandur - 583 119, Bellary District, Karnataka

NOTICE

Notice is hereby given that the Fifty-Eighth Annual General Meeting of the Members of the Company will be held on Saturday the 8th day of September 2012 at 11.00 A.M. at Anuradha Hall, Shivapur, Sandur - 583 119, to transact, with or without modifications, as may be permissible, the following business:

ORDINARY BUSINESS

1. To consider, approve and adopt Audited Balance Sheet of the Company as at 31 March 2012 and Statement of Profit & Loss for the year ended on that date, together with the reports of the Auditors and the Directors' thereon.
2. To appoint a director in place of S. H. Mohan, who retires by rotation as director, and being eligible, offers himself for re-election.
3. To appoint a director in place of N. Viswanathan, who retires by rotation as director, and being eligible, offers himself for re-election.
4. To appoint a director in place of R. Subramanian, who retires by rotation as director, and being eligible, offers himself for re-election.
5. To re-appoint M/s. Deloitte Haskins & Sells, Chartered Accountants, Bangalore (ICAI Registration No.008072S), as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. IN ORDER TO BE EFFECTIVE THE PROXIES SHOULD BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN **48 HOURS** BEFORE THE MEETING.
2. Pursuant to clause 49[IV(G)(i)] of the Listing Agreements with the Stock Exchanges brief particulars of directors who are proposed to be re-appointed are provided herein.
3. Pursuant to the provisions of Section 154 of the Companies Act, 1956 and Clause 16 of the Listing Agreements with Stock Exchanges, the Register of Members and Share Transfer Books of the Company will be closed from **Saturday, 1 September 2012 to Saturday, 8 September 2012 (both days inclusive)**.
4. Members are requested to quote their Folio Number / Client ID, in all correspondence and intimate any change in their address to the Share Transfer Agent / Depository Participant promptly. **Members are also advised to update their email address with Share Transfer Agent / Depository Participant to enable the Company send Annual Reports through email.**
5. The dividends as detailed below, if remaining unclaimed for 7 years from the date of declaration, are required to be transferred by the Company to Investor Education and Protection Fund (IEPF) and the relevant due dates for transfer of such amounts are as under:

Financial Year	Unclaimed Dividend as on 20 May 2012 (in ₹)	Date of declaration	Due date for transfer to IEPF
2008-09 (Interim dividend)	1,33,480.50	29 January 2009	28 February 2016
2008-09 (Final dividend)	1,41,580.50	25 September 2009	24 October 2016
2009-10	1,56,510	29 September 2010	28 October 2017
2010-11	2,95,400	10 September 2011	09 October 2018



6. 51,413 16% 'B' series Redeemable Preference Shares of ₹100/- each were redeemed at par with accrued dividend on 28 April 2008. As on 20 May 2012, the balance in the No Lien Account opened for the purpose of the said redemption was ₹1,76,661/-. The unclaimed amount, if any, is due to be transferred to IEPF on 27 May 2015.

By order of the Board
for The Sandur Manganese & Iron Ores Limited

Place : Bangalore
Date : 26 May 2012

Md. Abdul Saleem
Company Secretary

PARTICULARS OF DIRECTORS PROPOSED TO BE RE-APPOINTED

(Pursuant to clause 49[IV(G)(i)] of the Listing Agreements with the Stock Exchanges)

ITEM No. 2

S. H. Mohan, a post graduate in mechanical engineering joined the Company in 1970 as Executive Trainee and held several important positions including those of Manager (Materials), General Manager (Plant), Senior General Manager (Plant), etc. He was co-opted on the Board as Technical Director with effect from 31 January 2001.

He has rich and varied experience in functional areas such as materials management, commercial management, finance, personnel management, administration and general management.

He is a director on the Board of Skand Private Limited and has been nominated as whole-time director on the Board of subsidiary Company, Star Metalics and Power Private Limited (SMPPL) with effect from 6 November 2008. He played a key role in setting up the 32MW thermal power plant of SMPPL and is expected to play a similar role in setting up another 32MW thermal power plant.

He is holding 1,250 equity shares of the Company.

ITEM No. 3

N. Viswanathan is a retired I.A.S. officer who held the position of Additional Chief Secretary & Development Commissioner, Government of Karnataka (GoK) before his retirement from the Indian Administrative Service on 30 June 2002.

He is a post graduate in commerce and during his 36 years in the Indian Administrative Service has held various important positions, including Assistant Commissioner, Kundapura Sub-Division (1968-1970), Deputy Commissioner, Bellary District (1970-1972), Deputy Secretary, Ministry of Defence, Govt. of India (1975-1979), Commissioner of Industrial Development & Director of Industries & Commerce (1981-1985), Vice Chairman & Managing Director, KSRTC (1985-1987), Chairman & Managing Director, Vikranth Tyres, Mysore (1987-1990), Principal Secretary to the Chief Minister, Govt. of Karnataka (GoK) (1990-1992), Principal Secretary, Information, Tourism & Youth Services, GoK (1992 -1995), Principal Secretary, Commerce & Industries Department, GoK (1995 - 1999).

He has been holding directorships on the Board of Vishwas Organic Technologies Private Limited since 6 August 2004, IMS Global Private Limited since 22 June 2006 and TVS Energy Limited since 22 September 2010. He is the Chairman of Vishwas Organic Technologies Private Limited and member of Audit Committee at TVS Energy Limited

To utilize his vast experience and knowledge for the progress of the Company, he was co-opted as a Director on the Board of the Company on 28 May 2009 and was appointed as a member of the Audit Committee and Remuneration Committee.

He does not hold any shares of the Company.



ITEM No. 4

R. Subramanian, founder-partner of R. Subramanian and Company, Chartered Accountants is a first class commerce graduate, fellow member of Institute of Chartered Accountants of India (ICAI), associate member of Institute of Cost and Works Accountants of India (ICWAI), Institute of Company Secretaries of India (ICSI) and Institute of Chartered Secretaries (ICS), London. He is also a recipient of gold medal in management accountancy of ICAI. He has held senior positions in finance departments of large industrial enterprises. He has presented research papers in various domestic and international professional conferences / seminars and is an active member of committees of Chamber of Commerce. He is also a nominated Member of Company Law Advisory Committee, Government of India.

The rich experience of R. Subramanian in finance and allied fields would greatly benefit the Company.

Mr. R.Subramanian is the President of Hindustan Chamber of Commerce. He has been on Board of VST Tillers Tractors Limited since 12 October 1990 and Lotus Eye Care Hospital Limited since 29 September 2009. He is also the Chairman of the Audit Committees at both VST Tillers Tractors Limited and Lotus Eye Care Hospital Limited.

He was co-opted as a Director on the Board of the Company on 28 May 2009 and is the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company.

He is holding 100 equity shares of the company.

By order of the Board
for The Sandur Manganese & Iron Ores Limited

Place : Bangalore
Date : 26 May 2012

Md. Abdul Saleem
Company Secretary



REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2012

The Directors are pleased to present their Report and Audited Statement of Accounts for the year ended 31 March 2012:

FINANCIAL RESULTS

Sl.	Particulars	Current Year ₹ lakh	Previous Year ₹ lakh
a)	Net Sales / Income	18,064.37	34,859.54
b)	Other Income	1,278.25	973.43
	Total	19,342.62	35,832.97
c)	Expenditure		
	(i) Variable	9,247.79	14,009.98
	(ii) Fixed	6,327.36	6,922.90
	(iii) Depreciation / Amortization	1,105.01	1,066.28
	(iv) Interest	0.53	202.97
	Total	16,680.69	22,202.13
d)	Profit before taxes	2,661.93	13,630.84
e)	Less: i) Current Tax	1,400.00	5,800.00
	ii) Deferred Tax	(572.00)	(1,393.00)
	iii) Earlier years	985.00	55.00
f)	Net Profit	848.93	9,168.84
g)	Add: Balance brought forward from the previous year	24,703.45	16,960.08
h)	Profit before appropriation	25,552.38	26,128.92
i)	Less: Appropriations:		
	(i) Dividend on equity shares	-	437.50
	(ii) Tax on dividend	-	70.97
	(iii) Transfer to General Reserve	-	917.00
	Total	-	1,425.47
j)	Profit carried to Balance Sheet	25,552.38	24,703.45

The Company earned profit before tax of ₹2,661.93 lakh after charging ₹1,105.01 lakh towards depreciation on fixed assets and amortization of mining lease rights and ₹0.53 lakh towards interest.

After taking into account charging off income tax of ₹1,400.00 lakh for current year and ₹985.00 lakh for earlier years, deferred tax credit of (₹572.00 lakh), the profit for the current year of ₹848.93 lakh along with brought forward profits of ₹24,703.45 lakh aggregating to ₹25,552.38 lakh is carried to the Balance Sheet.



OPERATIONS

	Current Year (Tonnes)	Previous Year (Tonnes)
Manganese Ore:		
Production	81,594	2,60,779
Salvaged from dumps	6,920	40,498
Sales	65,320	2,40,675
Iron Ore:		
Production	2,99,203	15,78,230
Sales	5,14,791	11,07,680

Operations of the Company were restricted to just about four months during the year under consideration due to suspension of mining operations and transportation in the district of Bellary by the Hon'ble Supreme Court vide its order dated 29 July 2011. Thus, production of both iron ore and manganese ore was restricted to 2,99,203 and 81,594 tonnes respectively as against the 15,78,230 and 2,60,779 tonnes produced during the previous year. 6,920 tonnes of manganese ore was salvaged from old waste dumps. 5,14,791 tonnes of manganese ore and 2,40,675 tonnes of iron ore were sold and export constituted about 2.46% of revenue and sales volume.

SUSPENSION OF MINING OPERATIONS DUE TO GENERAL ORDERS PASSED BY THE HON'BLE SUPREME COURT OF INDIA

The Hon'ble Supreme Court of India has, while dealing with the Public Interest Litigation filed by Samaj Parivartana Samudaya in the form of a Writ Petition (WP) Civil (C) No.562/2009 with regard to rampant illegal mining being carried in the States of Andhra Pradesh and Karnataka expressed its concern towards the degradation of environment due to excessive mining. Invoking the provisions of Article 21 of the Constitution of India the Hon'ble Supreme Court, vide its order dated 29 July 2011, suspended all mining operations in the Bellary district of Karnataka State, including the operations of the Company. This order of the Hon'ble Supreme Court was later extended to the districts of Chitradurga and Tumkur on 26 August 2011.

The Company, in order to protect its interests, impleaded itself by filing Interlocutory Application (I.A. No.7) in WP (C) No.562 of 2009 before the Hon'ble Supreme Court and represented the matter. The Joint Team, constituted by the Hon'ble Supreme Court to verify the illegalities in conduct of mining operations in the districts of Bellary, Chitradurga and Tumkur, has conducted survey of all the mining leases including the Company's mining leases and made the following observations, pertaining to the Company, in its Record of Proceedings dated 10 November 2011:

- (a) *The Joint Team has not found any illegality vis-à-vis the sanctioned lease boundaries;*
- (b) *The owners of the lessee company have voluntarily handed over more than 2,000 hectares of forest land owned by them to the State Government and which has no parallel in the State;*
- (c) *The lessee company has an excellent track record of undertaking mining operations in accordance with the law.*

With completion of survey of all mining leases in the districts of Bellary, Tumkur and Chitradurga by the Joint Team, the CEC filed its Report (Final) dated 3 February 2012 to the Hon'ble Supreme Court wherein it has classified all the mining leases in three categories i.e., Category 'A', 'B' and 'C'. Mining Leases with either no illegality or marginal illegality i.e., encroachment by way of pits up to 5% of the sanctioned mining lease area or encroachment by way of dumps up to 10% have been classified in Category 'A'. Mining Leases having encroachment by way of pits up to 10% or encroachment by way of dumps up to 15% have been classified in Category 'B' and the Mining Leases having encroachment by way of pits exceeding 10% or encroachment by way of dumps exceeding 15% have been classified in Category 'C'. Company's both the mining leases are in Category 'A'.



Considering the recommendations of the CEC, the Hon'ble Supreme Court has vide its order dated 20 April 2012 permitted mining leases under Category 'A' to resume their operations subject to (a) Approval of Rehabilitation & Reclamation (R&R) Plan by CEC (b) Mining Lessee providing an undertaking to implement the R&R Plan (c) Demarcation of boundaries as per the findings of the Joint Team and as modified by CEC, if any; and (d) Mining Lessee having all approvals like Environmental Clearance (EC), Forest Clearance (FC), Approved Mining Plan and Consent to Operate.

Since Company's mining leases are in Category 'A', in compliance with the directions of the Hon'ble Supreme Court, the Company has submitted the requisite inputs to Federation of Indian Mineral Industries (FIMI) for preparation of R&R Plan and submission to Indian Council for Forestry Research & Education (ICFRE) who have been entrusted with the responsibility of preparing the R&R Plans in accordance with the guidelines prescribed by CEC, which have been approved by the Hon'ble Supreme Court vide its order dated 13 April 2012. FIMI is expected to submit the R&R Plan to ICFRE shortly. The order for resumption of operations has come as a big relief to the Company since it has been maintaining its large workforce by paying full salary without lay-off or retrenchment of any of its employees.

In the meanwhile the Hon'ble Supreme Court vide its order dated 2 September 2011 constituted a Monitoring Committee and directed for sale of existing stock of iron ore through e-auction. Thereafter considering the Affidavit filed by the Company in its Interlocutory Application (IA) No.7 in Writ Petition (WP) Civil (C) No.562/2009, the Hon'ble Supreme Court has vide its order dated 4 May 2012 permitted the manganese ore mined by the Company in its both the mining leases to be sold through e-auction but supply of manganese ore for captive consumption and to the subsidiary companies has been exempted from e-auction.

FUTURE PROSPECTS

In the 57th Annual Report for the year 2010-11, the Company informed its shareholders' about the in-principle approvals accorded by the Government of Karnataka (GoK) for the Company to set up an iron ore beneficiation plant at Vyasankere at a cost of about ₹165 crore, a ₹2.5 lakh TPA mini integrated special alloy steel plant at Vyasankere with an investment of about ₹500 crore, and 4.2km long ropeway costing about ₹30 crore.

In addition to the above proposals, the Company proposed to set up a plant to manufacture 1.1 lakh TPA steel powder at Vyasankere at an estimated project cost of about ₹200 crore which can provide employment to about 50 persons. This project is proposed to be implemented in association with a foreign technological partner who is expected to contribute 70% of the cost and the balance is proposed to be contributed by the Company.

Further, the Company has obtained approval of the GoK for increasing the capacity of the proposed integrated special alloy steel plant from ₹2.5 lakh TPA to ₹3.5 lakh TPA. The project is now estimated to cost about ₹731 crore and will generate employment opportunities for 678 persons.

DIVIDEND

The Board has not recommended any dividend for the financial year ended 31 March 2012 in view of the suspension of mining operations with effect from 29 July 2011 as per the general order of the Hon'ble Supreme Court and Company's need for capital investments in the proposed projects which the Company intends to finance through internal accruals to the maximum extent possible.

INVESTMENTS

During the financial year under review, Star Metalics and Power Private Limited (SMPPL) allotted ₹427.40 lakh fully paid up equity shares of ₹10/- each at a premium of ₹10/- per share. With this allotment the Company holds 7.524 crore equity shares constituting 81.24% of SMPPL's paid up equity share capital.



SUBSIDIARY

SMPPL's 32 MW captive thermal power plant situated at Vysanakere, Near Hospet in Bellary District, which commenced its commercial generation on 9 January 2011, has achieved stabilisation in its power plant operations. Apart from captively using the power for its ferroalloy operations, the surplus power is being sold in the market. A statement pursuant to Section 212(1)(e) of the Companies Act, 1956 has been annexed and is forming part of this report.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements, the audited Consolidated Financial Statements are provided in the Annual Report.

CHAIRMAN EMERITUS

M. Y. Ghorpade, Chairman Emeritus of the Company breathed his last on 29 October 2011. He was closely associated with the Company ever since its establishment in 1954 and has made significant contributions in nurturing and developing it into one of the finest professionally managed mining and metallurgical company of India. He used to freely mix and mingle with the labour and took pains in understanding their work conditions and their requirements, resulting in the Company developing and implementing well designed welfare measures for employees, especially the almost interest free housing loan, subsidized ration supply which resulted in 100% food security and free cloth supply, which have been highly appreciated and also resulted in a very low attrition in employment; and it is a matter of pride that the present work force of the Company includes some second and third generation of the first employees.

M. Y. Ghorpade stood by his ideals and principles, whether it be as a Minister of the Karnataka State or the Managing Director of SMIORE. Under his stewardship, his nobility, concern for the employees, high standard of ethics in business, and adherence and compliance of rules and law, have earned SMIORE a much deserved reputation of being a business house of high ethical standards and; the Joint Team appointed by the Hon'ble Supreme Court and the Central Empowered Committee (CEC) constituted by the Hon'ble Supreme Court which were entrusted with the responsibility of investigating illegalities in mining, state in their Record of Proceedings dated 10 November 2011 that:

- (a) *The Joint Team has not found any illegality vis-à-vis the sanctioned lease boundaries;*
- (b) *The owners of the lessee company have voluntarily handed over more than 2,000 hectares of forest land owned by them to the State Government and which has no parallel in the State;*
- (c) *The lessee company has an excellent track record of undertaking mining operations in accordance with the law.*

M. Y. Ghorpade and SMIORE have been synonymous and earned great amount of goodwill due to the steadfastly implemented philosophy of emphasis on welfare of its employees, development of the local area and its people and special concern for health and education. M. Y. Ghorpade's message to the Company before he breathed his last was **'what is earned from the soil of Sandur in one form or the other should be primarily used to benefit Sandur'**.

The Company could sail through the very difficult times for almost ten years from 1996-97 till 2006-07 and honorably survive only because of its impeccable track record of honesty, ethical business practices, M. Y. Ghorpade's value system, his stature as a principled and honest man and the goodwill he and SMIORE earned in every quarter, be it the banks, institutions, government offices or general public. SMIORE was eventually discharged from BIFR in January 2007; all its liabilities cleared and is now a debt free Company.

The Board of Directors has pledged that the Company will abide by the noble values of M. Y. Ghorpade and uphold them even at any distressful time of the Company in future and will strive hard to keep up the legacy it has inherited from the Patron. They have expressed that they are well determined to adhere to the values and



principles of M. Y. Ghorpade and strive to achieve the goals set by him, as detailed in his address to the Board in the form of an informal 'WILL' which he had read out and declared to the Board at its 282nd meeting held on 9 April 2011.

DIRECTORS

S. H. Mohan, N. Viswanathan and R. Subramanian are liable to retire by rotation and, being eligible, offer themselves for re-election.

None of the directors of the Company are disqualified from being appointed as directors as specified under Section 274 of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, your directors state that:

- In the preparation of accounts, the applicable accounting standards have been followed.
- Accounting policies selected were applied consistently.
- Reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of affairs of the Company as at the end of 31 March 2012 and of the profit for the year ended on that date.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
- The annual accounts of the Company have been prepared on a going concern basis.

AUDITORS

M/s. Deloitte Haskins & Sells, Chartered Accountants, retire at the conclusion of this Annual General Meeting and, being eligible, offer themselves for re-appointment.

CORPORATE GOVERNANCE

The Directors' Report on Corporate Governance is annexed to this report. The certificate of the Auditors, M/s Deloitte Haskins & Sells, Chartered Accountants, regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreements with the Stock Exchanges is also annexed.

Further, Ministry of Corporate Affairs has introduced Corporate Governance Voluntary Guidelines, 2009 for voluntary adoption by the corporate sector. It has been observed by the Board that various practices of the Company are similar to the procedures / provisions prescribed in the said Guidelines.

AUDITORS' REPORT

Auditors' Report on the financial statements of the Company is forming part of this Annual Report and there are no qualifications in the said report.

CORPORATE SOCIAL RESPONSIBILITY

The Company has been, for close to six decades, consciously contributing towards Corporate, Social and Environmental improvement.



In the past five years (2006-07 to 2010-11) alone, the Company had spent about ₹38.67 crore in the form of contributions to community health centres, tree plantation, compensation to farmers, de-silting of tanks, construction of houses for flood affected victims, construction of roads, construction of community centres, temples, masjids and churches, mid-day meal schemes for school children, contributions to Government of Karnataka's 'Bellary Agenda Task Force' for development of roads in Bellary district, etc.

In view of the Voluntary Guidelines on Corporate Social Responsibility issued by the Ministry of Corporate Affairs in December 2009 for voluntary adoption by the corporate sector to be socially, environmentally and ethically responsible in governance of operations and also to add value to the operations while contributing towards the long term sustainability of business, the Board of Directors has further strengthened its resolve to be socially responsible in the years to come and apart from proposing to contribute about ₹37.50 crore for construction of 17 roads, has committed to adopt the Sandur Town and take up all internal roads, drains and public toilets (with water) facilities, and complete the same over the next three years.

Various initiatives taken by the company towards CSR are enumerated below:

- The Company directly and indirectly supports three schools at the mines, four schools at Vyasankere (where it proposes to set up the new projects) and six schools and colleges in and around Sandur. The institutions have been catering to the educational needs of employees' children as well as the children of Sandur and surrounding villages.
- Under Akshaya Patra programme, Company provides free mid-day meals to children studying in some of the aforesaid schools and two government schools at Sandur.
- The Company's Community Health Centre namely "Arogya" at Sandur, meets the medical requirements of employees free of cost and at very affordable and actual cost to the general public of Sandur and other adjacent villages. In association with Vittala of Bangalore, Arogya provides specialized eye care facility. Further, in association with Bhagwan Mahaveer Jain Hospital, camps were organized for cancer detection, diabetes, orthopedic and women & child care.
- The Company's welfare organisation called Sandur Kushala Kala Kendra was established for nurturing and development of traditional handicrafts, upliftment and gainful employment of rural artisans.
- The Company continues to provide a package of essential food grains, to suffice needs of a family of about five persons per month at 1972 prices, to all its employees and workmen, including temporary workmen.
- The company has constructed 762 houses at a total cost of ₹12.53 crore for the victims in flood affected regions of the State. Further, the Company has undertaken construction / development of roads in Sandur region by spending about ₹6.35 crore and would be required to additionally contribute about ₹11.23 crore.
- The Company has already planted millions of trees and continues to do so.

SECRETARIAL AUDIT

The Company has not undergone secretarial audit per se but while obtaining certification for filing Annual Return with the Ministry of Corporate Affairs in compliance with the provisions of Section 154 of the Companies Act, 1956, a practicing company secretary has undertaken a review of all the requisite secretarial compliances. Further, in accordance with Regulation 55A of SEBI (Depositories and Participants) Regulations, 1996 and Securities and Exchange Board of India (SEBI) Circular No. D&CC/FITTC/CIR-16/2002 and SEBI/MRD/Policy/Cir-13/2004 and CIR/NRD/DP/30/2010 dated 31 December 2002, 3 March 2004 and dated 6 September 2010 respectively, the Company has subjected itself to Reconciliation of Share Capital Audit for all the quarters during the financial year under review and certificates issued by a Company Secretary in Practice in this regard were submitted to Stock Exchanges in compliance with the requirements of the said circulars and copies placed before the Board of Directors at the subsequent meetings.



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

Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 is not applicable since the Company does not have any manufacturing activities. However the particulars relating to conservation of energy and technology absorption at the Metal and Ferroalloys plant which forms part of the subsidiary's Directors' Report, have been included in the Annual Report.

The particulars regarding expenditure and earnings in foreign exchange appear as items No.29 and 31 respectively in the Notes.

EMPLOYEES

Pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended vide Notification No.GSR 289(E) dated 31 March 2011, the names and other particulars are set out in the Annexure to the Directors' Report.

ACKNOWLEDGEMENTS

The directors wish to thank the Central and State Governments for the support extended during the financial year to the Company.

The directors wish to place on record their appreciation for the confidence reposed on the Company, by its promoters, business associates, employees and investors, despite the blanket ban on mining industry. This confidence has served as a repertoire of strength and has come a long way in helping the Company sail through the tough time.

for and on behalf of the Board

Place : Bangalore
Date : 26 May 2012

S. Y. Ghorpade
Chairman & Managing Director

ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31 March 2012

Sl. No.	Name	Age (years)	Designation	Gross remuneration (₹ Lakh)	Qualification	Experience (years)	Date of joining	Previous Employment
1	S.Y. Ghorpade	71	Chairman & Managing Director	76.75	Professional degree of Metallurgical Engineering from Colorado School of Mines, USA	46	1 Aug 1966	Tata Engineering and Locomotive Company (TELCO)
2	Nazim Sheikh	58	Joint Managing Director	70.11	B.E. (Metallurgy)	36	2 Aug 1976	NIL
3	S. H. Mohan	64	Technical Director	69.51	M. Tech (Mechanical)	42	7 Sept 1970 / 15 Nov 1989	Ispat Profiles India Limited, Pune (1986 - 1989)



REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE FOR THE YEAR 2011-12

1. Company's philosophy on code of governance

The Company believes that corporate governance is directing and controlling the business with the overriding objective of optimizing return for the shareholders. The Company aims to achieve this by providing long-term visibility of its business, ensuring effective relationship with stakeholders, establishing systems that help the Board in understanding risk appetite and monitoring risk at every stage of corporate evolution process.

The Company further believes in values such as fairness, kindness, efficiency, transparency, accountability and integrity in Corporate Governance.

2. Board of Directors

● **Composition and category of Directors**

As on 31 March 2012, the Board comprises of twelve members, of whom six are whole-time directors, viz., Chairman & Managing Director, Joint Managing Director, Technical Director, Director (Mines), Director (Commercial) and Director (Finance) and the remaining six are independent non-executive directors. Chairman & Managing Director is one of the promoters of the Company. All the directors are highly qualified, professional and have vast experience in industry.

● **The particulars of directors, their attendance at Board meetings during the financial year and at the last annual general meeting are as under :**

Name of Directors	Category / Designation	Attendance	
		Board meetings	Last AGM
S. Y. Ghorpade	Chairman & Managing Director	5	Yes
Nazim Sheikh*	Joint Managing Director	5	Yes
S. H. Mohan	Technical Director	5	Yes
Syed Abdul Aleem	Non-Executive & Independent	5	No
M. S. Rama Rao	Non-Executive & Independent	4	Yes
S. R. Sridhar	Director (Mines)	4	Yes
N. Viswanathan	Non-Executive & Independent	5	No
R. Subramanian	Non-Executive & Independent	5	Yes
V. Balasubramanian	Non-Executive & Independent	5	Yes
P. Vishwanatha Shetty	Non-Executive & Independent	5	No
U. R. Acharya#	Director (Commercial)	5	Yes
K. Raman@	Director (Finance)	5	Yes

* re-designated as Joint Managing Director with effect from 9 April 2011

appointed as Director (Commercial) with effect from 9 April 2011

@ appointed as Director (Finance) with effect from 9 April 2011



- **Number of directorships and committee memberships held by the directors in domestic public companies as at 31 March 2012 are as indicated below:**

Name of Directors	Directorships (Excluding this Company)	Committee Memberships (Excluding this Company)	
		As Chairman	As Member
S. Y. Ghorpade	-	-	-
Nazim Sheikh	-	-	-
S. H. Mohan	-	-	-
Syed Abdul Aleem	-	-	-
M. S. Rama Rao	-	-	-
S. R. Sridhar	1	-	-
N. Viswanathan	1	-	1
R. Subramanian	2	2	-
V. Balasubramanian	4	-	3
P. Vishwanatha Shetty	-	-	-
U. R. Acharya	1	-	1
K. Raman	2	1	1

- **Board meetings**

Meetings of the Board of Directors are generally held at the Company's Corporate Office in Bangalore and are scheduled well in advance. The Board meetings are held at least once in a quarter to review the quarterly performance and the financial results apart from transacting other items of business requiring the Board's attention. The Company Secretary in consultation with the Chairman & Managing Director and the Joint Managing Director prepares agenda for the meetings. The Board papers are circulated to directors in advance. Senior management personnel are invited to attend the Board meetings and provide clarifications as and when required.

The Company has an Executive Chairman and half of the Board comprise of independent directors. The Company had no pecuniary relationship or transactions with any of the non-executive directors during the year under review.

The information as required under Annexure 1A to Clause 49 of the listing agreements is being regularly placed before the Board. The Board also reviews the declaration made by the Chairman & Managing Director and the Company Secretary regarding compliance with all laws applicable to the Company on a quarterly basis.

The Board of Directors met five times during the financial year on 9 April 2011, 28 May 2011, 6 August 2011, 12 November 2011 and 28 January 2012. The interval between any two successive meetings did not exceed four months.



3. Audit Committee

- ***Powers of the Audit Committee:***

- a) to investigate any activity within its terms of reference;
- b) to seek information from any employee;
- c) to obtain outside legal or other professional advice; and
- d) to secure attendance of outsiders with relevant expertise, if it considers necessary.

- ***Terms of reference of the Audit Committee:***

- a) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- b) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- c) Reviewing with the management the annual financial statements before submission to the Board, focusing primarily on:
 - any changes in accounting policies and practices
 - major accounting entries based on exercise of judgement by management
 - qualifications in draft audit report
 - significant adjustments arising out of audit
 - going concern assumption
 - compliance with accounting standards
 - compliance with stock exchange and legal requirements concerning financial statements
 - any related party transactions i.e., transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large
- d) Reviewing with the management matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
- e) Reviewing with the management and external and internal auditors, the adequacy of internal control systems.
- f) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- g) Discussion with internal auditors of any significant findings and follow up thereon.
- h) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- i) Discussion with external auditors before the audit commences of the nature and scope of audit as well as having post-audit discussion to ascertain any area of concern.
- j) Reviewing the Company's financial and risk management policies.



- k) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- l) Reviewing Management Discussion and Analysis of financial condition and results of operations.
- m) Reviewing with the management, the quarterly financial statements before submission to the Board for approval.

Composition, names of the members and their attendance at meetings during the financial year are as under:

Name	Designation	Category	No. of meetings attended
R. Subramanian	Chairman	Non-Executive & Independent	4
Syed Abdul Aleem	Member	Non-Executive & Independent	4
M. S. Rama Rao	Member	Non-Executive & Independent	3
N. Viswanathan	Member	Non-Executive & Independent	4

The Company Secretary acts as Secretary to the Committee.

The meetings are scheduled well in advance and the whole-time directors and senior management personnel of the Company, the statutory auditors and internal auditors are invited to attend the meetings.

The Audit Committee members are financially literate and have relevant finance and/or audit exposure. R. Subramanian, a financial expert, is the Chairman of the Committee. The Chairman of the Audit Committee was present at the Annual General Meeting to answer the queries of the shareholders.

- **Meetings held during the year 2011-12:**

The Audit Committee met four times during the financial year on 28 May 2011, 6 August 2011, 12 November 2011 and 28 January 2012. The interval between any two successive meetings did not exceed four months. The quorum as required under clause 49(II)(B) was maintained at all the meetings.

4. Remuneration Committee

- **Brief description of terms of reference:**

Remuneration Committee was constituted in April 2002 to consider and recommend to the Board, appointment, re-appointment and remuneration payable to whole-time directors.

- **Composition, names of members and Chairman and their attendance:**

Remuneration Committee was constituted in April 2002. The Committee was reconstituted at the Board Meeting held on 12 February 2011. As on 31 March 2012, the Committee consists of six independent non-executive directors. P. Vishwanatha Shetty is the Chairman of the Committee. Syed Abdul Aleem, M. S. Rama Rao, N. Viswanathan, R. Subramanian and V. Balasubramanian are its Members.

The Company Secretary acts as Secretary to the Committee.

The Remuneration Committee met once during the financial year 2011-12 on 28 May 2011. All members of the Committee were present at this meeting.



● **Remuneration policy:**

The remuneration policy is to pay salary / compensation and benefits adequately so as to attract, motivate and retain talent.

The remuneration payable to the whole-time directors were approved by the members at the 57th Annual General Meeting of the Company held on 10 September 2011.

Details of remuneration paid to the whole-time directors for the year 2011-12:

₹ Lakh

Name of Director	Commission*	Salary	Perquisites	Contributions**	Term
S.Y. Ghorpade Chairman & Managing Director	11.15	23.40	47.03	6.32	3 years from 1 April 2011
Nazim Sheikh Joint Managing Director	11.15	20.90	43.56	5.65	3 years from 9 April 2011
S. H. Mohan Technical Director	11.15	21.00	42.84	5.67	3 years from 1 April 2011
S. R. Sridhar Director (Mines)	11.15	13.50	28.15	3.64	3 years from 1 April 2011
U.R. Acharya Director (Commercial)	11.15	12.43	26.00	3.36	3 years from 9 April 2011
K. Raman Director (Finance)	11.15	12.43	25.57	3.36	3 years from 9 April 2011

* represents commission paid for the year 2010-11.

** includes contribution to Provident and other funds but does not include contribution towards Gratuity and Leave salary, as these are determined on an actuarial basis for the Company as a whole.

The Company does not have stock option scheme, there is no variable component in the remuneration except the payment of commission as a percentage of profit and there is no severance fee. Service contracts exist with the whole-time directors which contain their terms and conditions including remuneration, notice period etc., as approved by the members. The agreements may be terminated by either party at any time by giving three months' notice to the other party.

Remuneration to non-executive directors during the financial year 2011-12:

The non-executive directors received commission as a percentage of profit and sitting fee for attending meetings of the Board and its Committees thereon and reimbursement of expenses incurred on travelling and stay in case of outstation directors.

Details of commission and sitting fee paid to non-executive directors during the financial year 2011-12:

Name of director	Commission* (₹)	Sitting Fee (₹)
Syed Abdul Aleem	11,15,000	1,15,000
M. S. Rama Rao	11,15,000	90,000
N. Viswanathan	11,15,000	95,000
R. Subramanian	11,15,000	95,000
V. Balasubramanian	11,15,000	55,000
P. Vishwanatha Shetty	11,15,000	55,000

* represents commission paid for the year 2010-11.



None of the independent directors hold any shares in the Company except R. Subramanian who holds 100 equity shares in the Company.

5. Investors' Grievance & Share Transfer Committee

Investors' Grievance and Share Transfer Committee was constituted on 26 July 2006 to oversee the redressal of shareholders' and investors' complaints, if any, and to consider and approve transfer and transmission of shares and issue of duplicate share certificates. The Committee consists of four directors and is headed by Syed Abdul Aleem who is an independent non-executive director. S. Y. Ghorpade, Nazim Sheikh and M. S. Rama Rao are its members. The Company Secretary acts as Secretary to the Committee.

To expedite the process of share transfers / transmissions, authority has been delegated by the Board severally to the Chairman & Managing Director, Joint Managing Director and the Company Secretary, who regularly attends to share transfers and transmissions, issue of fresh share certificates in lieu of old share certificates lost / mutilated or on transfer, sub-division, consolidation, renewal, exchange etc., subject to the related deeds / documents being in order.

Venture Capital and Corporate Investments Private Limited (VCCIPL), one of the leading SEBI registered Category - I Registrar and Transfer Agents has been appointed as Share Transfer Agent of the Company to process share transfer requests on behalf of the Company with effect from 18 January 2008. The Chairman & Managing Director or Joint Managing Director or Company Secretary approves the share transfer registers and a statement of share transfers / transmissions effected, share certificates issued in each quarter are placed before the Investors' Grievance & Share Transfer Committee for approval and are also placed before the Board of Directors for ratification at their next meeting.

The Investors' Grievance & Share Transfer Committee met four times during the financial year on 9 April 2011, 6 August 2011, 12 November 2011 and 28 January 2012. The interval between any two successive meetings did not exceed four months.

- ***Name and designation of compliance officer:***

Md. Abdul Saleem, Company Secretary

- ***Composition, names of the members and their attendance at meetings are as under:***

Name	Designation	Category	No. of meetings attended
Syed Abdul Aleem	Chairman	Non-Executive & Independent	4
S. Y. Ghorpade	Member	Executive Director	4
Nazim Sheikh	Member	Executive Director	4
M. S. Rama Rao	Member	Non-Executive & Independent	3

- ***Number of shareholder complaints received, number solved to the satisfaction of the shareholder and number of pending transfers:***

The Company had no complaints pending on 1 April 2011, received six complaints during the year and redressed all the six to the satisfaction of the shareholders. No complaints were pending as on 31 March 2012.

There were no pending share transfer requests as on 31 March 2012.



6. General Body Meetings

- Location and time of the last three AGMs:

The Annual General Meetings for the last three years were held on 10 September 2011 at 11.00 a.m., 29 September 2010 at 11.00 a.m. and 25 September 2009 at 11.00 a.m. The meetings were held in Anuradha Hall, Shivapur, Sandur - 583 119. Fifteen special resolutions were passed at the past three Annual General Meetings.

- No special resolution has been passed through postal ballot last year.
- The Company has not proposed to pass any special resolution through postal ballot.

7. Subsidiary Company

Star Metallics and Power Private Limited (SMPPL) is a subsidiary of the Company with 81.24% of its paid up equity share capital held by the Company as on 31 March 2012.

SMIORE, being a major shareholder, has nominated four of its directors as directors on the Board of SMPPL. S. Y. Ghorpade, Chairman & Managing Director of SMIORE is the non-executive chairman of SMPPL, S. H. Mohan, Technical Director of SMIORE is a whole-time director of SMPPL, Nazim Sheikh - Joint Managing Director and M. S. Rama Rao - Independent Director of SMIORE are the non-executive directors of SMPPL.

The operations of SMPPL are being controlled and monitored by SMIORE, inter alia, by the following means:

- Financial statements, in particular the investments made by SMPPL, are being reviewed by the Audit Committee of the Company.
- Minutes of the meetings of SMPPL's Board are being placed before the Company's Board regularly.
- Financial statements showing all significant transactions and arrangements entered into by SMPPL are placed before the Company's Board.

8. Disclosures

- **Related Party Transactions:** During the year under review, besides the transactions reported in to the Financial Statements in the Annual Report, there are no other related party transactions by the Company with its promoters, directors or the management or their relatives and associates. These transactions do not have any potential conflict with the interest of the Company at large. The material related party transactions, if any, are placed before the Audit Committee periodically. Further there are no material individual transactions that are not in normal course of business and not on an arm's length basis.
- **Disclosure of Accounting Treatment:** The Company follows Accounting Standards notified by the Central Government under the Companies (Accounting Standards) Rules, 2006 and in the preparation of financial statements, the Company has not adopted a treatment different from that prescribed in any Accounting Standard.
- **Disclosure by Senior Management:** Senior management has made disclosures to the Board confirming that they have not entered into material financial and commercial transactions with the Company wherein they have personal interest that could result in a conflict with the interest of the Company at large.
- **Details of Non-Compliance:** There have been no instances of non-compliance by the Company and no penalties, strictures have been imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.



- **Risk Management:** The Company is committed to strengthen its risk management capability in order to protect and enhance shareholder value. Accordingly, the Company has laid down procedures to prevent the risk from occurring and if it cannot be prevented, to minimize the adverse impact of such risk. The Board responds to the Executive Management's need for enhanced risk information and improved governance and has an effective internal control and management reporting system. The Audit Committee of the Board reviews Internal Audit findings, if any, and provides strategic guidance on internal controls. The Company follows the framework to attain a balanced approach that considers risk and return.

9. Means of Communication

- Quarterly financial results are being regularly sent to Bangalore Stock Exchange Limited and Bombay Stock Exchange Limited
- Quarterly financial results are generally published in The Financial Express and Sanjevani newspapers and also placed on the website of the Company.
- No presentation has been made to institutional investors or to the analysts.
- Management Discussion and Analysis is forming part of this Annual Report.

10. General Shareholder Information

- Date, Time and Venue of the Annual General Meeting:**
8 September 2012 at 11.00 a.m. at Anuradha Hall, Shivapur, Sandur - 583 119.
- Financial Year:** 1 April 2011 to 31 March 2012
- Financial Calendar:** (tentative and subject to change)

Financial Reporting for the quarter ending 30 June 2012	Before 14 August 2012
Financial Reporting for the quarter ending 30 September 2012	Before 14 November 2012
Financial Reporting for the quarter ending 31 December 2012	Before 14 February 2013
Financial Reporting for the quarter ending 31 March 2013	By end of April/May 2013

- Dates of Book Closure:** 1 September 2012 to 8 September 2012 (Both days inclusive)
- Dividend Payment Date:** Not Applicable
- Listing on Stock Exchanges:** The Company's shares are listed on:

- | | |
|--|--|
| 1) Bombay Stock Exchange Limited
P. J. Towers, Dalal Street
MUMBAI - 400 001 | 2) Bangalore Stock Exchange Limited
No.51, 1st Cross, J. C. Road
BANGALORE - 560 027 |
|--|--|

Listing Fee : The Company has paid annual listing fee for the year 2012-13 to both the Stock Exchanges where the securities of the Company are listed.

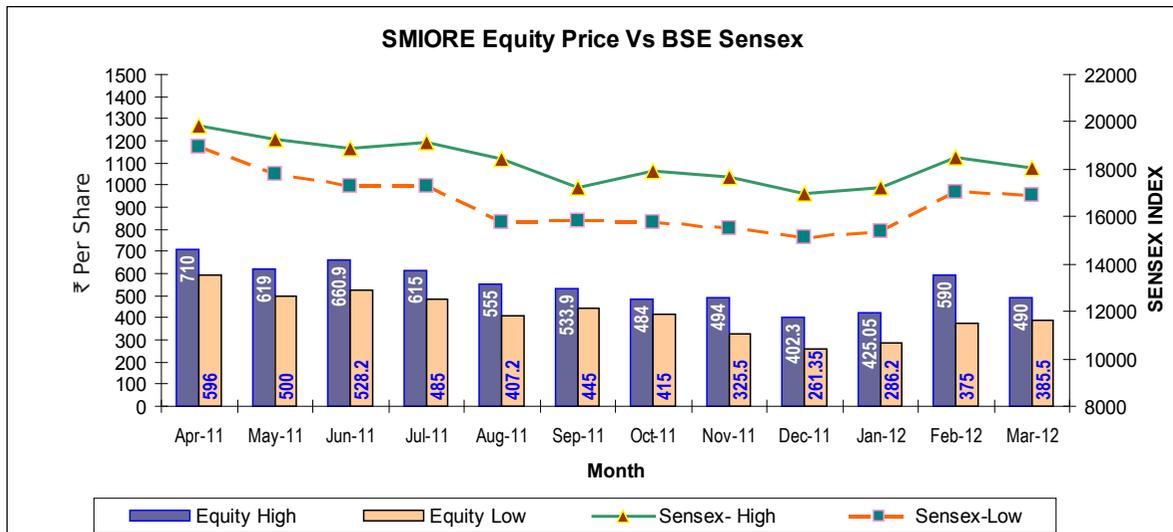
- Stock Code :** Bombay Stock Exchange Limited (BSE) - 504918
Bangalore Stock Exchange Limited (BgSE) - SM



viii) Monthly High and Low Quotation of Company's shares traded on BSE:

Month	Open ₹	High ₹	Low ₹	Close ₹	No. of Shares	No. of Trades	BSE Sensex (Average)
Apr 2011	599.95	710.00	596.00	609.65	309719	11619	19394
May 2011	614.00	619.00	500.00	579.95	211676	9723	18520
Jun 2011	583.70	660.90	528.20	574.70	492086	23086	18094
Jul 2011	575.05	615.00	485.00	554.95	323688	9858	18223
Aug 2011	552.15	555.00	407.20	451.15	246208	9986	17103
Sep 2011	460.00	533.90	445.00	457.90	117259	5242	16506
Oct 2011	455.00	484.00	415.00	440.70	79689	2326	16827
Nov 2011	445.40	494.00	325.50	385.15	104153	4579	16590
Dec 2011	399.95	402.30	261.35	289.55	51306	2826	16070
Jan 2012	290.00	425.05	286.20	382.25	136259	6160	16309
Feb 2012	382.00	590.00	375.00	461.65	561900	19492	17793
Mar 2012	452.00	490.00	385.50	404.25	117591	4692	17481

ix) Comparison of Company's share price movement with BSE Sensex:





x) Distribution of Equity Shareholding as on 31 March 2012:

Shareholding of Nominal value of ₹		No. of shareholders	No. of Shares	% to total Capital
Upto	5000	7157	599059	6.85
5001	10000	249	197922	2.26
10001	20000	112	168763	1.93
20001	30000	42	102396	1.17
30001	40000	26	94246	1.08
40001	50000	17	78000	0.89
50001	100000	26	185409	2.11
100001	Above	46	7324205	83.71
Total		7675	8750000	100.00

xi) Shareholding pattern as on 31 March 2012:

Categories	No. of Shares	% to Total
Promoters, Directors and their relatives and associates	65,00,000	74.29
Banks and Financial Institutions	52,450	0.60
Mutual Funds	1,250	0.01
Insurance Companies	1,00,000	1.14
Foreign Institutional Investors	10,590	0.12
Other bodies corporate	4,83,389	5.52
Public	16,02,321	18.32
TOTAL	87,50,000	100.00

xii) Registrar and Share Transfer Agents: Venture Capital and Corporate Investments Private Limited, 12-10-167, Bharatnagar, Hyderabad - 500 018

xiii) Share Transfer System: Venture Capital and Corporate Investments Private Limited (VCCIPL), one of the leading SEBI registered Category - I Registrar and Transfer Agents had been appointed as Share Transfer Agent of the Company to process share transfer requests on behalf of the Company with effect from 18 January 2008. The Chairman & Managing Director or Joint Managing Director or Company Secretary approves the share transfer registers and a statement of share transfers / transmissions effected, share certificates issued in each quarter are placed before the Investors' Grievance & Share Transfer Committee for approval and are also placed before the Board of Directors for ratification at their next meeting.

xiv) Dematerialization of Shares and Liquidity: As on 31 March 2012, 26,85,385 equity shares have been dematerialized.

xv) There are no outstanding GDRs / ADRs / Warrants or any Convertible Instruments due for conversion.

xvi) Directors seeking appointment / re-appointment: As required under Clause 49(IV)(G), particulars of Directors seeking re-appointment are provided in the Notes forming part of the Notice of the Annual General Meeting to be held on 8 September 2012.



xvii) There is no stock option scheme.

xviii) **Plant location:** Mines at Deogiri and Metal & Ferroalloys plant at Vyasankere.

xix) **Address for correspondence:**

Registered Office: Lakshmipur, Sandur, Bellary District, Karnataka - 583 119

Corporate Office: 'Sandur House', No.9 (Old No.217), Bellary Road, Sadashivanagar, Bangalore - 560 080

11. **CEO / CFO Certification**

The Chairman & Managing Director, being the Chief Executive Officer (CEO) and the Director (Finance), being the Chief Finance Officer (CFO) have certified to the Board in accordance with clause 49 (v) of the Listing Agreement pertaining to CEO/CFO certification for the financial year 2011-12, which is annexed thereto.

12. **Affirmation of compliance with code of conduct**

The Chairman & Managing Director of the Company has given a certificate confirming that the Company has obtained from all the members of the Board and senior management, affirmation of their compliance with the Code of Conduct for directors and senior management in respect of the financial year 2011-12 and the same were placed before the Board at its meeting held on 26 May 2012. A copy of the said certificate is annexed hereto.

13. **Status of compliance with the non-mandatory requirements of clause 49 of the listing agreement is given below:**

- (i) **Non-Executive Chairman's Office:** The Chairman of the Company is an Executive Chairman and hence this provision is not applicable.
- (ii) **Tenure of Independent Directors:** The Board has not specifically determined the maximum tenure for independent directors. They are liable to retire by rotation as per the applicable provisions and, if eligible, may be re-appointed at the annual general meeting of the Company.
- (iii) **Remuneration Committee:** Details are given under the heading 'Remuneration Committee'.
- (iv) **Shareholder Rights:** The quarterly and annual financial results of the Company are published in leading newspapers, placed on website of the Company and are provided to stock exchanges in compliance with the provisions of listing agreements. A copy of complete Annual Report is sent to each and every shareholder of the Company.
- (v) **Audit qualifications:** During the year under review, there was no audit qualification in the Company's financial statements.
- (vi) **Training of Board Members:** At the meetings of the Board and the Committees thereon, directors are extensively briefed on all business related matters, risk assessment and minimization procedures, developments and trends in the market, new initiatives and statutory amendments etc.
- (vii) **Mechanism for evaluating non-executive Board Members:** The role of the Board of Directors is to provide direction and exercise control to ensure that the Company is managed in a manner that fulfils shareholders' aspirations and the societal expectations. The performance of the non-executive directors is discussed during their re-appointment. Other than the above the Company does not have a mechanism for evaluating non-executive Board members.



(viii) Whistle Blower Policy: The Company does not have any specific whistle blower policy as such but encourages an open door policy where employees have access to the heads of the departments and also to the whole-time directors, including the Chairman, during their visit to the respective departments wherein they have been provided with the liberty to report matters pertaining to unethical behavior, actual or suspected fraud. The management and the promoters provide absolute and adequate safeguards against victimization of employees who avail of opportunity to report the same.

14. Auditor's certificate on compliance with clause 49 of the listing agreement:

Auditor's Certificate is annexed.

for and on behalf of the Board

Place : Bangalore
Date : 26 May 2012

S. Y. Ghorpade
Chairman & Managing Director



CERTIFICATE

We, S. Y. Ghorpade, Chairman & Managing Director (being the CEO) and K. Raman, Director (Finance), being the CFO and responsible for the finance function, certify that in respect of the financial year ended on 31 March 2012:

- a) we have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:-
 - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and
 - ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct.
- c) we accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company, pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware, have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- d)
 - (i) there has not been any significant change in internal control over financial reporting during the year under reference;
 - (ii) there has not been any significant change in accounting policies during the year requiring disclosures in the notes to the financial statements; and
 - (iii) we are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

for The Sandur Manganese & Iron Ores Limited

Place : Bangalore
Date : 24 May 2012

S. Y. Ghorpade
Chairman & Managing Director

K. Raman
Director (Finance)

CERTIFICATE

I, S. Y. Ghorpade, Chairman & Managing Director do hereby certify and confirm that the Company has obtained from all the members of the Board and senior management, affirmation of their compliance with the Code of Conduct for directors and senior management in respect of the financial year 2011-12 and the same are being placed before the Board at its meeting held on 26 May 2012.

for The Sandur Manganese & Iron Ores Limited

Place : Bangalore
Date : 24 May 2012

S. Y. Ghorpade
Chairman & Managing Director

CERTIFICATE

TO THE MEMBERS OF THE SANDUR MANGANESE & IRON ORES LIMITED

We have examined the compliance of conditions of Corporate Governance by The Sandur Manganese & Iron Ores Limited, for the year ended March 31, 2012, 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 the procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of Corporate Governance. 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 explanations given to us and the representation 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 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 **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No.008072S)

S. Sundaresan
Partner
(Membership No.25776)

Place : Bangalore
Date : 26 May 2012



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. BACKGROUND

The Management Discussion and Analysis Report sets out the developments in the business, the Company's performance since last report and the future outlook. This report is part of the Directors' Report and the Audited Financial Statements, forming part of the Annual Report. However, certain statements made in this report relating to the projections, outlook, expectations, estimates etc., may constitute 'forward looking statements' within the meaning of applicable laws and regulations and may differ from actuals. Several factors could make a significant difference to the Company's operations, including climatic conditions, economic conditions affecting demand and supply, judicial pronouncements, government regulations, revision in government policies, taxation and natural calamities, over which the Company does not have any control.

2. INDUSTRIAL OVERVIEW, MARKET SCENARIO, OPPORTUNITIES AND THREATS

Manganese ore production in India reduced due to various environmental regulations despite increased demand due to higher alloy production. Import of Manganese ore increased substantially to meet the domestic demand. Prices were at lower levels during 2011 as world manganese ore production during the calendar year 2011 increased marginally over 2010. Production during 2010 itself was substantially higher than 2009, though world's steel production increased marginally during the same period. Inventory levels, therefore at Manganese ore producers' end continued to be high during most part of 2011. Inventories at Chinese port were also higher during 2011. This situation is expected to continue till middle of 2012. The prices may firm up during second half of 2012.

As mentioned in the Directors' Report, mining operations in the three districts of Karnataka i.e., Bellary, Chitradurga and Tumkur remain suspended for most of the financial year. Though the production activity remained totally suspended, available stock of iron ore was sold, through e-auction by the Monitoring Committee constituted by the Hon'ble Supreme Court, to cater to the demands of local steel industries. Production of steel and sponge iron in the neighboring area suffered, as various small scale industries could not buy iron ore through e-auction. Major domestic steel industries were able to carry on their operations by procuring iron ore through e-auction. The international market for iron ore continues to be stable due to Chinese demand and prices have also remained stable. Due to economic crises in Europe, steel production in west, continues to be low damping the growth of iron ore market.

Indian manganese ferroalloys production continued its growth path during 2011-12, to meet the rising demand within India as well as exports. Prices however remained at lower levels just enough to meet the operational cost. Steep rise in electricity tariff by various State electricity boards, will lead to rise in cost of production of ferroalloys. The prices of ferroalloys have risen to meet the increased cost of production. Increased cost of production of ferroalloys can affect India's competitiveness in international ferroalloy market. This may affect the growth rate of Indian ferroalloys industry. Rising coal prices is a matter of concern as it is crucial in determining the cost of power generated for captive use and viability of ferroalloys production. Growth rate of Indian ferroalloys production largely depends on export competitiveness as domestic requirement of manganese alloys is fully met by domestic production.

Company's steel production operations to convert iron ore were low key due to working capital constraints. With likely resumption of mining operations, steel production may resume during second half of this financial year.

3. SEGMENT-WISE PERFORMANCE

a) Mining

During the year ended 31 March 2012, Mines produced 81,594 tonnes of manganese ore apart from salvaging 6,920 tonnes of low grade ore from old dumps. The Company exported 9,000 tonnes and made domestic sales of 56,320 tonnes making the aggregate manganese ore sales of 65,320 tonnes.

Mines also produced 2,99,203 tonnes of iron ore. The Company made domestic sales of 514,791 tonnes.



b) Conversion of iron ore to steel

During the year under review 1,212 tonnes of TMT bars were manufactured and 1,210 tonnes were sold resulting in a negative contribution of ₹151.73 lakh.

c) Conversion of manganese ore to Silico Manganese

During the year under review 5,787 tonnes of Silico Manganese was manufactured and 5,842 tonnes were sold resulting in a negative contribution of ₹94.49 lakh.

d) OUTLOOK, RISKS AND CONCERNS

With the likely resumption of mining activities, company's operations in both mining and ferroalloys segment will improve during 2012-13. Markets for all products appear favorable with prospects looking up. Risks for ferroalloy sector exists due to rising cost of power and input costs for steel making rendering operations unviable. Delay in implementation of conditions imposed for restarting mines is a matter of concern.

e) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has well-developed internal control systems and clearly defined delegation of powers to its executives. The Company had an internal audit department, which was independently monitoring the compliance with the approved internal control procedures and exercise of powers strictly as per the approved delegation of powers.

To substantially expand the scope of internal audit, the Company has, in line with the standards of internal audit issued by the Institute of Chartered Accountants of India, appointed M/s. P. Chandrasekar, Chartered Accountants, as its internal auditor which is submitting its report on a quarterly basis to the Audit Committee.

f) FINANCIAL PERFORMANCE

Information provided in the Directors' Report.

g) MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS

As on 1 April 2011, the Company had employee strength of 1,205. During the year, 50 employees were recruited and 74 employees were separated. Including the 712 temporary employees and 27 employees on consolidated remuneration, employee strength at the end of the financial year 2011-12 was 1920.

The Company has a record of cordial relations with its employees ever since its inception.

for and on behalf of the Board

Place : Bangalore
Date : 26 May 2012

S. Y. Ghorpade
Chairman & Managing Director



AUDITORS' REPORT

TO THE MEMBERS OF THE SANDUR MANGANESE & IRON ORES LIMITED

1. We have audited the attached Balance Sheet of **The Sandur Manganese & Iron Ores Limited** ("the Company") as at 31st March, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the paragraph 3 above and Annexure referred to in paragraph 3 above, we report as follows:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
 - (ii) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of written representations received from directors as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No.008072S)

S. Sundaresan
Partner
(Membership No.25776)

Bangalore, 26th May, 2012



ANNEXURE TO THE AUDITORS' REPORT **(Referred to in paragraph 3 of our report of even date)**

- (i) Having regard to the nature of the Company's business/ activities/ result, clauses (iii) (b) to (d), (iii) (f), (iii) (g), (v), (vi), (xiii), (xiv), (xvi), (xix) and (xx) of CARO are not applicable.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory:
 - (a) In our opinion and according to the information and explanations given to us, the inventories were physically verified during the year by the Management at reasonable intervals.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) The Company has neither granted nor taken any loans, secured or unsecured, to/ from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of a special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods. During the course of our audit, we have not observed any major weakness in such internal control system.
- (vi) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (vii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (viii) According to the information and explanations given to us in respect of statutory dues:
 - (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
 - (b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2012 for a period of more than six months from the date they became payable.



- (c) Details of dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess which have not been deposited as on 31st March, 2012 on account of disputes are given below:

Statute	Nature of Dues	Amount involved (₹ in lakhs)	Period to which the amount relates	Forum where Dispute is pending
The Income - tax Act, 1961	Income tax including interest	2,048.74	2006-07 and 2007-08	The Commissioner of Income tax (Appeals)
The Customs Act, 1962	Customs duty including interest	298.68	1986-2012	High Court of Andhra Pradesh
		1,159.01	1990-2012	Commissioner of Customs, Goa
The Central Excise Act, 1944	Service tax	316.64	2004-2010	Supreme Court

- (ix) The Company neither has accumulated losses at the end of the financial year nor has incurred cash losses during the current financial year and in the immediately preceding financial year.
- (x) In our opinion and according to the information and explanations given to us, the Company has not taken any loans from banks or financial institutions or has not issued any debentures.
- (xi) In our opinion, the Company has maintained adequate records where it has granted loans and advances on the basis of security by way of pledge of shares.
- (xii) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xiii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long- term investment.
- (xiv) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xv) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No.008072S)

S. Sundaresan
Partner
(Membership No.25776)

Bangalore, 26th May, 2012



THE SANDUR MANGANESE & IRON ORES LIMITED
BALANCE SHEET AS AT 31 MARCH 2012

	Note No.	As at 31.03.2012 ₹ lakh	As at 31.03.2011 ₹ lakh
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	2	875.00	875.00
(b) Reserves and surplus	3	<u>30,024.64</u>	<u>29,175.71</u>
		30,899.64	30,050.71
2 Non-current liabilities			
Long-term provisions	4	1,921.58	1,772.37
3 Current liabilities			
(a) Trade payables		1,470.12	1,647.64
(b) Other current liabilities	5	10,980.58	11,993.03
(c) Short-term provisions	6	<u>610.62</u>	<u>2,634.84</u>
		13,061.32	16,275.51
	TOTAL	<u>45,882.54</u>	<u>48,098.59</u>
II. ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	7 a	6,458.67	5,973.70
(ii) Intangible assets	7 b	1,639.78	2,576.80
(iii) Capital work-in-progress		<u>507.96</u>	<u>829.03</u>
		8,606.41	9,379.53
(b) Non-current investments	8	15,048.06	6,500.06
(c) Deferred tax assets (net)	37	2,452.00	1,880.00
(d) Long-term loans and advances	9	4,455.13	10,923.54
(e) Other non-current assets	10	<u>316.83</u>	<u>316.83</u>
		22,272.02	19,620.43
2 Current assets			
(a) Current investments	11	1,850.00	8,344.09
(b) Inventories	12	4,862.15	4,362.01
(c) Trade receivables	13	4,933.51	3,001.96
(d) Cash and bank balances	14	587.20	1,324.47
(e) Short-term loans and advances	15	2,747.98	2,049.30
(f) Other current assets	16	<u>23.27</u>	<u>16.80</u>
		15,004.11	19,098.63
	TOTAL	<u>45,882.54</u>	<u>48,098.59</u>

See accompanying notes forming part of the financial statements

In terms of our report attached
for DELOITTE HASKINS & SELLS
Chartered Accountants

for and on behalf of the Board of Directors

S.SUNDARESAN
Partner

S.Y.GHORPADE
Chairman & Managing Director

NAZIM SHEIKH
Joint Managing Director

MD. ABDUL SALEEM
Company Secretary

K. RAMAN
Director (Finance)

Place : Bangalore
Date : 26 May 2012



THE SANDUR MANGANESE & IRON ORES LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2012

	Note No.	2011 - 12 ₹ lakh	2010 - 11 ₹ lakh
I. Revenue from operations (gross)	17	18,255.67	34,917.87
Less: Excise duty		191.30	58.33
Revenue from operations (net)		18,064.37	34,859.54
II. Other income	18	1,278.25	973.43
III. Total revenue (I + II)		19,342.62	35,832.97
IV. Expenses:			
(a) Cost of materials consumed	19	1,320.63	523.23
(b) Changes in inventories of finished goods and work-in-progress	20	(329.75)	(2,910.02)
(c) Employee benefits expense	21	3,876.93	3,964.75
(d) Finance costs	22	0.53	202.97
(e) Depreciation and amortization expense	7	1,105.01	1,066.28
(f) Other expenses	23	10,707.34	19,354.92
Total expenses		16,680.69	22,202.13
V. Profit before tax (III-IV)		2,661.93	13,630.84
VI. Tax expense:			
(a) Current tax		1,400.00	5,800.00
(b) Deferred tax	37	(572.00)	(1,393.00)
(c) Earlier years		985.00	55.00
		1,813.00	4,462.00
VII Profit for the year (V-VI)		848.93	9,168.84
VIII Earnings per equity share of ₹10 each :			
Basic and diluted (₹)	36	9.70	104.79

See accompanying notes forming part of the financial statements

In terms of our report attached
for DELOITTE HASKINS & SELLS
Chartered Accountants

for and on behalf of the Board of Directors

S.SUNDARESAN
Partner

S.Y.GHORPADE
Chairman & Managing Director

NAZIM SHEIKH
Joint Managing Director

MD. ABDUL SALEEM
Company Secretary

K. RAMAN
Director (Finance)

Place : Bangalore
Date : 26 May 2012



THE SANDUR MANGANESE & IRON ORES LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

	2011-12 ₹ lakh	2010-11 ₹ lakh
A. Cash flows from operating activities		
Net profit before tax	2,661.93	13,630.84
Adjustment for :		
- Depreciation and amortisation	1,105.01	1,066.28
- Assets discarded	1.01	-
- Profit on sale of fixed assets (net)	(0.43)	(1.90)
- Interest expenses	0.53	202.97
- Interest income	(450.86)	(689.95)
- Gain on sale of current investments (net)	(321.58)	(29.11)
- Dividend income from current investments	(116.98)	(220.66)
- Liabilities/provisions no longer required written back	(332.20)	(10.38)
Operating profit before working capital changes	2,546.43	13,948.09
Adjustments for (increase)/decrease in operating assets:		
- Inventories	(500.14)	(3,125.02)
- Trade receivables	(1,931.55)	906.25
- Short-term loans and advances	(698.68)	(807.73)
- Long-term loans and advances	7,343.29	(3,830.00)
- Other non-current assets	-	0.50
Adjustments for increase/(decrease) in operating liabilities:		
- Trade payables	(139.16)	(675.55)
- Other current liabilities	(729.79)	1,450.70
- Short-term provisions	(150.54)	537.71
- Long-term provisions	149.21	418.57
Cash generated from operations	5,889.07	8,823.52
- Direct taxes paid	(4,120.34)	(6,036.29)
Net cash flow from operating activities (A)	1,768.73	2,787.23
B. Cash flows from investing activities		
Capital expenditure on fixed assets (including capital work-in-progress and advances on capital account)	(452.11)	(2,520.64)
Proceeds from sale of fixed/other assets	0.75	1,502.00
(Purchase) /sale of mutual funds (net)	6,815.67	(2,169.48)
Investment in shares of subsidiary	(8,548.00)	(1,500.00)
Interest received	69.71	98.90
Dividend received from current investments	116.98	220.66
Net cash used in investing activities (B)	(1,997.00)	(4,368.56)



THE SANDUR MANGANESE & IRON ORES LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

	2011-12 ₹ lakh	2010-11 ₹ lakh
C. Cash flows from financing activities		
Dividend on shares and tax thereon	(508.47)	(306.10)
Interest paid	(0.53)	(2.97)
Net cash flow used in financing activities (C)	(509.00)	(309.07)
Net cash flow during the year (A+B+C)	(737.27)	(1,890.40)
Cash and cash equivalents (opening balance)	1,324.47	3,214.87
Cash and cash equivalents (closing balance)	587.20	1,324.47
Increase/ (decrease) in cash and cash equivalents	(737.27)	(1,890.40)

In terms of our report attached
for **DELOITTE HASKINS & SELLS**
Chartered Accountants

for and on behalf of the Board of Directors

S.SUNDARESAN
Partner

S.Y.GHORPADE
Chairman & Managing Director

NAZIM SHEIKH
Joint Managing Director

MD. ABDUL SALEEM
Company Secretary

K. RAMAN
Director (Finance)

Place : Bangalore
Date : 26 May 2012



THE SANDUR MANGANESE & IRON ORES LIMITED NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 - Significant accounting policies

1.1. Basis of accounting and preparation of financial statements

The Company adopts the historical cost concept (except revaluation of fixed assets) and accrual basis, in accordance with generally accepted accounting principles (GAAP) of India, for the preparation of its financial statements. The financial statements are prepared to comply in all material aspects with the applicable accounting principles in India, the applicable accounting standards notified under Section 211 (3C) of the Companies Act, 1956 (Act) and the relevant provisions of the Act.

1.2. Use of estimates

The Company uses prudent and reasonable assumptions and estimates in the preparation of its financial statements, and these are reflected in the reported amounts of income and expenses during the year, and the reported balances of assets and liabilities, and disclosures relating to contingent liabilities, as at the date of the financial statements.

1.3. Fixed assets

Fixed assets are capitalised at acquisition cost including directly attributable cost of bringing the asset to its working condition for the intended use. Certain assets have been revalued as on 31st March, 1985 and the resultant surplus has been added to the cost of the assets.

1.4. Depreciation/Amortisation

The Company's assets at head office and mines (including assets transferred to plant from these locations) are depreciated on the written down value method and at plant (including assets transferred to other locations from plant) are depreciated on the straight line method at the rates and in manner prescribed in Schedule XIV to the Act.

Mining lease rights are amortised over the useful life of the mine or lease period, whichever is shorter.

Individual assets costing less than ₹ 5,000/- are depreciated in full in the year of its purchase.

1.5. Impairment of fixed assets

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an impairment loss is recognised when the carrying amount exceeds greater of net selling price and value in use.

1.6. Foreign currency transaction

Foreign exchange transactions are recorded at the exchange rates prevailing on the date of transaction.

Foreign exchange rate fluctuations relating to monetary assets and liabilities are restated at the year-end rates.

The net loss or gain arising on restatement/settlement, if any, is adjusted to the statement of profit and loss. In respect of forward exchange contracts, the premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss of the reporting period in which the exchange rates change.

1.7. Investments

All long term investments are valued at cost. However, provision for diminution in value is made to recognise a decline, other than temporary, in the value of investments.

Current investments are carried at lower of cost and fair value.



1.8. Inventories

Inventories are valued at lower of cost and net realisable value.

The method of determination of cost of various categories of inventories is as follows:

- (a) Stores and spare parts: Monthly weighted average rates;
- (b) Raw materials: On monthly weighted average rates;
- (c) Work-in-progress and finished goods: Full absorption costing method based on annual cost of production.

1.9. Revenue recognition

Revenue from sale of goods is recognised on despatch of goods to customers from plant or stock points as applicable when significant risks and rewards of ownership are considered to be transferred and realisation is reasonably assured. In case of service income, revenue is recognised when the service is rendered to the customer.

1.10. Employee benefits

Short-term employee benefits are recognised as an expense at the undiscounted amount in the statement of profit and loss of the year in which the related service is rendered.

Post employment benefits are recognised as an expense in the statement of profit and loss of the year in which the employee has rendered services. The expense is recognised at the present value of the amount payable towards contributions. The present value is determined using the market yields of government bonds, at the balance sheet date, at the discounting rate.

Other long-term employee benefits are recognised as an expense in the statement of profit and loss of the period in which the employee has rendered services. Estimated liability on account of long-term benefits is discounted to the present value, using the market yields on government bonds, as on the date of the balance sheet, at the discounting rate.

Actuarial gains and losses in respect of past employment and other long term benefits are charged to the statement of profit and loss on accrual basis.

1.11. Segment Accounting

Segments are identified based on the types of products and the internal organisation and management structure. The Company has identified business segment as its primary segment with secondary information reported geographically.

The Company's primary segments consist of Mining, Services, Ferroalloys & Power and Steel.

Unallocated represents other income and expenses which relate to the Company as a whole and are not allocated to segments.

1.12. Taxation

Current tax

Current tax expense is determined in accordance with the provision of the Income-tax Act, 1961.

Deferred tax

Deferred tax assets and liabilities are measured using the tax rates which have been enacted or substantively enacted at the balance sheet date. Deferred tax expense or benefit is recognised, subject to consideration of prudence, on timing difference being the difference between taxable income and accounting income that originate in one period and are capable of reversing in one or more subsequent periods.

1.13. Provisions and contingencies

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised but are disclosed in the notes.

Contingent assets are neither recognised nor disclosed in the financial statements.



THE SANDUR MANGANESE & IRON ORES LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note 2 - Share capital	As at 31.03.2012 ₹ lakh	As at 31.03.2011 ₹ lakh
i) Authorised		
14,000,000 (previous year : 14,000,000) equity shares of ₹10 each with voting rights	1,400.00	1,400.00
100,000 (previous year : 100,000) 'B' 16 % (subject to tax) redeemable preference shares of ₹100 each	100.00	100.00
ii) Issued, subscribed and fully paid up		
Equity shares of ₹10 each with voting rights	875.00	875.00
	875.00	875.00

Notes :

(i) Reconciliation of number of shares outstanding at the beginning and at the end of the year

Particulars	Opening balance	Fresh issue / Bonus / ESOP / Conversion / Buy back / Other changes	Closing balance
Equity share with voting rights (Issued, subscribed and fully paid up)			
As at 31.03. 2012			
- Number of shares	8,750,000	-	8,750,000
- Amount (₹ lakh)	875.00	-	875.00
As at 31 .03. 2011			
- Number of shares	8,750,000	-	8,750,000
- Amount (₹ lakh)	875.00	-	875.00

(ii) Rights, preferences and restrictions attached to equity shares :

The Company has only one class of equity shareholders. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by Board of Directors is subject to approval by the shareholders at the ensuing Annual General Meeting. In the event of liquidation of the Company, the equity shareholders are entitled to receive only residual assets of the Company. The distribution will be in proportion to the number of equity shares held by the shareholder.

(iii) Shareholders holding more than 5% shares in the Company

Name of shareholders	As at 31.03.2012	As at 31.03.2011
	No. of shares held	No. of shares held
Skand Private Limited	2,047,719	2,105,269
Sattari Engineering Enterprises Private Limited	1,683,121	1,683,121
Sunshine Real Estates & Constructions Private Limited	998,100	998,100



THE SANDUR MANGANESE & IRON ORES LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31.03.2012	As at 31.03.2011
	₹ lakh	₹ lakh
Note 3 - Reserves and surplus		
Capital redemption reserve as per last balance sheet	100.65	100.65
Securities premium account as per last balance sheet	967.23	967.23
General reserves		
Opening balance	3,404.38	2,487.38
Add : Transferred from surplus in statement of profit and loss	-	917.00
Closing balance	<u>3,404.38</u>	<u>3,404.38</u>
Surplus in statement of profit and loss		
Opening balance	24,703.45	16,960.08
Add: Profit for the year	848.93	9,168.84
	<u>25,552.38</u>	<u>26,128.92</u>
Less:		
Transferred to general reserves	-	917.00
Dividends proposed to be distributed to equity shareholders	-	437.50
Tax on dividend	-	70.97
Closing balance	<u>25,552.38</u>	<u>24,703.45</u>
Total	<u>30,024.64</u>	<u>29,175.71</u>
Note 4 - Long-term provisions		
Provision for employee benefits:		
Provision for pension (Refer note 32 (c))	1,750.33	1,611.80
Provision for compensated absences (Refer note 32 (c))	171.25	160.57
	<u>1,921.58</u>	<u>1,772.37</u>
Note 5 - Other current liabilities		
Creditors for capital goods	40.76	29.58
Statutory remittances	9,367.30	8,687.23
Advance received from customers	1,200.22	2,904.49
Other creditors	372.30	371.73
Total	<u>10,980.58</u>	<u>11,993.03</u>
Note 6 - Short-term provisions		
Provision for employee benefits:		
Provision for gratuity (Refer note 32 (b))	110.92	299.81
Provision for pension (Refer note 32 (c))	176.53	173.20
Provision for compensated absences (Refer note 32 (c))	121.74	86.72
	<u>409.19</u>	<u>559.73</u>
Provision - Others:		
Provision for taxation (net of payments)	201.43	1,566.64
Provision for proposed equity dividend	-	437.50
Provision for tax on proposed dividend	-	70.97
	<u>201.43</u>	<u>2,075.11</u>
Total	<u>610.62</u>	<u>2,634.84</u>



THE SANDUR MANGANESE & IRON ORES LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31.03.2012 ₹ lakh	As at 31.03.2011 ₹ lakh
Aggregate amount of quoted investments	0.05	0.05
Aggregate market value of quoted investments	12.78	11.71
Aggregate amount of unquoted investments	15,048.01	6,500.01
Note 9 - Long-term loans and advances		
Capital advances (Unsecured and considered good)	266.28	136.21
Loans and advances to subsidiary company (Secured and considered good)	1,218.07	8,726.49
Security deposits (Unsecured and considered good)	71.86	66.18
Tax payments net of provisions (Unsecured and considered good)	655.88	285.75
- Secured and considered good	600.00	600.00
- Unsecured and considered good	1,643.04	1,108.91
	2,243.04	1,708.91
Total	4,455.13	10,923.54
Note 10 - Other non-current assets		
Deposits against guarantees with maturity of more than 12 months from the balance sheet date (Refer note 14)	316.83	316.83
Total	316.83	316.83
Note 11 - Current investment		
Investments in Mutual Funds (unquoted)		
(at lower of cost and fair value)		
Franklin Templeton India Income Opportunities Fund Nil units (previous year: 4,912,074) of ₹10 each	-	500.00
Birla Sun Life Monthly Income - Monthly Dividend Reinvestment Nil units (previous year : 4,705,230) of ₹11.23 each	-	528.36
Kotak Fixed Maturity Plan -19 Month Series 2 -Growth Nil units (previous year : 5,000,000) of ₹10 each	-	500.00
TATA Fixed Maturity Plan Series 25 - A - Super High Investment Plan - Growth Nil units (previous year : 5,000,000) of ₹10 each	-	500.00
Axis Income Server Quarterly Dividend Nil units (previous year: 5,080,905) of ₹10 each	-	508.09
Templeton India Income Opportunities Fund - Growth Nil units (previous year : 4,801,921) of ₹10 each	-	500.00
Franklin Fixed Tenure Fund -Series XIV-3Yrs-Plan B Growth 175,000 units (previous year : 175,000) of ₹10 each	175.00	175.00
HDFC Monthly Income plan - Long Term - Monthly Dividend Nil units (previous year : 4,094,766) of ₹12.75 each	-	521.99
ICICI Prudential Monthly Income Plan - 25 Monthly Dividend Nil units (previous year : 4,247,137) of ₹12.14 each	-	515.86
Carried forward	175.00	4249.30



THE SANDUR MANGANESE & IRON ORES LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31.03.2012 ₹ lakh	As at 31.03.2011 ₹ lakh
Brought forward	175.00	4249.30
Kotak Credit Opportunities Fund - Growth Nil units (previous year : 5,000,000) of ₹10 each	-	500.00
Religare Monthly Income Plan -Monthly Income Plan Plus - Dividend Nil units (previous year : 5,037,482) of ₹10.14 each	-	510.89
TATA Monthly Income Plan Plus Dividend - Monthly Nil units (previous year : 4,547,190) of ₹11.42 each	-	509.29
TATA Fixed Tenure Fund Series 1-Growth 4,000,000 units (previous year : 4,000,000) of ₹10 each	400.00	400.00
ICICI Prudential Monthly Income Plan - 25 Monthly Dividend Nil units (previous year : 4,082,102) of ₹12.50 each	-	500.93
Reliance Dual Advantage Fixed Tenure Fund-Plan B-Growth Plan 1,250,000 units (previous year : 1,250,000) of ₹10 each	125.00	125.00
Reliance Monthly Income Plan-Monthly Dividend Plan Nil units (previous year : 4,586,485) of ₹11.17 each	-	497.43
Religare Medium Term Bond Fund - Monthly Dividend Nil units (previous year : 1,010,815) of ₹10.02 each	-	101.25
SBI Debt Fund Series-370 Days-7-Growth Nil units (previous year : 1,000,000) of ₹10 each	-	100.00
Birla Sun Life Capital Protection Oriented Fund Series 3 - Growth 1,500,000 units (previous year : 1,500,000) of ₹10 each	150.00	150.00
Pramerica Dynamic Monthly Income Fund - Growth Nil units (previous year : 5,000,000) of ₹10 each	-	500.00
Religare Capital Protection Oriented Fund Series I - Growth Plan 2,000,000 units (previous year : 2,000,000) of ₹10 each	200.00	200.00
Sundaram Capital Protection Oriented Fund Series 3-Growth 1,000,000 units (previous year : Nil) of ₹10 each	100.00	-
ICICI Prudential Multiple Yield Fund Plan A Cumulative 1,000,000 units (previous year : Nil) of ₹10 each	100.00	-
Sundaram Capital Protection Oriented Fund 2 years SR1-Growth 5,000,000 units (previous year : Nil) of ₹10 each	500.00	-
Sundaram Capital Protection Oriented Fund 3 years SR4-Growth 1,000,000 units (previous year : Nil) of ₹10 each	100.00	-
Total	1,850.00	8,344.09
Aggregate amount of unquoted investments	1,850.00	8,344.09



THE SANDUR MANGANESE & IRON ORES LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31.03.2012 ₹ lakh	As at 31.03.2011 ₹ lakh
Note 12 - Inventories		
(At lower of cost and net realisable value)		
Raw Materials and components	374.67	219.17
Work-in-progress (Refer note below)	41.03	5.61
Finished goods	4,359.33	4,065.00
Stores and spares	87.12	72.23
Total	4,862.15	4,362.01
Note : Details of inventory of work-in-progress		
Silico Manganese	30.83	5.61
TMT Bars	10.20	-
	41.03	5.61
Note 13 - Trade receivables		
(Unsecured and considered good)*		
Trade receivables outstanding for a period exceeding six months from the due date	1,152.90	1,120.71
Other trade receivable	3,780.61	1,881.25
Total	4,933.51	3,001.96
* includes ₹1050.90 lakh (previous year ₹1050.90 lakh) due from subsidiary company		
Note 14 - Cash and bank balances		
Cash and cash equivalents		
Cash on hand	2.27	2.11
Balances with banks	584.93	1,322.36
	587.20	1,324.47
Other bank balances		
Deposits against guarantees with maturity of more than 12 months from the balance sheet date	316.83	316.83
Less: Amount disclosed under non-current assets (Note 10)	(316.83)	(316.83)
	-	-
Total	587.20	1,324.47
Note 15 - Short-term loans and advances		
Loans and advances to subsidiary company		
Secured and considered good	-	414.90
Unsecured and considered good	537.85	164.00
	537.85	578.90
Security deposits (Unsecured and considered good)	15.39	14.19
Loans and advances with employees (Unsecured and considered good)	30.92	35.33
(includes ₹ Nil (previous year ₹3.76 lakh) due from directors of the company; maximum amount due at any time during the year ₹9.47 lakh (previous year ₹14.67 lakh))		
Balance with government authorities (Unsecured and considered good)	223.92	155.63
Advance to vendors (Unsecured and considered good)	1,939.90	1,265.25
Total	2,747.98	2,049.30



THE SANDUR MANGANESE & IRON ORES LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31.03.2012 ₹ lakh	As at 31.03.2011 ₹ lakh
Note 16 - Other current assets		
Interest accrued on deposits	23.27	16.80
Total	23.27	16.80
	2011-2012	2010-2011
	₹ lakh	₹ lakh
Note 17 - Revenue from operations		
Sale of products (Refer note (i) below)	18,178.46	34,894.11
Other operating revenues (Refer note (ii) below)	77.21	23.76
Revenue from operations (gross)	<u>18,255.67</u>	<u>34,917.87</u>
Less : Excise duty	191.30	58.33
Revenue from operations (net)	<u>18,064.37</u>	<u>34,859.54</u>
Notes :		
(i) Sale of products comprises:		
(a) Manganese ore	3,268.82	14,673.34
(b) Iron ore	11,757.58	19,161.17
(c) Silicomanganese	2,683.32	1,054.62
(d) TMT steel	468.74	4.98
	<u>18,178.46</u>	<u>34,894.11</u>
(ii) Other operating revenues comprise:		
(a) Sale of scrap/waste	11.78	4.48
(b) Other miscellaneous receipts	65.43	19.28
	<u>77.21</u>	<u>23.76</u>
Note 18 - Other income		
Interest Income		
- On fixed deposits with banks	28.90	27.94
- On long term investments	416.31	659.81
- On deposits	5.65	2.20
	<u>450.86</u>	<u>689.95</u>
Dividend Income from current investments	116.98	220.66
Gain on sale of current investments (net)	321.58	29.11
Foreign exchange fluctuations (net)	17.47	-
Profit on sale of fixed asset (net)	0.43	1.90
Other non operating income		
- Liabilities/ provisions no longer required written back	332.20	10.38
- Sale of petroleum products (Net of consumption of ₹ 1383.95 lakh previous year : ₹1250.17 lakh)	38.73	21.43
	<u>370.93</u>	<u>31.81</u>
Total	1,278.25	973.43
Note 19 - Cost of materials consumed		
Material consumed comprises:		
Manganese ore	246.28	209.90
Coke	661.40	286.59
Scrap billets	334.48	-
Other materials	78.47	26.74
Total	1,320.63	523.23



THE SANDUR MANGANESE & IRON ORES LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	2011-2012	2010-2011
	₹ lakh	₹ lakh
Note 20 - Changes in inventories of finished goods and work-in-progress		
Inventories at the beginning of the year		
Finished goods	4,065.00	1,160.59
Work-in-progress	5.61	-
	<u>4,070.61</u>	<u>1,160.59</u>
Inventories at the end of the year		
Finished goods	4,359.33	4,065.00
Work-in-progress	41.03	5.61
	<u>4,400.36</u>	<u>4,070.61</u>
Net (increase)/decrease	(329.75)	(2,910.02)
Note 21 - Employee benefits expense		
Salaries, wages and bonus	2,300.19	2,397.33
Contribution to provident and other funds	269.50	478.57
Employee welfare expenses	924.90	729.81
Subsidy on food grains	382.34	359.04
Total	3,876.93	3,964.75
Note 22 - Finance costs		
Interest expense on delayed payment of income tax / tax deducted at source	0.53	202.97
Total	0.53	202.97
Note 23 - Other expenses		
Stores and spares consumed	164.81	269.77
Subcontracting charges	1,636.65	810.80
Power and fuel	15.63	38.32
Rent (Refer note 35)	14.40	17.32
Repairs and maintenance to:		
Plant and machinery	89.94	41.05
Building	262.00	248.74
Others	142.41	248.16
	<u>494.35</u>	<u>537.95</u>
Mine running expenses	2,741.49	5,220.39
Insurance	12.70	13.26
Rates and taxes	2,722.12	6,894.86
Travelling and conveyance	473.18	429.12
Freight, loading and siding charges	1,103.30	2,760.69
Selling expenses	29.68	453.95
Donations and contributions	10.00	91.11
Legal and professional	355.28	212.46
Asset discarded	1.01	-
Bad trade receivables written off	29.17	-
Foreign exchange fluctuations (net)	-	2.08
Security charges	233.68	204.79
Expenses on corporate social responsibility	376.09	1,200.00
Miscellaneous expenses	293.80	198.05
Total	10,707.34	19,354.92



THE SANDUR MANGANESE & IRON ORES LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note 24 - Contingent Liabilities and commitments (to the extent not provided for)

(i) Contingent Liabilities

a) Claims against the Company not acknowledged as debts	As at 31.03.2012 ₹ lakh	As at 31.03.2011 ₹ lakh
Stamp duty on net present value includes maximum penalty of ₹ 4545.00 Lakh (relating to applicability of duty)	5,454.00	5,454.00
Income tax (relating to disallowance of deduction)	2,553.74	3,561.13
Service tax (relating to applicability of tax)	316.64	316.64
Others	14.80	14.80

The above amounts have been arrived at based on the notice of demand or the Assessment Orders, as the case may be, and the Company is contesting these claims with the respective authorities. Outflows, if any, arising out of these claims would depend on the outcome of the decisions of the appellate authorities and the Company's rights for future appeals before the judiciary. No reimbursements are expected.

b) Guarantees given by the Company:

Particulars	As at 31.03.2012 ₹ lakh	As at 31.03.2011 ₹ lakh
i) Employees in respect of housing loans	0.03	0.48

The Company has got an undertaking from the employees to repay on their behalf directly to the bank/financial institution.

Particulars	As at 31.03.2012 ₹ lakh	As at 31.03.2011 ₹ lakh
ii) Corporate guarantee issued to Customs authorities on behalf of subsidiary company	1,050.00	1,050.00

The Company has given the said guarantee in respect of fulfillment of the export obligations by the subsidiary company. There are no defaults as at the year end and no liability is expected

(ii) Capital commitments:

Particulars	As at 31.03.2012 ₹ lakh	As at 31.03.2011 ₹ lakh
Estimated amount of contracts remaining to be executed on capital account and not provided for	199.41	413.38

(iii) Other commitments:

Particulars	As at 31.03.2012 ₹ lakh	As at 31.03.2011 ₹ lakh
Other commitments - Road development	1,122.95	-

Note 25 - Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

There are no micro and small enterprises to whom the Company owes dues which are outstanding as at the balance sheet date. The information regarding Micro Enterprises and Small Enterprises have been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.



THE SANDUR MANGANESE & IRON ORES LIMITED NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note 26 - Disclosures as per Clause 32 of the Listing Agreements with the Stock Exchanges

Loans and advances in the nature of Loans given to subsidiary :

Particulars	Relationship	Amount Outstanding as at 31.03.2012	Maximum amount outstanding during the year 2011-12
Star Metalics and Power Private Limited	Subsidiary	1,218.07	9,766.07
		(9,141.39)	(9,141.39)

Note: Figures in brackets relate to Previous year.

Note 27 - As per the draft rehabilitation scheme of Sandur Laminates Limited and Sandur Micro Circuits Limited, the Company has given an undertaking not to dispose of its share holdings in Sandur Laminates Limited and Sandur Micro Circuits Limited without prior approval of Board for Industrial and Financial reconstruction (BIFR).

Note 28 - Trade payables do not include any amount to be credited to the Investor Education and Protection Fund.

Note 29 - Expenditure in foreign currency :

Expenditure	2011-12 ₹ lakh	2010-11 ₹ lakh
Travel	12.59	18.75
Others	4.08	6.80
Total	16.67	25.55

Note 30 - Details of Consumption of imported and indigenous items :

Raw Materials	2011-12		2010-11	
	₹ lakh	%	₹ lakh	%
Imported	-	-	-	-
Indigenous	1,320.63	100%	523.23	100%
Total	1,320.63	100%	523.23	100%

Note 31 - Earnings in foreign exchange :

Expenditure	2011-12 ₹ lakh	2010-11 ₹ lakh
Export of goods calculated on F.O.B. basis	72.99	-

Note 32 - Employee Benefits :

(a) Defined Contribution Plan

The contribution recognised in the statement of profit and loss during the year are as under:

Contribution to:	2011-12	2010-11
Provident Fund	133.18	80.48
Superannuation Fund	25.21	20.30
Total	158.39	100.78

The Company makes contributions at predetermined rates to SMIORE Provident Fund Trust and to the regional Provident Fund commissioner in respect of Employee Provident Fund and to the Life Insurance Corporation of India in respect of Superannuation Fund.

In case of SMIORE Provident Fund Trust interest rate payable by the Trust to be beneficiaries is as notified by the Government. The Company has an obligation to make good the short fall, between the return from the investments of trust and the notified interest rate and recognise such shortfall as an expense. Based on the actuarial valuation, there is no shortfall in the interest payable by the trust to the beneficiaries as on the balance sheet date.



THE SANDUR MANGANESE & IRON ORES LIMITED NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(b) Defined Benefit Plan - Funded

The Company makes annual contributions to an Insurance managed Fund. The scheme provides for lump sum payment to vested employees on retirement, death while in employment or on termination of employment as per the Company's Gratuity Scheme, vesting occurs upon completion of three years of service.

The following table sets out the funded status and amount recognised in the Company's financial statements for Gratuity.

₹ lakh

Sl.No	Particulars	2011-12	2010-11
I	Net Asset/(Liability) recognised in the balance sheet		
1	Present value of funded obligations - A	1,260.59	1,130.22
2	Fair value of plan Asset - B	1,149.67	830.41
3	(Deficit)/surplus (A-B)	(110.92)	(299.81)
4	Net asset/(liability)		
	- Asset	-	-
	- Liability	(110.92)	(299.81)
II	Expenses recognised to the statement of profit and loss under Employee benefits expense under note 21		
1	Current service cost	41.51	27.39
2	Interest on defined benefit obligation	76.71	52.67
3	Expected return on plan assets	(57.13)	(51.04)
4	Net actuarial losses/(gains) recognised during the year	50.02	348.77
5	Past service cost	-	-
6	Losses/(gains) on "curtailments & settlements"	-	-
	Total	111.11	377.79
	Actual return on plan assets	103.34	45.66
III	Change in present value of obligation		
1	Opening defined benefit obligation	1,130.22	763.95
2	Service cost	41.51	27.39
3	Interest cost	76.71	52.67
4	Actuarial losses/(gains)	96.23	343.38
5	Actuarial losses/(gains) due to curtailment	-	-
6	Benefits paid	(84.08)	(57.17)
7	Closing defined benefit obligation	1,260.59	1,130.22
IV	Change in fair value of plan assets		
1	Opening fair value of plan assets	830.41	741.93
2	Expected return	57.13	51.04
3	Actuarial gains /(losses)	46.21	(5.39)
4	Assets distributed on settlements	-	-
5	Contributions by employer	300.00	100.00
6	Benefits paid	(84.08)	(57.17)
7	Closing fair value of plan assets	1,149.67	830.41
V	The major categories of plan assets as a percentage of total plan assets:		
1	Government of India Securities	12.14%	18.44%
2	Corporate Bonds	63.21%	46.46%
3	Others	24.65%	35.10%
VI	Principal actuarial assumptions:		
	Discount rate	8.60% pa	7.80% pa
	Expected rate of return on plan assets	8.00% pa	8.50% pa
VII	The employees are assumed to retire normally at the age of 60 years.		
VIII	The mortality rates considered are as per the published rates by LIC (1944-96) mortality tables.		



THE SANDUR MANGANESE & IRON ORES LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Defined Benefit Plan - Funded (contd..)

		Summary of defined benefit obligation / plan assets and experience adjustments (₹ lakh)				
		31.03.12	31.03.11	31.03.10	31.03.09	31.03.08
1	Defined benefit obligation	1,260.59	1,130.22	763.95	774.92	544.23
2	Plan assets	1,149.67	830.41	741.93	715.84	394.17
3	Surplus / (deficit)	(110.92)	(299.81)	(22.02)	(59.08)	(150.06)
4	Experience adjustments on plan liabilities	35.89	334.39	(2.67)	200.83	(42.43)
5	Experience adjustments on plan assets	46.21	(5.39)	27.49	61.53	(21.48)

Expected rate of return on plan assets is based on average yield on investments. The Company is expected to contribute ₹120 lakh to the gratuity fund for year ending 31 March 2013.

(c) Other Long term benefits - Unfunded

The defined benefit obligations which are provided for but not funded are as under:

	₹ lakh	
	Liability as at 31.03.2012	Liability as at 31.03.2011
Leave Salary		
- Current	121.74	86.72
- Non-current	171.25	160.57
Total	292.99	247.29
Pension		
- Current	176.53	173.20
- Non-current	1,750.33	1,611.80
Total	1,926.86	1,785.00

The discount rate for defined benefit plan and other long term benefits is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of obligations. The estimate of future salary increases considered for defined benefits plan and other long term benefits takes into account the inflation, seniority, promotion, increments and other relevant factors.

Note 33 - Related party disclosures:

Names of related parties and description of relationship:

1	Holding Company	None
2	Subsidiary	Star Metallics and Power Private Limited
3	Key Management Personnel (KMP)	i) S. Y. Ghorpade, Chairman & Managing Director
		ii) Nazim Sheikh, Joint Managing Director (w.e.f. 9 April 2011) and Executive Director (up to 8 April 2011)
		iii) S.H. Mohan, Technical Director
		iv) S.R.Sridhar, Director (Mines)
		v) U. R. Acharya, Director (Commercial) (w.e.f. 9 April 2011)
		vi) K. Raman, Director (Finance) (w.e.f.9 April, 2011)
4	Relative of KMP	Aditya Shivrao Ghorpade
		Dhananjaya Shivarao Ghorpade (w.e.f. 1 April 2011)
		Puneet Acharya (w.e.f. 1 April 2011 up to 31 October 2011)



THE SANDUR MANGANESE & IRON ORES LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

a) Subsidiary

₹ lakh

Particulars	2011-12	2010-11
Transactions during the year		
- Interest income	416.31	659.81
- Subcontracting charges	1,509.35	810.80
- Purchase of raw material	133.79	348.17
- Loans and advances given	250.00	3,298.00
- Allotment of equity shares	8,548.00	1,500.00
Closing balance at the year end		
Debit balances	2,806.82	10,356.29

b) Key Management Personnel

₹ lakh

SI No.	Name of KMP	Salary		Commission *		Total Remuneration	
		31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11
1	S. Y. Ghorpade	76.75	54.51	11.50	-	88.25	54.51
2	Nazim Sheikh	70.11	49.10	11.50	-	81.61	49.10
3	S. H. Mohan	69.51	48.99	11.50	-	81.01	48.99
4	S. R. Sridhar	45.29	31.76	11.50	-	56.79	31.76
5	U.R. Acharya	41.79	-	11.50	-	53.29	-
6	K. Raman	41.36	-	11.50	-	52.86	-
	Total	344.81	184.36	69.00	-	413.81	184.36

* Represents commission paid for the year 2010-11 based on approval in Annual General Meeting.

c) Key Management Personnel

₹ lakh

SI No.	Name of KMP	Amounts payable at the year end		Amounts receivable at the year end	
		31.03.12	31.03.11	31.03.12	31.03.11
1	S. Y. Ghorpade	8.83	-	-	3.76
2	Nazim Sheikh	9.71	1.48	-	-
3	S. H. Mohan	8.24	0.55	-	-
4	S. R. Sridhar	9.15	-	-	-
5	U.R. Acharya	9.31	-	-	-
6	K. Raman	9.23	-	-	-
	Total	54.47	2.03	-	3.76

d) Relative of KMP

₹ lakh

SI No.	Name of KMP	Remuneration		Amounts payable at the year end		Amounts receivable at the year end	
		31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11
1	Aditya Shivrao Ghorpade	8.00	5.62	1.14	-	-	1.25
2	Dhananjaya Shivarao Ghorpade	6.63	-	0.47	-	-	-
3	Puneet Acharya	3.57	-	0.27	-	-	-



THE SANDUR MANGANESE & IRON ORES LIMITED NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note 34. Segment reporting

a) Primary segments (business segments)

₹ lakh

Particulars	Mining		Service		Ferroalloy & Power		Steel		Unallocable		Elimination		Total	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
REVENUE														
External sales	5,095.27	33,853.02	-	-	2,535.77	1,002.09	433.33	4.43	-	-	-	-	18,064.37	34,859.54
Inter Segment Revenue	166.87	184.40	-	-	8.63	-	-	-	-	-	(175.50)	(184.40)	-	-
Total revenue	15,262.14	34,037.42	-	-	2,544.40	1,002.09	433.33	4.43	-	-	(175.50)	(184.40)	18,064.37	34,859.54
RESULT														
Segment	2,478.74	13,623.29	-	-	109.02	(300.09)	(151.73)	(15.16)	-	-	-	-	2,436.03	13,308.04
Unallocated corporate (expense) / income (net)	-	-	-	-	-	-	-	-	226.43	525.77	-	-	226.43	525.77
Operating profit	2,478.74	13,623.29	-	-	109.02	(300.09)	151.73	(15.16)	226.43	525.77	-	-	2,662.46	13,833.81
Interest expense	-	-	-	-	-	-	-	-	(0.53)	(202.97)	-	-	(0.53)	(202.97)
Profit before taxes	2,478.74	13,623.29	-	-	109.02	(300.09)	151.73	(15.16)	225.90	322.80	-	-	2,661.93	13,630.84
Taxes	-	-	-	-	-	-	-	-	(1,813.00)	(4,462.00)	-	-	(1,813.00)	(4,462.00)
Net profit	2,478.74	13,623.29	-	-	109.02	(300.09)	(151.73)	(15.16)	(1,587.10)	(4,139.20)	-	-	848.93	9,168.84
OTHER INFORMATION														
Segment assets	4,450.53	13,070.33	6.96	7.72	18,130.63	16,901.40	2,477.59	1,713.59	10,816.83	16,405.55	-	-	45,882.54	48,098.59
Segment liabilities	12,309.22	13,485.87	-	0.05	2,191.78	2,192.30	40.89	0.53	441.01	2,369.13	-	-	14,982.90	18,047.88
Capital expenditure including capital work-in-progress	218.10	191.23	-	-	-	75.66	-	-	115.12	2,246.80	-	-	333.22	2,513.69
Depreciation/ amortisation	1,032.95	1,016.28	-	-	6.33	0.85	-	-	65.73	49.15	-	-	1,105.01	1,066.28
Non-cash expense other than depreciation / amortisation	29.94	-	-	-	-	-	-	-	0.24	-	-	-	30.18	-

Note 1 : Primary business segments have been identified on the basis of distinguishable businesses in which the Company is engaged.

Note 2 : Inter segment transfer from the mining segment is measured at cost.

(b) Secondary Segments (Geographical Segments)

(i) Disclosure of segment revenue, based on geographical location of customers

₹ lakh

Geographical Segments	2011-12	2010-11
India	17,620.68	33,937.68
Rest of world	443.69	921.86
Total	18,064.37	34,859.54

(ii) Total carrying amount of assets, by geographical location

₹ lakh

Location of Assets	2011-12	2010-11
India	45,882.54	48,098.59
Rest of world	-	-
Total	45,882.54	48,098.59

Note: Most of the assets are not identifiable separately to any reportable segment as these are used interchangeably between segments

(iii) Capital expenditure during the year (including capital work in progress)

₹ lakh

Location of Assets	2011-12	2010-11
India	333.22	2,513.69
Rest of world	-	-
Total	333.22	2,513.69

Note: The above costs of assets are not identifiable separately to any reportable segment as these are used interchangeably between segments.

The Company essentially operates within India and there are exports mainly through Export Trading House in respect of the Mines.



THE SANDUR MANGANESE & IRON ORES LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note 35 - Operating lease disclosure :

The Company has entered into operating leases in respect of office premises and residential premise. The leasing arrangements are cancellable and are renewable by mutual consents. The lease rentals charged to the statement of profit and loss in respect of these leases amounts to ₹14.40 Lakh (Previous year ₹17.32 Lakh)

Note 36 - Earnings per share

Particulars	2011-12	2010-11
Net profit after tax - ₹Lakh	848.93	9,168.84
Weighted average number of equity shares	8,750,000	8,750,000
Nominal value of share - ₹	10.00	10.00
Basic and diluted earnings per share - ₹	9.70	104.79

Note 37 - Deferred tax (liability)/asset

₹ lakh

	Opening Balance	Tax effect for the year	As at 31.03.2012
Deferred tax (liability)			
Fixed assets	(822.48)	(225.31)	(597.17)
Sub total	(822.48)	(225.31)	(597.17)
Deferred tax asset			
Provision for employee benefit	659.38	(41.63)	701.01
Others	2,043.10	(305.06)	2,348.16
Sub total	2,702.48	(346.69)	3,049.17
Net deferred tax asset / (liability)	1,880.00	(572.00)	2,452.00

Note 38 - Payment to Auditors : (included under legal and professional charges note 23)

₹ lakh

Auditor's remuneration	2011-12	2010-11
Statutory audit	15.00	15.00
Tax audit	4.00	3.25
Audit of consolidated accounts	3.50	3.50
Fees for other services	14.50	11.65
Reimbursement of ₹		
- out of pocket expenses	0.04	0.28
- levies	3.79	3.95
	40.83	37.63



THE SANDUR MANGANESE & IRON ORES LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note 39 - Production / purchase, sales, opening and closing stock of finished goods

Quantity tonnes

	Opening stock	Production/ purchase	Internal Consumption	Sales	Closing stock	[Excess] / Shortage
Manganese Ore	108,095	88,514	6,540	65,320	122,481	2,268
	(47,793)	(301,277)	(-)	(240,675)	(108,095)	(300)
Iron Ore	470,550	299,203	-	514,791	259,308	[4346]
	(-)	(1,578,230)	(-)	(1,107,680)	(470,550)	(-)
Silico-Manganese*	644	5,787	17	5,842	577	[5]
	(-)	(3,061)	(-)	(2,417)	(644)	(-)
TMT Steel Bars*	12	1,212	-	1,210	1	13
	(38)	(-)	(-)	(26)	(12)	(-)

NOTES:

*Processed by third parties.

a) Manganese ore production includes 6,920 tonnes (previous year: 40,498 tonnes) salvaged from waste dumps.

b) Previous year figures are in brackets.

Note 40 - The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

Signatures to Notes 1 to 40.
for and on behalf of the Board of Directors

S.Y.GHORPADE
Chairman & Managing Director

NAZIM SHEIKH
Joint Managing Director

MD. ABDUL SALEEM
Company Secretary

K. RAMAN
Director (Finance)

Place : Bangalore
Date : 26 May 2012



**STATEMENT REGARDING SUBSIDIARY COMPANY PURSUANT TO SECTION 212(1)(e)
OF THE COMPANIES ACT, 1956**

1	Name of Subsidiary	Star Metalics and Power Private Limited
2	Financial Year of the subsidiary ended on:	31 March 2012
3	Share of the subsidiary held on the above date: a) Number of shares and face value b) Extent of Holding	75,240,000 equity shares of ₹10/- each (fully paid up) 81.24%
4	Net aggregate amount of profit of the Subsidiary so far as they concern the members of The Sandur Manganese & Iron Ores Limited a) Dealt with in the accounts of The Sandur Manganese & Iron Ores Limited for the year ended 31 March 2012 b) Not dealt with in the accounts of The Sandur Manganese & Iron Ores Limited for the year ended 31 March 2012	Nil Loss of ₹1592.17 lakh
5	Net aggregate amount of profit for previous financial years of the Subsidiary since it became a subsidiary so far as they concern the members of The Sandur Manganese & Iron Ores Limited a) Dealt with in the accounts of The Sandur Manganese & Iron Ores Limited for the year ended 31 March 2011 b) Not dealt with in the accounts of The Sandur Manganese & Iron Ores Limited for the year ended 31 March 2011	Nil Loss of ₹279.23 lakh

S. Y. GHORPADE
Chairman & Managing Director

NAZIM SHEIKH
Joint Managing Director

MD. ABDUL SALEEM
Company Secretary

K. RAMAN
Director (Finance)

Place: Bangalore
Date: 26 May 2012



AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF THE SANDUR MANGANESE & IRON ORES LIMITED

1. We have audited the attached Consolidated Balance Sheet of The Sandur Manganese & Iron Ores Limited ("the Company") and its subsidiary (the Company and its subsidiary constitute "the Group") as at 31st March, 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding component. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements), as notified under the Companies (Accounting Standards) Rules, 2006.
4. Based on our audit and on consideration of the separate audit reports on individual financial statements of the Company and its aforesaid subsidiary and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2012;
 - (ii) in the case of the Consolidated Statement of Profit and Loss, of the loss of the Group for the year ended on that date and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No.008072S)

S. Sundaresan
Partner
(Membership No.25776)

Bangalore, 26th May, 2012



THE SANDUR MANGANESE & IRON ORES LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2012

	Note No.	As at 31.03.2012 ₹ lakh	As at 31.03.2011 ₹ lakh
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3	875.00	875.00
(b) Reserves and surplus	4	26,988.17	27,761.49
		<u>27,863.17</u>	<u>28,636.49</u>
2 Minority interest		2,917.74	1,990.13
3 Non-current liabilities			
(a) Long-term borrowings	5	-	600.00
(b) Other long term liabilities	6	168.78	117.92
(c) Long-term provisions	7	1,929.71	1,777.33
		<u>2,098.49</u>	<u>2,495.25</u>
4 Current liabilities			
(a) Trade payables		1,967.21	1,983.30
(b) Other current liabilities	8	11,556.32	12,997.78
(c) Short-term provisions	9	612.36	2,635.63
		<u>14,135.89</u>	<u>17,616.71</u>
	TOTAL	<u>47,015.29</u>	<u>50,738.58</u>
II. ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	10.a	22,334.00	22,449.54
(ii) Intangible assets	10.b	1,639.78	2,576.80
(iii) Capital work-in-progress		1,266.48	829.03
		<u>25,240.26</u>	<u>25,855.37</u>
(b) Goodwill on consolidation		149.99	149.99
(c) Non-current investments	11	0.06	0.06
(d) Deferred tax assets (net)	34	2,452.00	1,880.00
(e) Long-term loans and advances	12	3,628.88	2,772.74
(f) Other non-current assets	13	460.02	460.02
		<u>6,540.96</u>	<u>5,112.82</u>
2 Current assets			
(a) Current investments	14	1,850.00	8,344.09
(b) Inventories	15	5,321.88	5,099.67
(c) Trade receivables	16	4,590.20	1,989.62
(d) Cash and bank balances	17	698.39	1,859.27
(e) Short-term loans and advances	18	2,579.51	2,297.89
(f) Other current assets	19	44.10	29.86
		<u>15,084.08</u>	<u>19,620.40</u>
	TOTAL	<u>47,015.29</u>	<u>50,738.58</u>

See accompanying notes forming part of the financial statements

In terms of our report attached
for DELOITTE HASKINS & SELLS
Chartered Accountants

for and on behalf of the Board of Directors

S.SUNDARESAN
Partner

S.Y.GHORPADE
Chairman & Managing Director

NAZIM SHEIKH
Joint Managing Director

MD. ABDUL SALEEM
Company Secretary

K. RAMAN
Director (Finance)

Place : Bangalore
Date : 26 May 2012



THE SANDUR MANGANESE & IRON ORES LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2012

	Note No.	2011-2012 ₹ lakh	2010-2011 ₹ lakh
I. Revenue from operations (gross)	20	20,814.80	36,376.31
Less: Excise duty		191.60	60.69
Revenue from operations (net)		20,623.20	36,315.62
II. Other income	21	886.33	335.50
III. Total revenue (I + II)		21,509.53	36,651.12
IV. Expenses:			
(a) Cost of materials consumed	22	1,384.94	676.96
(b) Changes in inventories of finished goods and work-in-progress	23	(327.14)	(2,891.25)
(c) Employee benefits expense	24	4,088.63	4,093.06
(d) Finance costs	25	61.94	236.13
(e) Depreciation and amortization expense	10	1,911.69	1,366.10
(f) Other expenses	26	13,647.18	20,392.11
Total expenses		20,767.24	23,873.11
V. Profit before tax (III-IV)		742.29	12,778.01
VI. Tax expense:			
(a) Current tax		1,400.00	5,800.00
(b) Deferred tax	34	(572.00)	(1,393.00)
(c) Earlier years		985.00	55.00
		1,813.00	4,462.00
VII Profit/(loss) for the year before minority interest (V-VI)		(1,070.71)	8,316.01
VIII Minority Interest		(297.39)	(177.24)
IX Profit/(loss) for the year (VII-VIII)		(773.32)	8,493.25
X Earnings per equity share of ₹ 10 each :			
Basic and diluted (₹)	33	(8.84)	97.07

See accompanying notes forming part of the financial statements

In terms of our report attached
for DELOITTE HASKINS & SELLS
Chartered Accountants

for and on behalf of the Board of Directors

S.SUNDARESAN
Partner

S.Y.GHORPADE
Chairman & Managing Director

NAZIM SHEIKH
Joint Managing Director

MD. ABDUL SALEEM
Company Secretary

K. RAMAN
Director (Finance)

Place : Bangalore
Date : 26 May 2012



THE SANDUR MANGANESE & IRON ORES LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

	2011-12 ₹ lakh	2010-11 ₹ lakh
A. Cash flows from operating activities		
Net profit before tax	742.29	12,778.01
Adjustment for :		
- Depreciation and amortisation	1,911.69	1,366.10
- Assets discarded	1.01	-
- Profit on sale of fixed assets (net)	(0.43)	(1.90)
- Bad trade receivables and advances written off	29.17	-
- Interest expenses	61.94	236.13
- Interest income	(57.38)	(48.90)
- Gain on sale of current investments (net)	(321.58)	(29.11)
- Dividend income from current investments	(116.98)	(220.66)
- Provision for doubtful trade receivables and advances	-	2.78
- Liabilities/provisions no longer required written back	(332.20)	(10.38)
Operating profit before working capital changes	<u>1,917.53</u>	<u>14,072.07</u>
Adjustments for (increase)/decrease in operating assets:		
- Inventories	(222.20)	(3,466.68)
- Trade receivables	(2,600.58)	538.56
- Short-term loans and advances	(281.62)	(115.63)
- Long-term loans and advances	(569.03)	(1,071.26)
- Other non-current assets	-	0.50
Adjustments for increase/(decrease) in operating liabilities:		
- Trade payables	22.28	(350.27)
- Other current liabilities	(747.21)	1,047.70
- Short-term provisions	(149.59)	537.80
- Long-term provisions	152.38	419.79
Cash generated from operations	<u>(2,478.04)</u>	<u>11,612.67</u>
- Direct taxes paid	<u>(4,144.60)</u>	<u>(6,054.60)</u>
Net cash flow from/(used in) operating activities (A)	<u>(6,622.64)</u>	<u>5,558.07</u>
B. Cash flows from investing activities		
Capital expenditure on fixed assets (including capital work-in-progress and advances on capital account)	(995.23)	(4,667.38)
Proceeds from sale of fixed/other assets	0.75	2.00
Bank balances not considered as cash and cash equivalents -	(143.19)	
(Purchase) /sale of mutual funds (net)	6,815.67	(2,169.48)
Interest received	43.14	51.51
Dividend received from current investments	116.98	220.66
Net cash flow from/(used in) investing activities (B)	<u>5,981.31</u>	<u>(6,705.88)</u>



THE SANDUR MANGANESE & IRON ORES LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

C. Cash flows from financing activities

Repayment of borrowings	(1,225.00)	(400.00)
Proceeds from share issue by subsidiary	1,225.00	-
Dividend on shares and tax thereon	(508.47)	(306.10)
Interest paid	(11.08)	(118.86)
Net cash flow used in financing activities (C)	(519.55)	(824.96)
Net cash flow during the year (A+B+C)	(1,160.88)	(1,972.77)
Cash and cash equivalents (opening balance)	1,859.27	3,832.04
Cash and cash equivalents (closing balance)	698.39	1,859.27
Increase/ (decrease) in cash and cash equivalents	(1,160.88)	(1,972.77)

In terms of our report attached
for DELOITTE HASKINS & SELLS
Chartered Accountants

for and on behalf of the Board of Directors

S.SUNDARESAN
Partner

S.Y.GHORPADE
Chairman & Managing Director

NAZIM SHEIKH
Joint Managing Director

MD. ABDUL SALEEM
Company Secretary

K. RAMAN
Director (Finance)

Place : Bangalore
Date : 26 May 2012



THE SANDUR MANGANESE & IRON ORES LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. The Consolidated Financial Statements comprise the financial statements of The Sandur Manganese & Iron Ores Limited ("the Company") and its subsidiary named Star Metallics and Power Private Limited ("SMPPL"). The Consolidated Financial Statements are prepared in accordance with Accounting Standard (AS) 21 on Consolidated Financial Statements notified by the Central Government of India under The Companies (Accounting Standards) Rules, 2006.

SMPPL is incorporated in India and the Company's ownership interest and voting power is 81.24% (previous year: 74.29%) as at the balance sheet date.

The financial statements of SMPPL are drawn up to the same reporting date as that of the Company i.e. 31 March, 2012 and are audited.

The difference between the costs of investment in SMPPL over the Company's portion of equity of SMPPL is recognised as Goodwill.

Minority interest in the net assets of consolidated subsidiary is identified and presented in the consolidated balance sheet separately from liabilities and the equity of the Company's shareholders.

Minority interest in the net assets of consolidated subsidiary consists of:

- The amount of equity attributable to minorities at the date on which investment in subsidiary is made; and
- The minorities' share of movements in equity since the date parent subsidiary relationship came into existence.

Minority interest in the net profit/loss for the year of consolidated subsidiary is identified and adjusted against the profit/loss after tax of the group.

2. Significant accounting policies

2.1 Basis of accounting and preparation of financial statements

The Company adopts the historical cost concept (except revaluation of fixed assets) and accrual basis, in accordance with generally accepted accounting principles (GAAP) of India, for the preparation of its financial statements. The financial statements are prepared to comply in all material aspects with the applicable accounting principles in India, the applicable accounting standards notified under section 211(3C) of the Companies Act, 1956 (Act).

2.2. Use of estimates

The Company uses prudent and reasonable assumptions and estimates in the preparation of its financial statements, and these are reflected in the reported amounts of income and expenses during the year, and the reported balances of assets and liabilities, and disclosures relating to contingent liabilities, as at the date of the financial statements.

2.3. Fixed assets

Fixed assets are capitalised at acquisition cost including directly attributable cost of bringing the asset to its working condition for the intended use. Certain assets have been revalued as on 31st March, 1985 and the resultant surplus has been added to the cost of the assets.

2.4. Depreciation/Amortisation

The Company's assets at head office and mines (including assets transferred to plant from these locations) are depreciated on the written down value method and at plant (including assets transferred to other locations from plant) are depreciated on the straight line method at the rates and in manner prescribed in Schedule XIV to the Companies Act, 1956, except for roads and drains at plant which are depreciated at 10% instead of 1.63%.

Mining lease rights are amortised over the useful life of the mine or lease period, whichever is shorter.

Individual assets costing less than ₹5,000/- are depreciated in full in the year of its purchase.



THE SANDUR MANGANESE & IRON ORES LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.5. Impairment of fixed assets

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an impairment loss is recognised when the carrying amount exceeds greater of net selling price and value in use.

2.6. Foreign currency transaction

Foreign exchange transactions are recorded at the exchange rates prevailing on the date of transaction.

Foreign exchange rate fluctuations relating to monetary assets and liabilities are restated at the year-end rates.

The net loss or gain arising on restatement/settlement, if any, is adjusted to the statement of profit and loss.

In respect of forward exchange contracts, the premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss of the reporting period in which the exchange rates change.

2.7. Investments:

All long term investments are valued at cost. However, provision for diminution in value is made to recognise a decline, other than temporary, in the value of investments.

Current investments are carried at lower of cost and fair value.

2.8. Inventories

Inventories are valued at lower of cost and net realisable value.

The method of determination of cost of various categories of inventories is as follows:

- (a) Stores and spare parts: Monthly weighted average rates;
- (b) Raw materials: On monthly weighted average rates;
- (c) Work-in-progress and finished goods: Full absorption costing method based on annual cost of production.

2.9. Revenue recognition

Revenue from sale of goods is recognised on despatch of goods to customers from plant or stock points as applicable when significant risks and rewards of ownership are considered to be transferred and realisation can be reasonably assumed. In case of service income, revenue is recognised when the service is rendered to the customer.

Revenue from sale of power is recognised based on the power generated and supplied per applicable rates from time to time.

2.10. Employee benefits

Short-term employee benefits are recognised as an expense at the undiscounted amount in the statement of profit and loss of the year in which the related service is rendered.

Post employment benefits are recognised as an expense in the statement of profit and loss of the year in which the employee has rendered services. The expense is recognised at the present value of the amount payable towards contributions. The present value is determined using the market yields of government bonds, at the balance sheet date, at the discounting rate.

Other long-term employee benefits are recognised as an expense in the statement of profit and loss of the period in which the employee has rendered services. Estimated liability on account of long-term benefits is discounted to the present value, using the market yields on government bonds, as on the date of the balance sheet, at the discounting rate.

Actuarial gains and losses in respect of past employment and other long term benefits are charged to the statement of profit and loss on an accrual basis.



THE SANDUR MANGANESE & IRON ORES LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.11. Segment Accounting

Segments are identified based on the types of products and the internal organisation and management structure. The Company has identified business segment as its primary segment with secondary information reported geographically.

The Company's primary segments consist of Mining, Services, Ferroalloys & Power and Steel.

Unallocable represents other income and expenses which relate to the Company as a whole and are not allocated to segments.

2.12. Taxation

Current tax

Current tax expense is determined in accordance with the provision of the Income-tax Act, 1961.

Deferred tax

Deferred tax assets and liabilities are measured using the tax rates which have been enacted or substantively enacted at the balance sheet date. Deferred tax expense or benefit is recognised, subject to consideration of prudence, on timing difference being the difference between taxable income and accounting income that originate in one period and are capable of reversing in one or more subsequent periods.

Deferred tax assets are recognized for all deductible timing differences and are carried forward to the extent there is reasonable certainty that sufficient taxable profit will be available to realize these assets. Deferred tax assets to the extent they relate to brought forward losses and unabsorbed depreciation are recognized only to the extent there is virtual certainty of realization, that sufficient taxable income will be available to realize such asset.

2.13. Provisions and contingencies:

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised but are disclosed in the notes.

Contingent assets are neither recognised nor disclosed in the financial statements.



THE SANDUR MANGANESE & IRON ORES LIMITED
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Note 3 - Share capital	As at 31.03.2012 ₹ lakh	As at 31.03.2011 ₹ lakh
i) Authorised		
14,000,000 (previous year : 14,000,000) equity shares of ₹10 each with voting rights	1,400.00	1,400.00
100,000 (previous year : 100,000) 'B' 16 % (subject to tax) redeemable cumulative preference shares of ₹100 each	100.00	100.00
	_____	_____
ii) Issued, subscribed and fully paid up		
Equity shares of ₹10 each with voting rights	875.00	875.00
	_____	_____
	<u>875.00</u>	<u>875.00</u>

Notes :

(i) Reconciliation of number of shares outstanding at the beginning and at the end of the year

Particulars	Opening balance	Fresh issue / Bonus / ESOP / Conversion / Buy back / Other changes	Closing balance
Equity share with voting rights (Issued, subscribed and fully paid up)			
Year ended 31.03. 2012			
- Number of shares	8,750,000	-	8,750,000
- Amount (₹ lakh)	875.00	-	875.00
Year ended 31 .03. 2011			
- Number of shares	8,750,000	-	8,750,000
- Amount (₹ lakh)	875.00	-	875.00

(ii) Rights, preferences and restrictions attached to equity shares :

The Company has only one class of equity shareholders. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by Board of Directors is subject to approval by the shareholders at the ensuing Annual General Meeting. In the event of liquidation of the Company, the equity shareholders are entitled to receive only residual assets of the Company. The distribution will be in proportion to the number of equity shares held by the shareholder.

(iii) Shareholders holding more than 5% shares in the Company

Name of shareholders	As at 31.03.2012	As at 31.03.2011
	No. of shares held	No. of shares held
Skand Private Limited	2,047,719	2,105,269
Sattari Engineering Enterprises Private Limited	1,683,121	1,683,121
Sunshine Real Estates & Constructions Private Limited	998,100	998,100



THE SANDUR MANGANESE & IRON ORES LIMITED
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	As at 31.03.2012	As at 31.03.2011
	₹ lakh	₹ lakh
Note 4 - Reserves and surplus		
Capital redemption reserve as per last balance sheet	100.65	100.65
Securities premium account as per last balance sheet	967.23	967.23
General reserves		
Opening balance	3,404.38	2,487.38
Add : Transferred from surplus in statement of profit and loss	-	917.00
Closing Balance	<u>3,404.38</u>	<u>3,404.38</u>
Surplus in statement of profit and loss		
Opening balance	23,289.23	16,221.45
Add: Profit/(loss) for the year	<u>(773.32)</u>	<u>8,493.25</u>
	<u>22,515.91</u>	<u>24,714.70</u>
Less:		
Transferred to general reserves	-	917.00
Dividends proposed to be distributed to equity shareholders	-	437.50
Tax on dividend	-	70.97
Closing Balance	<u>22,515.91</u>	<u>23,289.23</u>
Total	<u>26,988.17</u>	<u>27,761.49</u>
Note 5 - Long-term borrowings		
Loans and advances from others (Refer note below)		
- Unsecured	-	600.00
Total	<u>-</u>	<u>600.00</u>
Note:		
An amount of ₹ Nil (as at 31.03.2011 ₹625 lakhs) which is repayable within 12 months have been grouped under other current liabilities (Refer note 8).		
Note 6 - Other long-term liabilities		
Interest accrued but not due on borrowings	168.78	117.92
Total	<u>168.78</u>	<u>117.92</u>
Note 7 - Long-term provisions		
Provision for employee benefits:		
Provision for pension (Refer note 29(c))	1,750.33	1,611.80
Provision for compensated absences (Refer note 29(c))	176.34	163.74
Provision for gratuity (Refer note 29(b))	3.04	1.79
Total	<u>1,929.71</u>	<u>1,777.33</u>
Note 8 - Other current liabilities		
Creditors for capital goods	597.93	373.34
Statutory remittances	9,381.65	8,721.95
Advance received from customers	1,204.44	2,905.76
Other creditors	372.30	371.73
Current maturities of long-term borrowings (Refer note 5)	-	625.00
Total	<u>11,556.32</u>	<u>12,997.78</u>



THE SANDUR MANGANESE & IRON ORES LIMITED
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Note 9 - Short-term provisions	As at 31.03.2012	As at 31.03.2011
	₹ lakh	₹ lakh
Provision for employee benefits:		
Provision for gratuity (Refer note 29 (b))	110.96	299.85
Provision for pension (Refer note 29 (c))	176.53	173.20
Provision for compensated absences (Refer note 29 (c))	123.44	87.47
	<u>410.93</u>	<u>560.52</u>
Provision - Others:		
Provision for taxation (net of payments)	201.43	1,566.64
Provision for proposed equity dividend	-	437.50
Provision for tax on proposed dividend	-	70.97
	<u>201.43</u>	<u>2,075.11</u>
Total	<u>612.36</u>	<u>2,635.63</u>

Note 10 - Fixed assets

₹ lakh

	Description	Gross block			Accumulated depreciation				Net block		
		Balance as at 01.04.2011	Additions	Deletions	As at 31.03.2012	Up to 31.03.2011	For the year	On deletions	Upto 31.03.2012	As at 31.03.2012	As at 31.03.2011
a	Tangible assets										
	Freehold land*	6,119.59	-	-	6,119.59	-	-	-	-	6,119.59	6,119.59
	Buildings and roads	2,425.24	51.33	-	2,476.57	217.29	96.17	-	313.46	2,163.11	2,207.95
	Railway sidings	14.28	-	-	14.28	12.78	0.22	-	13.00	1.28	1.50
	Plant and equipment	15,026.61	713.68	-	15,740.29	1,291.80	778.60	-	2,070.40	13,669.89	13,734.81
	Vehicles	403.45	51.87	1.50	453.82	169.17	67.48	1.47	235.14	218.68	234.28
	Furniture and fixtures	105.11	5.53	0.90	109.74	36.99	8.32	0.70	44.61	65.13	68.12
	Office equipment	185.37	38.07	16.35	207.09	102.08	23.88	15.19	110.77	96.32	83.29
	Total (a)	24,279.65	860.48	18.75	25,121.38	1,830.11	974.67	17.36	2,787.38	22,334.00	
	Previous year	8,909.56	15,370.23	0.14	24,279.34	1,401.07	429.08	0.04	1,830.11		22,449.54
b	Intangible assets										
	Mining lease rights	10,718.31	-	-	10,718.31	8,141.51	937.02	-	9,078.53	1,639.78	2,576.80
	Total (b)	10,718.31	-	-	10,718.31	8,141.51	937.02	-	9,078.53	1,639.78	
	Previous year	10,718.31	-	-	10,718.31	7,204.49	937.02	-	8,141.51		2,576.80
	Total (a+b)	34,997.96	860.48	18.75	35,839.69	9,971.62	1,911.69	17.36	11,865.91	23,973.78	

* includes land of ₹1,818.00 lakh for which the Company had entered into a Joint Development Agreement during the year 2009-10.

Note: Borrowing costs capitalised during the year as per AS-16. Borrowing cost is ₹ NIL (previous year ₹126.44 lakh)



THE SANDUR MANGANESE & IRON ORES LIMITED
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	As at 31.03.2012 ₹ lakh	As at 31.03.2011 ₹ lakh
Note 11 - Non-current investments		
Investments in equity instruments		
Sandur Micro Circuits Limited (unquoted) 900,000 (previous year : 900,000) equity shares of ₹10 each fully paid up	90.00	90.00
Sandur Laminates Limited (quoted) 4,725,191 (previous year : 4,725,191) equity shares of ₹10 each fully paid up (Market value not ascertained as there was no trading)	879.67	879.67
HDFC Bank Limited (quoted) 2,500 (previous year : 500) equity shares of ₹ 2 each (previous year ₹ 10 each) fully paid up in HDFC Bank Limited	0.05	0.05
	<u>969.72</u>	<u>969.72</u>
Investments in Government or Trust securities (unquoted)	0.01	0.01
	969.73	969.73
Less : Provision for diminution in the value of Investments	969.67	969.67
Total	<u>0.06</u>	<u>0.06</u>
Aggregate amount of quoted investments	0.05	0.05
Aggregate market value of quoted investments	12.78	11.71
Aggregate amount of unquoted investments	0.01	0.01
Note 12 - Long-term loans and advances		
Capital advances (Unsecured and considered good)	342.88	420.99
Security deposits (Unsecured and considered good)	287.27	281.54
Tax payments, net of provisions (unsecured and considered good)	755.69	361.30
Advances for strategic alliance		
- Secured and considered good	600.00	600.00
- Unsecured and considered good	1,643.04	1,108.91
	<u>2,243.04</u>	<u>1,708.91</u>
Total	<u>3,628.88</u>	<u>2,772.74</u>
Note 13 - Other non-current assets		
Deposits against guarantee with maturity of more than 12 months from the balance sheet date (Refer note 17)	460.02	460.02
Total	<u>460.02</u>	<u>460.02</u>



THE SANDUR MANGANESE & IRON ORES LIMITED
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Note 14 - Current investments	As at 31.03.2012	As at 31.03.2011
	₹ lakh	₹ lakh
Investments in Mutual Funds (unquoted) (at lower of cost and market value)		
Franklin Templeton India Income Opportunities Fund Nil units (previous year: 4,912,074) of ₹10 each	-	500.00
Birla Sun Life Monthly Income - Monthly Dividend Reinvestment Nil units (previous year : 4,705,230) of ₹11.23 each	-	528.36
Kotak Fixed Maturity Plan -19 Month Series 2 -Growth Nil units (previous year : 5,000,000) of ₹10 each	-	500.00
TATA Fixed Maturity Plan Series 25 - A - Super High Investment Plan - Growth Nil units (previous year : 5,000,000) of ₹10 each	-	500.00
Axis Income Server Quarterly Dividend Nil units (previous year: 5,080,905) of ₹10 each	-	508.09
Templeton India Income Opportunities Fund - Growth Nil units (previous year : 4,801,921) of ₹10 each	-	500.00
Franklin Fixed Tenure Fund -Series XIV-3Yrs-Plan B Growth 175,000 units (previous year : 175,000) of ₹10 each	175.00	175.00
HDFC Monthly Income plan - Long Term - Monthly Dividend Nil units (previous year : 4,094,766) of ₹12.75 each	-	521.99
ICICI Prudential Monthly Income Plan - 25 Monthly Dividend Nil units (previous year : 4,247,137) of ₹12.14 each	-	515.86
Kotak Credit Opportunities Fund - Growth Nil units (previous year : 5,000,000) of ₹10 each	-	500.00
Religare Monthly Income Plan -Monthly Income Plan Plus - Dividend Nil units (previous year : 5,037,482) of ₹10.14 each	-	510.89
TATA Monthly Income Plan Plus Dividend - Monthly Nil units (previous year : 4,547,190) of ₹11.42 each	-	509.29
TATA Fixed Tenure Fund Series 1-Growth 4,000,000 units (previous year : 4,000,000) of ₹10 each	400.00	400.00
ICICI Prudential Monthly Income Plan - 25 Monthly Dividend Nil units (previous year : 4,082,102) of ₹12.50 each	-	500.93
Reliance Dual Advantage Fixed Tenure Fund-Plan B-Growth Plan 1,250,000 units (previous year : 1,250,000) of ₹10 each	125.00	125.00
Reliance Monthly Income Plan-Monthly Dividend Plan Nil units (previous year : 4,586,485) of ₹11.17 each	-	497.43
Religare Medium Term Bond Fund - Monthly Dividend Nil units (previous year : 1,010,815) of ₹10.02 each	-	101.25
Carried forward	700.00	7394.09



THE SANDUR MANGANESE & IRON ORES LIMITED
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	As at 31.03.2012	As at 31.03.2011
	₹ lakh	₹ lakh
Brought forward	700.00	7394.09
SBI Debt Fund Series-370 Days-7-Growth Nil units (previous year : 1,000,000) of ₹10 each	-	100.00
Birla Sun Life Capital Protection Oriented Fund Series 3 - Growth 1,500,000 units (previous year : 1,500,000) of ₹10 each	150.00	150.00
Pramerica Dynamic Monthly Income Fund - Growth Nil units (previous year : 5,000,000) of ₹10 each	-	500.00
Religare Capital Protection Oriented Fund Series I - Growth Plan 2,000,000 units (previous year : 2,000,000) of ₹10 each	200.00	200.00
Sundaram Capital Protection Oriented Fund Series 3-3Growth 1,000,000 units (previous year : Nil) of ₹10 each	100.00	-
ICICI Prudential Multiple Yield Fund Plan A Cumulative 1,000,000 units (previous year : Nil) of ₹10 each	100.00	-
Sundaram Capital Protection Oriented Fund 2 years SR1 Growth 5,000,000 units (previous year : Nil) of ₹10 each	500.00	-
Sundaram Capital Protection Oriented Fund 3 years SR4 Growth 1,000,000 units (previous year : Nil) of ₹10 each	100.00	-
Total	1,850.00	8,344.09
Aggregate amount of unquoted investments	1,850.00	8,344.09
Note 15 - Inventories (At lower of cost and net realisable value)		
Raw materials and components	740.25	761.25
Raw materials-in-transit	28.66	149.50
Work-in-progress (Refer note below)	41.03	5.61
Finished goods	4,359.36	4,067.64
Stores and spares	152.58	115.67
Total	5,321.88	5,099.67
Note : Details of inventories of work-in-progress		
Silico Manganese	30.83	5.61
TMT Bars	10.20	-
	41.03	5.61
Note 16 - Trade receivables (Unsecured)		
Trade receivables outstanding for a period exceeding more than six months from the due date		
Considered good	150.18	69.82
Considered doubtful	-	0.03
	150.18	69.85
Less: Provision for doubtful trade receivables	-	0.03
	150.18	69.82
Other trade receivable (considered good)	4,440.02	1,919.80
	4,440.02	1,919.80
Total	4,590.20	1,989.62



THE SANDUR MANGANESE & IRON ORES LIMITED
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	As at 31.03.2012 ₹ lakh	As at 31.03.2011 ₹ lakh
Note 17 - Cash and bank balances		
Cash and Cash equivalents		
Cash on hand	2.68	2.41
Balances with banks	695.71	1,856.86
	698.39	1,859.27
Other bank balances		
Deposits against guarantees with maturity of more than 12 months from the balance sheet date	460.02	460.02
Less: Amount disclosed under non-current assets (Note 13)	(460.02)	(460.02)
	-	-
Total	698.39	1,859.27
Note 18 - Short-term loans and advances		
Security deposits (Unsecured and considered good)	16.89	58.03
Loans and advances with employees (Unsecured and considered good)	30.92	35.65
Prepaid expenses (Unsecured and considered good)	13.69	3.74
Balance with government authorities (Unsecured and considered good)	517.31	732.88
Advance to suppliers (Unsecured)		
Considered good	2,000.70	1,467.59
Considered doubtful	-	2.75
	2,000.70	1,470.34
Less: Provision for doubtful advances	-	2.75
	2,000.70	1,467.59
Total	2,579.51	2,297.89
Note 19 - Other current assets		
Interest accrued on deposits	44.10	29.86
Total	44.10	29.86
Note 20 - Revenue from operations	2011-2012	2010-2011
	₹ lakh	₹ lakh
Sale of products (Refer note (i) below)	20,717.17	35,975.54
Other operating revenues (Refer note (ii) below)	97.63	400.77
Revenue from operations (gross)	20,814.80	36,376.31
Less : Excise duty	-	60.69
Revenue from operations (net)	20,623.20	36,315.62
Notes :		
(i) Sale of products comprises:		
(a) Manganese ore	3,268.82	14,673.34
(b) Iron ore	11,757.58	19,161.17
(c) Silicomanganese	2,686.51	1,079.90
(d) TMT steel	468.74	4.98
(e) Power	2,535.52	1,056.15
	20,717.17	35,975.54
(ii) Other operating revenues comprises:		
(a) Sale of scrap/waste	11.77	4.48
(b) Conversion charges	-	56.92
(c) Sale of raw materials	-	304.70
(d) Other miscellaneous receipts	85.86	34.67
	97.63	400.77



THE SANDUR MANGANESE & IRON ORES LIMITED
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	2011-2012	2010-2011
	₹ lakh	₹ lakh
Note 21 - Other income		
Interest Income		
- On fixed deposits with banks	46.61	38.26
- On Income tax refunds	0.23	-
- On deposits	10.54	10.64
	<u>57.38</u>	<u>48.90</u>
Dividend Income from current investments	116.98	220.66
Gain on sale of current investments (net)	321.58	29.11
Foreign currency fluctuations (net)	17.47	-
Profit on sale of fixed asset (net)	0.43	1.90
Other non operating income		
- Provision no longer required written back	332.20	10.38
- Sale of petroleum products (Net of consumption of ₹ 1383.95 lakh previous year : ₹1250.17 lakh.)	38.73	21.43
- Miscellaneous income	1.56	3.12
	<u>372.49</u>	<u>34.93</u>
Total	<u>886.33</u>	<u>335.50</u>
Note 22 - Cost of materials consumed		
Material consumed comprises:		
Manganese ore	255.82	208.40
Coke	661.40	381.89
Scrap billets	334.48	-
Other materials	133.24	86.67
	<u>1,384.94</u>	<u>676.96</u>
Total	<u>1,384.94</u>	<u>676.96</u>
Note 23 - Changes in inventories of finished goods and work-in-progress		
Inventories at the beginning of the year		
Finished goods	4,067.64	1,182.00
Work-in-progress	5.61	-
	<u>4,073.25</u>	<u>1,182.00</u>
Inventories at the end of the year		
Finished goods	4,359.36	4,067.64
Work-in-progress	41.03	5.61
	<u>4,400.39</u>	<u>4,073.25</u>
Net (increase)/decrease	<u>(327.14)</u>	<u>(2,891.25)</u>
Note 24 - Employee benefits expense		
Salaries, wages and bonus	2,499.09	2,515.79
Contribution to provident and other funds	275.41	483.94
Gratuity (unfunded)	1.25	0.77
Employee welfare expenses	930.54	733.52
Subsidy on food grains	382.34	359.04
	<u>4,088.63</u>	<u>4,093.06</u>
Total	<u>4,088.63</u>	<u>4,093.06</u>



THE SANDUR MANGANESE & IRON ORES LIMITED
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	2011-2012	2010-2011
	₹ lakh	₹ lakh
Note 25 - Finance costs		
Interest expense on delayed payment of income tax / tax deducted at source	0.53	202.97
Interest expense on borrowings	61.41	33.16
Total	<u>61.94</u>	<u>236.13</u>
Note 26 - Other expenses		
Operation and maintenance charges	349.17	73.81
Coal consumed for power generation	3,199.73	1,172.57
Stores and spares consumed (including water and consumables)	319.56	329.01
Increase / (decrease) of excise duty on inventory	(0.24)	(1.73)
Subcontracting	334.34	92.65
Power and fuel	69.33	310.71
Rent	35.75	17.32
Repairs and maintenance to:		
Plant and machinery	202.26	59.75
Building	269.62	254.04
Others	160.17	255.38
	<u>632.05</u>	<u>569.17</u>
Mine running expenses	2,741.49	5,220.39
Insurance	27.94	21.80
Rates and taxes	2,826.78	6,907.14
Travelling and conveyance	514.92	465.55
Freight, loading and siding charges	1,103.30	2,760.69
Advertisement and selling expenses	51.03	459.38
Donations and contributions	10.00	91.11
Legal and professional	376.56	234.92
Assets discarded	1.01	-
Bad trade receivables and advances written off	31.95	-
Less: Provision made in earlier years released	2.78	-
	<u>29.17</u>	<u>-</u>
Foreign exchange fluctuation (net)	-	2.09
Security charges	267.21	228.73
Provision for doubtful trade receivables and advances	-	2.78
Expenses on corporate social responsibility	430.85	1,200.00
Miscellaneous expenses	327.23	234.02
Total	<u>13,647.18</u>	<u>20,392.11</u>



THE SANDUR MANGANESE & IRON ORES LIMITED
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Note 27 - Contingent Liabilities and commitments (to the extent not provided for)

(i) Contingent Liabilities

(a) Claims against the company not acknowledged as debts	As at 31.03.2012 ₹ lakh	As at 31.03.2011 ₹ lakh
Stamp Duty on net present value includes maximum penalty of ₹ 4,545.00 Lakh (relating to applicability of duty)	5,454.00	5,454.00
Income Tax (relating to disallowance of deduction)	2,553.74	3,561.13
Service Tax (relating to applicability of tax)	316.64	316.64
Others	14.80	14.80

The above amounts have been arrived at based on the notice of demand or the Assessment Orders, as the case may be, and the Company is contesting these claims with the respective authorities. Outflows, if any, arising out of these claims would depend on the outcome of the decisions of the appellate authorities and the Company's rights for future appeals before the judiciary. No reimbursements are expected.

(b) Guarantees given by the company:

Particulars	As at 31.03.2012 ₹ lakh	As at 31.03.2011 ₹ lakh
i) Employees in respect of housing loans	0.03	0.48

The Company has got an undertaking from the employees to repay on their behalf directly to the bank/financial institution.

Particulars	As at 31.03.2012 ₹ lakh	As at 31.03.2011 ₹ lakh
ii) Corporate guarantee issued to Customs authorities on behalf of subsidiary company	1,050.00	1,050.00

The Company has given the said guarantee in respect of fulfilment of the export obligations by the subsidiary company. There are no defaults as at the year end and no liability is expected.

(ii) Capital commitments:

Particulars	As at 31.03.2012 ₹ lakh	As at 31.03.2011 ₹ lakh
Estimated amount of contracts remaining to be executed on capital account and not provided for	348.99	918.6

(iii) Other commitments:

Particulars	As at 31.03.2012 ₹ lakh	As at 31.03.2011 ₹ lakh
Other commitments - Road development	1,122.95	-

Note 28 -

As per the draft rehabilitation scheme of Sandur Laminates Limited and Sandur Micro Circuits Limited, the Company has given an undertaking not to dispose of its share holdings in Sandur Laminates Limited and Sandur Micro Circuits Limited without prior approval of Board for Industrial and Financial reconstruction (BIFR).



THE SANDUR MANGANESE & IRON ORES LIMITED NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Note 29 - Employee Benefits :

a) Defined Contribution Plan

The contribution recognised in the statement of profit and loss during the year are as under:

₹ lakh

Contribution to:	2011-12	2010-11
Provident Fund	139.09	85.85
Superannuation Fund	25.21	20.30
Total	164.30	106.15

The Company makes contributions at predetermined rates to SMIORE Provident Fund Trust and to the regional Provident Fund commissioner in respect of Employee Provident Fund and to the Life Insurance Corporation of India in respect of Superannuation Fund.

In case of SMIORE Provident Fund Trust interest rate payable by the Trust to be beneficiaries is as notified by the Government. The Company has an obligation to make good the short fall, between the return from the investments of trust and the notified interest rate and recognise such shortfall as an expense. Based on the actuarial valuation, there is no shortfall in the interest payable by the trust to the beneficiaries as on the balance sheet date.

b) Defined Benefit Plan - Funded

The Company makes annual contributions to an Insurance managed Fund. The scheme provides for lump sum payment to vested employees on retirement, death while in employment or on termination of employment as per the Company's Gratuity Scheme, vesting occurs upon completion of three years of service.

The gratuity benefit of the subsidiary is not funded.

The following table sets out the funded status and amount recognised in the Company's financial statements for Gratuity.

₹ lakh

	Particulars	2011-12		2010-11	
		Funded	Unfunded	Funded	Unfunded
I	Net asset/(liability) recognised in the balance sheet				
1	Present value of funded obligations - A	1,260.59	3.08	1,130.22	1.83
2	Fair value of plan Asset - B	1,149.67	-	830.41	-
3	(Deficit)/surplus (A-B)	(110.92)	(3.08)	(299.81)	(1.83)
4	Net asset/(liability)				
	- Asset	-	-	-	-
	- Liability				
	Current	(110.92)	(0.04)	(299.81)	(0.04)
	Non-current	-	(3.04)	-	(1.79)
	Total	(110.92)	(3.08)	(299.81)	(1.83)
II	Expenses recognised to the statement of profit and loss under Employee benefits expense under Note - 24				
1	Current service cost	41.51	1.02	27.39	0.99
2	Interest on defined benefit obligation	76.71	0.16	52.67	0.09
3	Expected return on plan assets	(57.13)	-	(51.04)	-
4	Net actuarial losses/(gains) recognised during the year	50.02	0.07	348.77	(0.31)
5	Past service cost	-	-	-	-
6	Losses/(gains) on "curtailments & settlements"	-	-	-	-
	Total	111.11	1.25	377.79	0.77
	Actual return on plan Assets	103.34	-	45.66	-



THE SANDUR MANGANESE & IRON ORES LIMITED
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	Particulars	2011-12		2010-11	
		Funded	Unfunded	Funded	Unfunded
III	Change in present value of obligation				
1	Opening defined benefit obligation	1,130.22	1.83	763.95	1.06
2	Service cost	41.51	1.02	27.39	0.99
3	Interest cost	76.71	0.16	52.67	0.09
4	Actuarial losses/(gains)	96.23	0.07	343.38	(0.31)
5	Actuarial losses/(gains) due to curtailment	-	-	-	-
6	Benefits paid	(84.08)	-	(57.17)	-
7	Closing defined benefit obligation	1,260.59	3.08	1,130.22	1.83
IV	Change in fair value of plan assets				
1	Opening fair value of plan assets	830.41	-	741.93	-
2	Expected return	57.13	-	51.04	-
3	Actuarial gains /(losses)	46.21	-	(5.39)	-
4	Assets distributed on settlements	-	-	-	-
5	Contributions by employer	300.00	-	100.00	-
6	Benefits paid	(84.08)	-	(57.17)	-
7	Closing fair value of plan assets	1,149.67	-	830.41	-
V	The major categories of plan assets as a percentage of total plan assets:				
1	Government of India Securities	12.14%	NA	18.44%	NA
2	Corporate Bonds	63.21%	NA	46.46%	NA
3	Others	24.65%	NA	35.10%	NA
VI	Principal actuarial assumptions:				
	Discount Rate	8.60%	8.60%	7.80%	8.10%
	Expected Rate of Return on Plan Assets	8.00%	NA	8.50%	NA
VII	The employees are assumed to retire normally at the age of 60 years				
VIII	The mortality rates considered are as per the published rates by LIC (1944-96) mortality tables				

		Summary of defined benefit obligation/plan assets and experience adjustments (₹ In lakh)				
		31.03.2012	31.03.2011	31.03.2010	31.03.2009	31.03.2008
1	Defined Benefit Obligation	1,263.67	1,132.05	765.01	776.24	544.23
2	Plan Assets	1,149.67	830.41	741.93	715.84	394.17
3	Surplus / (Deficit)	(114.00)	(301.64)	(23.08)	(60.40)	(150.06)
4	Experience adjustments on Plan Liabilities	35.69	334.69	(1.18)	202.15	(42.43)
5	Experience adjustments on Plan Assets	46.21	(5.39)	27.49	61.53	(21.48)

Expected rate of return on plan assets is based on average yield on investments. The Company is expected to contribute ₹120 lakh to the gratuity fund for year ending 31 March 2013.



THE SANDUR MANGANESE & IRON ORES LIMITED SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(c) Other Long term benefits - Unfunded

The defined benefit obligations which are provided for but not funded are as under:

₹ lakh

	Liability as at 31.03.2012	Liability as at 31.03.2011
Leave Salary		
-Current	123.44	87.47
-Non Current	176.34	163.74
Total	299.78	251.21
Pension		
-Current	176.53	173.20
-Non Current	1,750.33	1,611.80
Total	1,926.86	1,785.00

The discount rate for defined benefit plan and other long term benefits is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of obligations. The estimate of future salary increases considered for defined benefits plan and other long term benefits takes into account the inflation, seniority, promotion, increments and other relevant factors.

Note 30 - Related party disclosures:

Names of related parties and description relationship:

1	Holding Company	None
2	Key Management Personnel (KMP)	i) S. Y. Ghorpade, Chairman & Managing Director ii) Nazim Sheikh, Joint Managing Director (w.e.f. 9 April 2011) and Executive Director (up to 8 April 2011) iii) S.H. Mohan, Technical Director iv) S.R.Sridhar, Director (Mines) v) U. R. Acharya, Director (Commercial) (w.e.f. 9 April 2011) vi) K. Raman, Director (Finance) (w.e.f.9 April, 2011)
3	Relative of KMP	Aditya Shivrao Ghorpade Dhananjaya Shivarao Ghorpade (w.e.f. 1 April 2011) Puneet Acharya (w.e.f. 1 April 2011 up to 31 October 2011) Mubeen Ahmed Sheriff

a) Key Management Personnel (KMP)

₹ lakh

SI No.	Name of KMP	Salary		Commission *		Total Remuneration	
		31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011
1	S. Y. Ghorpade	76.75	54.51	11.50	-	88.25	54.51
2	Nazim Sheikh	70.11	49.10	11.50	-	81.61	49.10
3	S. H. Mohan	69.51	48.99	11.50	-	81.01	48.99
4	S. R. Sridhar	45.29	31.76	11.50	-	56.79	31.76
5	U. R. Acharya	41.79	-	11.50	-	53.29	-
6	K. Raman	41.36	-	11.50	-	52.86	-
	Total	344.81	184.36	69.00	-	413.81	184.36

*Represents commission paid for the year 2010 - 11 based on approval in Annual General Meeting



THE SANDUR MANGANESE & IRON ORES LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

b) Key Management Personnel

₹ lakh

SI No.	Name of KMP	Amounts payable at the year end		Amounts receivable at the year end	
		31.03.2012	31.03.2011	31.03.2012	31.03.2011
1	S. Y. Ghorpade	8.83	-	-	3.76
2	Nazim Sheikh	9.71	1.48	-	-
3	S. H. Mohan	8.24	0.55	-	-
4	S. R. Sridhar	9.15	-	-	-
5	U. R. Acharya	9.31	-	-	-
6	K. Raman	9.23	-	-	-
	Total	54.47	2.03	-	3.76

c) Relative of KMP

₹ lakh

SI No.	Name of KMP	Remuneration		Amounts payable at the year end		Amounts receivable at the year end	
		31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011
1	Aditya Shivrao Ghorpade	8.00	5.62	1.14	-	-	1.25
2	Dhananjaya Shivarao Ghorpade	6.63	-	0.47	-	-	-
3	Puneet Acharya	3.57	-	0.27	-	-	-
4	Mubeen Ahmed Sheriff	8.97	6.76	0.72	0.28	-	-

31 Segment reporting

a) Primary segments (business segments)

₹ lakh

Particulars	Mining		Service		Ferroalloy & Power		Steel		Unallocable		Elimination		Total	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
REVENUE														
External sales	15,095.27	33,853.02	-	-	5,094.60	2,458.17	433.33	4.43	-	-	-	-	20,623.20	36,315.62
Inter Segment Revenue	166.87	184.40	-	-	346.72	-	-	-	-	-	(513.59)	(184.40)	-	-
Total revenue	15,262.14	34,037.42	-	-	5,441.32	2,458.17	433.33	4.43	-	-	(513.59)	(184.40)	20,623.20	36,315.62
RESULT														
Segment	2,478.74	13,623.29	-	-	(1,243.75)	(436.81)	(151.73)	(15.16)	-	-	-	-	1,083.26	13,171.32
Unallocated corporate (expense) / income (net)	-	-	-	-	-	-	-	-	(279.03)	(157.18)	-	-	(279.03)	(157.18)
Operating profit	2,478.74	13,623.29	-	-	(1,243.75)	(436.81)	(151.73)	(15.16)	(279.03)	(157.18)	-	-	804.23	13,014.14
Interest expense	-	-	-	-	-	-	-	-	(61.94)	(236.13)	-	-	(61.94)	(236.13)
Profit before taxes	2,478.74	13,623.29	-	-	1,243.75	(436.81)	(151.73)	(15.16)	(340.97)	(393.31)	-	-	742.29	12,778.01
Taxes	-	-	-	-	-	-	-	-	(1,813.00)	(4,462.00)	-	-	(1,813.00)	(4,462.00)
Net profit/ (loss)	2,478.74	13,623.29	-	-	(1,243.75)	(436.81)	(151.73)	(15.16)	(2,153.97)	(4,855.31)	-	-	(1,070.71)	8,316.01



THE SANDUR MANGANESE & IRON ORES LIMITED
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

31 Segment reporting

a) Primary segments (business segments) contd.

₹ lakh

Particulars	Mining		Service		Ferroalloy & Power		Steel		Unallocable		Elimination		Total	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
OTHER INFORMATION														
Segment assets	13,235.79	13,070.33	6.96	7.72	20,287.91	19,534.73	2,477.59	1,713.59	11,007.04	16,412.21	-	-	47,015.29	50,738.58
Segment liabilities	12,309.22	13,485.87	-	0.05	6,330.13	6,101.63	40.89	0.53	471.88	2,514.01	-	-	19,152.12	22,102.09
Capital expenditure including capital work-in-progress	218.10	191.23	-	-	957.56	2,221.73	-	-	122.27	2,247.58	-	-	1,297.93	4,660.54
Depreciation/ amortisation	1,032.95	1,016.28	-	-	812.18	299.89	-	-	66.56	49.93	-	-	1,911.69	1,366.10
Non-cash expense other than depreciation / amortisation	29.94	-	-	-	-	2.78	-	-	0.24	-	-	-	30.18	2.78

Note 1 : Primary business segments have been identified on the basis of distinguishable businesses in which the Company is engaged.

Note 2 : Inter segment transfer from the mining segment is measured at cost.

(b) Secondary Segments (Geographical Segments)

(i) Disclosure of Segment Revenue, based on geographical location of Customers

₹ lakh

Geographical Segments	2011-12	2010-11
India	20,179.51	35,393.76
Rest of world	443.69	921.86
Total	20,623.20	36,315.62

(ii) Total Carrying amount of Assets, by geographical location

₹ lakh

Location of Assets	2011-12	2010-11
India	47,015.29	50,738.58
Rest of world	-	-
Total	47,015.29	50,738.58

Note: Most of the assets are not identifiable separately to any reportable segment as these are used interchangeably between segments

(iii) Capital expenditure during the year (including capital work in progress)

₹ lakh

Location of Assets	2011-12	2010-11
India	1,297.93	4,660.54
Rest of world	-	-
Total	1,297.93	4,660.54

Note: The above costs of assets are not identifiable separately to any reportable segment as these are used interchangeably between segments

The Company essentially operates within India and there are exports mainly through Export Trading House in respect of the Mines.



THE SANDUR MANGANESE & IRON ORES LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Note 32 - Operating lease disclosure :

The Company has entered into operating leases in respect of office premises, residential premise and vacant land for storage of goods. The leasing arrangement is cancellable and is renewable by mutual consent. The lease rentals charged to the statement of profit and loss in respect of these leases amounts to ₹ 35.75 Lakh (Previous year ₹ 17.32 Lakh)

Note 33 - Earnings per share

Particulars	2011-12	2010-11
Net profit/(loss) after tax - ₹ Lakh	(773.32)	8,493.25
Weighted average number of equity shares	8,750,000	8,750,000
Nominal value of share - ₹	10.00	10.00
Basic and diluted earnings per share - ₹	(8.84)	97.07

Note 34 - Deferred tax (liability)/asset

₹ lakh

	Opening Balance	Tax effect for the year	as at 31.03.2012
Deferred tax (liability)			
Fixed assets	(1,207.75)	846.81	(2,054.56)
Sub total	(1,207.75)	846.81	(2,054.56)
Deferred tax asset			
Provision for employee benefits	660.03	(40.98)	701.01
Unabsorbed depreciation, allowance and business loss	383.72	(1,073.67)	1,457.39
Others	2,044.00	(304.16)	2,348.16
Sub total	3,087.75	(1,418.81)	4,506.56
Net deferred tax asset / (liability)	1,880.00	(572.00)	2,452.00

Note 35 - Payment to Auditors : (included under legal and professional note. 26)

₹ lakh

Auditor's remuneration	2011-12	2010-11
Statutory audit	24.00	22.50
Tax audit	5.50	5.00
Audit of consolidated accounts	3.50	3.50
Fees for other services	14.50	11.65
Reimbursement of		
- out of pocket expenses	0.04	0.37
- levies	3.79	3.95
	51.33	46.97

Note 36 - (a) Figures pertaining to SMPPL have been reclassified, where necessary, to bring them in line with the financial statements.

(b) The figures of the previous year have been regrouped / recast, where necessary, to conform to the current year's classification.

Signature to notes 1 to 36
for and on behalf of the Board of Directors

S. Y. GHORPADE
Chairman & Managing Director

NAZIM SHEIKH
Joint Managing Director

Place : Bangalore
Date : 26 May 2012

MD. ABDUL SALEEM
Company Secretary

K. RAMAN
Director (Finance)

STAR METALLICS AND POWER PRIVATE LIMITED
(A subsidiary of The Sandur Manganese & Iron Ores Limited)

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2012

Your Directors are pleased to present their Report and Audited Statement of Accounts for the year ended 31 March 2012.

FINANCIAL RESULTS

(₹ in lakh)

Particulars	Current Year ended 31.03.2012	Previous Year ended 31.03.2011
Income		
Revenue	4194.93	2615.05
Other Income	24.40	21.87
TOTAL	4219.33	2636.92
Expenditure		
(Increase) / Decrease in finished goods	2.61	18.76
Operating and Other Expenses	4852.07	2478.22
Interest on loans	477.73	207.00
Depreciation	846.75	308.82
TOTAL	6179.17	3012.81
Loss before Tax	(1959.84)	(375.89)
Tax expenses	-	-
Loss after Tax	(1959.84)	(375.89)
Loss carried forward from previous year	(1000.57)	(624.68)
Loss carried to Balance sheet	(2960.41)	(1000.57)

The Company incurred a loss of ₹1959.84 lakh for the year after charging ₹846.75 lakh towards depreciation on fixed assets and ₹477.73 lakh towards interest on loans. Together with the loss of ₹1000.57 lakh brought forward from the previous year in the Statement of Profit and Loss, the loss carried to the Balance Sheet is ₹2960.41 lakh.

OPERATIONS

During the year, the Company generated 66.86 million units (mu) (net of auxiliary consumption) of power. Of this, 23.25 mu have been sold through Energy Exchange and 18.57 mu to the State Grid in compliance with the order EN 2PPC 2012 dated 27 January 2012 passed by the Government of Karnataka invoking its powers under Section 11 of the Electricity Act 2003. Apart from this 2.36 mu of energy was banked with KPTCL. The captive consumption at the Ferroalloys Plant was 21.79 mu. The transmission loss was 0.89 mu.

The rated capacity of the 32 MW thermal power plant was established in continuous operations.

The Company has also produced 5787.39 tonnes of Silico Manganese for its holding company on job work basis and earned conversion fee of ₹1509.35 lakh.

FUTURE PROSPECTS

The contract manufacturing arrangement for the holding company is expected to continue. The supply of power to the State Grid under the present order will continue till the end of May 2012. The Company expects to resume selling the surplus power through the Energy Exchange thereafter during the periods when the price remains attractive.

SUBSIDIARY

The Company has no subsidiary.

DIVIDEND

In the absence of profits, no dividend has been proposed for the year.

DIRECTORS

Mr. Mohammed Shafiulla has resigned from the Board on 30 June 2012. The Board places on record its appreciation of the services rendered by Mr. Shafiulla during his tenure as member of the Board.

Pursuant to the provisions of Sections 255 and 256 of the Companies Act, 1956, Mr. S. Y. Ghorpade and Mr. N. S. Lakshmanan, Directors retire by rotation and, being eligible offer themselves for re-election. Their reappointment is included in the Notice for the ensuing Annual General Meeting.

AUDITORS

M/s. Deloitte Haskins & Sells, Chartered Accountants, retire and being eligible, offer themselves for re-appointment. Their reappointment is included in the Notice for the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of section 217(2AA) of the Companies Act, 1956, your Directors state that:

- i. In the preparation of accounts, the applicable accounting standards have been followed
- ii. Accounting policies selected were applied consistently.
- iii. Reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of affairs of the Company as at the end of 31 March 2012.
- iv. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
- v. The accounts of the Company have been prepared on a 'going concern' basis.

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

Particulars relating to conservation of energy and technology absorption for the Ferroalloys Plant as stipulated in the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 are set out in an annexure to this report.

COST RECORDS

The central government has, vide its Cost Audit Order No. 52/26/CAB-2010 dated 2nd May 2011 made maintenance of cost accounting records, as prescribed, and their regular audit by a practising cost accountant compulsory for companies, inter alia, engaged in generation of power. It has subsequently been clarified by the government, vide General Circular 67/2011 dated 30 November 2011 that captive generating plants are exempted from the requirement of regular audit of the cost records. However, the requirement to maintain cost records in the prescribed format and to submit a Compliance Report, duly certified by a cost accountant within 180 days from the close of its financial year as per 'The Companies (Cost Accounting Records) Rules, 2011 continues.

A copy of a certificate by M/s K.S.Kamalakara &Co, practising cost accountants, regarding compliance by the Company with the requirement of maintaining the prescribed cost accounting records, is annexed to this report.

PARTICULARS OF EMPLOYEES

During the period, there were no employees whose particulars are required to be disclosed under Section 217(2A) of the Companies Act, 1956.

ACKNOWLEDGEMENTS

The Directors wish to thank the Board of SMIORE, the holding company, Government Authorities and Banks for their support. The Directors also wish to place on record their appreciation of the good work put in by the employees of the Company.

By Order of the Board
Star Metallies and Power Private Limited

Place : Bangalore
Date : 25 May 2012

S. Y. Ghorpade
Chairman

Information pursuant to Section 217(1)(e) of the Companies Act, 1956, to the extent applicable, in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 for the year ended March 31, 2012

A. CONSERVATION OF ENERGY:

- (a) Energy conservation measures taken : a) Electricity from our captive power plant ensures continuous availability of power to furnace even during the grid failure which avoids energy loss due to grid failure.
b) The output steam from the turbine is utilized in HP, LP heaters and deaerator to heat the boiler feed water.
c) The high temperature exhaust gas of the combustion in boiler is utilized to heat air for combustion through air pre heater and water through economizer.
d) Application of fluid coupling for ID fans and SA fans restricts usage of energy to the requirement of combustion and thus conserves energy.
e) Capacitor banks installed to attain power factor much above the statutory norm fixed by GESCO. f) Computerized data acquisition system for reduction in specific energy consumption.
g) Furnaces are equipped with Data Supervisory Control (DSC) for efficient operation and also for optimum working of auxiliaries. The DSC also provides the energy measurement at each point of consumption which enables us to audit and control.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy. : -
- (c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods. : Not possible to identify specifically.
- (d) Total energy consumption and energy consumption per unit of production : As per Form 'A' annexed.

B. TECHNOLOGY ABSORPTION:

- (e) Efforts made in technology absorption : As per Form 'B' annexed.

C. FOREIGN EXCHANGE EARNINGS & OUTGO:

- (f) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services; export plans. : The Company has been exploring suitable direct export opportunities for its products. It has effected exports through third parties during the year.
- (g) Total foreign exchange used and earned (₹)
1. Foreign Exchange Earnings:
- Export Sales (including exchange difference) : Nil
2. Foreign Exchange Outgo:
- Capital Equipment : Please refer to Note No.26 in the Notes to the Financial Statements.
- Travelling & Conveyance and Membership & Subscription : Please refer to Note No.27 in the Notes to the Financial Statements.

FORM – A

Form for disclosure of particulars with respect to conservation of energy.

A. POWER AND FUEL CONSUMPTION

PARTICULARS		31.03.2012	31.03.2011
1. Electricity			
(a) Purchased			
Units	1,956,000	7,142,192	
Total amount (₹)	10,148,126	55,642,046	
Rate / Unit (₹)	5.19	7.79	
(b) Own Generation through Diesel Generator / Steam turbine/generator			
Units	21,785,025	10,444,693	
Units Per kg of coal / Litre of fuel oil/ gas	0.81	0.85	
Cost / Unit(₹)	7.65	6.78	
2. Coal			
Quantity (MT)	83,212	27,889	
Total Cost (₹)	319,973,075	117,256,713	
Average Rate per MT(₹)	3,845	4,204	
3. Furnace Oil	-	-	
4. Others / internal generation (please give details)	-	-	

B. CONSUMPTION PER UNIT OF PRODUCTION (to the extent applicable)

Particulars	Standard	Unit	31.03.2012	31.03.2011
Production (Silico Manganese)	None	Tonnes	5787	4904
Electricity	None	Units	23,741,025	17,586,885
Diesel Oil	None	Litres	-	-

FORM – B

Form for disclosure of particulars with respect to absorption.

A. RESEARCH AND DEVELOPMENT (R & D)

- Specific areas in which R & D carried out by the company. : The Company is making in-house R& D efforts for introduction/development of value added products.
- Benefits derived as a result of the above R & D : -
- Further Plan of action : The Company intends to continue its R&D efforts.
- Expenditure on R & D : The R & D efforts are an integral part of the operation
 - Capital
 - Recurring
 - Total
 - Total R & D expenditure as % of total turnover

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- Efforts in brief made towards technology absorption, adaptation and innovation. : -
- Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc. : -
- In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished:
 - Technology imported : None
 - Year of Import
 - Has technology been fully absorbed? : N.A.
 - If not fully absorbed, area where this has not taken place reason thereof and future plan of action. : N.A.

FORM-B
FORM OF COMPLIANCE REPORT

[See rule 2, and rule 5]

We, K.S. Kamalakara & Co., Cost Accountants, being in practice, and having been appointed as cost accountant under Rule 5 of the Companies (Cost Accounting Records) Rules, 2011 of M/s. STAR METALLICS AND POWER PVT. LTD., having its registered office at Metal & Ferroalloy Plant, Vyasankere, Mariyammanahalli – 583222, Hospet Taluk, Bellary District, (hereinafter referred to as the company), have examined the books of account prescribed under clause (d) of sub-section (1) of section 209 of the said Act, and other relevant records for the period April 1, 2011 to March 31, 2012 and certify as under :

- 1 We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of this compliance report.
- 2 In our opinion, proper cost records, as per Companies (Cost Accounting Records) Rules, 2011 prescribed under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956, have been maintained by the company so as to give a true and fair view of the cost of production/operation, cost of sales and margin of all the products/activities of the company.
- 3 Detailed unit-wise and product/activity-wise cost statements and schedules thereto in respect of the product groups/activities are kept in the company.
- 4 In our opinion, the said books and records give the information required by the Companies Act, 1956 in the manner so required.
- 5 In our opinion, the said books and records are in conformity with the generally accepted cost accounting principles and cost accounting standards issued by The Institute of Cost Accountants of India, to the extent these are found to be relevant and applicable.

For **K. S. Kamalakara & Co.**
Cost Accountants
FR No. 00296

Dated this 24th day of May, 2012 at Bangalore.

K.S. Kamalakara
Partner
M. No. 10625

AUDITORS' REPORT

TO THE MEMBERS OF STAR METALLICS AND POWER PRIVATE LIMITED

1. We have audited the attached Balance Sheet of **Star Metallies and Power Private Limited** ("the Company") as at 31st March, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
 - (ii) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No.008072S)

S. Sundaresan
Partner
(Membership No.25776)

BANGALORE, 25th May, 2012

ANNEXURE TO THE AUDITORS' REPORT
(Referred to in paragraph 3 of our report of even date)

- (i) Having regard to the nature of the Company's business/ activities/ result, clauses (i) (c), (iii) (b) to (d), (iii) (f), (iii) (g), (v), (vi), (ix) (b), (x), (xii), (xiii), (xiv), (xix) and (xx) of CARO are not applicable.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (iii) In respect of its inventory:
 - (a) In our opinion and according to the information and explanations given to us, the inventories were physically verified during the year by the Management at reasonable intervals.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) The Company has neither granted nor taken any loans, secured or unsecured to/ from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, having regard to the explanations that most of the items purchased are of a special nature and suitable alternate sources are not readily available for obtaining comparable quotation, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (vi) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (vii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed accounts and records have been maintained. We have, however not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (viii) According to the information and explanations given to us in respect of statutory dues:
 - (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
 - (b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2012 for a period of more than six months from the date they became payable.
- (ix) In our opinion and according to the information and explanations given to us, the Company has not taken any loans from banks or financial institutions or has not issued any debentures.

- (x) In our opinion and according to the information and explanations given to us, the Company has not given any guarantees during the year for loans taken by others from banks or financial institutions.
- (xi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- (xii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis amounting to ₹ 99,470,648/- have been used for long- term investment.
- (xiii) According to the information and explanations given to us, the Company has not made any preferential allotment to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xiv) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No.008072S)

S. Sundaresan
Partner
(Membership No.25776)

BANGALORE, 25th May, 2012

STAR METALLICS AND POWER PRIVATE LIMITED
(A subsidiary of The Sandur Manganese & Iron Ores Limited)

BALANCE SHEET AS AT 31 MARCH, 2012

Particulars	Note No.	As at 31.03.2012 ₹	As at 31.03.2011 ₹
A EQUITY AND LIABILITIES			
1 Shareholders' funds:			
(a) Share capital	3	926,150,000	437,500,000
(b) Reserves and surplus	4	629,108,819	336,443,092
		<u>1,555,258,819</u>	<u>773,943,092</u>
2 Non-current liabilities			
(a) Long-term borrowings	5	-	848,310,000
(b) Other long-term liabilities	6	138,685,407	96,131,108
(c) Long-term provisions	7	813,527	497,864
		<u>139,498,934</u>	<u>944,938,972</u>
3 Current liabilities			
(a) Trade payables		208,577,789	155,055,808
(b) Other current liabilities	8	57,574,036	141,965,036
(c) Short-term provisions	9	173,838	78,301
		<u>266,325,663</u>	<u>297,099,145</u>
	TOTAL	<u>1,961,083,416</u>	<u>2,015,981,209</u>
B ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	10	1,664,876,035	1,728,933,152
(ii) Capital work-in-progress		75,851,542	-
		<u>1,740,727,577</u>	<u>1,728,933,152</u>
(b) Long-term loans and advances	11	39,181,824	57,568,814
(c) Other non-current assets	12	14,319,000	14,319,000
		<u>1,794,228,401</u>	<u>1,800,820,966</u>
2 Current assets			
(a) Inventories	13	45,973,438	73,765,749
(b) Trade receivables	14	70,741,525	3,855,901
(c) Cash and bank balances	15	11,118,521	53,480,414
(d) Short-term loans and advances	16	36,938,227	82,752,070
(e) Other current assets	17	2,083,304	1,306,109
		<u>166,855,015</u>	<u>215,160,243</u>
	TOTAL	<u>1,961,083,416</u>	<u>2,015,981,209</u>

See accompanying notes forming part of the financial statements

In terms of our report attached
for **DELOITTE HASKINS & SELLS**
Chartered Accountants

for and on behalf of the Board of Directors

S. Sundaresan
Partner

Nazim Sheikh
Director

N S Lakshmanan
Director

Subrahmanya Hegde
Company Secretary

Place: Bangalore
Date: 25 May, 2012

STAR METALLICS AND POWER PRIVATE LIMITED
(A subsidiary of The Sandur Manganese & Iron Ores Limited)

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH, 2012

Particulars	Note No.	For the year ended 31 March, 2012 ₹	For the year ended 31 March, 2011 ₹
1 Revenue from operations	18	419,492,909	261,504,794
2 Other income	19	2,440,140	2,187,421
3 Total revenue (1 + 2)		421,933,049	263,692,215
4 Expenses			
(a) Cost of materials consumed	28 a)	19,107,976	50,190,635
(b) Changes in inventories of finished goods	20	261,467	1,876,209
(c) Employee benefits expense	21	21,170,924	12,832,015
(d) Finance costs	22	47,772,849	20,700,356
(e) Depreciation	10	84,675,402	30,882,135
(f) Other expenses	23	444,928,704	184,799,489
Total expenses		617,917,322	301,280,839
5 Loss before tax (3-4)		(195,984,273)	(37,588,624)
6 Tax expense:			
(a) Current tax		-	-
(b) Deferred tax	34	-	-
		-	-
7 Loss after tax (5 - 6)		(195,984,273)	(37,588,624)
8 Earnings per share of ₹10 each Basic and Diluted	33	(2.88)	(0.91)

See accompanying notes forming part of the financial statements

In terms of our report attached
for **DELOITTE HASKINS & SELLS**
Chartered Accountants

for and on behalf of the Board of Directors

S. Sundaresan
Partner

Nazim Sheikh
Director

N S Lakshmanan
Director

Subrahmanya Hegde
Company Secretary

Place: Bangalore
Date: 25 May, 2012

STAR METALLICS AND POWER PRIVATE LIMITED
(A subsidiary of The Sandur Manganese & Iron Ores Limited)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2012

Particulars	For the year ended 31 March, 2012 ₹	For the year ended 31 March, 2011 ₹
A. Cash flow from operating activities		
Net loss before tax	(195,984,273)	(37,588,624)
Adjustments for:		
- Depreciation	84,675,402	30,882,135
- Finance costs	47,772,849	20,700,356
- Provision for doubtful trade receivables and advances	-	278,431
- Interest income	(2,284,047)	(1,875,208)
Operating loss before working capital changes	(65,820,069)	12,397,090
Changes in working capital:		
Adjustments for (increase) / decrease in operating assets:		
Inventories	27,792,311	(34,166,237)
Trade receivables	(66,885,624)	(3,854,683)
Short-term loans and advances	45,813,843	27,441,716
Long-term loans and advances	(5,000)	(13,371,771)
Adjustments for increase / (decrease) in operating liabilities:		
Trade payables	53,521,981	(179,655,398)
Short-term provisions	95,537	78,301
Long-term provisions	315,663	121,762
Other current liabilities	(1,742,078)	(9,506,088)
	58,906,633	(212,912,398)
Cash used in operations	(6,913,436)	(200,515,308)
Net income tax paid	(2,426,228)	(1,830,867)
Net cash flow used in operating activities (A)	(9,339,664)	(202,346,175)
B. Cash flow from investing activities		
Capital expenditure on fixed assets, including capital advances (*)	(54,310,531)	(214,674,107)
Bank balances not considered as cash and cash equivalents	-	(14,319,000)
Interest received	1,506,852	1,497,206
Net cash flow used in investing activities (B)	(52,803,679)	(227,495,901)
* net of movement in interest payable relating to borrowing cost capitalised.		
C. Cash flow from financing activities		
Proceeds from long-term borrowings	10,000,000	329,800,000
Repayment of long-term borrowings	(962,300,000)	(40,000,000)
Finance cost	(5,218,550)	(18,194,025)
Proceeds from issue of equity shares	977,300,000	150,000,000
Net cash flow from financing activities (C)	19,781,450	421,605,975
Decrease in net cash flow during the year (A+B+C)	(42,361,893)	(8,236,101)
Cash and cash equivalents at the beginning of the year	53,480,414	61,716,515
Cash and cash equivalents at the end of the year	11,118,521	53,480,414
Decrease in cash and cash equivalents	(42,361,893)	(8,236,101)

In terms of our report attached
for **DELOITTE HASKINS & SELLS**
Chartered Accountants

for and on behalf of the Board of Directors

S. Sundaresan
Partner

Nazim Sheikh
Director

N S Lakshmanan
Director

Subrahmanya Hegde
Company Secretary

Place: Bangalore
Date: 25 May, 2012

STAR METALLICS AND POWER PRIVATE LIMITED
(A subsidiary of The Sandur Manganese & Iron Ores Limited)

Notes forming part of the financial statements

1 Corporate information

The Company is a subsidiary of The Sandur Manganese & Iron Ores Ltd (SMIORE), a listed public limited company. The Company is engaged in the production of Ferroalloys and generation of power at its Plant located at Vyasankere, near Hospet in Bellary District.

2 Significant accounting policies

2.1 Basis of accounting and preparation of financial statements

The Company adopts the historical cost concept and accrual basis, in accordance with generally accepted accounting principles (GAAP) of India, for the preparation of its financial statements. The financial statements are prepared to comply in all material aspects with the applicable accounting principles in India, the applicable accounting standards notified under Section 211(3C) of the Companies Act, 1956 (Act) and the relevant provisions of the Act.

2.2 Use of estimates

The Company uses prudent and reasonable assumptions and estimates in the preparation of its financial statements, and these are reflected in the reported amounts of income and expenses during the year, and the reported balances of assets and liabilities, and disclosures relating to contingent liabilities, as at the date of the financial statements.

2.3 Tangible fixed assets and depreciation

Fixed assets are stated at their original cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation of the fixed assets concerned.

Incidental expenditure during construction period (net of related income arising during that period), which are specifically attributable to the project, incurred prior to commencement of commercial operations, are capitalized as per the requirements of Accounting Standard 10 – Accounting for fixed assets.

Depreciation is provided on straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956 except for roads and drains which are depreciated at 10% instead of 1.63%.

Individual assets costing less than Rs 5,000/- are depreciated in full in the year of its purchase.

Capital work-in-progress

Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

2.4 Impairment of fixed assets

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an impairment loss is recognised when the carrying amount exceeds greater of net selling price and value in use.

2.5 Borrowing costs

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 till such time as the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

STAR METALLICS AND POWER PRIVATE LIMITED
(A subsidiary of The Sandur Manganese & Iron Ores Limited)

Notes forming part of the financial statements

2.6 Inventories

Inventories are valued at lower of cost and net realisable value.

The costs are, in general, ascertained as under:

Raw Materials and stores and spares: Weighted average method based on actual cost.

Finished goods and Work-in-progress: Material cost on weighted average method plus labour and appropriate overheads and, where applicable, excise duty.

2.7 Revenue recognition

Revenue from sale of goods is recognised when goods are despatched in accordance with the terms of sale and when significant risks and rewards are considered as transferred and are recorded net of sales returns, trade discount, rebates and sales tax collected but includes excise duty, where applicable.

Revenue from sale of power is recognised based on the power generated and supplied per applicable rates from time to time.

2.8 Foreign currency transactions

Foreign exchange transactions are recorded at the exchange rates prevailing on the date of transaction.

Foreign exchange rate fluctuations relating to monetary assets and liabilities are restated at the year-end rates. The net loss or gain arising on restatement/ settlement, if any, is adjusted to the statement of profit and loss.

In respect of forward exchange contracts, the premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss of the reporting period in which the exchange rates change.

2.9 Employee benefits

Short-term employee benefits are recognised as an expense at the undiscounted amount in the statement of profit and loss of the year in which the related service is rendered.

Post employment benefits are recognised as an expense in the statement of profit and loss of the year in which the employee has rendered services. The expense is recognised at the present value of the amount payable towards contributions. The present value is determined by reference to the market yields at the balance sheet date, on Government Bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

Other long-term employee benefits are recognised as an expense in the statement of profit and loss of the period in which the employee has rendered services. Estimated liability on account of long-term benefits is discounted to the present value, by reference to the market yields at the balance sheet date, on Government Bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the long term employee benefits.

Actuarial gains and losses in respect of post employment benefits and other long term benefits are charged to the statement of profit and loss on accrual basis.

2.10 Leases

A lease is classified as an Operating Lease, if it does not transfer substantially all the risks and rewards incidental to ownership. Lease rentals are charged to statement of profit and loss on straight-line basis over the lease term, estimated by the management.

STAR METALLICS AND POWER PRIVATE LIMITED
(A subsidiary of The Sandur Manganese & Iron Ores Limited)

Notes forming part of the financial statements

2.11 Segment reporting

Segments are identified based on the types of products and the internal organization and management structure. The Company has identified business segment as primary reporting segment.

The Company's primary segments consist of Ferroalloys and Power.

Unallocable represents other income and expenses which relate to the Company as a whole and are not allocated to segments.

2.12 Taxes on income

Current tax is determined in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax assets and liabilities are measured using the tax rates which have been enacted or substantively enacted at the balance sheet date. Deferred tax expense or benefit is recognised, subject to consideration of prudence, on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversing in one or more subsequent periods.

Deferred tax assets are recognized for all deductible timing differences and are carried forward to the extent there is reasonable certainty that sufficient taxable profit will be available to realize these assets. Deferred tax assets to the extent they relate to brought forward losses and unabsorbed depreciation are recognized only to the extent there is virtual certainty of realization, that sufficient taxable income will be available to realize such asset.

2.13 Earnings per share

Annualised earnings/ (loss) per equity share (basic and diluted) is arrived at based on net profit/ (loss) after taxation to the weighted average number of equity shares.

2.14 Provisions and contingencies

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent Liabilities are not recognised but are disclosed in the notes.

Contingent Assets are neither recognised nor disclosed in the financial statements.

STAR METALLICS AND POWER PRIVATE LIMITED
(A subsidiary of The Sandur Manganese & Iron Ores Limited)

Notes forming part of the financial statements

3 Share capital

Particulars	As at 31 March, 2012		As at 31 March, 2011	
	Number of shares	₹	Number of shares	₹
(a) Authorised Equity shares of ₹10 each with voting rights	100,000,000	1,000,000,000	50,000,000	500,000,000
(b) Issued, subscribed and fully paid up Equity shares of ₹10 each with voting rights	92,615,000	926,150,000	43,750,000	437,500,000
	92,615,000	926,150,000	43,750,000	437,500,000

Notes:

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting year:

Particulars	Opening Balance	Fresh issue	Bonus/ESOP/ Conversion /Buy back	Closing Balance
Equity shares with voting rights				
As at 31 March, 2012				
- Number of shares	43,750,000	48,865,000	-	92,615,000
- Amount (₹)	437,500,000	488,650,000	-	926,150,000
As at 31 March, 2011				
- Number of shares	36,250,000	7,500,000	-	43,750,000
- Amount (₹)	362,500,000	75,000,000	-	437,500,000

(ii) Details of shares held by each shareholder holding more than 5% shares:

Name of shareholder	As at 31 March, 2012	As at 31 March, 2011
	Number of shares held	Number of shares held
Equity shares with voting rights		
The Sandur Manganese & Iron Ores Limited, the Holding Company	75,240,000	32,500,000
Euro Industrial Enterprises Private Limited	14,845,000	8,720,000
ETA Star Holdings Limited	2,500,000	2,500,000

(iii) Rights, preference and restriction attached to shares:

The Company has only one class of equity shareholder. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Directors is subject to approval by the Shareholders at the ensuing Annual General Meeting. In the event of liquidation of the Company, the equity shareholders are entitled to receive only residual assets of the Company. The distribution will be in proportion to the number of equity shares held by the shareholders.

STAR METALLICS AND POWER PRIVATE LIMITED
(A subsidiary of The Sandur Manganese & Iron Ores Limited)

Notes forming part of the financial statements

	As at 31.03.2012	As at 31.03.2011
	₹	₹
4 Reserves and surplus		
Securities premium account		
Opening balance	436,500,000	361,500,000
Add: Premium on shares issued during the year	488,650,000	75,000,000
Closing balance	925,150,000	436,500,000
Deficit in statement of profit and loss		
Opening balance	(100,056,908)	(62,468,284)
Add: Loss for the year	(195,984,273)	(37,588,624)
Closing balance	(296,041,181)	(100,056,908)
	<u>629,108,819</u>	<u>336,443,092</u>
5 Long-term borrowings		
Loans and advances from related parties (Refer notes below)		
- Secured	-	788,310,000
- Unsecured	-	60,000,000
	<u>-</u>	<u>848,310,000</u>
Notes:		
1. An amount of ₹ Nil (as at 31 March, 2011: ₹41,490,000) of secured loan and ₹ Nil (as at 31 March, 2011: ₹62,500,000) of unsecured loan, repayable within 12 months have been grouped under other current liabilities (Refer note 8).		
2. Secured loan as at 31 March, 2011 represents loan taken @ 10% from The Sandur Manganese & Iron Ores Limited (the holding company) secured by way of first charge on the fixed assets of the Company and was repayable in 20 quarterly instalments of ₹41,490,000 starting January 2012.		
3. Unsecured loan as at 31 March, 2011 represents the loan taken @ 10% from Euro Industrial Enterprises Private Limited (enterprise having significant influence) was repayable in 8 quarterly instalments of ₹20,000,000 and 5 quarterly instalments of ₹500,000.		
6 Other long-term liabilities		
Interest accrued but not due on borrowings	138,685,407	96,131,108
	<u>138,685,407</u>	<u>96,131,108</u>
7 Long-term provisions		
Provision for compensated absences (Refer note 29 B)	509,231	317,412
Provision for gratuity (Refer note 29 A)	304,296	180,452
	<u>813,527</u>	<u>497,864</u>
8 Other current liabilities		
Current maturities of long-term debt (Refer note 5)	-	103,990,000
Statutory remittances	1,434,511	3,472,130
Payables on purchase of fixed assets	55,717,041	34,375,963
Advances from customers	422,484	126,943
	<u>57,574,036</u>	<u>141,965,036</u>

STAR METALLICS AND POWER PRIVATE LIMITED
(A subsidiary of The Sandur Manganese & Iron Ores Limited)

Notes forming part of the financial statements

	As at 31.03.2012	As at 31.03.2011
	₹	₹
9 Short-term provisions		
Provision for compensated absences (Refer note 29 B)	170,007	75,785
Provision for gratuity (Refer note 29 A)	3,831	2,516
	<u>173,838</u>	<u>78,301</u>

10 Fixed assets

₹

Description	Gross Block			Accumulated Depreciation				Net Block		
	Balance as at 01 April, 2011	Additions / adjustments	Deletions	Balance as at 31 March, 2012	Upto 31 March, 2011	For the year	On Deletions	As at 31 March, 2012	Balance as at 31 March, 2012	Balance as at 31 March, 2011
Tangible assets										
Freehold land	138,339,089	-	-	138,339,089	-	-	-	-	138,339,089	138,339,089
Buildings and roads	168,427,750	3,617,678	-	172,045,428	1,501,295	6,845,279	-	8,346,574	163,698,854	166,926,455
Plant and machinery	1,451,687,034	16,226,016	-	1,467,913,050	35,606,859	77,144,576	-	112,751,435	1,355,161,615	1,416,080,175
Vehicles	2,061,398	-	-	2,061,398	329,336	195,833	-	525,169	1,536,229	1,732,062
Computers systems	655,389	213,425	-	868,814	230,049	132,029	-	362,078	506,736	425,340
Office equipments	1,427,770	400,642	-	1,828,412	129,596	78,574	-	208,170	1,620,242	1,298,174
Furniture and fixtures	4,279,289	160,524	-	4,439,813	147,432	279,111	-	426,543	4,013,270	4,131,857
	1,766,877,719	20,618,285	-	1,787,496,004	37,944,567	84,675,402	-	122,619,969	1,664,876,035	
Previous year	383,979,808	1,382,897,911	-	1,766,877,719	7,062,432	30,882,135	-	37,944,567		1,728,933,152

Borrowing costs capitalised during the year as per AS-16 Borrowing Cost is ₹ Nil (2010-11: ₹ 61,239,890)

11 Long-term loans and advances

(Unsecured, considered good)

Capital advances	7,660,000	28,478,218
Security deposits	21,541,035	21,536,035
Advance income tax	9,980,789	7,554,561
	<u>39,181,824</u>	<u>57,568,814</u>

12 Other non-current assets

Deposits against guarantees with maturity of more than 12 months from the balance sheet date (Refer note 15)

	14,319,000	14,319,000
	<u>14,319,000</u>	<u>14,319,000</u>

13 Inventories

Raw materials	36,558,841	54,207,979
Raw materials-in-transit	2,865,572	14,950,055
Finished goods	2,618	264,085
Stores and spares	6,546,407	4,343,630
	<u>45,973,438</u>	<u>73,765,749</u>

Note: Inventories are carried at the lower of cost and net realisable value.

STAR METALLICS AND POWER PRIVATE LIMITED
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Notes forming part of the financial statements

	For the year ended 31 March, 2012	For the year ended 31 March, 2011
	<u>₹</u>	<u>₹</u>
18 Revenue from operations		
(a) Sale of products		
- Silicomanganese	320,450	2,527,712
- Power	253,551,309	105,615,347
Total (a)	<u>253,871,759</u>	<u>108,143,059</u>
(b) Other operating revenues		
- Conversion charges	150,935,190	86,772,807
- Sale of raw materials	11,608,190	65,287,805
- Others	3,107,694	1,537,165
Total (b)	<u>165,651,074</u>	<u>153,597,777</u>
Revenue from operations (gross) (a+b)	<u>419,522,833</u>	<u>261,740,836</u>
Less: Excise duty	29,924	236,042
Revenue from operations (net)	<u>419,492,909</u>	<u>261,504,794</u>
19 Other income		
Interest on bank fixed deposits	1,771,533	1,030,343
Interest on security deposits	489,068	844,865
Interest on Income tax refund	23,446	-
Miscellaneous income	156,093	312,213
	<u>2,440,140</u>	<u>2,187,421</u>
20 Changes in inventories of finished goods		
Inventories at the end of the year	2,618	264,085
Inventories at the beginning of the year	264,085	2,140,294
	<u>261,467</u>	<u>1,876,209</u>
21 Employee benefits expense		
Salaries, wages and bonus	19,890,112	11,846,310
Contribution to provident and other funds	590,703	537,276
Gratuity (Refer note 29 A)	125,159	77,037
Staff welfare expenses	564,950	371,392
	<u>21,170,924</u>	<u>12,832,015</u>
22 Finance costs		
Interest expense on borrowings	47,772,849	20,700,356
	<u>47,772,849</u>	<u>20,700,356</u>

STAR METALLICS AND POWER PRIVATE LIMITED
(A subsidiary of The Sandur Manganese & Iron Ores Limited)

Notes forming part of the financial statements

	For the year ended 31 March, 2012	For the year ended 31 March, 2011
	₹	₹
23 Other expenses		
Operation and maintenance charges	34,917,247	7,381,399
Coal consumed for power generation	319,973,075	117,256,713
Stores and spares consumed (including water and consumables)	15,475,781	5,924,240
Increase / (decrease) of excise duty on inventory	(24,416)	(172,563)
Power and fuel	5,370,794	27,239,487
Rent (Refer note 32)	2,135,582	-
Repairs and maintenance		
- Plant and machinery	11,232,363	1,869,616
- Buildings	762,532	530,148
- Others	1,776,707	721,883
	<u>13,771,602</u>	<u>3,121,647</u>
Insurance	1,524,949	854,478
Rates and taxes	10,466,923	1,228,186
Travelling and conveyance	1,954,398	1,983,491
Vehicle expenses	2,220,718	1,660,123
Advertisement and selling expenses	2,135,081	542,610
Legal and professional charges (refer note below)	2,128,436	2,246,412
Sub-contracting charges	20,704,879	9,265,125
Security charges	3,354,179	2,394,951
Expenses on corporate social responsibility	5,476,479	-
Administrative and general expenses	3,342,997	3,594,759
Provision for doubtful trade receivables and advances	-	278,431
Bad trade receivables and advances written off	278,431	-
Less: Provision made in earlier years released	278,431	-
	<u>-</u>	<u>-</u>
	<u>444,928,704</u>	<u>184,799,489</u>

Note: Includes, payments to statutory auditors (net of service tax input credit)

Statutory audit	900,000	750,000
Tax audit	150,000	150,000
Reimbursement of expenses	-	8,806
	<u>1,050,000</u>	<u>908,806</u>

STAR METALLICS AND POWER PRIVATE LIMITED
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Notes forming part of the financial statements

	As at 31 March, 2012 ₹	As at 31 March, 2011 ₹
24 Commitments		
Estimated amount of contracts to be executed on capital account (net of advances) and not provided for	14,958,050	50,521,782
25 There are no micro and small enterprises to whom the Company owes dues which are outstanding as at the balance sheet date. The information regarding Micro Enterprises and Small Enterprises have been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.		
26 Value of imports calculated on CIF basis	For the year ended 31 March, 2012 ₹	For the year ended 31 March, 2011 ₹
Stores and spares (including coal, water and consumables)	381,933	9,648,000
Capital Goods	-	198,924
	<u>381,933</u>	<u>9,846,924</u>
27 Expenditure in Foreign currency	For the year ended 31 March, 2012 ₹	For the year ended 31 March, 2011 ₹
Travelling & Conveyance and Membership & Subscription	190,557	243,826
	<u>190,557</u>	<u>243,826</u>
28 a) Cost of materials consumed		
Particulars	For the year ended 31 March, 2012 ₹	For the year ended 31 March, 2011 ₹
For production:		
Manganese Ore	1,699,207	5,862,889
Dolomite	1,053,897	414,868
Quartz	2,557,155	709,813
Coal	1,665,919	2,513,100
Other Materials	202,800	-
	<u>7,178,978</u>	<u>9,500,670</u>
For sale:		
Coal	-	272,861
Manganese Ore	11,928,998	28,803,762
Coke	-	9,530,221
Other Materials	-	2,083,121
	<u>11,928,998</u>	<u>40,689,965</u>
Total	<u>19,107,976</u>	<u>50,190,635</u>
	%	%
	For the year ended 31 March 2012	For the year ended 31 March 2011
Whereof:		
Imported	-	-
Indigenous	100	100
	<u>19,107,976</u>	<u>50,190,635</u>
	100	100

Note:

The value of raw materials and components consumed is arrived at on the basis of purchases less closing stock. Consumption, therefore, includes adjustment for shortage/ excess, used for captive consumption, write-off, etc.

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b) Stores and spares (including coal, water and consumables)

	%	For the year ended 31 March 2012 ₹	%	For the year ended 31 March 2011 ₹
Imported	-	381,933	8	9,648,000
Indigenous	100	335,066,923	92	113,532,953
	100	335,448,856	100	123,180,953

29 Employee Benefits

A. Defined Benefit Plan - Unfunded:

	For the year ended 31 March, 2012 ₹	For the year ended 31 March, 2011 ₹
--	---	---

Details of post retirement gratuity plan are as follows:

a) Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

Obligations at the beginning of the year	182,968	105,931
Add: Current service cost	102,327	99,632
Add: Interest cost	15,735	8,580
Add/ (Less): Actuarial losses/(gains) on obligations	7,097	(31,175)
(Less): Benefits paid during the year	-	-
Obligations at the end of the year	308,127	182,968

b) Reconciliation of opening and closing balances of the fair value of plan assets:

Fair Value of plan assets at the beginning of the year	-	-
Add: Expected return on plan assets	-	-
Add/(less): actuarial gains/(losses)	-	-
Add: Contributions by employer	-	-
(Less): Benefits paid	-	-
Fair value of plan assets at the end of the year	-	-

c) Reconciliation of present value of defined benefit obligation and the fair value of plan assets to the assets and liabilities recognised in the balance sheet:

Present value of obligation	308,127	182,968
(Less): Fair value of plan assets	-	-
Amount recognised in the balance sheet		
- Current	3,831	2,516
- Non-current	304,296	180,452
	308,127	182,968

d) Expenses recognised in the statement of profit and loss under Employee benefits expense in note 21:

Current service cost	102,327	99,632
Add: Interest cost	15,735	8,580
(Less): Expected return on plan assets	-	-
Add: Actuarial losses/(gains) recognised during the year	7,097	(31,175)
	125,159	77,037

e) Principal actuarial assumptions:

Discount rate per annum	8.60%	8.10%
Salary escalation rate	5.00%	5.00%
Attrition rate	5.00%	5.00%
Retirement age	60 years	60 years

STAR METALLICS AND POWER PRIVATE LIMITED
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f) Summary of defined benefit obligation / plan assets and experience adjustments:	2011-12 ₹	2010-11 ₹	2009-10 ₹	2008-09 ₹
Defined benefit obligation	308,127	182,968	105,931	132,371
Plan assets	-	-	-	-
Surplus / (deficit)	(308,127)	(182,968)	(105,931)	(132,371)
Experience adjustments on plan liabilities – (loss) / gain	(19,880)	29,530	148,520	(132,371)
Experience adjustments on plan assets – (loss) / gain	-	-	-	-

B. Other Long term benefit – Unfunded

	As at 31.03.2012 ₹	As at 31.03.2011 ₹
The defined benefit obligation which is provided for but not funded is as under:		
Leave salary liability at the year end		
- Current	170,007	75,785
- Non-current	509,231	317,412
	<u>679,238</u>	<u>393,197</u>

The discount rate for defined benefit plan and other long term benefit is based on the prevailing market yields of Indian Government securities as at the balance sheet for the estimated term of obligations.

The estimate of future salary increases considered for defined benefit plan and other long term benefit takes into account the inflation, seniority, promotion, increments and other relevant factors.

C. Defined Contribution Plans:

Contributions to provident and other funds under Employee benefits expenses (Note 21) includes the following being expenses debited under the following defined contribution plans:

	For the year ended 31 March, 2012 ₹	For the year ended 31 March, 2011 ₹
- Provident Fund and Employee's Pension Scheme	<u>590,703</u>	<u>537,276</u>

The Company has made Provident Fund contributions at predetermined rates to the SMIOR Employees' Provident Fund Trust and to the Regional Provident Fund Commissioner towards Employee Pension Scheme.

STAR METALLICS AND POWER PRIVATE LIMITED
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Notes forming part of the financial statements

30. Segment Reporting

a) Primary Segments (Business Segments)

₹

Particulars	Ferroalloys		Power		Unallocable		Elimination		Total	
	For the year ended 31 March, 2012	For the year ended 31 March, 2011	For the year ended 31 March, 2012	For the year ended 31 March, 2011	For the year ended 31 March, 2012	For the year ended 31 March, 2011	For the year ended 31 March, 2012	For the year ended 31 March, 2011	For the year ended 31 March, 2012	For the year ended 31 March, 2011
Revenue :										
External sales	165,342,323	155,889,447	254,150,586	105,615,347	-	-	-	-	419,492,909	261,504,794
Inter segment sales	-	-	98,029,238	33,809,200	-	-	(98,029,238)	(33,809,200)	-	-
Total revenue	165,342,323	155,889,447	352,179,824	139,424,547	-	-	(98,029,238)	(33,809,200)	419,492,909	261,504,794
Result :										
Segment	(24,327,019)	(1,892,642)	(114,958,260)	(12,680,880)	-	-	-	-	(139,285,279)	(14,573,522)
Unallocated net (expense) / income	-	-	-	-	(8,926,145)	(2,314,746)	-	-	(8,926,145)	(2,314,746)
Operating loss	(24,327,019)	(1,892,642)	(114,958,260)	(12,680,880)	(8,926,145)	(2,314,746)	-	-	(148,211,424)	(16,888,268)
Interest expense	-	-	-	-	47,772,849	20,700,356	-	-	47,772,849	20,700,356
Loss before taxes	(24,327,019)	(1,892,642)	(114,958,260)	(12,680,880)	(56,698,994)	(23,015,102)	-	-	(195,984,273)	(37,588,624)
Taxes	-	-	-	-	-	-	-	-	-	-
Net Loss	(24,327,019)	(1,892,642)	(114,958,260)	(12,680,880)	(56,698,994)	(23,015,102)	-	-	(195,984,273)	(37,588,624)
Other Information										
Segment assets	383,118,060	414,657,462	1,558,937,335	1,600,656,982	19,028,021	666,765	-	-	1,961,083,416	2,015,981,209
Segment liabilities	187,163,757	127,205,690	215,535,195	1,100,356,262	3,125,645	14,476,165	-	-	405,824,597	1,242,038,117
Capital expenditure including capital work - in progress	8,033,015	1,658,944	87,722,962	261,582,705	713,850	-	-	-	96,469,827	263,241,649
Depreciation	15,968,430	15,521,976	68,624,114	15,281,975	82,858	78,184	-	-	84,675,402	30,882,135
Non-cash expense other than depreciation	-	278,431	-	-	-	-	-	-	-	278,431

Note 1: Primary business segments have been identified on the basis of distinguishable businesses in which the Company is engaged.

Note 2: Inter-segment transfer from Power to Ferroalloys is at arm's length price.

b) Secondary Segments (Geographical Segments)

The Company operates in a single geographical segment and accordingly, secondary reporting disclosures for geographical segment, as envisaged in Accounting Standard 17 on Segment Reporting are not applicable.

STAR METALLICS AND POWER PRIVATE LIMITED
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31 Related Party Disclosures

A. Names of related parties and description of relationship:

Sl.No.	Description of relationship	Names of related parties
a	Holding Company	The Sandur Manganese & Iron Ores Limited (SMIORE)
b	Enterprise having significant influence	Euro Industrial Enterprises Private Limited (EIEPL)
c	Key management personnel	S H Mohan – Whole Time Director
d	Others:	
(i)	Entities where key management personnel are able to exercise significant influence:	Skand Private Limited (SPL)
(ii)	Relative of a Director	Mubeen A Sheriff, relative of Nazim Sheikh

B. Summary of transactions with related parties, during the year and year end balances are as follows:

Sl. No.	Nature of Transactions / Balances outstanding	Holding Company	Enterprise having significant influence	Others	Total (₹)
1	Share Capital (including premium) issued:				
	- SMIORE	854,800,000 (150,000,000)	- (-)	- (-)	854,800,000 (150,000,000)
	- EIEPL	- (-)	122,500,000 (-)	- (-)	122,500,000 (-)
2	Secured Loans obtained:				
	- SMIORE	10,000,000 (329,800,000)	- (-)	- (-)	10,000,000 (329,800,000)
3	Advance towards share capital				
	- SMIORE	15,000,000 (-)	- (-)	- (-)	15,000,000 (-)
4	Repayment of Loan				
	- SMIORE	839,800,000 (-)	- (-)	- (-)	839,800,000 (-)
	- EIEPL	- (-)	122,500,000 (40,000,000)	- (-)	122,500,000 (40,000,000)
5	Payment of Interest				
	- EIEPL	- (-)	- (10,000,000)	- (-)	- (10,000,000)
6	Salaries and Wages:				
	- Mubeen A Sheriff	- (-)	- (-)	897,068 (676,000)	897,068 (676,000)

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Sl. No.	Nature of Transactions / Balances outstanding	Holding Company	Enterprise having significant influence	Others	Total (₹)
7	Sale of Materials				
	- SMIORE	13,378,763 (34,817,486)	- (-)	- (-)	13,378,763 (34,817,486)
8	Conversion Charges				
	- SMIORE	150,935,190 (81,079,530)	- (-)	- (-)	150,935,190 (81,079,530)
9	Interest Expenses:				
	- SMIORE	41,631,068 (65,920,384)	- (-)	- (-)	41,631,068 (65,920,384)
	- EIEPL	- (-)	6,141,781 (16,019,862)	- (-)	6,141,781 (16,019,862)
	Balances as at the year end:				
10	Secured Loan:				
	- SMIORE	- (829,800,000)	- (-)	- (-)	- (829,800,000)
11	Unsecured Loan :				
	- EIEPL	- (-)	- (122,500,000)	- (-)	- (122,500,000)
12	Sundry Debtors				
	- SMIORE	- (29,129,884)	- (-)	- (-)	- (29,129,884)
13	Sundry Creditors (Including interest accrued):				
	- SMIORE	280,664,817 (234,942,442)	- (-)	- (-)	280,664,817 (234,942,442)
	-EIEPL	- (-)	16,878,256 (24,350,653)	- (-)	16,878,256 (24,350,653)
14	Salary payable				
	Mubeen A Sheriff	- (-)	- (-)	72,182 (28,489)	72,182 (28,489)
15	Corporate Guarantee issued on behalf of the Company by				
	- SMIORE	105,000,000 (105,000,000)	- (-)	- (-)	105,000,000 (105,000,000)

Notes:

(i) The above information has been determined to the extent such parties have been identified on the basis of information provided by the Company, which has been relied upon by the auditors.

(ii) Previous year figures are in brackets

STAR METALLICS AND POWER PRIVATE LIMITED
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32 Operating Leases:

	For the year ended 31 March 2012 ₹	For the year ended 31 March 2011 ₹
Lease payments recognised in the statement of profit and loss	2,135,582	-

The Company had entered into operating lease arrangements for residential accomodation and vacant land for storage of goods. The leases are generally for a period of 11 months to 24 months and with renewal options after the lease term. The operating leases are cancellable by the lessor or the lessee, with a notice of two to three months.

33 Earnings Per Share

	For the year ended 31 March 2012 ₹	For the year ended 31 March 2011 ₹
Nominal value of equity share (₹)	10	10
Weighted average number of equity shares outstanding	68,153,128	41,325,342
Loss after taxation considered for calculation of basic and diluted earnings per share (₹)	(195,984,273)	(37,588,624)
Earnings Per Share – Basic and Diluted (₹)	(2.88)	(0.91)

34 Deferred Tax

The net Deferred Tax as at 31 March, 2012 amounting to ₹ Nil (as at 31 March, 2011: ₹ Nil) has been arrived at as follows:

	As at 31 March, 2012 ₹	As at 31 March, 2011 ₹
A Deferred tax assets arising from:		
Provision for Gratuity and Leave salary	-	64,910
Provision for doubtful debts and advances	-	90,337
Unabsorbed Depreciation allowance *	145,739,285	38,371,998
	145,739,285	38,527,245
B Deferred tax liabilities arising from:		
Difference between carrying amount of fixed assets in the financial statements and the Income tax return	145,739,285	38,527,245
Net deferred tax asset/ (liability) (A-B)	145,739,285	38,527,245
Net deferred tax charge for the year	-	-
	-	-

*Recognised to the extent that there are compensatory timing differences the reversal of which will result in sufficient future taxable income against which this can be realised.

35 The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

Signatures to Notes 1 to 35.
for and on behalf of the Board of Directors

Nazim Sheikh
Director

N S Lakshmanan
Director

Subrahmanya Hegde
Company Secretary

Place: Bangalore
Date: 25 May, 2012



Account No.	
No. of Shares	

FORM 2B

NOMINATION FORM

(To be filled by individual(s) applying singly or jointly)

I/We _____
 and _____
 and _____ the
 Members of The Sandur Manganese & Iron Ores Limited holding _____ shares bearing Distinctive Numbers
 from _____ to _____ under Folio No. _____ wish to make a nomination and do
 hereby nominate the following person in whom all rights of transfer and or amount payable in respect of shares
 shall vest in the event of my or our death.

Name and Address of Nominee

Name : _____
 Address : _____
 Date of Birth : _____
 (if nominee is a Minor) : _____

Guardian of the Minor is (to be furnished only if nominee is a minor)

Name : _____
 Address : _____

SHARE HOLDERS'S INFORMATION

1. Signature : _____
 Name : _____
 Address : _____
 Date : _____
2. Signature : _____
 Name : _____
 Address : _____
 Date : _____
3. Signature : _____
 Name : _____
 Address : _____
 Date : _____

Name, Address and signature of two Witnesses

- | | Name and address | Signature with date |
|----|------------------|---------------------|
| 1. | | |
| 2. | | |



Instructions:

1. The Nomination can be made by individuals holding shares on their own behalf singly or jointly. Non-Individuals including Society, Body Corporate, Partnership Firm, Karta of Hindu Undivided Family, Holder of Power of Attorney cannot nominate. If the shares are held jointly all Joint holders shall sign the nomination form.
2. A Minor can be nominated by a Holder of shares and in that event, the name and address of the Guardian should be provided.
3. The Nominee shall not be a Trust, Society Body Corporate Partnership firm, Karta of Hindu Undivided Family or a Power of Attorney Holder. A Non-Resident Indian can be a nominee on repatriable basis.
4. Nomination stands rescinded upon transfer of shares.
5. Transfer of shares in favour of Nominee shall be valid discharge by the Company against the Legal heirs.
6. The Nomination form shall be filed in duplicate with the Company at its Registered Office at Lakshmipur, Sandur-583119, Bellary District, Karnataka or at its Corporate Office at "Sandur House", No.9 (Old No.217), Bellary Road, Sadashivanagar Bangalore - 560 080 Karnataka which will return one copy thereof to the Shareholder.

FOR OFFICE USE ONLY

Nomination Registration Number :	
Date of Registration :	
Checked by (Name and Signature) :	



The Sandur Manganese & Iron Ores Limited

Regd. Office: Lakshmipur, Sandur - 583 119, Bellary District, Karnataka

ELECTRONIC CLEARING SERVICE (CREDIT CLEARING) ECS Mandate for payment of dividend on Equity Shares

1. First Shareholder's Name
(IN BLOCK LETTERS) :

2. Shareholders Folio No. :

3. Particulars of Bank Account
 - A Bank Name :
 - B Branch Name, Address & Phone Number :
 - C Account No.
(as appearing on the cheque book) :
 - D Account Type
(SB Account / Credit A/c or Cash Credit).
Please tick the correct box : S.B A/c Current A/c CC or Other A/c
 - E Ledger Folio No. of the Bank A/c.
(as if appearing on the Cheque Book) :
 - F 9 Digit Code No. of the Bank &
Branch appearing on the MICR
Cheque issued by the bank. :

I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete information, I would not hold the Company responsible.

Date:

Signature of the First Shareholder

Note: Please attach photocopy of a cheque or a blank cancelled cheque relating to your above account for verifying the accuracy of the MICR.



The Sandur Manganese & Iron Ores Limited

PROXY FORM

I/We.....
.....of
.....being member(s) of the above named company, hereby appoint the following as my / our Proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 58th Annual General Meeting of the Company to be held on Saturday, the 8th day of September 2012 at 11,00 a.m. at Anuradha Hall, Shivapur, Sandur - 583 119 and at any adjournment thereof:

1. Mr. / Ms. _____, _____ or failing him/her
(name of the proxy) (signature of proxy)
2. Mr. / Ms. _____, _____ or failing him/her
(name of the proxy) (signature of proxy)
3. Mr. / Ms. _____, _____ or failing him/her
(name of the proxy) (signature of proxy)

I / We direct my / our Proxy to vote on Resolutions in the manner as indicated below:

RESOLUTIONS	FOR	AGAINST
Item No.1		
Item No.2		
Item No.3		

RESOLUTIONS	FOR	AGAINST
Item No.4		
Item No.5		

Number of Shares held _____

Signed this _____ day of _____ 2012

Folio No. / Client ID

Signature(s) of Members

1. _____ 2. _____ 3. _____

Note: Proxies must reach the Company's Registered Office not less than 48 hours before the time fixed for the meeting.

Affix
Revenue
Stamp

If undelivered please return to:



The Sandur Manganese & Iron Ores Limited

42, 2nd Main, Vyalikaval, Bangalore 560 003