



21ST ANNUAL REPORT

BOARD OF DIRECTORS

Shri Rajendra V. Shah
Shri K S Kamath
Shri M.P Desai
Shri Ashok Sharma
Shri G M Shaikh
Shri N D Shah
Shri Dilipkumar Sinha
Shri Harshad M Shah
Shri Tejpal S Shah
Shri Bhaskar Ghosh
Shri Vincent Mendonsa
Shri M.B.Kaul

Chairman
Jt. Managing Director
Executive Director - Works
Whole Time Director
Director
Director
Director
Director
Director
Director (w.e.f 11.05.2011)
Nominee Director-Union Bank
Nominee Director-IDBI

COMPANY SECRETARY

Vinod Kumar Shah

REGISTERED OFFICE

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

CORPORATE OFFICE

Shah Alloys Corporate House
Sola-Kalol Road, Santej,
Ta. Kalol, Dist. Gandhinagar-382721

WORKS

Shah Industrial Estate, Block No. 2221/2222
Sola-Kalol Road, Santej,
Tal. Kalol (N.G.) Dist. Gandhinagar-382721

AUDITORS

M/s. Talati & Talati
Chartered Accountants
Ambica Chambers Nr. Old High Court
Navrangpura Ahmedabad – 380 009

BANKERS TO THE COMPANY

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

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



NOTICE

NOTICE is hereby given that Twenty-First Annual General Meeting of the Members of SHAH ALLOYS LIMITED will be held on Saturday, the 24th September, 2011 at 9:30 A.M. at SAL Institute & Engineering Research, Opp. Science City, Ahmedabad – 380 060, to transact the following business: -

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2011, Profit & Loss Account for the year ended on that date and the Reports of Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Shri Ashok Sharma, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri N D Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Dilip Kumar Sinha, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Statutory Auditors, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

M/s Talati & Talati, Chartered Accountants, Ahmedabad, retiring Auditors of the Company are eligible for re-appointment.

SPECIAL BUSINESS

6. **APPOINTMENT OF SHRI BHASKAR GHOSH AS DIRECTOR.**

To consider and if thought fit, to pass, with or without modification(s) following resolution as an **ORDINARY RESOLUTION:**

“RESOLVED THAT Shri Bhaskar Ghosh who was appointed by the Board as an Additional Director under provisions of section 260 of the Companies Act, 1956 on 11th May 2011 and who holds office up to the date of this Annual General Meeting of the Company be and is hereby appointed as a Director of the Company liable to retire by rotation”.

7. **APPOINTMENT OF SHRI MAHENDRA P. DESAI AS DIRECTOR.**

To consider and if thought fit, to pass, with or without modification(s), following resolution as an **ORDINARY RESOLUTION:**

“RESOLVED THAT Shri Mahendra P. Desai who was appointed by the Board as an Additional Director under provisions of section 260 of the Companies Act, 1956 and who holds office up to the date of this Annual General Meeting of the Company be and is hereby appointed as a Director of the Company liable to retire by rotation”.

8. **APPOINTMENT OF SHRI MAHENDRA P. DESAI AS ‘EXECUTIVE DIRECTOR – WORKS’.**

To consider and if thought fit, to pass, with or without modification(s), following resolution as an **ORDINARY RESOLUTION:**

“RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 and 311 read with Schedule XIII and all other applicable provisions, if any of the Companies Act 1956 (including any statutory modification(s) or re-enactment thereof) and subject to such approval as may be necessary, consent of the Company be and is hereby accorded to the appointment of Shri Mahendra P. Desai, as ‘Executive Director – Works’ of the Company, for a period of 5 (Five) years with effect from 23rd July 2010, on the terms and conditions including remuneration as are set out in agreement entered into between the Company and Shri Mahendra P. Desai, as approved by Board of Directors in their meeting.



RESOLVED FURTHER THAT the Board be and is hereby authorised to alter and vary the terms and conditions of the said appointment and remuneration and/or agreement subject to the limit specified in Schedule XIII of the Companies Act, 1956 including any statutory modification and re-enactment thereof for the time being in force as may be agreed to between the Company and Shri Mahendra P. Desai.

9. **APPOINTMENT OF SHRI KANDODI SRINIVAS KAMATH AS 'JOINT MANAGING DIRECTOR'.**

To consider and if thought fit, to pass, with or without modification(s), following resolution as an **ORDINARY RESOLUTION**:

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 and 311 read with Schedule XIII and all other applicable provisions, if any of the Companies Act 1956 (including any statutory modification(s) or re-enactment thereof), and subject to such approval as may be necessary, consent of the Company be and is hereby accorded to the appointment of Shri Kandodi Srinivas Kamath, as 'Joint Managing Director' of the Company, for a period of **5 (Five) years** with effect from 1st November 2010, on the terms and conditions including remuneration as are set out in agreement entered into between the Company and Shri K S Kamath, as approved by Board of Directors in their meeting.

RESOLVED FURTHER THAT the Board be and is hereby authorised to alter and vary the terms and conditions of the said appointment and remuneration and/or agreement subject to the limit specified in Schedule XIII of the Companies Act, 1956 including any statutory modification and re-enactment thereof for the time being in force as may be agreed to between the Company and Shri K. S Kamath."

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIM/HER SELF AND PROXY NEED NOT BE A MEMBER.** The proxies to be effective should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the special business to be transacted at the meeting is annexed hereto.
3. Shareholders are requested to bring their copy of Annual Report to the meeting.
4. Members/Proxies should fill the Attendance Slip for attending the meeting.
5. All documents referred to in the accompanying the Notice are open for inspection at the Shah Alloys Corporate Office of the Company on all working days, except Saturday and Sunday between 11.00 a.m. and 4.00 p.m. up to the date of Annual General Meeting.
6. Members seeking any information or clarification on the Accounts are requested to send in written queries to the Company, at least one week before the date of the meeting. Replies will be provided in respect of such written queries received only at the meeting.
7. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 17th September, 2011 to Saturday, 24th September, 2011 (both days inclusive).
8. Corporate Members intending to send their authorised representatives are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.

By Order of the Board

Sd/-

Vinod Kumar Shah

Company Secretary

Date: 28th July 2011

Place: Santej



ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 6

The Board of Directors of the Company pursuant to the provisions of section 260 of the Companies Act, 1956 read with Article 137 of Article of Association of the Company, have appointed Shri Bhaskar Ghosh as Additional Director of the Company w.e.f 11th May 2011. Shri Ghosh holds office up to the date of Annual General Meeting. Company has received notice in writing from a member alongwith the deposit of Rs. 500/- proposing the candidature of Shri Ghosh for the office of Director under the provisions of section 257 of the Companies Act, 1956. On appointment, Shri Ghosh will be liable to retire by rotation under provisions of Companies Act, 1956 and will be termed as 'Independent Non-Executive Director'.

None of the Directors except Shri Bhaskar Ghosh is concerned or interested in the resolution.

Your Director recommends his appointment for your approval.

ITEM NO. 7

The Board of Directors of the Company pursuant to the provisions of section 260 of the Companies Act, 1956 read with Article 137 of Article of Association of the Company, have appointed Shri Mahendra P. Desai as Additional Director of the Company w.e.f 23rd July 2010. Shri Desai has more than 35 years of technical experience in the Industry. Shri Desai holds office up to the date of Annual General Meeting. Company has received notice in writing from a member alongwith the deposit of Rs. 500/- proposing the candidature of Shri Desai for the office of Director under the provisions of section 257 of the Companies Act, 1956. On appointment, Shri Desai will be liable to retire by rotation under provisions of Companies Act, 1956.

None of the Directors except Shri Mahendra P. Desai is concerned or interested in the resolution.

Your Directors recommend his appointment for your approval.

ITEM NO. 8

Shri Mahendra P. Desai has 35 years of vast experience and has been associated with the Industry since long. Shri Desai had been working in the Company as Senior Vice President and has 14 years of rich experience in the Company. Looking to long association, your directors appointed him as "Executive Director – Works" in the Board w.e.f 23.07.2010 for a period of 5 years.

Material terms & conditions are as under:-

- | | |
|-------------------------|--|
| a) Monthly Salary | Rs. 1,75,000/- (Rs. One lac seventy five thousand only)
Company maintained vehicle with driver. |
| b) Minimum remuneration | In case of absence or inadequacy of profit in any financial year during tenure of Shri Mahendra P. Desai as "Executive Director – Works" of the company the remuneration as mentioned above shall be payable as the minimum remuneration to him, subject to the limit prescribed under Schedule XIII of the Companies Act, 1956 read with other applicable provisions of the said Act. |

The appointment of Shri Mahendra P. Desai is subject to approval of the shareholders under sections 198, 269, 309 and other applicable provisions, including schedule XIII of the Companies Act, 1956.



This may also be treated as an abstract pursuant to Section 302 of the Companies Act, 1956. Board recommends the resolution.

None of the Directors except Shri Mahendra P Desai is interested in the resolution.

ITEM NO. 9

Shri Kandodi Srinivas Kamath working as Executive director was elevated to the position of Joint Managing Director by the Board in its meeting held on and after considering vast experience and good performance of Shri Kamath, in its meeting held on 31.10.2010 decided to elevate Shri Kamath to the post of Joint Managing Director of the Company for a period of 5 years w.e.f. 1st November 2010.

Shri Kandodi Srinivas Kamath has more than 28 years experience and been associated with the company since long. Lastly he was working as Executive Director. After considering his 20 years rich experience in the steel industry and his performance, the Board of Directors in its meeting held on 31.10.2010 decided to elevate Shri Kamath to the position of Joint Managing Director of the Company for a period of 5 years w.e.f. 1st November 2010 on monthly remuneration of Rs. 1,07,700 (CTC), inclusive of perquisites.

Material terms & conditions are as under:-

- | | | |
|----|----------------------|---|
| a) | Monthly Salary | Rs. 1,07,700/- (Rs. One lac seven thousand seven hundred only)

Company maintained vehicle with driver. |
| b) | Minimum remuneration | In case of absence or inadequacy of profit in any financial year during tenure of Shri Kandodi Srinivas Kamath as Joint Managing Director of the company the remuneration as mentioned above shall be payable as the minimum remuneration to him, subject to the limit prescribed under Schedule XIII of the Companies Act, 1956 read with other applicable provisions of the said Act. |

The appointment of Shri Kandodi Srinivas Kamath is subject to approval of the shareholders under sections 198, 269,309 and other applicable provisions, including schedule XIII of the Companies Act, 1956.

This may also be treated as an abstract pursuant to Section 302 of the Companies Act, 1956.

Board recommends the resolution.

None of the Directors except Shri Kandodi Srinivas Kamath is interested in the resolution.

By Order of the Board

Sd/-

Vinod Kumar Shah

Company Secretary

Date: 28th July 2011

Place: Santej

Registered Office:

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

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

Name of Director	Ashok Sharma	Natvarlal D. Shah	Dilip Kumar Sinha	Mahendra P. Desai	Bhaskar Ghosh
Date of Birth	04.01.1956	27.02.1935	15.08.1945	24.07.1952	22.01.1968
Relationship with other Directors Inter se	None	None	None	None	None
Profile & Expertise in Specific functional Areas	27 years experience in senior positions in finance and accounts in various Companies.	He has more than 50 years of experience in Corporate Finance related areas in various Industries.	He has more than 37 years of experience of working in State Bank of India on various positions.	35 years of vast experience in various Steel Companies.	15 years of vast experience in various business.
Qualification	C.A., C.S., B.Com.	I.C.W.A., B.Sc.	M. A., CAIIB	B.Sc.	M.Tech
No. of Equity Shares held in the Company	Nil	Nil	Nil	Nil	Nil
List of other Companies in which Directorships are held	Nil	Dishman FZE	Parental Drugs (India)Ltd.	Nil	S.A.L Steel Limited.
List of committees of Board of Directors (across all other Companies) in which Chairmanship/ Membership is held	Nil	Nil	Nil	Nil	Nil



DIRECTORS' REPORT

Dear Members,

Your Directors present 21st Annual Report together with the Audited statement of Accounts for the year ended on **31st March, 2011**.

FINANCIAL HIGHLIGHTS

Particulars:	(Rs. in Crores)	
	2010-11	2009-10
Turnover	824.51	835.76
<i>Less: Excise duty</i>	72.79	57.69
Net Turnover	751.72	778.07
Other Income	2.67	12.28
Gross Revenue	754.39	790.35
<i>Less: Cost of Sales</i>	819.02	768.53
Profit / (Loss) before depreciation, Interest & Tax	(64.63)	21.82
<i>Less: Depreciation & Amortisation</i>	32.28	33.65
<i>Less: Interest and Financial Expenses</i>	87.19	73.12
Profit / (Loss) before Taxes	(184.10)	(84.95)
<i>Less: Tax Expense (Income)</i>	(54.42)	(24.63)
Net Profit / (Loss) after Tax	(129.68)	(60.32)
<i>Add: Balance brought forward from previous year</i>	(137.71)	(77.39)
Carried forward Losses	(267.40)	(137.71)

PERFORMANCE

Despite of the fact that Company has been declared Sick Industrial Company under the provisions of Section 3(1)(0) of Sick Industrial Companies (Special Provisions) Act 1985, it has been successful in maintaining the Turnover. Apart from the financial crisis, operations of the company are influenced due to prices of raw materials, fuel prices, sales realization etc.

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

Members are aware that Company has gone to Hon'ble Board for Industrial and Financial Reconstruction (BIFR) under the Section 15 of Sick Industrial Company (Special Provisions) Act, 1985. Company has been registered as Sick Company vide order of Hon'ble BIFR dated 31st August 2010. Union Bank of India (UBI) has been appointed as Operating Agency (OA). Company has prepared a draft scheme and submitted to the bankers for their consideration.

COMPLIANCE OF CDR

Company had gone for Corporate Debt Restructuring (CDR) in the year 2009. As per sanctioned CDR Package Company was required to make the payment to its creditors including Non Convertible Debentureholders. On account of reference to BIFR and the fact that Rehabilitation Scheme is yet to be approved by Hon'ble BIFR, company has deferred payment required to be made as per the sanctioned CDR.



CORPORATE GOVERNANCE

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

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

DIRECTORS

Shri Ashok Sharma, N.D Shah and Shri Dilip Kumar Sinha will be the Directors retiring by rotation and being eligible offer themselves for re-appointment at the ensuing Annual General Meeting.

Shri Mahendra P Desai was inducted Additional Director as "Executive Director – Works" by the Board and he will cease to hold office at the ensuing Annual General Meeting. Shri Desai has consented to act as Director, if reappointed. Your Directors recommends his appointment and request members to consider the resolution for his reappointment as stated in Notice of the Annual General Meeting. Also, your Directors propose his appointment as "Executive Director – Works" at ensuing Annual General Meeting (AGM) of the Company on terms & conditions as provided in explanatory statement attached to the Notice of AGM.

Shri Bhaskar Ghosh has been appointed as Additional Director by the Board on 11th May 2011 and he will cease to hold office at the ensuing Annual General Meeting. Shri Ghosh has consented to act as Director, if reappointed. Your Directors recommends his appointment and request members to consider the resolution for his reappointment as stated in Notice of the Annual General Meeting.

During the year under review Shri Kandodi Srinivas Kamath, Executive Director of the Company, was elevated subject to the approval of members, to the post of Joint Managing Director by the Board at its meeting held on 31.10.2010 for a period of 5 years w.e.f 01.11.2010. Your Directors propose appointment of Shri Kamath as Joint Managing Director at ensuing Annual General Meeting (AGM) of the Company on terms & conditions as provided in explanatory statement attached to the Notice of AGM.

PARTICULARS OF THE EMPLOYEES

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

CONSERVATION OF ENERGY, R & D TECHNOLOGY ETC.

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

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm:

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- b) that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profits of the company for that period;
- c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for prevailing the detecting fraud and other irregularities;
- d) that they have prepared the annual accounts on a going concern basis.



AUDITORS

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

Pursuant to Central Government's Order dated 3rd May 2011 Ref No. 52/26/CAB-2010, mandating appointment of Cost Auditor, your directors have appointed M/s Ashish S. Bhavsar & Co. as Cost Auditor, for auditing cost accounting records of the Company for financial year 2011-12.

EXPLANATION TO THE AUDITORS' REMARKS

The Directors submit their explanation to the qualifications made by the Auditors in their report for the year 2010-11. The Para nos. of Auditors' Report and reply are as under:

Para ix (a):

Payments of Statutory dues were marginally delayed on account of slow recovery/collection. However, the same have been paid including the TDS of Rs. 9.02 lacs.

Para xi:

On account of financial problem, company defaulted in payment of interest. However, company has submitted DRS to lenders Banks. Things will get regularized as soon as DRS is approved by the lender banks and finally sanctioned by Hon'ble BIFR.

FIXED DEPOSIT

The Company has not accepted any deposits during the year.

REGULATORY STATEMENT

In conformity with amended provision of clause 32 in the Listing Agreement(s) the Cash Flow Statement for the year ended 31.03.2011 is annexed hereto.

The equity shares of your company are listed on the following stock exchanges and the listing fees are paid by the company for the year 2011-2012.

- **Bombay Stock Exchange Ltd.**
P. J. Tower, Dalal Street, Mumbai – 400 001.
- **National Stock Exchange of India Ltd**
"Exchange Plaza" Bandra Kurla Complex, C-1, Block-G, Bandra (East), Mumbai – 400 051.

ACKNOWLEDGMENT

Your Directors wish to place on record their appreciation for the valuable co-operation and support received from the customers and suppliers, various financial Institutions, Banks, Central and State Government bodies, Auditors and Legal Advisors which have made possible the excellent results achieved by your company and to all the persons who reposed faith and trust in us. We would also like to express thanks to our shareholders and stakeholders for their confidence and understanding.

Last but not the least, we wish to place on record our appreciation of the sincere services rendered by the employees and our colleagues at all levels, who have put in their best efforts. We look forward to their continued support in future.

For SHAH ALLOYS LIMITED

Sd/-

Rajendra V Shah

CHAIRMAN

Date: 28th July 2011

Place: Santej



ANNEXURE TO DIRECTORS' REPORT

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

A. CONSERVATION OF ENERGY

Form 'A'

Form for Disclosure of Particulars with respect to conservation of energy.

(I)	POWER AND FUEL CONSUMPTION	2010-11	2009-10
1.	ELECTRICITY		
	(a) Purchase		
	Unit (Kwh)	14,05,18,765	10,08,78,347
	Total Amount (Rs.)	93,43,31,889	63,92,14,303
	Rate / Unit (Rs)	6.65	6.34
	(b) Own Generation		
	(i) <i>Through Diesel Generator Unit (Kwh)</i>	96,14,786	7,86,76,430
	Unit Per Ltr of Furnace Oil	3.53	3.64
	Cost / Unit (Rs)	7.17	6.73
	(ii) <i>Through Steam Turbine / Generator Unit (Kwh)</i>	NIL	NIL
	Unit Per Kg of Lignite	NIL	NIL
	Cost Lignite / Unit (Rs)	NIL	NIL
2.	COAL (Including Coal Fines)		
	Quantity (MT)	NIL	NIL
	Total Cost (Rs)	NIL	NIL
	Average Rate (Rs)	NIL	NIL
3.	FURNACE OIL (used in the generation of power)		
	Quantity (K Ltr)	27,22,821	2,16,06,104
	Total Cost (Rs)	6,56,54,225	52,91,09,037
	Average Rate (Rs)	24.11	24.49
4.	OTHERS - LIGNITE (used in the generation of steam)		
	Quantity (K Tons)	NIL	NIL
	Total Cost (Rs)	NIL	NIL
	Average Rate (Rs)	NIL	NIL



(II)	CONSUMPTION PER M.T. OF PRODUCTION	2010-11	2009-10
	Particulars of Product		
	Electricity (in Unit)	1,231	1,242
	Furnace Oil	NIL	NIL
	Coal (Specify quantity)	NIL	NIL
	Others	NIL	NIL
B.	TECHNOLOGY ABSORPTION		
(I)	Research and Development (R & D)		
	1. Specific areas in which R&D carried out by the company.	NIL	NIL
	2. Benefits derived as a result of the above R&D	NIL	NIL
	3. Future plan of action:		
	a) Capital		
	b) Recurring		
	c) Total		
	d) Total R&D expenditure as a percentage of total turnover	NIL	NIL
(II)	Technology absorption, adaptation:		
	Company has not carried out research, development & innovation activities.		
	1. Efforts, in brief, made towards technology absorption, adaptation and innovation.	NIL	NIL
	2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.	NIL	NIL
	3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:		
	a) Technology imported		
	b) Year of import		
	c) Has technology has been fully absorbed		
	d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.	NIL	NIL

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(In Rs. Crores)

Particulars	2010-11	2009-10
Earnings	17.98	32.38
Outgo	21.51	57.26



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

Indian Steel demand is estimated to grow on a strong footage @ 13.3% in current fiscal year 2010-11, while witnessing growth of around 10.6% in production as well. It is projected that Indian Steel Industry will see capacity additions to meet the accelerating domestic demand led by rising investments and consumptions supplemented by growing export opportunities for value added products.

On the other side, major challenges for Global Steel Industry in near term shall be sustainability of demand under rising inflationary pressure while cost pressure squeezing the margins. Also, for Global Steel Producers the foremost challenge shall be to explore innovative technologies and processes so as to minimise their production cost alongwith improved energy efficiency and low emission intensity.

COMPANY'S PERFORMANCE AND HIGHLIGHTS

During the year under review Company was declared Sick Industrial Company under the provisions of Section 3(1)(0) of Sick Industrial Companies (Special Provisions) Act 1985. On account of financial crisis as also prices of raw materials, fuel prices, sales realization etc., the performance of the company has been affected. However, Company has been able to sustain turnover of the company. Due to increased burden of interest and high cost of raw material, the loss of the company has been increased.

Company has been successful in developing protection armour steel which is mainly required for defence purposes. Company has been registered with Defence Research & Development Organization as approved vendor and it is expected that good business will be available to the Company. To reduce the cost of power, company has been making efforts to purchase power through Open Access which would be cheaper than the present cost of power.

SWOT ANALYSIS

Strength

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

Weaknesses

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

Opportunities

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



Threats

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

RISKS AND CONCERNS

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

- Working Capital risks
- Government Policy and Political Structure risk
- Competition risk
- Debtor risk
- Exchange Rate fluctuation risk
- Geographic Concentration risk

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

SEGMENT-WISE PERFORMANCE

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

PARTICULARS	2010-11	2009-10
TOTAL INCOME	751.56	777.94
Stainless Steel Plant	735.11	762.77
Medical Store & Lab	16.45	15.17
PROFIT BEFORE TAX	(184.10)	(84.96)
Stainless Steel Plant	(187.56)	(87.60)
Medical Store & Lab	3.46	2.64
Capital Employed	(181.96)	151.67
Stainless Steel Plant	(194.63)	(161.78)
Medical Store & Lab	12.67	10.11

INTERNAL CONTROL SYSTEM

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



FUTURE OUTLOOK

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

CAUTIONARY NOTE

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



REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

2. BOARD OF DIRECTORS

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

Number of Board Meetings

Shah Alloys Limited held Four Board Meetings during the year ended 31st March, 2011. These meetings were on the maximum time gap between any two meetings was not more than four calendar months. None of the Directors of the Company was a member of more than ten Committees nor was the Chairman of more than five Committees across all companies in which they are Directors.

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

Name of Director	Category	Number of Board Meetings		No. of other Director-ships held	Committee Memberships held in other Companies		Whether Attended last AGM
		Held during the year	Attended during the year		As member	As Chairman	
Shri Rajendra V. Shah	Promoter Non-Executive Chairman	4	4	1	Nil	Nil	Yes
Shri Kandodi S Kamath	Non Promoter Executive Director	4	4	Nil	Nil	Nil	Yes
Shri Yogesh Thaker *	Non Promoter Executive Director	4	2	1	Nil	Nil	Yes
Shri G.M. Shaikh	Non – Executive & Independent	4	4	Nil	Nil	Nil	Yes
Shri Bhupendra Jha **	Non Promoter Executive Director	4	1	Nil	Nil	Nil	NA
Shri Harshad M. Shah	Non-Executive & Independent	4	2	1	1	Nil	No
Shri Ashok A Sharma	Non Promoter Wholetime Director	4	4	Nil	Nil	Nil	Yes
Shri N.D. Shah	Non-Executive & Independent	4	0	1	Nil	Nil	No
Shri Dilip Kumar Sinha	Non-Executive & Independent	4	3	1	Nil	Nil	No
Shri Tejpal S. Shah	Non-Executive & Independent	4	2	1	Nil	Nil	No.
Shri Rajeev Sinha ***	Nominee Director of IDBI	4	0	Nil	Nil	Nil	NA
Shri Vincent Mendonsa	Nominee Director of UBI	4	0	Nil	Nil	Nil	No
Shri M B Kaul ***	Nominee Director of IDBI	4	2	Nil	Nil	Nil	No
Shri M P Desai ****	Non Promoter Executive Director - Works	4	0	Nil	Nil	Nil	No

* Shri Yogesh Thakar resigned w.e.f. 1.3.2011 ** Shri Bhupendra Jha resigned w.e.f. 10.7.2010

*** Nominated Shri M B Kaul vice Shri Rajeev Sinha w.e.f. 5.4.2010 by IDBI

**** Appointed as Executive Director - Works



Board Procedure

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

During the financial year ended 31st March 2011, four Board meetings were held – 15.04.2010, 31.07.2010, 30.10.2010 and 29.01.2011.

AUDIT COMMITTEE

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

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

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

The Audit Committee met four times during the year on 15.04.2010, 31.07.2010, 30.10.2010 and 29.01.2011.

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

Name of Director	Designation	No. of Meetings	Meetings attended
Shri G.M. Shaikh	Chairman	4	4
Shri Rajendra V Shah	Member	4	4
Shri Natverlal D Shah	Member	4	Nil

REMUNERATION COMMITTEE

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

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

SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

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

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

The total number of complaints received were replied to satisfaction of shareholders during the year ended 31st March, 2011. Outstanding complaint as on 31.03.2011 was Nil.



Remuneration to the Directors

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

(Amount in Rs.)

Name of Director	Sitting Fees	Salaries & Perquisites	Commission	Total
Shri Rajendra V. Shah	Nil	Nil	Nil	Nil
Shri Bhupendra Jha	Nil	6,32,668	Nil	6,32,668
Shri Kandodi S Kamath	Nil	12,93,100	Nil	12,93,100
Shri Ashok Sharma	Nil	11,48,500	Nil	11,48,500
Shri Yogesh N Thaker	Nil	12,83,300	Nil	12,83,300
Shri G. M Shaikh	20,000	Nil	Nil	20,000
Shri Harshad M. Shah	5,000	Nil	Nil	5,000
Shri Natvarlal D. Shah	Nil	Nil	Nil	Nil
Shri Dilipkumar Sinha	7,500	Nil	Nil	7,500
Shri Tejpal S. Shah	5,000	Nil	Nil	5,000
Shri M P Desai	Nil	14,42,958	Nil	14,42,958
Shri Rajeev Kumar Sinha	Nil	Nil	Nil	Nil
Shri Vincent Mendonsa	Nil	Nil	Nil	Nil
Shri M B Kaul	5,000	Nil	Nil	5,000

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

Code of Conduct

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

Disclosures

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



3. GENERAL BODY MEETINGS

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

AGM / EGM	Date	Venue	Time	No. of special resolutions passed
AGM	September 24, 2008	Rajpath Club Ltd., Setelite Road, Thaltej, Ahmedabad.- 380 054	9.00 AM	2
AGM	September 24, 2009	Rajpath Club Ltd., Setelite Road, Thaltej, Ahmedabad.- 380 054	9.30 AM	—
EGM	November 12, 2009	SAL Institute & Engineering Research, Opp Science City, Ahmedabad-380060	9.30 AM	—
AGM	September 24, 2010	SAL Institute & Engineering Research, Opp Science City, Ahmedabad-380060	9.30 AM	—

During year ended 31st March, 2011 there have been no resolutions passed by the company's shareholders through postal ballot.

MANAGEMENT

Management discussion and analysis

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

4. MEANS OF COMMUNICATION

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

5. GENERAL SHAREHOLDER INFORMATION

As mentioned in the Notice, the 21st Annual General Meeting of the Company will be held on 24th September 2011 at 9.30 a.m. at SAL Institute & Engineering Research, Opp Science City, Ahmedabad-380060.

Financial Year

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

Financial Calendar (tentative & subject to change)

- | | | |
|-----|------------------------|-----------------|
| (a) | First Quarter Results | : August 2011 |
| (b) | Second Quarter Results | : November 2011 |
| (c) | Third Quarter Results | : February 2012 |
| (d) | Fourth Quarter results | : May 2012 |



Date of Book Closure : 17/09/2011 to 24/09/2011
(Both days inclusive)

Listing on Stock Exchange : The National Stock Exchange
of India Limited (NSE)
Bombay Stock Exchange Ltd. (BSE)

The Company has paid the Annual Listing fees to the Stock Exchanges for the financial year 2011-2012.

Stock Code

The National Stock Exchange of India (NSE) : SHAHALLOYS
Bombay Stock Exchange Ltd. : 513436
Demat ISIN No. for NSDL and CDSL : INE 640C01011
Monthly Highs and Lows for the period April 2010 to March 2011.

(Amount in Rs. per share)

NATIONAL STOCK EXCHANGE OF INDIA LTD. (NSE)		
	HIGH	LOW
APRIL 2010	31.90	23.55
MAY 2010	27.05	19.40
JUNE 2010	23.75	19.40
JULY 2010	25.65	19.00
AUGUST 2010	27.10	20.55
SEPTEMBER 2010	27.60	21.10
OCTOBER 2010	22.65	19.00
NOVEMBER 2010	20.95	15.10
DECEMBER 2010	24.45	13.00
JANUARY 2011	17.25	13.65
FEBRUARY 2011	17.95	11.50
MARCH 2011	15.15	12.45

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

Share Transfer System

As per the SEBI guidelines shares are transferred by the aforesaid Registrars & Transfer Agent. The total number of shares transferred in the physical form during the year was 2300.



Distribution and Shareholding Pattern as on 31.03.2011

No. of Equity shares held	No. of Folios	%	No. Shares	%
Upto 500	7956	83.49	1455931	7.35
501 – 1000	849	8.91	700424	3.54
1001 – 2000	364	3.82	564377	2.85
2001 – 3000	123	1.29	318875	1.61
3001 – 4000	62	0.65	220579	1.11
4001 – 5000	48	0.51	224776	1.14
5001 – 10000	66	0.69	473431	2.39
10001 and above	61	0.64	15839147	80.01
TOTAL	9529	100.00	19797540	100.00
No. of shareholders in physical mode	1784		573734	2.90
No. of shareholders in electronic mode	7745		19223806	97.10

Shareholding pattern as on 31.03.2011 is as follows

Category	No. of Shares	%
Promoters	10590370	53.49
Directors / Relatives	138876	0.70
Indian Public	4169769	21.06
Domestic Companies	2904504	14.67
Nationalized Bank/ Insurance Company	1776624	8.98
NRI	113085	0.57
FII	104312	0.53
Total	19797540	100

Dematerialisation of shares and liquidity : 97.02 % of the paid-up capital has been dematerialized as on 31.03.2011.

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion dates and likely impact on equity : None

Plant Location : 2221/2222, Shah Industrial Estate, Sola-Kalol Road, Santej, Ta. Kalol, Dist. Gandhinagar

Shareholders correspondence : (1) Bigshare Services Pvt. Ltd.
E-2/3, Ansa Industrial Estate,
Sakivihar Road, Saki Naka,
Andheri (E) Mumbai 400 072
Email: info@bigshareonline.com
(2) **Regd. Office** : 5/1, Shreeji House,
B/H.M.J. Library, Ashram Road,
Ahmedabad – 380 006.
(3) **Corp. Office** : Shah Alloys Corporate
House, Sola-Kalol Road, Santej, Ta.
Kalol, Dist. Gandhinagar-382 721

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



DECLARATION

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

Place: Santej
Date: 28.07.2011

For Shah Alloys Limited
Sd/-
K. S. Kamath
Jt. Managing Director

CERTIFICATE

To
The Members

We have examined the compliance of the conditions of Corporate Governance by Shah Alloys Limited for the year ended 31st March, 2011 as stipulated in clause 49 of the listing agreement of the Company with stock exchanges in India.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company. In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the conditions of Corporate Governance as stipulated in the above listing agreement. We state that in respect of investor grievances received during the year ended 31st March, 2011 no investor grievances are pending against the company for the period exceeding one month, as per the records maintained by the Company and presented to the Investors/Shareholders Grievance Committee. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

FOR TALATI & TALATI
CHARTERED ACCOUNTANTS
FR No: 110758W

PLACE : Ahmedabad
DATE : 28.07.2011

UMESH TALATI
PARTNER
M. No. 34834



CERTIFICATION

(Pursuant to Clause 49 V of Listing Agreement)

To
The Board of Directors

I hereby certify that

- a. I have reviewed Financial Statements and the Cash Flow Statement for the year ended **31st March 2011** and that to the best of my knowledge and belief :
- i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c. I accept responsibility for establishing and maintaining internal controls for financial reporting and that I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and has disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which I am aware and the steps they have taken or propose to take to rectify these deficiencies.
- d. I have indicated to the auditors and the Audit committee
- i. significant changes in internal control over financial reporting during the year;
 - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. instances of significant fraud of which I have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place: Santej
Date: 28.07.2011

For Shah Alloys Limited
Sd/-
K.S Kamath
Jt. Managing Director

**AUDITORS' REPORT**

**To
The Members
M/s SHAH ALLOYS LTD.
AHMEDABAD**

- 1) We have audited the attached Balance Sheet of **M/s SHAH ALLOYS LIMITED** as at 31st March 2011, and the Profit and Loss A/c and also the Cash-flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan & perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts & disclosures in the financial statements. An audit also includes assessing the accounting principles used & significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditor's Report) Order, 2003 and the Companies (Auditors Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act 1956, we annex here to a statement on the matters specified in paragraphs 4 & 5 of the said order to the extent applicable.
- 4) Further to our comments in the Annexure referred to in paragraph-3 above, we report as under:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by Law have been kept by the Company so far as appears from our examination of the books.
 - (c) The Balance Sheet and the Profit and Loss Account & Cash flow statement dealt with by this report are in agreement with the books of account.
 - (d) In our opinion the Balance Sheet, Profit & Loss Account & Cash Flow Statement comply with Accounting Standards referred to in section 211(3C) of the Companies Act, 1956.
 - (e) On the basis of the written representations received from the directors, as on March 31, 2011 and taken on record by the Board of Directors, we report that none of the directors of the company are disqualified as on March 31, 2011 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the Explanations given to us, the said financial statements together with significant accounting policies and notes thereon and attached thereto 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. :-



SHAH ALLOYS LIMITED

- i) In the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2011 and
- ii) In the case of the profit and loss account, of the Loss of the company for the year ended on that date and
- iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**FOR TALATI & TALATI
CHARTERED ACCOUNTANTS**

FR No: 110758W

UMESH TALATI
PARTNER

M. No. 34834

PLACE : Ahmedabad
DATE : 28.07.2011



ANNEXURE TO THE AUDITORS' REPORT

Referred to in Paragraph 3 of our report of even date

- i)
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - b) As explained to us, a major portion of the fixed assets has been physically verified by the management during the year in accordance with a phased program of verification adopted by the company. In our opinion, the frequency of verification is reasonable having regard to the size of the company & nature of its assets. As informed to us, no material discrepancies were noticed on such physical verification.
 - c) According to the information and explanations given to us, No Fixed Assets were disposed off during the year.
- ii)
 - a) As explained to us, inventories were physically verified by the management at reasonable intervals during the year.
 - b) In our opinion & according to the information & explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable & adequate in relation to the size of the company & nature of its business.
 - c) In our opinion and according to the information and explanations given to us, the company is maintaining proper records of inventory. The discrepancies, noticed on verification, between the Physical stocks and the book records were not material.
- iii) In respect of Loans secured or unsecured , granted or taken by company to/from companies, firm or other parties covered in the register maintained under section 301 of the Companies Act, 1956:
 - a) According to the information & explanations given to us and on the basis of records produced before us, during the year Company has not granted or taken any loans from or to any parties covered under the register maintained under section 301 of the Companies Act, 1956 and hence sub clause b, c, d, e, f & g of clause 4(iii) are not applicable. On the basis of information and explanation given to us and on the basis of records produced in respect of loans given by the company in the year 2008 to SAL Steel Ltd, the repayment of the loan given to the said party has been fixed by the Corporate Debt Restructuring (CDR) cell and thus principal amount of Rs 80.00 Crores is not due for repayment as at 31st March, 2011.
- iv) In our opinion & according to the information & explanations given to us, there are adequate internal control systems commensurate with the size of the company & nature of its business for the purchase of inventory, fixed assets & also for the sales of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls systems.
- v)
 - a) In our opinion and according to the information & explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under section 301 of the Companies Act, 1956.
 - b) In our opinion, and according to information and explanation given to us, the transactions of Purchase of goods and materials, Sale of goods and materials and Services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rupees Five lacs or more in respect of each party, have been made at prices which are reasonable,



having regard to the prevailing market prices for such Goods, Materials & Services or the prices at which the transactions for similar Goods, Materials & Services have been made with other parties.

- vi) In our opinion and according to information & explanation given to us, company has complied with the provisions of Section 58A, 58AA of the Companies Act, 1956 and the rules framed there under.
- vii) During the year the company has appointed a firm of Chartered Accountants as an internal auditor and in our opinion, the internal audit system of the company is commensurate with its size & nature of its business.
- viii) The Central Government has prescribed maintenance of Cost records under Section 209 (I) (d) of the Companies Act, 1956. On the basis of report received from the practicing cost accountant, appointed by the Company we are of the opinion that the Company has prima facie maintained prescribed records & accounts. We have however not made a detailed examination of the same.
- ix) a) *According to the records of undisputed Statutory dues including provident fund, Income-tax, Wealth-tax, Service Tax, Sales-tax Customs duties, excise duty, cess and other statutory dues have not been regularly deposited during the year with the appropriate authorities. On the basis of records produced before us for our verification and according to the information & explanation given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2011 for a period of more than six months from the date of becoming payable. Amount due and outstanding for a period exceeding six months as at 31st March, 2011 is of Rs 9.02 lacs in respect of Tax deducted at source.*
- b) On the basis of records produced before us for our verification and according to the information and explanations given to us, the details of disputed Income Tax, Sales Tax, Customs and Service Tax dues aggregating to Rs 546.67 lakhs (Net of Payments) that have not been deposited as on 31st March, 2011 on account of matters pending before appropriate authorities, the details of which are as under.

Sr. No	Nature of the Dues	Financial Year to Which the matter relates	Forum where the Matter is pending	Amount (Rs. in Lacs) (Net of Payments)
1	Income Tax	1997-98	Gujarat High Court	1.30
2	Sales Tax	1995-96	DC of Sales Tax (Tribunal) Ahmedabad	6.99
3.	Sales Tax	2006-07	Dy. VAT Commissioner, Ahmedabad	406.27
4	Central Excise and Service Tax	2004-05 to 2010-11	CESTAT/Jt/Dy Commissioner of Central Excise	132.11

- x) The company's accumulated losses at the end of financial year are more than fifty percent of its net worth. It has incurred cash losses amounting to Rs.15246.80 lacs during the current year and the company has incurred Rs. 5104.36 lacs cash losses in the immediately preceding previous year.
- xi) *During the period under audit, the company is not required to make any payment of installment and interest on its term loan, working capital term loan and non convertible debenture as per restructuring package given under CDR Mechanism by the banks & financial Institution.*



On the basis of information and explanation given to us and on the basis of records produced, consequent upon the sanction of restructuring package, there are no defaults in respect of loan sanctioned by banks / institutions and debenture holders for the above mentioned loans as at 31.3.2011. However as per terms of CDR the company was required to park interest payable on above loans to a separate account, Funded Interest Term Loan (FITL), for which the payments are not due during the year. As per terms, interest was required to be paid on FITL and had to be paid monthly. However the company has defaulted on payment of interest on FITL to the extent of Rs. 5,71,13,349 and period of default in number of days is ranging from 1 day to 336 days. Apart from this there is delay in payment of interest paid on FITL to the extent of Rs.1,60,48,928 and delay in number of days is ranging from 1 to 121 days .Further the company's working capital limits though had become non-performing, we had been informed that due to the direction of Honorable BIFR the company has initiated process of revival with banks and financial institutions and hence non performing limits are kept as hold on operation. However to the extent of interest charged on such limits of Rs. 1404.02 lacs the company has defaulted in its payment and the period of default in number of days is ranging from 1 to 305 days.

- xii)** In our opinion & according to the information & explanation given to us, no loans & advances have been granted by the company on the basis of security by way of pledge of shares, debentures & other securities.
- xiii)** In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund/ society.
- xiv)** According to the information & explanations given to us, the company is not dealing or trading in shares, securities, debentures & other investments.
- xv)** In our opinion, the terms & conditions on which the company has given guarantee for loans taken by others from Banks or financial institutions are prima facie, not prejudicial to the interest of the company.
- xvi)** The company has not raised any term loan during the year.
- xvii)** According to the information and explanations given to us and on an overall examination of the Balance sheet of the Company and after placing reliance on the reasonable assumptions made by the company, fund raised on short term basis to the extent of Rs. 1.26 Crores have been used for long term purpose.
- xviii)** During the period covered under audit report, the company has not made any preferential allotment of shares to the parities and Companies covered in the register maintained under section 301 of the Act.
- xix)** During the period covered under audit report, the company has not issued any debentures accordingly the provisions of clause (xix) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- xx)** During the period covered under audit report, the company has not raised any money by way of public issue during the year.
- xxi)** According to the information & explanations given to us, no fraud on or by the company has been noticed or reported during the course of our Audit.

**FOR TALATI & TALATI
CHARTERED ACCOUNTANTS**
FR No: 110758W

UMESH TALATI
PARTNER
M. No. 34834

PLACE : Ahmedabad
DATE : 28.07.2011



SHAH ALLOYS LIMITED

BALANCE SHEET AS AT 31ST MARCH 2011

	Sch.	As at 31-3-2011 Rupees	As at 31-3-2011 Rupees	As at 31-3-2010 Rupees	As at 31-3-2010 Rupees
(A) SOURCES OF FUNDS					
1 Shareholders' Funds					
a) Share Capital	1	197,975,400		197,975,400	
b) Reserves and Surplus	2	694,717,744	892,693,144	741,253,187	939,228,587
2 Loan Funds					
a) Secured Loans	3	9,105,867,621		7,162,358,229	
b) Unsecured Loans	4	971,547,931	10,077,415,552	954,812,218	8,117,170,447
			10,970,108,696		9,056,399,034
(B) APPLICATION OF FUNDS					
1 Fixed Assets	5				
a) Gross Block		5,559,423,817		5,559,393,567	
b) Less : Depreciation		2,479,657,517		2,156,904,905	
Net Block		3,079,766,300		3,402,488,662	
c) Capital work-in-progress		183,184,363	3,262,950,663	170,594,328	3,573,082,990
2 Investments	6		399,506,276		399,506,276
3 Deferred Tax Assets (Refer note No. 21 of Sch-21)			1,589,329,250		1,037,187,365
4 Current Assets & Loans & Advances					
a) Inventories	7	2,093,423,860		2,213,454,404	
b) Sundry Debtors	8	983,230,128		973,799,843	
c) Cash & Bank Balances	9	27,862,972		107,138,711	
d) Other current Assets	10	149,008		7,682,069	
e) Loans & Advances	11	1,171,543,320		1,252,303,987	
		4,276,209,288		4,554,379,014	
Less : Current Liabilities & Provisions					
a) Current Liabilities	12	1,208,530,093		1,865,374,585	
b) Provisions	13	23,347,220		21,143,247	
		1,231,877,313		1,886,517,832	
Net Current Assets			3,044,331,975		2,667,861,182
5 Miscellaneous Expenditures [to the extent not written off or adjusted]	14		-		1,625,425
6 Profit & Loss Account			2,673,990,532		1,377,135,796
			10,970,108,696		9,056,399,034
Significant accounting policies Notes forming part of Accounts	21				

Schedules refer to herein above form an integral part of Financial Statement

As per our report of even date attached

For Talati & Talati
Chartered Accountants
FRNo: 110758W

Umesh Talati
Partner
M.No. 34834

Place : Ahmedabad
Date : 28-07-2011

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

Rajendra V. Shah Chairman
K S Kamath Jt. Managing Director
Ashok Sharma Whole Time Director
Vinod Kumar Shah Company Secretary

Place : Santej
Date : 28-07-2011


PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH 2011

	Sch.	Year Ended on 31-3-2011 Rupees	Year Ended on 31-3-2011 Rupees	Year Ended on 31-3-2010 Rupees	Year Ended on 31-3-2010 Rupees
(A) INCOME					
1 Gross Revenue From Operations	15	8,245,090,335		8,357,600,595	
Less :- Excise Duty		727,934,681		576,935,814	
Net Revenue From Operations			7,517,155,654		7,780,664,781
2 Increase / (Decrease) in Stocks	16		(71,439,698)		344,981,425
3 Other Income	17		26,761,799		122,813,542
TOTAL			7,472,477,755		8,248,459,748
(B) EXPENDITURE					
1 Material Consumed	18		5,404,928,953		5,165,536,814
2 Manufacturing & Other Expenses	19		2,674,655,442		2,822,410,548
3 Interest & Finance Charges	20		871,926,107		731,247,207
TOTAL			8,951,510,502		8,719,194,569
(C) Net Profit / (Loss) before Dep. and Taxation			(1,479,032,747)		(470,734,821)
(D) Depreciation			322,752,612		336,486,588
(E) Profit / (Loss) before Taxation			(1,801,785,359)		(807,221,409)
(F) Provision for Taxation					
- Deferred Tax			(552,141,885)		(246,324,785)
Short prov. of I. Tax for earlier year W.O/ (W.B)			7,981,009		-
			(544,160,876)		(246,324,785)
(G) Profit / (Loss) after Tax			(1,257,624,483)		(560,896,624)
(H) Less : Prior Period Adjustments [Refer Note No. 16 of Sch. 21]			39,230,253		42,345,992
(I) Profit / (Loss) for the year			(1,296,854,736)		(603,242,616)
(J) Bal. brought forward from Previous Year			(1,377,135,796)		(773,893,180)
TOTAL			(2,673,990,532)		(1,377,135,796)
Balance Carried to Balance Sheet			(2,673,990,532)		(1,377,135,796)
			(2,673,990,532)		(1,377,135,796)
Basic & Diluted Earning per Share (Rs.) (Nominal value of Rs. 10 each) (P.Y. Rs.10 each) (Refer Note No. 20 of Sch 21) Significant accounting policies Notes forming part of Accounts	21		(65.51)		(30.47)

Schedules refer to herein above form an integral part of Financial Statement

As per our report of even date attached

For Talati & Talati
Chartered Accountants
FRNo: 110758W

Umesh Talati
Partner
M.No. 34834

Place : Ahmedabad
Date : 28-07-2011

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

Rajendra V. Shah Chairman
K S Kamath Jt. Managing Director
Ashok Sharma Whole Time Director
Vinod Kumar Shah Company Secretary

Place : Santej
Date : 28-07-2011



SHAH ALLOYS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011 (Pursuant to the Listing Agreement with Stock Exchanges)

	2010-2011		2009-2010	
	Rupees	Rupees	Rupees	Rupees
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit (Loss) before Tax and Extraordinary items		-1,801,785,359		-807,221,409
<i>Adjustments for :</i>				
Depreciation	322,752,612		336,486,588	
Misc. Expenses Written Off	1,625,425		2,645,516	
Unrealised Foreign (Gain) / Loss	-1,424,338		-95,490,008	
Provision for doubtful debt	-		-	
Interest expenses (Net)	871,926,107		731,247,207	
Dividend Income	-		-	
Interest Income	-10,179,435		-18,234,298	
		1,184,700,371		956,655,005
		-617,084,988		149,433,596
Operating Profit Before Working Capital Changes				
<i>Adjustments for :</i>				
Trade and other receivables	78,863,443		-403,728,008	
Inventories	120,030,545		-360,491,012	
Trade Payable and others	-661,197,190		383,959,030	
		-462,303,202		-380,259,990
Cash Generated From Operations		-1,079,388,190		-230,826,394
Direct Taxes Paid		-		-
Cash Flow Before Extraordinary Items		-1,079,388,190		-230,826,394
Less: Prior period & extra ordinary adjustments		39,230,253		42,345,992
Net Cash from Operating Activities		-1,118,618,443		-273,172,386
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of Fixed Assets (Net of Cenvat benefit & including Pre-operative Exps. WIP Cap. Advance)	-12,620,285		-12,590,040	
Amount received back from Inter corporate deposit	-	-	-	-
Sale of Fixed Assets	-	-	-	-
Interest Income	10,179,435		18,234,298	
		-2,440,850		5,644,258
Net Cash Used in Investing Activities		-2,440,850		5,644,258



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011
(Pursuant to the Listing Agreement with Stock Exchanges)

	2010-2011		2009-2010	
	Rupees	Rupees	Rupees	Rupees
C. CASH FLOW FROM FINANCING ACTIVITIES:				
Proceeds from Long term Borrowings (Net of repayments)	491,483,943		433,461,069	
Proceeds from Bank/ FIS borrowings for Working Capital.	1,452,943,556		518,087,852	
Proceeds from Unsecured Borrowings (Net of repayments)	41,635,443		26,040,708	
Repayment of sales tax defferment loan	-24,899,730		-24,899,730	
Deferred payment credits against vehicles (Net of repayments)	-918,110		-1,023,024	
Interest Paid	-918,461,550		-763,387,915	
		1,041,783,552		188,278,960
Net Cash Generated in Financing Activities		1,041,783,552		188,278,960
Net Increase in Cash and Equivalent.		-79,275,741		(79,249,168)
Cash And Cash Equivalents as at the Beginning of the year		107,138,711		186,387,880
Cash And Cash Equivalents as at the Closing of the year		27,862,972		107,138,711

For Talati & Talati
Chartered Accountants
FRNo: 110758W

Umesh Talati
Partner
M.No. 34834

Place : Ahmedabad
Date : 28-07-2011

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

Rajendra V. Shah Chairman
K S Kamath Jt. Managing Director
Ashok Sharma Whole Time Director
Vinod Kumar Shah Company Secretary

Place : Santej
Date : 28-07-2011



SHAH ALLOYS LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31.03.2011 (Rupees)	As at 31.03.2010 (Rupees)
SCHEDULE 1: SHARE CAPITAL		
Authorised Capital		
35000000 [P.Y. 35000000] Equity Shares of Rs/- 10 each	350,000,000	350,000,000
Issued subscribed & paid-up Capital		
19797540 [P.Y. 19797540] Equity Shares of Rs 10/- each fully paid up	197,975,400	197,975,400
TOTAL	197,975,400	197,975,400
NOTE: Paid up Capital includes other than cash 20 [P.Y. 20] Equity shares of Rs 10/- each issued on amalgamation of erstwhile company M/s Shah Steel & Industrial Gases Ltd.		
8910020 [P.Y. 8910020] Equity shares of Rs 10/- each fully paid up issued bonus shares by capitalisation of reserve.		
SCHEDULE 2: RESERVES & SURPLUS		
i) Capital Reserve	500	500
ii) Security Premium		
Opening Balance	1,41,252,687	173,393,395
Less : FCCB Premium (Ref Note No 7 of Schedule 21)	46,535,443	32,140,708
	94,717,244	141,252,687
iii) Debenture Redemption Reserve	600,000,000	600,000,000
TOTAL	694,717,744	741,253,187
SCHEDULE 3: SECURED LOANS		
A) Non Convertible Debenture		
1,000,000,000	1,000,000,000	1,000,000,000
Add : Interest on NCD	311,854,925	231,854,925
Repayable within one year Rs 1041 Lacs (PY Rs. Nil)		
	1,311,854,925	1,231,854,925
B) From Banks		
i) Term Loans		
Rupee Term Loans	1,504,124,785	1,507,192,123
Working Capital Term Loan	1,789,469,653	1,804,561,436
Funded Interest Term Loan	1,305,075,689	875,432,624
Repayable within one year Rs 3411 Lacs (PY Rs. Nil)		
ii) Working Capital Facilities		
Cash Credit Facilities	3,131,064,568	1,678,121,011
C) From Financial Institution		
Term Loans		
64,278,000	64,278,000	64,278,000
Repayable within one year Rs 67 Lacs (PY Rs. Nil)		


SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31.03.2011 (Rupees)	As at 31.03.2010 (Rupees)
D) Others		
Vehicles acquired under the hire purchase scheme are secured against vehicles acquired under the hire purchase agreement	-	918,110
Repayable within one year Rs Nil (P.Y. Rs. 9.18 Lacs) [Refer Note No. 12 of Sch. 21]		
TOTAL	<u>9,105,867,621</u>	<u>7,162,358,229</u>

SCHEDULE 4: UNSECURED LOANS

Deposits	284,500,000	284,500,000
From Directors	7,121,787	7,121,787
Deferred Payment Liability in respect of Sales Tax.	42,299,057	67,198,787
Foreign Currency Convertible Bond (Zero Coupon)	446,500,000	451,400,000
Premium payable on FCCB (maturity date 22-09-2011)	191,127,087	144,591,644

Note: 100 No. Zero Coupon Foreign Currency Convertible Bonds of USD 100000 Each issued on 15-09-2006

- (a) Redeemable on maturity date 22-09-2011 at 148.255% of its principal amount in cash if not redeemed or converted earlier.
- (b) Convertible by the holders at any time on or after 20-09-2006 but prior to close of business on 08-09-2011.

TOTAL	<u>971,547,931</u>	<u>954,812,218</u>
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SCHEDULE 6: INVESTMENTS
Long Term Trade Investment (Quoted) - At Cost

30256989 (P.Y. 30256989) Equity Shares of S.A.L Steel Ltd of Rs. 10/- each fully paid up.	399,496,276	399,496,276
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Long Term Non - Trade Investment (Unquoted) - At Cost

National Saving Certificate	10,000	10,000
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TOTAL	<u>399,506,276</u>	<u>399,506,276</u>
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Note:

- (a) Market Value of quoted investments as at 31-03-11 Rs 2350.97 Lacs (P.Y Rs 3449.30 Lacs)
- (b) Since all quoted investments are considered as long term investment any diminution in value of any share is considered to be of a temporary nature & is therefore not provided for.



SHAH ALLOYS LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31.03.2011 (Rupees)	As at 31.03.2010 (Rupees)
SCHEDULE 7: INVENTORIES		
<i>(As taken Valued & Certified by Director)</i>		
<i>(at lower of cost or net realisable value)</i>		
Stores & Spares	506,929,231	587,941,887
[Incl. Goods in transit Rs. Nil (P.Y. 66.82 Lacs)]		
Raw Materials	303,303,049	261,803,465
[Incl. Goods in transit Rs.188.37 Lacs (P.Y. 263.14 Lacs)]		
Finished Goods	971,405,445	1,173,508,954
[Incl. Goods lying with Third Party Rs.213.62 Lacs (P.Y Rs. 126.17 Lacs)]		
Semi-Finished Goods	302,705,805	172,041,994
[Incl. Goods lying with Third Party Rs.22.71 Lacs (P.Y Rs. Nil)]		
Trading Goods		
Medicine stock	6,008,322	6,158,102
Steel & Iron - Plate	3,072,008	12,000,002
TOTAL	2,093,423,860	2,213,454,404
SCHEDULE 8: SUNDRY DEBTORS		
Debts considered doubtful	11,607,976	10,133,182
<i>Less: Provision for claim / doubtful debt</i>	<i>11,607,976</i>	<i>10,133,182</i>
Debts considered good (unsecured)		
Debts due for a period exceeding six months	24,210,554	50,805,671
Other debts	959,019,574	922,994,172
[Refer Note No. 13 of Sch. 21]		
TOTAL	983,230,128	973,799,843
SCHEDULE 9: CASH AND BANK BALANCES		
A) Cash on Hand	1,492,965	5,290,698
[Including Foreign Currency on hand of Rs 62,669/- (P.Y Rs 64,661/-)]		
B) Balance With Schedule Bank		
In Current Account	1,709,306	1,450,238
In Deposit Account (Margin Money)	23,205,371	98,609,426
In EEFC Account	538,100	688,885
In Dividend Account	917,230	1,099,464
TOTAL	27,862,972	107,138,711
SCHEDULE 10: OTHER CURRENT ASSETS		
<i>(Unsecured considered good)</i>		
Interest Accrued but not due		
On Deposits	142,158	7,675,219
On N.S.C.	6,850	6,850
TOTAL	149,008	7,682,069



SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in Rs.)

Sr. No.	Particulars of Assets	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
		Opening Balance as at 01-04-2010	Additions during the year	Sales/ Adjustments during the year	Closing Balance as at 31-03-2011	Opening Balance as at 01-04-2010	For the year	Sales/ Adjustments during the year	Closing Balance as at 31-03-2011	As at 31-03-2011	As at 31-3-2010
1	Freehold Land	42,281,653	-	-	42,281,653	-	-	-	-	42,281,653	42,281,653
2	Factory Building	227,672,041	-	-	227,672,041	51,226,409	7,367,310	-	58,593,719	169,078,322	176,445,632
3	Office/Residential Building	32,691,753	-	-	32,691,753	1,192,765	532,876	-	1,725,641	30,966,112	31,498,988
4	Plant and Machinery	5,167,238,873	30,250	-	5,167,269,123	2,056,625,368	308,774,351	-	2,365,399,719	2,801,869,404	3,110,613,505
5	Laboratory Equipments	4,916,603	-	-	4,916,603	3,456,345	233,539	-	3,689,884	1,226,719	1,460,258
6	Office Equipments	20,994,302	-	-	20,994,302	10,606,951	1,103,244	-	11,710,195	9,284,107	10,387,351
7	Furniture and Fixtures	19,724,274	-	-	19,724,274	7,054,481	1,237,082	-	8,291,563	11,432,711	12,669,793
8	Vehicles	43,874,068	-	-	43,874,068	26,742,586	3,504,210	-	30,246,796	13,627,272	17,131,482
	TOTAL	5,559,393,567	30,250	-	5,559,423,817	2,156,904,905	322,752,612	-	2,479,657,517	3,079,766,300	3,402,488,662
	Previous Year	5,559,393,567	-	-	5,559,393,567	1,820,418,317	336,486,588	-	2,156,904,905	3,402,488,662	3,738,975,250
	Capital Work-in-Progress									183,184,363	170,594,328
								TOTAL		3,262,950,663	3,573,082,990

Note: Capital Work-in-Progress includes Rs 5,72,84,008/- on account of Pre-operative Expenses (P.Y. Rs 4,46,93,973/-)



SHAH ALLOYS LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31.03.2011 (Rupees)	As at 31.03.2010 (Rupees)
SCHEDULE 11: LOANS AND ADVANCES		
Loans & Advances considered doubtful	2,693,013	-
Less: Provision for claim / doubtful Loans & Advances (Unsecured considered good)	2,693,013	-
Advances recoverable in cash or in kind or for value to be received	155,623,249	196,407,382
Inter Corporate Deposits (To the company under the same management)	800,000,000	800,000,000
Deposits	56,071,255	58,686,866
Advances to Suppliers	59,812,149	71,140,776
Balance with Govt. Authorities	54,393,767	78,351,242
Advance Tax & TDS (Net of Provisions Rs 18.63 Lacs P.Y.Nil) [Refer Note No. 14 of Sch.21]	45,642,900	47,717,721
TOTAL	<u>1,171,543,320</u>	<u>1,252,303,987</u>
SCHEDULE 12: CURRENT LIABILITIES		
Sundry Creditors		
Micro Small and Medium Enterprises (Refer Note No. 09 of Sch 22)	-	-
Others	649,639,405	1,584,952,842
Statutory Liabilities	170,117,982	119,328,379
Other liabilities	289,489,175	118,348,844
Unclaimed Dividend*	827,250	1,009,484
Advances from Customers	92,714,962	24,872,367
Credit Balance in Current Account with Banks [Refer Note No. 16 of Sch.21]	5,741,319	16,862,669
TOTAL	<u>1,208,530,093</u>	<u>1,865,374,585</u>
<i>(*there is no amount due to be transferred to Investor Education & Protection Fund)</i>		
SCHEDULE 13: PROVISIONS		
For Gratuity	17,863,505	15,634,897
For Leave Encashment	5,419,465	5,438,850
For Wealth Tax	64,250	69,500
TOTAL	<u>23,347,220</u>	<u>21,143,247</u>
SCHEDULE 14: MISCELLANEOUS EXPENDITURE <i>[To the extent not written off or adjusted]</i>		
Preliminary Expenses (Incl. Debenture Issue expenses)		
Opening Balance	1,625,425	4,270,941
Less: Written off during the year	1,625,425	2,645,516
TOTAL	<u>-</u>	<u>1,625,425</u>


SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	For the Year Ended on 31-03-2011 (Rupees)	For the Year Ended on 31-03-2010 (Rupees)
SCHEDULE 15: GROSS REVENUE FROM OPERATIONS		
a) Manufacturing Sales		
Domestic	7,885,300,496	7,581,625,871
Export (Including Export Incentives)	193,709,655	528,241,440
b) Electricity Distribution Income	-	94,785,393
c) Sale of Trading Goods	132,205,329	122,877,608
d) Pathology Lab	33,874,855	30,070,283
TOTAL	8,245,090,335	8,357,600,595
SCHEDULE 16: INCREASE / (DECREASE) IN STOCKS		
A) Closing Stocks		
Finished Goods	971,405,445	1,173,508,954
Semi-Finished Goods	302,705,805	172,041,994
Sub-Total (A)	1,274,111,250	1,345,550,948
B) Less: Opening Stocks		
Finished Goods	1,173,508,954	695,374,744
Semi-Finished Goods	172,041,994	305,194,779
Sub-Total (B)	1,345,550,948	1,000,569,523
TOTAL (A-B)	(71,439,698)	344,981,425
SCHEDULE 17: OTHER INCOME		
Sales Tax Refund	11,857,044	6,818,538
Foreign Exchange Fluctuation Gain (Net)	4,725,320	97,079,526
Interest Income	10,179,435	18,234,298
Miscellaneous Income	-	681,180
TOTAL	26,761,799	122,813,542
SCHEDULE 18: MATERIAL CONSUMED		
A) Raw Material		
Opening Stock	261,803,465	293,192,397
Add: Purchases	5,316,004,005	5,017,558,747
Pathology Chemicals & Consumable Purchase	15,812,458	15,120,940
	5,593,619,928	5,325,872,084
Less: Closing Stock	303,303,049	261,803,465
Sub Total (A)	5,290,316,879	5,064,068,619
B) Trading Goods		
<i>Opening Stock</i>		
Steel & Iron - Plate	12,000,002	-
Medicines	6,158,102	6,614,858
<i>Add: Purchases</i>		
Steel & Iron - Plate	-	12,480,006
Medicines	105,534,300	100,531,435



SHAH ALLOYS LIMITED

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	For the Year Ended on 31-03-2011 (Rupees)	For the Year Ended on 31-03-2010 (Rupees)
	123,692,404	119,626,299
<i>Less: Closing Stock</i>		
Steel & Iron - Plate	3,072,008	12,000,002
Medicines	6,008,322	6,158,102
Sub Total (B)	<u>114,612,074</u>	<u>101,468,195</u>
TOTAL (A+B)	<u><u>5,404,928,953</u></u>	<u><u>5,165,536,814</u></u>

SCHEDULE 19: MANUFACTURING & OTHER EXPENSES

A) Stores & Spares Consumed

Opening Stocks	587,941,887	552,586,614
Add: Purchases	971,988,860	994,478,508
	1,559,930,747	1,547,065,122
Less: Closing Stock	506,929,231	587,941,887
Sub-Total (A)	<u>1,053,001,516</u>	<u>959,123,235</u>

B) Power

	1,003,270,717	1,168,323,340
Sub-Total (B)	<u>1,003,270,717</u>	<u>1,168,323,340</u>

C) Employee's Emoluments

Salaries , Wages & Bonus	261,943,632	241,455,358
Contribution to Provident Fund	7,654,255	8,521,864
Gratuity	5,474,569	4,215,682
Staff Emoluments	12,243,390	10,757,618
Sub-Total (C)	<u>287,315,846</u>	<u>264,950,522</u>

D) Repairs & Maintenance

Factory Building	1,528,015	3,465,602
Plant & Machinery	17,255,393	18,497,795
Others	5,455,265	5,324,161
Sub-Total (D)	<u>24,238,673</u>	<u>27,287,558</u>

E) Other Manufacturing Expenses

Factory Labour Expenses	73,777,739	75,145,273
Excise Duty Provision on Closing Stock of Finished Goods (net)	(19,549,545)	55,329,363
Factory Expenses	10,034,002	13,082,562
Freight & Handling Charges	106,722,419	142,861,791
Sub-Total (E)	<u>170,984,615</u>	<u>286,418,989</u>


SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	For the Year Ended on 31-03-2011 (Rupees)	For the Year Ended on 31-03-2010 (Rupees)
F) Other Expenses		
Donation	39,207	106,601
Selling & Distribution Expenses	17,502,276	24,195,399
Commission	2,537,456	4,534,752
Freight Outward	69,945,198	42,018,930
Travelling conveyance & vehicle Expenses	7,541,169	10,122,716
Legal & Professional Charges	8,536,358	10,256,795
General Expenses	6,076,028	7,902,343
Stationary & Printing Charges	1,563,877	1,661,827
Auditors' Remuneration	600,000	600,000
Postage & Telephone Expenses	3,286,748	2,870,775
Misc. Expenses Written off	1,625,425	2,645,516
Rent, Rates & Taxes	6,966,124	5,800,834
Insurance Premium Charges	3,161,235	3,379,032
Other Tax	64,250	69,500
Provision for Bad debt / Doubtful Loans & Advances	5,315,603	-
Sundry Balances Written off	1,083,121	141,884
Sub-Total (F)	135,844,075	116,306,904
TOTAL (A TO F)	2,674,655,442	2,822,410,548

SCHEDULE 20: INTEREST & FINANCE CHARGES
(Net of Amount transferred to Capital Expenses)

Interest on Term Loans	399,593,985	368,321,744
Interest on Working Capital	346,868,408	160,804,340
Interest on Non-Convertible Debentures	98,000,000	98,000,000
Other Interest & Finance Charges	27,463,715	104,121,123
TOTAL	871,926,107	731,247,207



SCHEDULE 21: NOTES FORMING PART OF ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

I. METHOD OF ACCOUNTING

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

II. USE OF ESTIMATES

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

III. REVENUE RECOGNITION

Sales are stated net of rebate and trade discount and include Central Sales Tax, State Value Added Tax. With regard to sale of products, income is reported when practically all risks and rights connected with the ownership have been transferred to the buyers. This usually occurs upon dispatch, after the price has been determined.

Export Benefits (Pass Book Credit) are accounted / recognized on accrual basis.

Interest income is recognized on accrual basis.

IV. EXCISE DUTY

Excise Duties recovered are included in the sale of products. Excise duties in respect of Finished Goods lying in stock/bonded warehouse are shown separately as an item of Other Manufacturing Expenses and included in the valuation of finished goods.

V. VALUATION OF INVENTORIES

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

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

VI. CASH FLOW STATEMENT

The Cash Flow Statement is prepared by the "indirect method" set out in Accounting Standard 3 on "Cash Flow Statements" and presents the cash flows by operating, investing and financing activities of the Company.



Cash and Cash equivalents presented in the Cash Flow Statement consist of cash on hand and deposits with banks.

VII. DEPRECIATION

Depreciation has been provided on Fixed Assets on Straight Line Method as per the rates specified in Schedule XIV of the Companies Act, 1956 as amended from time to time.

- a) Depreciation in respect of plant and machineries has been provided on the basis of triple shift working. (Except for H.R. Plate Mill, Cold Rolling Mill & Sheet Coil Project on which depreciation has been provided on single shift working on the basis of certificate received from management) Depreciation in respect of fixed assets acquired/ put to use during the year is charged on pro-rata basis with reference to the date of installation of the fixed assets.
- b) No Depreciation has been provided in respect of assets whose accumulated depreciation exceeds 95% of original cost.
- c) No Depreciation has been provided in respect of Capital Work in Progress.

VIII. FIXED ASSETS

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

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

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

IX. FOREIGN CURRENCY TRANSACTIONS

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

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



X. INVESTMENTS

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

XI. EMPLOYEE BENEFITS

a) Short Term

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

b) Long Term

The Company has both defined contribution and defined benefit plans. These plans are financed by the Company in the case of defined contribution plans.

c) Defined Contribution Plans

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

d) Defined Benefit Plans

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

e) Other Employee Benefit

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

XII. BORROWING COST

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



XIII. EARNING PER SHARE

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

XIV. TAXATION

Income –tax expense comprises of current tax, and deferred tax charge or credit. Provision for current tax is made on the basis of the assessable income at the tax rate applicable to the relevant assessment year. The deferred tax asset and deferred tax liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets arising mainly on account of brought forward business losses, capital losses and unabsorbed depreciation under tax laws, are recognized, only if there is a virtual certainty of its realization, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognized only to the extent there is a reasonable certainty of its realization. At each balance sheet date, the carrying amount of deferred tax assets is reviewed to reassure realization.

XV. IMPAIRMENT OF ASSETS

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

XVI. PROVISIONS & CONTINGENCIES

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



XVII. MISCELLANEOUS EXPENDITURE

Preliminary & Share Issue expenses incurred are charged to Profit & Loss account over a period of Five Years.

2. CONTINGENT LIABILITY NOT PROVIDED FOR IN RESPECT OF (Amount in Rs. Lacs)

Particular	As at 31-03-2011	As at 31-03-2010
Inland Letters of Credit	—	1784.20
Foreign Letters of Credit	—	2033.88
Disputed Income Tax Demand (net of Payment)	1.30	306.46
Disputed Sales Tax demand (net of Advance)	413.26	6.98
Disputed matter with Excise and Service Tax	132.11	52.61
Corporate guarantee given to consortium Banks for S.A.L. Steel Ltd	20750.00	20750.00
Corporate guarantee given to ABN AMRO Bank for S.A.L. Steel Ltd	225.00	225.00
Corporate guarantee given to Bank for Adarsh Foundation	1000.00	1000.00
Bank Guarantee given	251.02	239.03
Claim by Party	1391.31	2.28
Claim by GEB	977.23	240.41
Corporate Guarantee given to L&T for Atithi Gokul	22.80	22.80

3. In the opinion of the Board of Directors, the current assets, loans and advances are approximately of the value stated, if realized in the ordinary course of business and the provisions for depreciation and all known and ascertained liabilities are adequate and not in excess of the amounts reasonably necessary.
4. The company had filed a reference with BIFR u/s 15(1) of the Sick Industrial Companies (Special Provision) Act, 1985. The Honorable BIFR vide its order number 13/2010 dated 31st August 2010 has declared that the company has become sick industrial company u/s 3(1)(o) of SICA. (Sick Industrial Companies (Special Provision) Act, 1985.
5. Corporate Debt Restructuring (CDR) Cell through their lead bank, Union Bank of India has sanctioned a comprehensive debt restructuring scheme vide their letter No. BY.CDR (ABP) No. 1084 dated 22.1.2008. As per scheme company is supposed to make monthly payment of interest & installment by 01st October 2009.

Looking to prevailing condition & losses incurred by the company in the year 2008, company had again approached CDR Cell for extension of moratorium period and CDR Cell has approved



the rework proposal of the company vide their letter dated BY.CDR (ABP) NO.318/2009-10 dated 25.06.2009. The principal terms of the 2nd CDR Scheme and its compliances are as under:

- a) Deferring repayment of Term loan (Rs 156.05 Crore), WCTL (Rs. 177.83 Crores) and Non Convertible Debentures (Rs. 100 Crores) for another 20 months, (from original due date for repayment of 01.10.2009) i.e. up to 31.05.2011. Repayment shall start from June 2011 and ending on May 2019.
 - b) Interest for the moratorium period i.e. up to May 2011 shall be converted into FITL carrying interest rate of 6% p.a., repayable in 20 equal quarterly installments commencing from December 2013 quarter. Interest on FITL shall be serviced as and when due. *Consequent upon the sanction of restructuring package, there are no defaults in respect of loan sanctioned by banks / institutions and debenture holders for the above mentioned loans as at 31.3.2011. However as per terms of CDR the company was required to park interest payable on above loans to a separate account (FITL) for which the payments are not due during the year. As per terms, interest was required to be paid on FITL and had to be paid monthly. However the company has not made payment of interest on FITL to the extent of Rs. 5,71,13,349. Apart from this there is delay in payment of interest paid on FITL to the extent of Rs. 1,60,48,928.*
 - c) Rate of interest on Term Loan, Non Convertible Debenture and WCTL will be 10 % p.a. for the term lenders who are presently charging more than 10 percent per annum payable monthly. Existing rates will continue for those lenders who are charging less than 10 percent per annum payable monthly and FITL will carry interest at the rate of 6 percent per annum.
 - d) As per the terms of the CDR, the company has brought in Promoters' contribution during the previous year.
 - e) Deferment in repatriation of balances ICDs of Rs. 80 crores by two years from the date of revised CDR sanction.
- 6 Balances of Unsecured Loans, Bank balances, Sundry debtors, Creditors and Loans and advances are subject to confirmation from respective parties.
 - 7 The Company, in September 2006, has raised US \$ 10 million through Unsecured Zero Coupon Foreign Currency Convertible Bonds (FCCB), due in 2011. On full conversion of FCCB, the FCCB will be converted in to 26,41,143 Equity shares of Rs 10 each at a premium of Rs 165 per share, at the option of the Bondholders at any time before the maturity of the bonds. On Conversion, Capital will increase by Rs 2.64 Crores and Share Premium by Rs 43.58 Crores. If Bonds are not converted the company will have to repay the bonds at a premium & in US Dollars. The company has provided the premium for this year, which has been adjusted against Security Premium in accordance with Section 78 of Companies Act, 1956.
 - 8 Inventories are as taken, valued and certified by the Management.
 - 9 In absence of the complete information regarding the status of the suppliers as micro, small or medium enterprise as per the micro, small and medium enterprise development act 2006, the information regarding the amount due to such parties as on the balance sheet date and provision for interest if any required by the said act is not been made.
 10. Certain balance of Debtors, Loans and Advances and Creditors are non moving /slow moving since long, however in view of the management the same is recoverable/payable and hence no provision for the same is made in the books of accounts.

**11. Foreign currency exposure at the year end not hedged by derivative instruments**

	As at 31-03-2011	As at 31-03-2010
Payables against Import of goods		
Rupees	-	272657425
US Dollar	-	5966830
Euro	-	54734
Advance payment to Suppliers		
Rupees	4686204	5125912
US Dollar	85012	71836
Euro	14080	31097
Receivables against Export of goods		
Rupees	18462051	2257510
US Dollar	413484	50011
Advance received from Customers		
Rupees	6851323	6382161
US Dollar	140894	141386
Euro	9000	-
FCCB Payable (Including Interest)		
Rupees	637627087	595991644
US Dollar	14280562	13203182



12. SECURED LOANS

Particulars		As at 31-3-2011 (Rupees)	As at 31-3-2010 (Rupees)
I.	Term Loan From Financial Institutions/Bank First mortgage and charge on the company's all immovable and movable properties (other than working capital assets), both present and future, ranking pari-passu with all term lenders. Second charges on WC assets of the company. Pledge of promoter's entire shareholding ranking pari-passu with all CDR lenders. Unconditional and irrevocable personal guarantee of the promoter-director Shri Rajendra Shah	4,43,54,21,621	4,02,20,05,259
II.	Working Capital Facility from Banks Hypothecation first charges on company's entire stocks of raw material, stock in process, finished goods, book debts/ receivables and all current assets stored in the company's factory premises, at all plants and/or elsewhere including those in transit covered by documents of title thereto, local and export usance bills ranking pari-passu in favor of all the working capital banks. Second charge on the entire movable and immovable assets of the company's fixed assets both present and future on pari-passu basis. Pledge of promoter's entire shareholding ranking pari-passu with all CDR lenders. Unconditional and irrevocable personal guarantee of the promoter-director Shri Rajendra Shah	3,13,10,64,568	1,67,81,21,011
III.	Corporate Loan with Punjab National Bank Security in the nature of pledge of shares of the company.	22,75,26,506	22,94,58,925
IV.	Non Convertible Debenture First mortgage and charge on the company's all immovable and movable properties (other than working capital assets), both present and future, ranking pari-passu with all term lenders. Second charges on WC assets of the company. Pledge of promoter's entire shareholding ranking pari-passu with all CDR lenders. Unconditional and irrevocable personal guarantee of the promoter-director Shri Rajendra Shah	100,00,00,000	100,00,00,000



SHAH ALLOYS LIMITED

	Particulars	As at 31-3-2011 (Rupees)	As at 31-3-2010 (Rupees)
13	Sundry debtors include dues from director & Associate Concerns in which directors of the Company are interested: Kesar SAL Hospital & Medical Inst. SAL Hospital & Medical Inst. (A division of SAL Care Private limited)	15,30,215 10,95,85,902	8,35,012 8,82,37,207
14	(A) Loans and Advances dues from Associate Concerns in which directors of the companies are interested: S.A.L. Steel Limited (B) Deposit includes dues from Associate Concerns in which Directors are interested: Adarsh Foundation	80,00,00,000 1,00,00,000	80,00,00,000 1,00,00,000
15	Sundry Creditors includes dues to Associate Concerns in which directors of the Company are interested: (A) S.A.L. Steel Limited (B) SAL Hospital & Medical Institute	2,04,38,424 72,56,449	29,22,58,634 26,21,625
16	Prior Period Adjustments represents: (A) Power Expense/(Income) - Net (B) Other Operating (income)/ Expense – (net) (C) Sales Credit Notes Total	(19,47,092) 45,08,576 3,66,68,769 3,92,30,253	4,36,30,739 (12,84,747) - 4,23,45,992
17	As per Accounting standard 15 "Employee Benefits", the disclosures of Employee Benefits in the Accounting Standard are given below:- Defined Contribution Plan: Contribution to defined contribution plan, recognized as expense for the year is as under:		
	Employer's Contribution to Provident Fund	2010-11 76,54,255	2009-10 85,21,864
I.	Defined Benefit Plan Reconciliation of opening and closing balance of Defined Benefit obligation	Gratuity (Un Funded) 2010-11	Gratuity (Un Funded) 2009-10
	Defined Benefit obligation at beginning of the year	1,56,34,897	1,34,89,845
	On amalgamation	-	-
	Current Service Cost	44,84,871	28,81,058
	Interest Cost	12,89,879	11,12,912
	Actuarial (gain) / loss	(3,00,181)	2,21,712
	Benefits paid	(32,45,961)	(20,70,630)
	Settlement cost	-	-
	Defined Benefit obligation at the year end	1,78,63,505	1,56,34,897



II.	Reconciliation of opening and closing balance of fair value of plan assets	Gratuity (Un Funded) 2010-11	Gratuity (Un Funded) 2009-10
	Fair value of plan assets at beginning of the year	—	—
	On amalgamation	—	—
	Expected return on plan assets	—	—
	Actuarial (gain) / loss	—	—
	Benefits paid	—	—
	Settlement cost	—	—
	Fair value of plan assets at the year end	—	—
	Actual return on plan assets	—	—
III.	Reconciliation of fair value of assets and obligations	Gratuity (Un Funded) As at 31-03-2011	Gratuity (Un Funded) As at 31-03-2010
	Fair value of plan assets	—	—
	Presented value obligation	—	—
	Amount recognized in Balance Sheet	—	—
IV.	Expense recognized during the year	Gratuity (Un Funded) 2010-11	Gratuity (Un Funded) 2009-10
	<i>[Under the head "Payment to and Provisions for Employees"-Refer Schedule 19(c)]</i>		
	Current Service Cost	44,84,871	28,81,058
	Interest Cost	12,89,879	11,12,912
	Expected return on plan assets	—	—
	Actuarial (gain) / loss	(3,00,181)	2,21,712
	Net Cost	54,74,569	42,15,682
V.	Investment Details	As at 31-03-2011	As at 31-03-2010
	Public Securities	—	—
	Special Deposit Schemes	—	—
	State Govt. Securities	—	—
	Private Sector Securities	—	—
	Insurance Policies	—	—
	Others (including bank balances)	—	—
VI.	Actuarial assumptions	Gratuity (Un Funded) 2010-11	Gratuity (Un Funded) 2009-10
	Discount rate (per annum)	8.25%	7.75%
	Expected rate of return on plan assets (per annum)	-	-
	Rate of escalation in salary (per annum)	7.00%	6.00%



18. SEGMENT DISCLOSURES FOR THE YEAR ENDED 31ST MARCH 2011

I. Primary Segment Business

REVENUE	Stainless Steel Unit		Medical Stores & Pathology Lab. Unit		Total	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Domestic	7885300496	7676411265	164461948	151725526	8049762444	7828136790
Export	193709655	528241440	-	-	193709655	528241440
(Incl. Export Incentives)						
Total Sales	8079010151	8204652705	164461948	151725526	8243472099	8356378231
Add: Inter Segment Sales	-	-	1618236	1222365	1618236	1222365
Total Segment Revenue	8079010151	8204652705	166080184	152947891	8245090335	8357600596
Results						
Segment Result	(1002474864)	(143555889)	34585360	26435695	(967889504)	(117120194)
Less:						
Interest	871926107	731247207	-	-	871926107	731247207
Unallocable Other Exp.					1200000	1200000
Profit Before Taxation	(1874400972)	(874803096)	34585360	26435695	(1841015611)	(849567401)
Income Tax						
Current Tax	-	-	-	-	-	-
Short Prov. For Earlier Year's W/o	-	-	-	-	7981009	0
Deferred Tax	-	-	-	-	(552141885)	(246324785)
Net Profit	-	-	-	-	(1296854736)	(603242616)
Other Information						
Segment Assets	9351007379	8358411632	131345196	120838927	9482352575	8479250559
Segment Liabilities	11297264539	9983982691	4631562	19705591	11301896101	10003688282
Capital Expenditure	12590035	12590040	30250	-	12620285	12590040
Depreciation	322164999	335902103	587613	584485	322752612	336486588
Non - Cash Expenses other than Depreciation	1625425	2645516	-	-	1625425	2645516

The Company has disclosed Business segment as the primary segment. Segments have been identified taking in to account the nature of products, the differing risks & returns & the organization structure. The expenses, which are not directly attributable to the business segments, are shown as unallocated expenses.

II. Information about Secondary Geographical Segments:

Particulars	Year ended 31 st March 2011	Year ended 31 st March 2010
Revenue by Geographical Segment		
India	8,07,81,42,479	7,95,21,72,697
Outside India	19,37,09,655	52,82,41,440
Total	8,27,18,52,134	8,48,04,14,138
Addition to Fixed Assets and Intangible Assets		
India	30,250	Nil
Outside India	Nil	Nil
Carrying amount of Fixed Assets		
India	3,07,97,66,300	3,40,24,88,662
Outside India	Nil	Nil

Notes:

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

Sales within India include Sales to Customers located within India.

Sales outside India include Sales to Customers located outside India.

2) **Revenue comprises**

Sales	8,24,50,90,335
Other Income	2,67,61,799
Total	8,27,18,52,134



19. RELATED PARTY DISCLOSURES (AS-18)

The Company has transactions with the following related parties:

Associates: S.A.L. Steel Ltd; Adarsh Foundation; SAL Hospital & Medical Institute (Division of SAL Care Pvt Ltd) Kesar SAL Hospital & Medical College

Key Management Personnel: Shri Rajendra V Shah (Chairman); Bhupendra T. Jha (Jt.Managing Director upto 8-07-2010); K S Kamath (Jt.Managing Director 01-11-2010); B.S.Rawat (Jt.Managing Director upto 31-08-2009). Summary of the transactions with the above related parties is as follows: w.e.f.

Nature of Transactions	Summary of the transactions with the above related parties is as follows:										(Amount in Rs.)
	Transactions during the year 2010-11	S.A.L. Steel Ltd.	SAL Hospital & Medical Institute	Kesar SAL Hospital & Medical College	Shri Rajendra V. Shah	Shri Rajendra V. Shah-HUF	Shri K.S. Kamath	Shri Bhupendra T. Jha	Shri B. S. Rawat	Balances as at 31-03-2011	
Purchase of goods	1742885817	1742885817	0	0	0	0	0	0	0	0	20438424
(P.Y. 2009-10)	(1675078121)	(1675078121)	0	0	0	0	0	0	0	0	(292258634)
Purchase of Power	485338500	485338500	0	0	0	0	0	0	0	0	0
(P.Y. 2009-10)	(165247275)	(165247275)	0	0	0	0	0	0	0	0	0
Deposits Given	0	0	0	0	0	0	0	0	0	0	1000000
(P.Y. 2009-10)	0	0	0	0	0	0	0	0	0	0	(10000000)
Sales of Goods	107363302	21964648	84704218	694436	0	0	0	0	0	0	111116117
(P.Y. 2009-10)	(146029073)	(59633263)	(86143925)	(251885)	0	0	0	0	0	0	(89072986)
Sales of Power	0	0	0	0	0	0	0	0	0	0	0
(P.Y. 2009-10)	(94785393)	(94785393)	0	0	0	0	0	0	0	0	0
Receiving of services	4634824	4634824	0	0	0	0	0	0	0	0	7256449
(P.Y. 2009-10)	(2396085)	(2396085)	0	0	0	0	0	0	0	0	(2621625)
Rent paid	1078480	1058880	0	0	9600	10000	0	0	0	0	0
(P.Y. 2009-10)	(1078480)	(1058880)	0	0	(9600)	(10000)	0	0	0	0	0
Loan Given	0	0	0	0	0	0	0	0	0	0	800000000
(P.Y. 2009-10)	0	0	0	0	0	0	0	0	0	0	(800000000)
Loan Availed	0	0	0	0	0	0	0	0	0	0	16121787
(P.Y. 2009-10)	0	0	0	0	0	0	0	0	0	0	(16121787)
Remuneration to Directors	1925768	0	0	0	0	0	0	1293100	632668	0	0
(P.Y. 2009-10)	(2837800)	0	0	0	0	0	0	(964000)	(1138800)	(735000)	0
Investment in S.A.L. Steel Ltd.	0	0	0	0	0	0	0	0	0	0	399496276
(P.Y. 2009-10)	0	0	0	0	0	0	0	0	0	0	(399496276)



20. EARNING PER SHARE

(Amount in Rs.)

PARTICULARS	As at 31-3-2011	As at 31-3-2010
Net Profit/(Loss) attributable to Equity shareholders for the year	(1,29,68,54,736)	(60,32,42,616)
Basic and Weighted Average Number of equity shares for Basic EPS	1,97,97,540	1,97,97,540
FOR DILUTED EPS		
Adjustment for option relating to FCCB issued on 15-09-2006 46,22,00,000 / 175 = 2641143 equity shares. Rs.175 is the conversion price = 2641143 Shares	26,41,143	26,41,143
Weighted Number of equity shares for Diluted EPS	2,24,38,683	2,24,38,683
Basic Earning Per Share (Rs.)	(65.51)	(30.47)
Diluted Earning Per Share (Rs.)	(65.51)	(30.47)

21. The breakup of Deferred Tax as at 31.03.2011 is as under.

(Amount in Rs.)

PARTICULARS	As at 31-3-2011	As at 31-3-2010
DEFERRED TAX ASSETS.		
- Unabsorbed Depreciation and Business Loss	1,45,17,90,766	1,15,97,30,243
- Unabsorbed Capital Loss	26,315	26,942
- On account of disallowances under the Income tax act, 1961	60,63,27,692	37,47,86,471
TOTAL [A]	2,05,81,44,773	1,53,45,43,656
DEFERRED TAX LIABILITIES		
- On account of Depreciation	46,88,15,523	49,73,83,234
[B]		
NET DEFERRED TAX	[A-B]	
	1,58,93,29,250	1,03,71,87,365

22. Additional information pursuant to the provisions of paragraphs 3 and 4 of Part II of Schedule VI to the Companies Act, 1956:

I.	Remuneration to Directors:	31-03-2011	31-03-2010
	(a) Salary	26,59,749	28,26,000
	(b) Other Perquisites	31,40,777	19,93,000
	(c) Sitting Fees	40,000	90,000
	Total	58,40,526	49,09,000
II.	Auditors' Remuneration:		
	(a) Audit Fees	6,00,000	6,00,000
	(b) Certification charges	45,000	30,000



III. Capacity (As certified by Management)

Class of Products	Annual Licensed capacity [MT]		Annual Installed Casting Capacity [MT]	
	2010-11	2009-10	2010-11	2009-10
S .S. Flats, Bars& Castings, Hot Rolled M.S. Plates, S.S.HR Coil	N.A.	N.A.	3,00,000	3,00,000

IV. Production

Class of Product	2010-11 Qty. (MT)	2009-10 Qty. (MT)
1. FINISHED GOODS		
a) Bars, Beams, Angles & wire rods	6,361.532	10,122.043
b) S.S. Flats	19,577.526	21,845.223
c) M.S. / S.S. Plates	53,977.122	56,226.533
d) S.S. HR / CR Coil	28,592.127	48,040.316
2. SEMI-FINISHED GOODS		
a) S.S.Slab, Billets,Blooms, Ingots,etc	784.827	143.406
TOTAL	1,09,293.134	1,36,377.521

Note: Production indicates Net Saleable Quantity.

The above production does not include Job work Production for the current Financial year - 448.625 MT. Previous year - 9430.919 MT.

V. Turnover (Excluding Trading Turnover)

Class of Goods	2010-11		2009-10	
	QTY[MT]	Value(Rupees)	QTY[MT]	Value(Rupees)
1. Finished Goods				
(a) Bars, Beams, Angles & wire rods	5,646.037	36,62,10,202	10,079.172	51,12,61,045
(b) S.S.Flats	18,984.460	1,16,20,73,990	21,799.740	1,20,75,96,269
(c) M.S/S.S.Plates	56,324.019	3,47,57,60,737	53,396.400	2,79,65,33,555
(d) S.S. HR / CR Coil	34,162.003	3,03,57,22,391	42,700.599	3,32,86,93,820
2. Semi-Finished Goods				
S.S.Slab, Billets, Bloom, Ingots etc.	57.075	2,75,75,970	329.155	1,67,92,610
3. Pathology Lab.	-	3,38,74,855	-	3,00,70,283
4. Electricity Distribution Income	-	0	-	9,47,85,393
5. Others	-	39,96,860	-	5,23,42,626
TOTAL	1,15,173.594	8,10,52,15,005	1,28,305.066	8,03,80,75,601
Previous Year	1,28,305.066	8,03,80,75,601	1,23,597.821	8,32,61,74,040



VI. Opening And Closing Stock

Class of Goods	Opening Stock						Closing Stock						
	As at 01-04-2010			As at 01-04-2009			As at 31-03-2011			As at 31-03-2010			
	QTY (MT)	Value (Rs)	QTY (MT)	Value (Rs)									
1) Finished Goods													
a) Bars, Beams, Angles & wire rods	750.882	3,29,97,253	708.011	3,33,21,200	1466.377	7,60,54,612	750.882	3,29,97,253					
b) S.S. Flats	536.799	2,86,22,628	491.316	2,20,31,257	1129.865	6,71,80,037	536.799	2,86,22,628					
c) M.S. / S.S. Plates	7,491.280	32,69,80,199	4,661.147	19,60,35,696	5144.383	32,13,51,078	7,491.280	32,69,80,199					
d) M.S. / S.S HR Coil	11,739.313	67,66,42,631	6,399.596	39,10,49,711	6169.437	41,81,03,020	11,739.313	67,66,42,631					
e) Excise on Finished Goods	-	10,82,66,243	-	5,29,36,880	-	8,87,16,698	-	10,82,66,243					
2) Semi-Finished Goods													
S.S.Slab ,Billets, Blooms, Ingots	4,791.382	17,20,41,994	6,177.131	30,51,94,779	5519.134	30,27,05,805	4,791.382	17,20,41,994					
TOTAL	25,309,656	1,34,55,50,948	18,437,201	1,00,05,69,523	194,29,196	1,27,41,11,250	25,309,656	1,34,55,50,948					
Previous Year	18,437,201	100,05,69,523	15,179,948	89,36,49,893	25,309,656	1,34,55,50,948	18,437,201	100,05,69,523					



VII. Material Consumed (Excluding trading goods & Captive use)

Class of Goods	2010-11		2009-10	
	QTY[MT]	Value(Rupees)	QTY[MT]	Value(Rupees)
RAW MATERIAL				
Scrap#	99,584.646	2,72,16,59,369	1,06,071.617	2,11,67,62,545
Ferro Chrome	17,604.006	1,21,27,81,446	20,564.647	1,11,34,26,655
Others	15,229.764	1,34,00,63,606	34,031.506	1,81,87,58,480
Pathology, Chemical & Consumable	-	1,58,12,458	-	1,51,20,939
TOTAL	1,32,418.416	5,29,03,16,879	1,60,666.770	5,06,40,68,619
Previous Year	1,60,666.770	5,06,40,68,619	1,53,064.326	6,06,95,58,180

#Note- Above Consumption excludes Trading Material MS Plate 255.415 MT Captively Used for production

VIII. Particulars of Trading Goods

Particulars	Opening Stock		Purchase		Turnover		Closing Stock	
	Qty. (MT)	Value Rs.	Qty. (MT)	Value Rs.	Qty. (MT)	Value Rs.	Qty. (MT)	Value Rs.
M S Plate#	343.300	1,20,00,002	0	0	-	-	87.885	30,72,008
Medical Stores	N/A	61,58,102	N/A	10,55,34,300	N/A	13,22,05,329	N/A	60,08,322
TOTAL	343.300	1,81,58,104	-	10,55,34,300	-	13,22,05,329	87.885	90,80,330
Previous Year	-	66,14,858	343.300	11,30,11,441	-	12,28,77,608	343.300	1,81,58,104

#Note: MS Plate of 255.415 MT has been Consumed Captive.

IX. Value of Imported And Indigenous - Materials, Stores And Spare Parts Consumed And Percentage Thereof.

[1] Raw Material - MANUFACTURING ACTIVITY

Raw Materials	2010-11		2009-10	
	Value(Rupees)	(%)	Value(Rupees)	(%)
a) Imported	18,04,53,116	3.41	44,67,69,170	8.82
b) Indigenous	5,10,98,63,763	96.59	4,61,72,99,449	91.18
TOTAL	5,29,03,16,879	100.00	5,06,40,68,619	100.00
Previous Year	5,06,40,68,619	100.00	6,06,95,58,180	100.00

[2] TRADING ACTIVITY

Value of Imported & Indigenous Trading goods Purchased & their Percentage of total Consumption.

Particulars	2010-11		2009-10	
	Value(Rupees)	(%)	Value(Rupees)	(%)
a) Imported	-	-	-	-
b) Indigenous	10,55,34,300	100.00	11,30,11,441	100.00
TOTAL	10,55,34,300	100.00	11,30,11,441	100.00
Previous Year	11,30,11,441	100.00	9,07,69,423	100.00

**[3] STORES CONSUMED**

Particulars	2010-11		2009-10	
	Value(Rupees)	(%)	Value(Rupees)	(%)
a) Imported	5,78,05,256	5.49	13,03,09,806	13.59
b) Indigenous	99,51,96,260	94.51	82,88,13,429	86.41
TOTAL	1,05,30,01,516	100.00	95,91,23,235	100.00
Previous Year	95,91,23,235	100.00	78,71,20,356	100.00

X.	CIF VALUE OF IMPORTS	2010-11 (Rupees)	2009-10 (Rupees)
	i) Raw Materials	15,53,40,405	43,78,61,455
	ii) Stores & Spares	5,28,08,235	13,12,12,690
XI.	Expenditure in Foreign Currency		
	i) Traveling Expenses	2,10,907	7,64,983
	ii) Commission on Export Sales.	1,30,299	15,62,756
	iii) Other Expenses	66,487	12,14,988
XII.	Earning in Foreign Exchange		
	i) FOB Value of exports	17,98,45,954	32,37,69,593

23. Previous year's figures have been re-grouped/rearranged wherever necessary so as to confirm with current year's groupings.

24. Information required in terms of part IV to Schedule VI to the Companies Act, 1956 is attached.

As per our report attached to the Balance sheet
Signatures to Schedules 1 to 21

Schedules refer to herein above form an integral part of Financial Statement

As per our report of even date attached

For Talati & Talati
Chartered Accountants
FRNo: 110758W

Umesh Talati
Partner
M.No. 34834

Place : Ahmedabad
Date : 28-07-2011

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

Rajendra V. Shah	Chairman
K S Kamath	Jt. Managing Director
Ashok Sharma	Whole Time Director
Vinod Kumar Shah	Company Secretary

Place : Santej
Date : 28-07-2011



INFORMATION REFERRED TO IN NOTE 24 OF SCHEDULE 21 TO THE NOTE ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011.

PART - IV TO SCHEDULE - VI TO THE COMPANIES ACT, 1956 (AS AMENDED)
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details:	1 4 6 9 8	State Code	04
Balance Sheet Date	3 1 0 3 2 0 1 1	Date	Month Year
II. Capital raised during the year (Amount Rs. in Thousands)			
Public Issue	N I L	Rights Issue	N I L
Bonus Issue	N I L	Private Placement	N I L
III. Position of Mobilization and Deployment of Funds (Amount Rs. in Thousands)			
Total Liabilities	1 2 2 0 1 9 8 6	Total Assets	1 2 2 0 1 9 8 6
Sources of Funds			
Paid-up Capital	0 1 9 7 9 7 5	Reserves & Surplus	0 8 9 2 6 9 3
Secured Loans	9 1 0 5 8 6 8	Unsecured Loans	0 9 7 1 5 4 8
Application of Funds			
Net Fixed Assets	3 2 6 2 9 5 1	Investments	0 3 9 9 5 0 6
Net Current Assets	3 0 4 4 3 3 2	Misc. Expenditure	N I L
Accumulated Losses	2 6 7 3 9 9 0	Deferred Tax Asset	1 5 8 9 3 2 9
IV. Performance of Company (Amount Rs. in Thousands)			
Turnover (Incl. other income)	8 2 7 1 8 5 2	Total Expenditure	1 0 1 1 2 8 6 8
Profit/Loss before tax	- 1 8 4 1 0 1 6	Profit/Loss after tax	- 1 2 9 6 8 5 5
Earning per Share in (Rs.)	- 6 5 . 5 1	Dividend rate (%)	- -
V. Generic Names of Principal Products/Services of Company (as per monetary terms)			
Item Code No. (I.T.C Code)	7 2 0 6 1 0 0 9		
Product	I N G O T S O F I R O N & S T E E L		
Description	O T H E R T H A N H I G H C A R B O N S T E E L		
Item Code No. (I.T.C. Code)	7 2 1 8 1 0 0 0		
Product	I N G O T S & O T H E R P R I M A R Y		
Description	F O R M S O F S T A I N L E S S S T E E L		
Item Code No. (I.T.C. Code)	7 2 2 8 1 0 0 9		
Product	S T A I N L E S S S T E E L F L A T		
Description	B A R S		
Item Code No. (I.T.C Code)	7 2 2 6 9 1 0 9		
Product	H O T R O L L E D P L A T E &		
Description	O T H E R S T E E L P R O D U C T S		
Item Code No. (I.T.C. Code)	3 2 1 1		
Product	H O T R O L L E D M S S H E E T S		
Description	& M S / S S C O I L S		

For and on behalf of Board of Directors of
Shah Alloys Limited

Shri Rajendra V. Shah

Chairman

Shri K S Kamath

Jt. Managing Director

Shri Ashok Sharma

Whole Time Director Director

Place : Santej

Date : 28-07-2011



SHAH ALLOYS LIMITED

ATTENDANCE SLIP

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

PLEASE FILL IN ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL. Joint shareholders may obtain additional Slip at the venue of the meeting.

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

NAME & ADDRESS OF SHAREHOLDER / PROXY:

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

I/We hereby record my/our presence at the Twenty-first Annual General Meeting of the Company held on Saturday, 24th September, 2011 at 9.30 A.M. at SAL Institute & Engineering Research, Opp. Science City, Ahmedabad – 380060.

Signature of Shareholder / Proxy

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

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



SHAH ALLOYS LIMITED

PROXY FORM

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

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

I/We _____ of _____ being a member/members of Shah Alloys Limited hereby appoint _____ of _____ or failing him/her _____ of _____ as my/our proxy to vote for me/us and on my/our behalf at the Twenty-First Annual General Meeting of the Company to be held on Saturday, 24th September, 2011 at 9.30 A.M. at SAL Institute & Engineering Research, Opp. Science city, Ahmedabad – 380060 or at any adjournment thereof.

Signed this _____ day of _____ 2011 _____ Signature

Affix Revenue Stamp

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

INSTRUCTIONS:

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