

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Mukesh Bhandari	<i>Chairman & CTO</i>
Mr. Shailesh Bhandari	<i>Managing Director</i>
Mr. Avinash Bhandari	<i>Joint Managing Director & CEO</i>
Mr. Narendra Dalal	<i>Whole Time Director</i>
Mr. Nilesh Desai	
Mr. Ram Singh	
Mr. Pradeep Krishna Prasad	
Mr. Ravikumar Trehan (up to 26 th September, 2012)	
Mr. Madhusudan Somani (up to 1 st October, 2012)	
Dr. Sudhir Kapur (up to 26 th November, 2012)	

COMPANY SECRETARY

Mr. Jigar Shah

STATUTORY AUDITORS

Mehta Lodha & Co.

Chartered Accountants, Ahmedabad

COST AUDITORS

V. H. Savaliya & Co.

Cost Accountants, Ahmedabad

INTERNAL AUDITOR

RSM Astute Consulting Pvt. Ltd.

Mumbai

BANKERS

Bank of India
 State Bank of India
 Punjab National Bank
 State Bank of Travancore
 Corporation Bank
 Bank of Baroda
 Dena Bank
 Oriental Bank of Commerce
 Union Bank of India
 Canara Bank
 Standard Chartered Bank
 Allahabad Bank

REGISTERED OFFICE

A-1, Skylark Apartment, Satellite Road,
 Satellite, Ahmedabad – 380 015

REGISTRAR & TRANSFER AGENT

Link Intime India Private Limited

303, 3rd Floor, Shoppers Plaza - V,
 B/h. Shoppers Plaza-II, Opp. Municipal Market,
 Off. C. G. Road, Ahmedabad - 380009

WORKS

Engineering & Projects Division

Survey No. 72, Village : Palodia,
 Taluka : Kalol, Dist : Gandhinagar –382115

Special Steel, DI Pipe and Electric Vehicle Division

Survey No. 325, Village : Samakhiali,
 Taluka : Bhachau, Dist : Kutch, Gujarat

Wind Farm Project

Village : Dhank, Taluka : Upleta,
 Dist : Rajkot, Gujarat

Renewables Division

414/1, GIDC, Phase II, Vatva Industrial Area,
 Ahmedabad – 382 445, Gujarat.

Transmission Line Tower Division

Village : Juni Jithardi, Tal : Karjan,
 Dist : Vadodara, Gujarat.

Particulars	Page Nos.
Chairman's Message	1
Notice of Annual General Meeting	2-4
Directors' Report	5-7
Annexure to Directors' Report	8-10
Management Discussion and Analysis Report	11-15
Report on Corporate Governance	16-26
Auditors' Report	27-29
Balance Sheet	30
Statement of Profit & Loss	31
Cash Flow Statement	32
Notes to Accounts	33-55
Statement Pursuant to Section 212- Subsidiary Companies	56
Consolidated Financial Statements	57-78

26TH ANNUAL GENERAL MEETING

26th Annual General Meeting of the members of the Company will be held on Friday, the 28th December, 2012 at 11.00 A.M. at S-5, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad – 380 015.

**CHAIRMAN'S MESSAGE**

Dear Shareholders,

The global economic crisis and the slowdown in the Indian economy in the year 2011-12 have posed great challenges and difficult times for the company. Diverse businesses, economic factors and unavailability of raw material has made the year gone by the most tempestuous year for the company. The global economy is still recovering from the slowdown in the economies of the developed countries particularly European Union and UK.

The financial position of the company for the year 2011-12 was affected, mainly due to non-availability of the key raw material – iron ore, higher inputs and interest costs.

The uncertainty of the European debt crisis and international foreign markets that lead to the depressed global economic scenario also had its toll on the Indian economy as a result of which India's Gross Domestic Product (GDP) for FY2012 had the lowest growth in last three years, at 6.5 % against 8.4 % in FY 2011. Besides, GDP for Q4 of FY2012 had a mere growth of 5.3%, drastically below the consensus estimate of 6.1%, which is calculated to be the slowest since March 2003. This has been mainly on account of slowdown in the industrial sector due to cumulative effect of the unavailability of raw material, slow demand and monetary constraints. No change in the growth rate is expected in the coming fiscal, with RBI projecting a growth of 6.5% for 2012-13.

The Union Budget has announced a number of measures to boost the investment climate, with special focus on infrastructure and manufacturing sectors. For the Steel Industry, the key measures are in the form of increasing custom duty on flat carbon steel products from the level of 5% to 7.5%. This along with measures to bring back industrial growth should allow for accommodation of additional supply on capacities likely to be commissioned in 2012-13.

The Global Steel Industry is going through a rough phase with demand declining and the major steel economies like USA and Europe running into oversupply. The World crude steel production in 2011 stood at 1518 million tonnes, growing at 6.2% over 2010, with China contributing as high as 52% to the incremental production. The growth rate however, was considerably lower as compared to 16% in 2010. The WSA has projected that global apparent steel consumption will increase by 3.6% to 1422 Mt in 2012, following growth of 5.6% in 2011. In 2013, it is forecasted that world steel demand will grow further by 4.5% to around 1486 Mt. China's apparent steel consumption in 2012 and 2013 is expected to increase by 4% in both the years. India is expected to resume its high growth trend after a sluggish performance in 2011. In 2012, India's steel consumption is forecast to grow by 6.9% to reach 72.5 MT and is projected to grow further by 9.4% in 2013, driven by increased infrastructure investment and higher pace of urbanisation.

India maintained its ranking as the 4th largest steel producer in the World with a production of 71.3 million tonnes in 2011, registering a growth rate of 4.4% over 2010, as per WSA. According to JPC estimates, domestic finished steel consumption posted a growth of 6.8% during 2011-12 to 70.92 Million Tonnes. A growth rate of 8-9% in the next few years is expected to be sustained mainly by factors such as the 1 trillion USD investment envisaged for the infrastructure sector in the 12th Five Year Plan, greater emphasis on increasing growth rate of the manufacturing sector, higher rates of urbanization, rising middle class population and tapping the potential of the rural market. Also, in terms of per capita consumption of finished steel, India at 57 kg lags behind the world average of 214.7 kg, indicating a huge potential for growth.

The company recorded sales turnover of ₹ 2270.54 crs in FY 2011-12 (for 18 months) against ₹ 2313.28 crs in FY 2010-11 (for 12 months).

With steel production picking up in African countries, Iran, Middle East, Saudi Arabia, Bangladesh and a few other developing economies, the engineering business of the company supplying steel making, casting and refining equipment is expected to further improve in the coming years. The demand from the auto industry is driving the demand for melting furnaces for foundry applications and heating and hardening equipment.

With company having been able to arrange iron ore from sources outside India, the steel and pipe business of the company is expected to show a turn around.

With various initiatives being proposed by the Government of India for promoting environment friendly electric vehicles, the electric vehicle business of the company is also expected to grow substantially from here over the next 5 years. Profitability however is expected to remain under pressure on account of supply chain constraints in the near term.

The company is working on initiatives for restructuring of its debt with its lenders and improving the capacity utilization of steel and pipe plant which has fallen substantially during this year. I am sure the results of these initiatives will be seen shortly and the company will be on revival path soon.

I would like to thank and appreciate all my colleagues and the shareholders for their dedication and commitment towards the company during these testing times.

Mukesh Bhandari
Chairman & Chief Technology Officer



NOTICE

NOTICE is hereby given that the **26th Annual General Meeting** of Members of **Electrotherm (India) Limited** will be held on Friday, 28th December, 2012 at 11.00 a.m. at S-5, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad – 380 015 to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt Audited Balance Sheet as at 30th September, 2012 and the Statement of Profit and Loss for the 18 months period ended on that date together with Report of Board of Directors and Auditors' Report thereon.
2. To appoint a Director in place of Mr. Narendra Dalal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Ram Singh, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Pradeep Krishna Prasad, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

**By Order of the Board
For Electrotherm (India) Limited**

Place : Ahmedabad
Date : 27th November, 2012

Jigar Shah
Company Secretary

Registered Office:

A-1, Skylark Apartment,
Satellite Road, Satellite,
Ahmedabad – 380 015

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM SHOULD BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE TIME OF THE COMMENCEMENT OF THE MEETING.**
2. Corporate members intending to send their authorized representative(s) to attend the General Meeting are requested to send a certified copy of the Board Resolution authorizing such representative(s) to attend and vote on their behalf at the Meeting.
3. In terms of the provisions of the Articles of Association of the Company, Mr. Narendra Dalal, Mr. Ram Singh and Mr. Pradeep Krishna Prasad, Directors, are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment. Pursuant to Clause 49 of the Listing Agreement, a brief profile of the said Directors seeking re-appointment at the meeting forms part of this annual report.
4. The register of members and share transfer books of the Company will remain closed from 24th December, 2012 to 28th December, 2012 (Both days inclusive).
5. Members holding shares in the physical form are requested to notify the change of address, if any, to the Company's Registrar and Share Transfer Agent, LINK INTIME INDIA PRIVATE LIMITED at 303, 3rd Floor, Shoppers Plaza V, Opp. Municipal Market, Behind Shoppers Plaza II, Off C. G. Road, Ahmedabad – 380 009.
6. Those members who have not encashed their dividend warrants pertaining to the following years are requested to approach the Company for the payment thereof as the same will stand transferred to the Investor Education and Protection Fund (IEPF), pursuant to section 205A(5) of the Companies Act, 1956, on respective due dates mentioned hereunder. Kindly note that after such date, the members will lose their right to claim such dividend.

**NOTICE**

Financial Year	Rate (Amt per Share)	Date of Declaration	Due for Transfer on
2005 – 2006	20% (Rs. 2.00)	29/09/2006	05/11/2013
2006 – 2007	20% (Rs. 2.00)	25/06/2007	01/08/2014
2007 – 2008	25% (Rs. 2.50)	20/06/2008	27/07/2015
2008 – 2009	25% (Rs. 2.50)	15/09/2009	21/10/2016
2009 - 2010	25% (Rs. 2.50)	24/09/2010	30/10/2017

In November, 2012, the Company has transferred the money lying to unpaid / unclaimed dividend account for the year 2004-2005 to Investor Education and Protection Fund established by the Central Government.

7. In terms of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012 issued by the Ministry of Corporate Affairs effective from 20th May, 2012, Company has uploaded the data regarding unpaid/unclaimed dividends for the last seven years on the website of the Company as well as that of Ministry of Corporate Affairs.
8. In terms of Circular No. MRD/DoP/Cir-05/2009 dated 20th May, 2009 issued by the Securities and Exchange Board of India (SEBI), it shall be mandatory for the transferee of the physical shares to furnish copy of PAN card to the Company / RTA for registration of transfer of shares. Shareholders are requested to furnish copy of PAN card at the time of transferring their physical shares.
9. Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the Company. The nomination form will be supplied on request of the shareholder.

REQUEST TO THE MEMBERS :

1. Members / Proxies should bring the Attendance Slip sent herewith duly filled in for attending the Meeting.
2. A Member desirous of getting any information on the accounts or operations of the Company is requested to forward his / her queries to the Company at least 10 days prior to the meeting so that the required information can be made available at the Meeting.
3. Members are requested to bring their copy of the Annual Report to the Meeting.
4. The Ministry of Corporate Affairs ("MCA"), Government of India, through its Circular No.17/2011 dated 21st April, 2011 and Circular No.18/2011 dated 29th April, 2011 has allowed Companies to send Annual Report comprising of Balance Sheet, Statement of Profit & Loss, Directors' Report and Auditors' Report etc. through electronic mode to the registered e-mail address of the members. Keeping in view the underlying theme and circulars issued by MCA, we propose to send future communications in electronic mode to the e-mail address provided by you to the depositories and made available by them being the registered address. By opting to receive communication through electronic mode you have the benefit of receiving communications promptly and avoiding loss in postal transit.

Members who hold shares in physical form and desire to receive the documents in electronic mode are requested to provide their details (Name, Folio No., E-mail Id) on the Company's e-mail address: sec@electrotherm.com. Members who hold shares in electronic form are requested to get their details updated with the respective Depositories.

**By Order of the Board
For Electrotherm (India) Limited**

Place : Ahmedabad
Date : 27th November, 2012

**Jigar Shah
Company Secretary**

Registered Office:
A-1, Skylark Apartment,
Satellite Road, Satellite,
Ahmedabad – 380 015

INFORMATION PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT REGARDING APPOINTMENT OR RE-APPOINTMENT OF A DIRECTOR

Name	Mr. Narendra Dalal	Mr. Ram Singh	Mr. Pradeep Krishna Prasad
Age	51 years	71 years	70 years
Date of Appointment	01/03/1994	05/10/2005	05/10/2005
Qualification	Diploma in Electronic & Radio Engineers	B. E. (Metallurgical)	B.Sc., M. Tech. Post Graduate Diploma in Industrial Engineering & Management
Expertise in functional areas	He is a Whole Time Director of the Company and associated with the Company since 1994. He heads the electric design and development section of the Company. He is responsible for the Engineering Products Development in the Company. He has reach experience of 26 years in the field of induction technology based equipment development. He has started his carrier as fresh engineer and has worked in different areas like customer service, testing, quality control and lately development.	He has around 40 years of experience as a Metallurgical Engineer. He has won gold medals for best technical paper and best process design engineering.	He is a retired brigadier from Indian Army and has around 38 years of experience in industrial engineering.
Directorship held in other Public Limited Companies	1. Bhaskarpara Coal Company Limited 2. ET Elec-Trans Limited 3. Electrotherm Engineering & Projects Limited 4. Shree Ram Electro Cast Limited	Nil	Nil
Memberships/ Chairmanships of Committees	<u>Audit Committee - Member</u> Shree Ram Electro Cast Ltd.	Nil	Nil
No. of Shares held in the Company	34,500 Equity Shares	Nil	Nil

DIRECTORS' REPORT

To,
The Members

Your Directors have pleasure in presenting the 26th Annual Report on the business and operations of your Company and Audited Financial Statements for the period ended on 30th September, 2012.

Financial Results

The financial year 2011 - 2012 was extended upto 30th September, 2012 consisting of 18 months and as such all references to financial year 2011 -2012 in this Directors' Report and Annual Report is to be read as period of 18 (eighteen) months starting from 1st April, 2011 and ending on 30th September, 2012. Hence figures of the financial period 2011-2012 are not comparable with the figures of previous financial year 2010-2011.

(₹ In Million)

Particulars	2011-2012 (Eighteen Months)	2010-2011 (Twelve Months)
Total Revenue	22705.45	23132.83
Profit / (Loss) before Depreciation, Finance Costs & Tax	(1418.44)	3409.33
Less : Depreciation	1991.83	1077.76
Finance Costs	4740.34	1921.96
Profit / (Loss) before Tax	(8150.61)	409.61
Less : Current Tax & Wealth Tax	0.23	76.14
Deferred Tax	(865.13)	50.63
Profit / (Loss) after Tax / Deferred Tax	(7285.70)	282.84
Add / (Less) : Prior period adjustment	(6.83)	5.41
Profit / (Loss) for the period/year	(7292.53)	288.25
Surplus brought forward	1582.28	1494.03
Balance	(5710.25)	1782.28
Less : Transfer to General Reserve	-	200.00
Balance carried to Balance Sheet	(5710.25)	1582.28

Dividend

In view of losses incurred by the Company during the period, the Board of Directors of the Company do not recommend any Dividend on Equity Shares and on Preference Shares for the period ended on 30th September, 2012.

Operations

During the period ended on 30th September, 2012, the total revenue of the Company is ₹ 22705.45 Million compared to revenue of ₹ 23132.83 Million of previous financial year. The Loss for the period is ₹ 7292.53 Million against Net profit of ₹ 288.25 Million of the previous financial year.

Directors

In accordance with the provisions of section 256(1) of the Companies Act, 1956 and the Article 153 of the Articles of Association of the Company, Mr. Narendra Dalal, Whole Time Director, Mr. Ram Singh and Mr. Pradeep Krishna Prasad, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. Ravikumar Trehan has resigned from directorship on 26th September, 2012, Mr. Madhusudan Somani has resigned from directorship on 1st October, 2012 and Dr. Sudhir Kapur has resigned from directorship on 26th November, 2012. The Board places on record its appreciation for the services rendered by them during their tenure as members of the Board of Directors of the Company.

Subsidiary Company

As on 30th September, 2012, the Company has 8 (Eight) subsidiary company in India and outside India. Pursuant to the general exemption granted by the Ministry of Corporate Affairs, Government of India vide General Circular No. 2/2011 dated 8th February, 2011 and resolution

DIRECTORS' REPORT

passed by the Board of Directors on 27th November, 2012, copies of Balance Sheet, Statement of Profit and Loss, Report of the Board of Directors and the Report of the Auditors of subsidiary companies have not been attached with the annual accounts of the Company under section 212 of the Companies Act, 1956. As required under the above said circular, a statement containing the information of subsidiaries is attached and forms part of this Annual Report.

The annual accounts of the subsidiary companies and the related information are available for inspection by any shareholder at the registered office of the Company during business hours and make them available upon the request by any shareholder of the Company.

Consolidated Financial Statements

Pursuant to clause 32 and 41 of the Listing Agreement and Accounting Standard 21 issued by the Institute of Chartered Accountants of India, the Board of Directors has pleasure in attaching the Audited Consolidated financial statements including the financial statements of subsidiary companies.

Fixed Deposit

The Company has neither accepted nor invited any deposit from public, within the meaning of section 58A and 58AA of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975, as amended, during the period under review.

Directors' Responsibility Statement

Pursuant to section 217(2AA) of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that:

1. In the preparation of the annual accounts for the period ended on 30th September, 2012, the applicable accounting standards have been followed by the company along with proper explanation relating to material departures, if any;
2. Appropriate accounting policies have been selected and applied consistently and have 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 financial period and of the loss of the company for that period;
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
4. The Annual Accounts for the financial period ended on 30th September, 2012 have been prepared on a going concern basis.

Cost Auditor

Pursuant to section 233B of the Companies Act, 1956, the Central Government has approved the appointment of M/s V. H. Savaliya & Associates, Cost Accountants as cost auditor for conducting cost audit of "Steel Plant" and "Electricity Industry". However, as per the clarification issued by Cost Audit Branch of Ministry of Corporate Affairs vide General Circular No. 67/2011 dated November 30, 2011, generation of electricity for captive consumption has been exempted from the applicability of cost audit. The due date for filing of cost audit report for the "Steel Plant" for the period ended on 30th September, 2012 is 31st March, 2013.

The Board of Directors has appointed / reappointed M/s V. H. Savaliya & Associates, Cost Accountants as cost auditor for conducting the cost audit for the financial year 2012-2013.

Conservation of Energy, Technology Absorption and Foreign Exchange Earning and Outgo

The additional information required under the provisions of 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 is given in Annexure - "A" which forms part of this Annual Report.

Particulars of Employees

Pursuant to the provisions of section 217(2A) of the Companies Act, 1956, there are no employees who were in receipt of remuneration of not less than ₹60 Lacs during the financial year or ₹ 5 Lacs per month during any part of the financial year.

Corporate Debt Restructuring ("CDR")

During the 18 months period ended on 30th September, 2012, the Company has approached to the lenders for restructuring of the debts and accordingly, the flash report of the Company was submitted to CDR Cell in accordance with the guidelines for Corporate Debt Restructuring (CDR) issued by the Reserve Bank of India. The flash report was discussed at the CDR Empowered Group (EG) meetings and the reference for restructuring the debts of the Company was admitted at the CDR EG meeting held on 23/24 August, 2012 with cutoff date as January 1, 2012.

Bank of India, being the Monitoring Institution has appointed MITCON Consultancy & Engineering Services Limited to carry out the Techno Economic Viability (TEV) study. The final restructuring proposal / report shall be referred to CDR EG after discussion at the Joint Lenders Meeting (JLM). On approval of the same, restructuring package shall be implemented by the Company.

Sale of Ductile Iron Pipes Division

The shareholders of the Company through postal ballot under section 293(1)(a) of the Companies Act, 1956 accorded their approval on 8th November, 2011 for sale / transfer of Ductile Iron Pipes Division (DIP Division). Accordingly, the Company has entered into binding agreements on 14th December, 2011 pursuant to which Saint-Gobain Produits Pour La Construction SAS, France ("Saint Gobain") would acquire the Ductile Iron Pipes business and 100% stake in subsidiary of the Company. However, the said transaction could not be consummated by the long stop date of June 30, 2012 and the long stop date for the agreements was accordingly lapsed on June 30, 2012.



DIRECTORS' REPORT

Corporate Governance

Your Company has complied with the requirements of Clause 49 of the Listing Agreement regarding Corporate Governance. Pursuant to Clause 49 of the Listing Agreement, a Corporate Governance Report along with a Certificate from the Auditors confirming the compliance is annexed and forms a part of this report.

Management Discussion and Analysis Report

Pursuant to Clause 49 of the Listing Agreement, Management Discussion and Analysis Report is annexed after the Director's Report and forms a part of this report.

Auditors

M/s. Mehta Lodha & Co., Chartered Accountants, Ahmedabad, Statutory Auditors of the Company, retires at the forthcoming Annual General Meeting and the Company has received a certificate pursuant to Section 224(1B) of the Companies Act, 1956 from them to the effect that their re-appointment, if made, will be in accordance with the limits as specified in the said section.

Auditors' Report

There are certain reservations, qualifications or adverse remarks in the Auditors' Report for the period ended on 30th September, 2012. The Board of Directors of the Company would like the clarify / explain the same as under:

1. With regard to the winding up petitions and recovery cases affecting going concern of the Company, the company is contesting the said actions with the respective court/tribunal.
2. With regard to the restructuring of debts, the reference for restructuring the debts of the Company was admitted at the CDR EG meeting held on 23/24 August, 2012 with cutoff date as January 1, 2012. The final restructuring proposal / report shall be referred to CDR EG after discussion at the Joint Lenders Meeting (JLM) and on approval of the same, restructuring package shall be implemented by the Company.
3. With regard to non provision of disputed advances and Claims/Liability, the management is of the opinion that the said amount will be received by the company in due course from the respective authority.
4. With regard to the third party balance confirmation and its classification, non provision of interest on NPA accounts of banks and other issues affecting the financial statements to the extent stated therein, the management is of the opinion that the company is taking all necessary steps so that the confirmation of the third party can be made available and the Banks which have classified the account as a Non Performing Asset (NPA) have not provided the interest amount in their bank statement after the said classification and the said amount is uncertain and the said amount would be capitalized after restructuring. Therefore the said amount has not been provided in the books of accounts of the Company.
5. With regard to updating the records of the fixed asstes, the company is in process of updating the records showing particulars of quantity and situation of fixed assets. The Management is of the opinion that the same will be completed in the next financial year.
6. With regard to strengthen the Internal Audit System, the management is of the opinion that RSM astute is the Internal Auditor of the Company. Further concurrent auditors namely M/s. A.L. Chechani & Company and M/s. Mandovara Shah and Associates have been appointed as a joint concurrent auditors as per the advice by the bankers of the Company. The Board of directors is of the view that the appointment of concurrent auditor and internal auditor strengthen the internal control system commensurate with size and nature of business of the Company.
7. With regard to Central Sales Tax liability of ₹18.59 Million for the period starting from June, 2012 to September, 2012 and Value Added Tax of ₹22.26 Million for the period starting from July to September, 2012, the management is of the opinion that the Company has incurred heavy loss during the current year hence it is unable to pay its commitments within due date. However the Board of Directors firmly believes that it is a short term phenomenon, which shall be resolved.
8. With regard to the default in repayment of dues, the Company has incurred operational losses during the 18 months period ended on 30th September, 2012. Certain banks had already restructured the outstanding debt of the company in their books, whereas some banks had not restructured the debt. In the meantime, reference for restructuring the entire debt of the Company has been admitted with Corporate Debt Restructuring (CDR) Cell on 23/24 August, 2012 with cut off date as January 1, 2012. The Board of directors is of the opinion that since the debt would be restructured with Cut off date as January 1, 2012 through CDR, there would not exist any default.

Appreciation

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, Government Authorities, Auditors and Shareholders during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the devoted services of the Executives, Staff and Workers of the Company.

For and on behalf of the Board

Place : Ahmedabad
Date : 27th November, 2012

Mukesh Bhandari
Chairman & Chief Technology Officer



ANNEXURE - "A" TO DIRECTORS' REPORT

Conservation of Energy, Technology Absorption and Foreign Exchange Earning and Outgo under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY:

(a) Energy conservation measures taken

- Installation of direct rolling facility for steel billets. The facility avoids operation of reheating furnace before continuous casting. This saves consumption of 30-40 liters / T of furnace oil. This is equivalent to the energy saving of 350 kWh / T of steel.
- CONTIFUR project is expected to produce cast iron at about overall energy input of 4300 kWh / T. In regular blast furnace route, the equivalent energy requirement is about 4900 kWh / T. The net saving of 600 kWh/T of equivalent energy.
- The patent application "ELTREM PROCESS" has a unique feature of charging sponge iron in induction furnace in hot condition. The expected energy saving of about 100 kWh / T of liquid steel produced through induction furnace route.

(b) Additional investments and proposals, if any, being implemented for reduction of energy

- Installation of composite pellet plant
- Tunnel kiln experiments were carried out for the production of sponge iron.

(c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods

- Reduction of electrical energy for producing cast iron is 12%.
- Reduction in electrical energy for steel making is 7%.
- Sponge iron through tunnel kiln is expected to be produced 11% cheaper compared to conventional rotary kiln process.

(d) Total energy consumption and energy consumption per unit of production :

As per Form "A" is attached.

B. TECHNOLOGY ABSORPTION:

(I) RESEARCH AND DEVELOPMENT (R & D)

1. Specific areas in which R & D carried out by the Company

- Induction Melting
- Iron ore reduction and steel making
- Power supply for Induction Heating and melting equipments
- Battery powered vehicles
- Secondary Metallurgical equipments and Metallurgical process

2. Benefits derived as a result of the above R & D

- Decrease in production cost of sponge iron
- Decrease in production cost of cast iron / pig iron
- Saving of electrical energy

3. Future Plan of action

- Development of continuous induction furnace technology for production of Iron/Steel using non cooking coal and iron ore fine



ANNEXURE - "A" TO DIRECTORS' REPORT

- Development of continuous casting machine for casting smaller heat size
- Development of iron ore fine reduction through tunnel kiln using coal
- Development of new generation charger, controllers for electric three wheelers and higher capacity two wheelers

4. Expenditure on R & D

- (a) Capital Expenditure : ₹ 1.23 Million
- (b) Recurring Expenditure : ₹ 0.69 Million
- (c) Total Expenditure : ₹ 1.92 Million
- (d) R&D as % of Turnover : 0.01%

(II) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Efforts, in brief, made towards technology absorption, adaptation and innovation

- Creation of R&D set up for carrying out trials of direct rolling of hot billets produced through CCM
- Installation of CONTIFUR furnace producing steel / cast iron using iron ore fines and coal fines.
- Development of composite pellet using different kinds of binders as well as non-coking coals.
- Installation of pellet plant. The pellets produced will be charged into the CONTIFUR to produce steel / cast iron.
- Trials in tunnel kiln to produce sponge iron using iron ore fines and coal fines.

2. Benefits derived as a results of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.

- Development of Contifur process for production of hot metal / cast iron using iron ore fines and coal fines.
- Development of reduction process in tunnel kiln
- Development of direct rolling technology of billets produced through CCM. It will avoid the use of reheating furnace.

3. Imported Technology : None

C FOREIGN EXCHANGE EARNING AND OUTGO

(I) Activities Relating to Exports:

The Company has been making efforts for direct exports at international level. Company has executed export orders worth ₹ 1389.63 Million during the year and intends to further its export market.

(II) Total Foreign Exchange Earning and Outgo:

- (i) Foreign Exchange Earnings : ₹ 1389.63 Million
- (ii) Foreign Exchange Outgo : ₹ 3337.38 Million

ANNEXURE - "A" TO DIRECTORS' REPORT

FORM: A
(SEE RULE 2)

Disclosure of particulars with respect to conservation of energy

A. POWER AND FUEL CONSUMPTION

SR. NO.	PARTICULARS	2011-12 (Eighteen Months)	2010-11 (Twelve Months)
1	ELECTRICITY		
(a)	Purchased Units Total Amount (₹ In Million) Rate per Unit (₹)	180469436 1062.70 5.89	117254728 765.20 6.52
(b)	Own Generation		
	(i) Through diesel generator (Unit) Unit per Liter of Diesel Oil (Unit) Cost per Unit (₹ / KWH)	38800 4.81 8.97	16800 3.80 12.09
	(ii) Through Wind Mill (Unit) Cost per Unit (₹ / KWH)	3807844 5.99	359007 0.80
	(iii) Through Steam Turbine / generator Cost per Unit (₹ / KWH)	194307750 4.65	217245530 3.83
2.1	COAL FOR POWER PLANT		
	Quantity – MT Total Cost (₹ In Million) Average Rate (₹ Per MT)	90545 586.65 6480	162840 556.21 3416
2.2	COAL FOR SPONGE PLANT		
	Quantity – MT Total Cost (₹ In Million) Average Rate (₹ Per MT)	183075 783.31 4279	138222 650.15 4704
3	FURNACE OIL		
	Quantity – Litres Total Amount (₹ In Million) Average Rate (₹ Per Litre)	4091080 153.94 37.63	5307783 167.78 31.61
4	OTHERS / INTERNAL GENERATION		
	Quantity used Total Cost (₹ In Million) Rate / Unit	Nil Nil Nil	Nil Nil Nil

B. CONSUMPTION PER UNIT OF PRODUCTION

SR. NO.	PARTICULARS	STANDARDS (IF ANY)	2011-12	2010-11
1	Electricity			
	(a) For Steel Billets / TMT / DI Pipes (KWH/Ton)*	NA	663	745
	(b) For Equipment manufacturing (KWH / Equipment dispatched)	NA	9535	8993
2	Furnace Oil	NA	NA	NA
3	Coal	NA	NA	NA
4	Lignite	NA	NA	NA

* Since they are manufactured in common manufacturing facility, it is not possible to work out separate power consumption per item per unit.



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

OUTLOOK / OVERVIEW OF THE ECONOMY:

Global Scenario:

In 2011 the world crude steel production reached 1518 million tonnes and showed a growth of 6.2% over 2010. (Source: World Steel Association) China remained the world's largest crude steel producer in 2011 (684 mt) followed by Japan (108 mt), the USA (86.4 mt) and India (72.2 mt; prov) at the 4th position.

The WSA has projected that global apparent steel use will increase by 3.6% to 1422 Mt in 2012, following growth of 5.6% in 2011. In 2013, it is forecasted that world steel demand will grow further by 4.5% to around 1486 Mt. China's apparent steel use in 2012 and 2013 is expected to increase by 4% in both the years. For India, growth in apparent steel use is expected to grow by 6.9% in 2012 and by 9.4% in 2013. Per capita finished steel consumption in 2011 is estimated at 215 kg for world and 460 kg for China.

Domestic Scenario

The Indian steel industry has entered into a new development stage from 2007-08, riding high on the resurgent economy and rising demand for steel. Rapid rise in production has resulted in India becoming the 4th largest producer of crude steel and the largest producer of sponge iron or DRI in the world.

As per the report of the Working Group on Steel for the 12th Plan, there exist many factors which carry the potential of raising the per capita steel consumption in the country, currently estimated at 55 kg. These include among others, an estimated infrastructure investment of nearly a trillion dollars, a projected growth of manufacturing from current 8% to 11-12%, increase in urban population to 600 million by 2030 from the current level of 400 million, emergence of the rural market for steel currently consuming around 10 kg per annum buoyed by projects like Bharat Nirman, Pradhan Mantri Gram Sadak Yojana, Rajiv Gandhi Awaas Yojana among others.

At the time of its release, the National Steel Policy 2005 had envisaged steel production to reach 110 million tonnes by 2019-20. However, based on the assessment of the current ongoing projects, both in greenfield and brownfield, the Working Group on Steel for the 12th Plan has projected that the crude steel capacity in the country is likely to be 140 mt by 2016-17 and has the potential to reach 149 mt if all requirements are adequately met.

INDUSTRY STRUCTURE & DEVELOPMENTS

A. ENGINEERING AND PROJECTS DIVISION:

The slowdown in the Indian economy has affected the addition of new capacity for steel-making but the capacity addition is expected to pick up in the coming years in line with the growth that has been forecasted by the steel ministry.

Recently, BIS has changed the norms of quality for long products and made them more stringent and comparable with the world standards. These new standards are expected to come in force by 31st March 2013. A sizable production of the long products happens through Induction furnace route. A patent has been granted to Electrotherm for De-phosphorization and De-sulphurization through Induction furnace route. This has opened up new avenues for the company to introduce new process of producing steel to meet the new norms set by BIS. Many plants in the range of 0.2 to 0.3 MTPA will upgrade their equipment to meet the new quality standards of steel. This throws upon a huge opportunity for the company to build and sell large number of LRFs over the next 5 years.

In the past few years, Electrotherm has executed many Turn Key projects in the overseas emerging markets. These are now serving as strong references for the company to generate new business as the economy in these countries is picking up post the 2008 economic meltdown. The company has already become the preferred supplier of turnkey solutions for setting up of upto 0.5 MTPA steel plants in the world through the induction route. The company has established a strong presence for these kinds of projects/ standalone induction furnaces in markets like Africa, Middle East, South East Asia, Saudi Arabia, Turkey, Iran and Iraq. The revenues from these export markets are expected to continue to grow over the next 5 years.

The company successfully introduced continuous casting machine for small size induction furnaces in April 2011. The product has been extremely well accepted in the market with more than 10 casters already commissioned across India. With the country's small steel manufacturing units wanting to migrate from ingot making to billet making, the demand for these small casters suitable for small induction furnace units is expected to grow exponentially over the next 3 – 5 years. With a captive installed base of more than 800 induction furnaces and additional 150 furnaces being installed every year, the company expects to sell substantial number of casters going forward.

With robust demand coming from the Auto sector, the foundry sector is continuing to grow. This has resulted into a continuous increase in the demand for small induction furnaces for foundry applications. We expect this demand to further improve as the capex cycle kicks in with the expected reduction in interest rates by RBI over the next few quarters.

Developments

1. Induction Melting:

- Lining vibrator for improving lining life of the refractory thereby improving productivity and uptime.
- Development of additional features in continuous casting machine to improve quality of steel like EMS

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

- Power sharing energy efficient furnace for foundry.
- Automation to improve operational efficiency and increase utilization factor up to 94%.

2. Induction Heating and Hardening:

- Enhancement in the power range of medium frequency power supply for mass heating application with feature of near unity PF operation at any power level.
- Digital platform for control of power supply.

3. Power factor correction system:

- Dynamically Real time Dynamic power factor correction system coupled with fixed compensation to maintain near unity PF to reduce contract demand with fluctuating load.

4. Pollution Control Equipment:

- To further improve customer sustainability while meeting the environment norms, the company is working on yet another opportunity of developing effective pollution control equipment and scrap processing equipment for its customers.

B. STEEL DIVISION:

The year gone by has been an extremely challenging year for the steel sector in India. While the demand for most steel products slowed down due to slowing of the GDP/ economic growth on one side, the raw material availability became a serious area of concern with Supreme Court imposing bans in key mining sectors like Hospet, Bellary and Goa. Due to non-availability/ reduced availability of raw material for steel making, the capacity utilization of the sector (especially for units in the Western and Southern part of the country) dwindled.

The company could not source iron ore from Bellary for running of its steel and pipe plant in adequate quantities and had to resort to importing of expensive pellets. This not only effected the capacity utilization of the plant but also had a severe negative impact on the profitability. With the situation in Bellary not expected to change in the near term, the company has arranged for sourcing of iron ore from Africa. With the logistics for sourcing of this iron ore from Africa getting streamlined, the availability going forward is expected to improve and this will have a substantial positive impact on the profitability of the company and should help the company turnaround.

The iron ore situation in the country is improving albeit at a very slow pace. The shortage of the key raw material is going to result into continued high prices of the finished goods. The new initiatives of the Government (CRR cut) and expected initiatives in the near future are expected to revive the infrastructure sector. This will further improve the demand situation in coming quarters. Gujarat continues to be on a roll with a robust demand for steel products and growing. While the finished good prices are expected to remain high, the cost of production will reduce substantially in near future.

- Availability of high quality, fixed cost iron ore from Africa
- The high quality lower cost ore will substantially reduce the cost of sponge iron
- Almost 14 MW of free power will be generated through the waste gases produced by operations of both the kilns bringing the average cost of power down substantially
- The cost of the fuel in the TMT mill has reduced and is expected to further reduce on account of direct rolling.

All this is expected to help the company improve its profitability.

The company with its state-of-the-art equipment is already producing the long products in conformance with the new norms proposed by BIS expected to be implemented shortly. Thus, as and when the norms get implemented, the company will be a huge beneficiary and will see a substantial rise in demand of its products in the short run as the supply from non-standard manufacturers might get curtailed.

DI Pipe Division:

The pipe prices had fallen dramatically between Jan 2011 and Dec 2011 on account of entry of new players in the market substantially adding to the industry installed capacity. The market since then has stabilized and all the new players are also fully booked. This has once again resulted into improvement in the new order book prices for DI pipes. The average price realization is now improving and will remain at reasonably high levels given the high demand situation for rural water piping systems in the country. On the other hand, the cost of raw materials including coke and mill scale has gone down marginally. This should help improve the profitability of the pipe division in the coming year.

Developments:

The company has successfully implemented the use of LRF and De-phosphorization and De-sulphurization process for production of high quality low phosphorous forging grade billets. There is a large market for these low alloy steel forging grade billets in Rajkot and



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

the company expects to sell larger quantities of such value added billets in the coming year. The company has also developed and introduced Fe-550D TMT rebars and the product has been well accepted in the market. The demand for this product is slowly on the rise and is helping the company realize better prices/ margins. This is also helping company compete effectively with larger players like Tata and Sail in the high end TMT market.

C. ELECTRIC VEHICLE DIVISION:

For the first time in last four years, the Electric Vehicles market saw an upturn during the financial 2011-12. YO bykes got the maximum advantage showing 70% growth with respect to last year. This growth has happened due to the following factors:

- a) Subsidy from the Central Government
- b) Petrol Price hike
- c) High speed vehicles for YO bykes
- d) YO bykes distribution network
- e) Strong supply chain systems in place

The Company has struggled on the working capital issue because of late release of funds from the Ministry of New and Renewable Energy. The scheme was closed on 31st March 2012.

Government of India has realized the potential of electric vehicle technology and its benefits to the nation. Hence, it has set up a National Electric Mobility Mission Plan (NEMMP), wherein it is investing around ₹ 14000 Crores on development of electric vehicle technology till 2020. We believe this would be a great catalyst for the development of eco-system for the electric vehicle market in our country.

Electrotherm R&D had been successful in developing a new type of charger, but faced issues in supply of good quality parts from China. In this year, we had established the manufacturing facility for producing chargers in Ahmedabad. This facility has not only reduced the lead time of charger availability but has also reduced the product quality issues. This facility will undertake controller and converter manufacturing, in next financial year. Also, we are setting up a production facility for high speed motors, wherein we envisage the similar benefits.

We are working on developing a new product with better features for the youth of Indian market. We expect the new product to be available in 2013-14 periods.

OPPORTUNITIES AND THREATS:

ENGINEERING AND PROJECTS DIVISION

Opportunity :

The Company seeks ample opportunity for the Engineering Division through export orders, small casters suitable for small induction furnace and small induction furnaces for foundry applications and also with robust demand coming from the Auto sector.

Threats:

- Overall slowdown in the steel sector affects the demand for induction furnace.
- If interest rate continues to remain high, there would be loss / delay of new projects for steel making that are expected to come up.

STEEL DIVISION

Opportunity :

There are substantial market opportunities for Steel Industry in India. It provides basic raw material for the engineering industries and construction/infrastructure sectors. Developments in this vital sector generally reflect the overall economic growth in the country. Gujarat has been growing at a good rate and the growth is expected to continue in the near foreseeable future. There is a large demand for TMT bars/low alloy steel in the state. The Demand for DI Pipes for water carrying application is also on rise. All this provides a large opportunity for the steel & pipes Division.

Threats:

- Raw material availability (Iron Ore) remains a key concern
- Power Cost has been on the rise.

ELECTRIC VEHICLE DIVISION

Opportunity :

Electric Vehicles are the future for transportation for the future generations and hence governments are planning to invest in this technology to have the energy security and cleaner air in the cities. There are huge opportunities for electrical vehicle in the long term. In the short term also, there are opportunities due to hike in petrol price, cleaner air etc.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Threats:

- Withdrawal /non reinstatement of subsidy by Central Government.
- Intense competition among players
- Heavy cost of batteries in Electric Vehicles.
- Political instability or indecisiveness

SEGMENT-WISE PERFORMANCE

The business segment of the company comprises of Engineering & Projects Division, Special Steel Division and Electric Vehicle Division.

The segment wise performance of the Company for all the three divisions for the period ended on 30th September, 2012 is as under:

₹ In Million

Particulars	Engineering & Projects Division	Special Steel Division	Electric Vehicle Division
Revenue from operations	4977.82	16896.23	583.34
Segment Profit / (Loss)	116.74	(3138.02)	(388.99)
Capital employed	3006.46	(90.63)	583.20

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

As the financial year 2011-2012 is extended upto 30th September, 2012, the figures for the 18 months period ended on 30th September, 2012 are not comparable with the previous financial year of 12 months ended on 31st March, 2011.

Revenue from operations

The total income from operations of the Company for the 18 months period ended on 30th September, 2012 is ₹ 22389.03 Million as compared to ₹ 22968.93 Million of previous financial year.

Cost of materials consumed including purchase of traded goods:

The cost of materials consumed including purchase of traded goods for the 18 months period ended on 30th September, 2012 is ₹ 16580.78 Million as compared to ₹ 19797.90 Million of previous financial year.

Depreciation

Depreciation for the 18 months period ended on 30th September, 2012 is ₹ 1991.83 Million as compared to ₹ 1077.76 Million of previous financial year.

Finance Costs

Finance costs for the 18 months period ended on 30th September, 2012 is of ₹ 4740.34 Million as compared to ₹ 1921.96 Million of previous financial year.

Profit Analysis

Net Loss for the 18 months period ended on 30th September, 2012 is ₹ 7292.53 Million as compared to profit of ₹ 288.25 Million of previous financial year.

RISK AND CONCERNS:

Your Company is optimistic towards risks associated with its business. The risks and mitigation measure are weaved into the strategic business plans and forms part of reviews made periodically. The Company has also Risk Management Policy and also formed Risk Management Committee, but there are always going to be unforeseen risks and natural calamities which will be beyond the control of the Company.

The Company has raised long term funds through External Commercial Borrowings (ECB) and Foreign Currency Convertible Bonds (FCCBs). As the FCCBs are not converted into Equity Shares, the same will have to repay in foreign currency along with ECB and this will mean an exposure of the Foreign exchange fluctuation risk.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INTERNAL CONTROL SYSTEM, IT SECURITY AND ADEQUACY:

INTERNAL CONTROL SYSTEM

The Company has a system of internal controls and Internal Audit. Your company has appropriate internal control systems for business process, with regards to efficiency of operations, financial reporting, compliance with laws and regulation etc. All parameters are monitored and controlled at regular interval. Internal audits are conducted by experienced firm of Chartered Accountants in close coordination with company's finance, accounts & other department of the company. The findings of the Internal audit team are discussed internally with the Executive Directors as well as in the Audit Committee Meetings. The Audit Committee of the Board of Directors reviews the adequacy and effectiveness of internal Control systems and suggests improvement for strengthening them from time to time. The Company is continuously upgrading its internal control system by adding better process control and various audit trails.

IT SECURITY AND ADEQUACY

The entire organization's transaction system is working on SAP since 2010. Two financial years are closed in SAP successfully. This indicates that your company has become transparent, secured with appropriate checks & balances. Company has benefited enormously in terms of bringing transparency, improved operational efficiency and moreover the controls in the operations apart from other intangible benefits.

After revamping the whole IT infrastructure & data center facilities during the financial year 2010-11, the organization has started leveraging benefits in terms of data security, communications, zero downtime and IT management, ensuring business continuity. Also organization has become proactive and provided competitive advantage in level playing competition. Your company has been secured from any external threats to the information system and data. Your company has deployed Data Loss Prevention (DLP) solution to protect precious business data from theft, loss & pilferage. There had been no single incidence reported of virus attack or intrusions during the entire year.

Robust back-up & recovery procedure has been built and practiced to ensure minimum down time to rebuild whole system in case of any technical failures or any catastrophe. Your company has built secured & scalable data communication infrastructure to connect its plants & offices across the geographies of its presence.

DEVELOPMENT IN HUMAN RESOURCES FRONT

The Company is under consolidation and restructuring phase. Thus, necessitates the enhancement of the organization's capability to meet the demands of the dynamic business environment. During the year, the Company has taken following initiatives to build organization capability including Human Resource Management:

- Launched the Balanced Scorecard in 4 Divisions
- Developed Strategies for each division and focused on execution of strategy through implementation of Balanced Scorecard
- Strengthen Performance Management System by aligning individual Goals to the Divisional Goals.
- Implemented Incentive Scheme & Recognition/Reward Program for improving Morale of employees
- Developed a document for Values & the organization culture – 'The ET Way'
- Initiated the Executive Coaching for capability building of senior managers through Office of Strategy Management & Organization Transformation
- Enhanced internal corporate communication
- Organized Various Training Programs for developing functional, behavioral and technical skills including Induction for the new employees
- Implemented 'Operational Excellence' initiative – A Zero Budget Intervention in Auto Division
- Initiatives to transform Recruitment to Talent Management.
- Taken initiatives for ET Branding at selected campuses (Engineering Colleges)
- Rationalized Organization Structure, developed Role Profiles & Talent Landscape

CAUTIONARY STATEMENT:

Statements in this Management Discussion and Analysis detailing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" with the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand supply conditions, finished goods prices, feedstock availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the Countries within which the Company conducts business and other factors such as litigation and labour negotiations.

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance:

Corporate Governance is a set of relationship between Company's Management, its Board of Directors, its Shareholders, its Auditors, its Bankers and other stakeholders. Your Company believes in the same philosophy to attain the highest standards of corporate governance by ensuring transparency in all its actions and operations to all its stakeholders and to maximise values being provided to its stakeholders. Your Company believes that adaption to changing times is the key to corporate growth and long term survival. The Company is committed to achieve and maintain the highest standard of Corporate Governance.

The Company is in compliance of the requirements of Corporate Governance under Clause 49 of the Listing Agreement with the Stock Exchanges.

As the financial year 2011 – 2012 was extended upto 30th September, 2012 consisting of 18 months, all references to financial year 2011 -2012 in this Corporate Governance Report is to be read as period covering 18 months ended on 30th September, 2012.

2. Board of Directors:

The Board of Directors of the Company is having optimum combination of Executive and Non-Executive Directors in compliance of Clause 49 of the Listing Agreement. As on the date of this report, the Board of Directors comprises Seven Directors, out of which four are Executive Directors and Three are Non-Executive & Independent Directors of the Company.

As on the date of this report, the details of composition of Board, category of all Directors as well as their Directorship/Membership in other Companies/Committees are given below:

Sr. No.	Name and Designation of Director	Category	Number of other Directorship and Committee Membership / Chairmanship		
			Other Directorships	Committee Membership	Committee Chairmanship
1.	Mr. Mukesh Bhandari Chairman & Chief Technology Officer	Promoter & Executive	6	1	Nil
2.	Mr. Shailesh Bhandari Managing Director	Promoter & Executive	6	4	2
3.	Mr. Narendra Dalal Whole Time Director	Promoter & Executive	4	1	Nil
4.	Mr. Avinash Bhandari Jt. Managing Director & CEO	Executive	5	2	1
5.	Mr. Nilesh Desai	Independent & Non-Executive	3	2	Nil
6.	Mr. Ram Singh	Independent & Non-Executive	Nil	Nil	Nil
7.	Mr. Pradeep Krishna Prasad	Independent & Non-Executive	Nil	Nil	Nil

- Mr. Ravikumar Trehan has resigned from the Directorship on 26th September, 2012, Mr. Madhusudan Somani has resigned from the Directorship on 1st October, 2012 and Dr. Sudhir Kapur has resigned from the Directorship on 26th November, 2012.
- Directorship in other Companies mentioned above excludes Directorship in Private Limited Companies, Unlimited Companies, Section 25 Company and Foreign Companies.
- While calculating the number of Membership / Chairmanship in Committees of other Companies, Membership / Chairmanship of only Audit Committee and Shareholders' / Investors' Grievance Committee have been considered pursuant to Clause 49 of the

REPORT ON CORPORATE GOVERNANCE

listing agreement. None of the Director is a member in more than ten committees and act as a Chairman in more than Five Committees across all Companies in which he is a Director.

- None of the Directors are related to each other except Mr. Mukesh Bhandari and Mr. Shailesh Bhandari, who are Brothers.

Board Meetings:

During the financial period 2011 -12, Nine Board Meetings were held on 30th May 2011, 12th August 2011, 30th September 2011, 12th November 2011, 5th December 2011, 14th December 2011, 30th January 2012, 14th May 2012 and 14th August 2012.

Attendances of Directors at the Board Meetings and at the Last Annual General Meeting held on 30th September, 2011 are as under:

Name of Director	Attendance	
	Board Meetings	AGM held on 30.09.2011
Mr. Mukesh Bhandari	6	No
Mr. Shailesh Bhandari	7	Yes
Mr. Avinash Bhandari	8	Yes
Mr. Narendra Dalal	6	Yes
Mr. Nilesh Desai	8	No
Mr. Ram Singh	7	No
Mr. Pradeep Krishna Prasad	9	No
Dr. Sudhir Kapur	9	No
Mr. Madhusudan Somani	3	No
Mr. Ravikumar Trehan	1	No
Mr. Parth Gandhi	1	Not Applicable

All the information required to be furnished to the Board was made available to them along with detailed agenda notes. Time gap between two Board meetings were not more than four months.

3. Committees of Board

A. Audit Committee

(i) Brief description of Terms of Reference

The terms of reference and powers of the Audit Committee are in compliance with the provisions of the Corporate Governance – Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. Minutes of the Audit Committee are circulated and discussed at the Board Meetings.

(ii) Composition of the Committee

The Audit Committee comprises of three members and two thirds of the members of Audit Committee are independent directors. Mr. Parth Gandhi, Mr. Madhusudan Somani and Dr. Sudhir Kapur were ceased to be member / chairman of the Audit Committee with effect from 12th August, 2011, 1st October, 2012 and 26th November, 2012 respectively. The Audit Committee was reconstituted by appointing Mr. Avinash Bhandari, Executive Director and Mr. Ram Singh as members with effect from 27th November, 2012. At present, Mr. Ram Singh is the Chairman and Mr. Nilesh Desai and Mr. Avinash Bhandari are members of the Audit Committee. The Company Secretary acts as a secretary to the Audit Committee.

(iii) Meetings and Attendance

During the financial period 2011-12, Six Meetings of the Audit Committee were held on 30th May 2011, 12th August 2011, 12th November 2011, 30th January 2012, 14th May 2012 and 14th August 2012.

**REPORT ON CORPORATE GOVERNANCE****Details of Attendance at the Audit Committee**

Name	Designation	Attendance
Mr. Madhusudan Somani	Chairman	3
Mr. Nilesh Desai	Member	4
Dr. Sudhir Kapur	Member	6
Mr. Parth Gandhi	Member	1

B. Remuneration Committee:**(i) Brief description of Terms of Reference**

The Remuneration Committee has been constituted to recommend and review remuneration package of Executive Directors of the Company and recommend suitable revision to the Board.

(ii) Composition of the Committee

The Remuneration Committee consists of three Non-Executive & Independent Directors, to comply with and meet the requirements of the Listing Agreement and Schedule XIII of the Companies Act, 1956. Mr. Madhusudan Somani ceased to be a member of the Remuneration Committee with effect from 1st October, 2012. The Remuneration Committee was reconstituted by appointing Mr. Ram Singh, a Non-Executive & Independent Director as member with effect from 27th November, 2012. At Present, Mr. Nilesh Desai is the Chairman and Mr. Pradeep Krishna Prasad and Mr. Ram Singh are members of the Remuneration Committee.

(iii) Meetings and attendance

During the financial period 2011 -2012, No Meeting of the Remuneration Committee was held.

(iv) Remuneration Policy

The remuneration policy of the Company for managerial personnel is based on the performance, experience and responsibilities. The members of the Company passed resolutions through postal ballot on 20th March, 2009 and further through resolutions passed at 23rd Annual General Meeting held on 15th September, 2009 approved the terms of remuneration of managerial personnel subject to the Schedule XIII and other applicable provisions of the Companies Act, 1956. Due to the losses incurred by the Company during the financial period 2011-2012, the remuneration of the managerial personnel was reduced / revised to the minimum remuneration of Rs. 2,00,000/- per month as per Schedule XIII of the Companies Act, 1956.

(v) Details of Remuneration of Directors

The details of remuneration paid to Chairman, Managing Directors and Whole Time Director for the financial period of 18 months ended on 30th September, 2012 is as under:

Name of Executive Director	Salary	Allowances & PF Contribution	Total	Tenure of Appointment
Mr. Mukesh Bhandari	36,00,000	2,70,000	38,70,000	01.02.2009 to 31.01.2014
Mr. Shailesh Bhandari	36,00,000	2,70,000	38,70,000	01.02.2009 to 31.01.2014
Mr. Avinash Bhandari	36,00,000	2,70,000	38,70,000	01.02.2009 to 31.01.2014
Mr. Narendra Dalal	36,00,000	2,70,000	38,70,000	01.02.2009 to 31.01.2014
Total	1,44,00,000	10,80,000	1,54,80,000	

During the financial period, the Company has paid gross sitting fees of ₹ 20,000/- to ICICI Venture Funds Management Company Limited for attendance of board meeting by Mr. Parth Gandhi, nominee director. No sitting Fees was paid to any other Directors of the Company.

Non-Executive Directors of the Company does not hold any equity shares of the Company as on 30th September, 2012.

**REPORT ON CORPORATE GOVERNANCE****C. Shareholders'/Investors' Grievance Committee :**

The Company has Shareholders'/Investors' Grievance Committee comprising of one Executive Director and two Non-Executive & Independent Directors to expedite the process of redressal of complaints like non-transfer of shares, non-receipt of annual report, non-receipt of dividends etc.

Mr. Ram Singh, a Non-Executive and Independent Director is the Chairman and Mr. Avinash Bhandari and Mr. Nilesh Desai are members of the Committee. The Committee generally meets two times a quarter to expedite all matters relating to shareholders' / investors' grievances received during that period. The Committee reviews summary of share transfers, dematerialization of shares, consolidation or sub-division of shares, complaints received and disposed off etc.

During the financial period 2011-12, ten meetings of the Shareholders' / Investors' Grievance Committee were held. Mr. Jigar H. Shah, Company Secretary is the Compliance Officer.

Details of Shareholders Complaints

The details of complaints received / solved / pending during the financial period are as under:

Sr.No.	Nature of Complaint	Complaints received	Complaints solved	Complaints pending
1.	Non receipt of Dividend	4	4	NIL
2.	Non receipt of Annual Report	3	3	NIL

SEBI Complaints Redress System (SCORES)

SEBI vide circular dated 3rd June, 2011 introduced the system of processing of investors complaints in a centralized web based complaints redress system known as 'SCORES'. The salient features of this system are : Centralized database of all complaints, online upload of Action Taken Reports (ATRs) by concerned Companies and online viewing by investors of action taken on the complaint and its current status etc.

D. Other Committees**(i) Share Allotment Committee**

The Company has constituted a Share Allotment Committee on 29th July, 2006. The terms of reference of Share Allotment Committee includes to look into the receipt of money by way of subscription of Shares, Warrants, FCCBs or other convertible instruments issued or to be issued by the Company and allotment of Shares, Warrants, FCCBs or other convertible instruments and allotment of Equity Shares arising on conversion of Warrants, FCCBs or other convertible instruments issued by the Company or to be issued by the Company in future.

Mr. Shailesh Bhandari is the Chairman of the Committee and Mr. Avinash Bhandari and Mr. Ram Singh are members of the Committee.

During the financial period 2011-12, no meeting of the Share Allotment Committee was held.

(ii) Management Committee

The Company has constituted a Management Committee on 29th October, 2007. The terms of reference of Management Committee includes to look into the day to day functioning and exercise of delegated power of the Board for matters relating to operations and granting of authority for various functional requirements such as issue of Power of Attorney, arranging for vehicle loans, dealings with Central / State Governments and various Statutory / Judicial / Regulatory / Local / Commercial / Excise / Customs / Port / Sales Tax / Income tax / Electricity Board etc. and other authorities on behalf of the Company.

Mr. Shailesh Bhandari is the Chairman of the Committee and Mr. Avinash Bhandari and Mr. Narendra Dalal are members of the Committee.

During the financial period 2011-12, Eleven Meetings of the Management Committee were held.

(iii) Risk Management Committee

The Company has constituted a Risk Management Committee on 30th September, 2011. The terms of reference of Risk Management Committee includes to review the risk management processes across all businesses and functions, to identify the key risk and develop action plans to mitigate those risks, to assess the risks on periodical basis including effective control and management reporting system etc.

Dr. Sudhir Kapur ceased to be a member of the Risk Management Committee with effect from 26th November, 2012. The Risk Management Committee was reconstituted by appointing Mr. Pradeep Krishna Prasad, a Non-Executive & Independent Director as member with effect from 27th November, 2012. At Present, Mr. Avinash Bhandari is the Chairman and Mr. Shailesh Bhandari and Mr. Pradeep Krishna Prasad are members of the Risk Management Committee.

During the financial period 2011-12, no meeting of the Risk Management Committee was held.

REPORT ON CORPORATE GOVERNANCE

4. General Body Meeting:

(i) Annual General Meetings

The last three Annual General Meetings of the Company were held within the statutory time period. The details of the same are as under:

AGM	Financial Year	Venue	Date	Time
25th	2010-2011	S-5, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad – 380 015	30.09.2011	11.00 A.M.
24th	2009-2010	H. T. Parekh Convention Centre, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad – 380 015	24.09.2010	11.00 A.M.
23rd	2008-2009	H. T. Parekh Convention Centre, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad – 380 015	15.09.2009	11.00 A.M.

Special Resolutions:

Special Resolutions passed at the previous three Annual General Meetings:

- (1) Special Resolution under Section 163 of the Companies Act, 1956 for keeping the Register of Members, Index of Members and other related books at the premises of the Companies' Registrar and Transfer Agent viz. Link Intime India Private Limited was passed at the 23rd Annual General Meeting held on 15th September, 2009.
- (2) No Special Resolution was passed at the 24th Annual General Meeting held on 24th September, 2010 and 25th Annual General Meeting held on 30th September, 2011.

(ii) Extra Ordinary General Meetings

No Extra Ordinary General Meeting was held during the financial period 2011–2012.

(iii) Postal Ballot

During the financial period, an Ordinary Resolution for sale, lease, transfer or disposal of Ductile Iron Pipes Division ("DIP Division") of the Company under Section 293(1)(a) of the Companies Act, 1956 read with Section 192A and the Companies (Passing of Resolution by Postal Ballot) Rules, 2011 was passed. The Notice of Postal Ballot dated 30th September, 2011 was dispatched to all shareholders on 3rd October, 2011 and the result of the same was declared on 8th November, 2011 at the Registered Office of the Company. As per the report of Scrutinizer Mr. Bipin S. Acharya, details of the same are as under:

Sr.No.	Particulars	No. of Postal Ballot Forms	No. of Shares
1	Total postal ballot forms received	175	4393448
2	Less: Invalid postal ballot forms	8	1150
3	Net Valid postal ballot forms	167	4392298
4	Postal ballot forms with assent for the Resolution	154	4391702 (99.99%)
5	Postal ballot forms with dissent for the Resolution	10	568 (0.01%)
6	Postal ballot forms with neither assent nor dissent for the resolution	3	28 (0.00%)

The Ordinary Resolution had, therefore, been approved by the shareholders with requisite majority.

Mr. Bipin S. Acharya, Practising Company Secretary conducted the postal ballot process as Scrutinizer appointed by the Board for that purpose.

The Company has complied with the procedures for Postal Ballot in terms of the Companies (Passing of Resolution by Postal Ballot) Rules, 2011.

The Board proposes to pass the following ordinary / special resolution through postal ballot :

- (a) Ordinary Resolution under section 293(1)(a) of the Companies Act, 1956 for creation of charge / security on properties of the Company
- (b) Ordinary Resolution under section 293(1)(d) of the Companies Act, 1956 for increase in borrowing limits of the Company.
- (c) Special Resolution under section 372A of the Companies Act, 1956 for increase in limits of inter corporate loans and investments etc.

REPORT ON CORPORATE GOVERNANCE

5. Disclosures:

(i) Disclosures on materially significant related party transactions

The Company does not have any related party transactions with promoters, directors or management or relatives, which may have potential conflict with the interest of the Company at large. Transactions with related parties are disclosed in the notes to the accounts in this Annual Report.

(ii) Code of Conduct

The Board has laid down a Code of Conduct for all Board Members and Senior Management of the Company. The Code of Conduct has been posted on the website of the Company i.e. www.electrotherm.com

In compliance with the Code, directors and senior management of the Company have affirmed compliance with the Code for period ended on 30th September, 2012. The declaration of compliance of Code of Conduct by the Joint Managing Director & CEO is part of this Annual Report.

(iii) CEO / CFO Certification

Mr. Shailesh Bhandari, Managing Director and Mr. Avinash Bhandari, Joint Managing Director & CEO of the Company has furnished the requisite certificate to the Board of Directors under Clause 49 V of the Listing Agreement.

(iv) Cases of Non-Compliance / Penalties

There are no non-compliances by the Company on any matter related to capital markets, during the last three years. Similarly, there are no penalties or strictures imposed on the Company by Stock Exchanges or SEBI or any other statutory authorities on any matter related to capital markets during the last three years.

The Company has complied with all the mandatory requirements of the Clause 49 of the listing agreement with the Stock Exchanges as well as regulations and guidelines issued by SEBI.

(v) Non-Mandatory Requirements

The Company has complied with all the mandatory requirements of Clause 49 of the listing agreement. Further the Company has fulfilled the following non-mandatory requirements as prescribed in Annexure ID to clause 49 of the listing agreement with the Stock Exchanges:

- The Company has set up a Remuneration Committee. Please see the Para 3B on Remuneration Committee for details.
- The Company has adopted Whistle Blower Policy at the Board Meeting held on 12th August, 2011. The Company hereby affirms that all employees has right to access to the Audit Committee against any violation of the company's code of conduct or ethics policy.

6. Means of Communication:

The quarterly results are normally published in national and local daily such as "Business Standard" in English and "Jansatta" in Gujarati Editions.

The Company has its own website www.electrotherm.com, on which the quarterly results are displayed. The quarterly results and official news releases are displayed on the website of the respective stock exchanges.

7. General Shareholder Information:

Day, Date & Time of 26 th AGM	Friday, 28 th December, 2012 at 11.00 a.m.
Venue of AGM	S-5, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad – 380 015
Book Closure Date	24 th December, 2012 to 28 th December, 2012 (Both days inclusive)
Compliance Officer	Mr. Jigar Shah, Company Secretary
Email for Investor Complaint	sec@electrotherm.com
Website	www.electrotherm.com
Financial Period	1 st April to 30 th September*
ISIN with NSDL & CDSL	INE822G01016

* The Company is having financial year from 1st April to 31st March. However, the current financial period 2011 – 2012 was extended upto 30th September, 2012 and as such, the next financial period could be of six months from 1st October, 2012 to 31st March, 2013.

REPORT ON CORPORATE GOVERNANCE

Tentative Financial Calendar for 2012 -2013 (Six months from 1 st October, 2012 to 31 st March, 2013):	
Quarter ending on 31 st December, 2012	On or before 14 th February, 2013
Quarter ending on 31 st March, 2013	On or before 30 th May, 2013

A. Listing on Stock Exchange(s):

Shares of your Company are listed in the Two Stock Exchanges namely:

Name & Address of Stock Exchange	Stock Code
BSE Limited : Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001	526608
National Stock Exchange of India Limited : Exchange Plaza, Bandra - Kurla Complex, Bandra (East), Mumbai - 400 051	ELECTHERM

Annual Listing Fees for the Financial Year 2012-13 have been paid to both Stock Exchanges and Annual Custodial Fees for the Financial Year 2012-13 have been also paid to NSDL and CSDL.

B. Market Price Data :

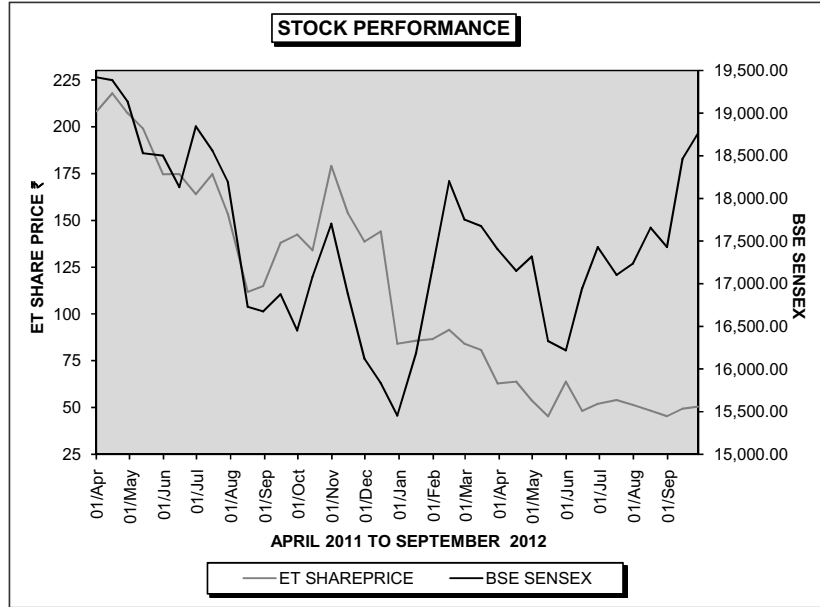
Market price data of equity shares of the Company having face value of ₹ 10/- on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) for the financial period 2011-12 are given below:

Month	BSE – Share Price		BSE Monthly Volume	NSE – Share Price		NSE Monthly Volume
	High	Low		High	Low	
April, 2011	232.00	206.00	40,090	232.50	204.00	27,460
May, 2011	218.00	168.00	40,340	221.00	166.10	48,897
June, 2011	182.00	157.05	40,758	179.60	158.00	33,563
July, 2011	195.40	150.00	3,32,778	195.05	149.00	5,40,957
August, 2011	154.85	106.05	1,33,722	154.90	98.35	2,11,796
September, 2011	147.50	111.50	8,44,012	147.45	111.30	15,20,910
October, 2011	207.60	121.05	9,30,134	204.35	120.50	10,01,565
November, 2011	180.00	130.00	44,142	184.00	129.25	28,369
December, 2011	166.65	82.20	3,49,976	167.45	82.25	3,78,963
January, 2012	94.40	76.25	2,13,721	94.00	77.05	1,89,414
February, 2012	99.00	81.00	1,29,744	99.85	81.35	1,53,455
March, 2012	93.50	62.00	99,400	92.50	62.00	1,34,434
April, 2012	67.35	53.20	89,742	67.25	54.10	89,547
May, 2012	76.00	41.00	6,42,042	74.70	41.55	7,77,094
June, 2012	67.00	46.50	47,250	70.40	45.80	49,541
July, 2012	60.60	47.10	23,455	60.60	47.60	27,076
August, 2012	52.00	44.40	23,199	52.90	43.85	15,225
September, 2012	52.40	44.00	34,041	52.80	43.75	53,651

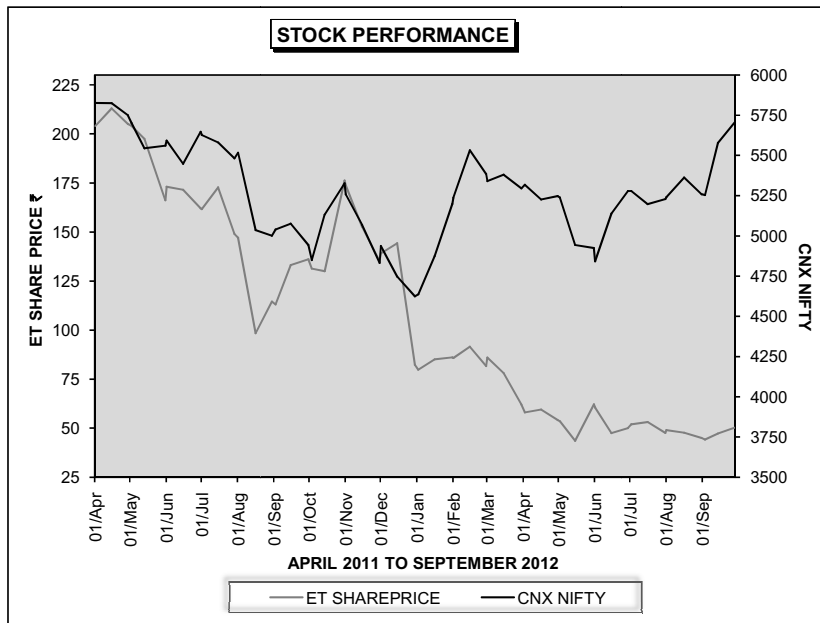
REPORT ON CORPORATE GOVERNANCE

C. Stock Performance:

Performances of share price of the Company in comparison to BSE Sensex for the financial period 2011–2012 are as under:



Performances of share price of the Company in comparison to CNX Nifty for the financial period 2011–2012 are as under:



D. Registrar and Share Transfer Agent:

M/s Link Intime India Pvt. Ltd. is the Share Transfer Agent for entire functions of share registry, both for physical transfers as well as dematerialisation /rematerialisation of shares, issue of duplicate / split / consolidation of shares etc.

LINK INTIME INDIA PVT. LTD.

303, 3rd Floor, Shopper Plaza V, Opp. Municipal Market, Behind Shoppers Plaza II, Off C. G. Road, Ahmedabad – 380 009
Phone & Fax No. (079) 2646 5179 E-mail : ahmedabad@linkintime.co.in

REPORT ON CORPORATE GOVERNANCE

E. Share Transfer System:

Shareholders are requested to send their share transfer related requests and documents at the above mentioned address. To expedite the process of share transfer, the Board of the Company has delegated the power of share transfer to the Registrar and Share Transfer Agent, which attends to the share transfer formalities at least once in a fortnight.

As per Clause 47(c) of the Listing Agreement, the Company has obtained the half yearly certificates from the Company Secretary in Practice for compliance of share transfer formalities and the same have been submitted to the Stock Exchanges. The Company has also obtained Quarterly Reconciliation of Share Capital Audit Report as per the Regulation 55A of SEBI (Depositories and Participants) Regulations, 1996 and submitted the same to the Stock Exchanges.

F. Distribution of shareholding as on 30th September, 2012

Category	No. of Shareholders		No. of Shares	
	Total	% of Shareholders	Total	% of Shares
1 - 500	7690	93.03	724638	6.31
501 - 1000	282	3.41	215972	1.88
1001 - 2000	153	1.85	222765	1.94
2001 - 3000	41	0.50	100972	0.88
3001 - 4000	25	0.30	89999	0.79
4001 - 5000	18	0.22	84833	0.74
5001 - 10000	20	0.24	130144	1.13
10001 & above	37	0.45	9907051	86.33
Total	8266	100.00	11476374	100.00

G. Categories of Shareholding as on 30th September, 2012

Sr.No.	Category	No. of Shares	% to Share Capital
A.	PROMOTERS SHAREHOLDING		
1.	Promoters and Promoters Group	37,68,075	32.83
B.	PUBLIC SHAREHOLDING		
2.	Mutual Funds / UTI	9,800	0.09
3.	Banks/Financial Institutions	100	0.00
4.	Foreign Financial Institution	13,66,666	11.91
5.	Bodies Corporate	13,18,426	11.49
6.	NRIs	52,479	0.46
7.	Trusts	12,92,231	11.26
8.	Foreign Companies	20,00,000	17.43
9.	Clearing Members	57,463	0.50
10.	Indian Public	16,11,134	14.03
	Total	1,14,76,374	100.00

**REPORT ON CORPORATE GOVERNANCE****H. Dematerialisation of Shares and Liquidity:**

The Shares of the Company are under compulsory trading in demat form. The details of dematerialisation of shares as on 30th September, 2012 is as under:

Sr.No.	Particulars	No. of Shares	% of Paid up Capital
1	Held in Physical form	26,21,002	22.84
2	Held in Demate form	88,55,372	77.16
	Total	1,14,76,374	100.00

No Equity Shares are under lock-in as on 30th September, 2012.

Shares of the company are frequently traded in BSE and NSE.

I. Outstanding GDRs/ADRs/Warrants or Convertible instruments, conversion date and likely impact on the Equity:

As on 30th September, 2012, the Company does not have any GDRs/ADRs/Warrants or any other convertible instruments.

J. Plant Locations:

Engineering & Projects Division : Survey No.: 72, Village: Palodia, Taluka: Kalol, Dist.: Gandhinagar 382 115, Gujarat

Steel & Electric Vehicle Division : Survey No. 325, Village Samkhiyali, Taluka : Bhachau, Dist. Kutch, Gujarat

Wind Farm : Village: Dhank, Taluka:Upleta, Dist.: Rajkot, Gujarat

Renewables Division : 414/1 GIDC, Phase-II, Vatva Industrial Area, Ahmedabad - 382 445, Gujarat

Transmission Line Tower Division : Village : Juni Jithardi, Tal : Karjan, Dist : Vadodara, Gujarat

K. Correspondence:

Shareholders are requested to correspond with the company at the following address:

Mr. Jigar Shah
 Company Secretary
 Electrotherm (India) Limited
 A-1, Skylark Apartment, Satellite Road, Satellite, Ahmedabad – 380 015
 Phone No. (02717) 234553 to 57, Fax No. (02717) 660600, Email : sec@electrotherm.com

DECLARATION OF CODE OF CONDUCT

As provided under Clause 49 of the Listing Agreement with the stock exchanges, the Board Members and Senior Management Personnel have confirmed compliance with the code of conduct for the financial period ended on 30th September, 2012.

Date : 27th November, 2012
 Place : Palodia

Avinash Bhandari
 Joint Managing Director & CEO



AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members,
Electrotherm (India) Limited
Ahmedabad.

We have examined the compliance of conditions of Corporate Governance by **Electrotherm (India) Limited** for the 18 months period ended on 30th September, 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

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

For Mehta Lodha & Co.
(Firm Registration No.106250W)
Chartered Accountants

Prakash D. Shah
Partner
Membership No. 34363

Place : Ahmedabad
Date : 27th November, 2012

**AUDITOR'S REPORT**

To,

The Members

ELECTROTHERM (INDIA) LIMITED.

AHMEDABAD

1. We have audited the attached Balance Sheet of **ELECTROTHERM (INDIA) LIMITED**, as at **30th September 2012**, the Statement of Profit & Loss and the Cash Flow Statement for the 18 months period 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 the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) Amended order 2004, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanation given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, for the period under consideration.
4. Further to our report as stated above in para (3) of this report and subject to notes on account & significant accounting policies, we further broadly report that:-
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books;
 - (iii) The Balance Sheet, the Statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - (iv) In our opinion, the Balance Sheet, the Statement of Profit & Loss and Cash Flow Statement dealt with by this report, read with the notes to accounts and accounting policies, comply with the applicable accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (v) On the basis of written representation received from the Directors of the Company as on September 30, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on September 30, 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies and subject to *Note No 2.27 relating to Winding Up Petitions and recovery cases against the company, Note No 2.28 relating to restructuring of the debts of the company; affecting the going concern's concept of the company, Note No. 2.29 relating to non provision of disputed advances and Claims/Liability and Note No 2.39 relating to third party balance confirmations and its classification, non provision of interest on NPA Accounts of Banks and other issues, affecting the financial statements, to the extent stated therein*, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:-
 - (a) in the case of the balance sheet, of the state of affairs of the company as at 30th September , 2012;
 - (b) in the case of the Statement of Profit & Loss, of the **Loss** for the 18 months period ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the 18 months period ended on that date.

For Mehta Lodha & Co.
(Registration No.106250W)
Chartered Accountants

Prakash D.Shah
Partner

Membership No. 34363

Date : November 27, 2012

Place : Ahmedabad

**ANNEXURE TO THE AUDITOR'S REPORT****ANNEXURE REFERRED TO IN PARAGRAPH (3) OF THE AUDIT REPORT OF EVEN DATE OF THE MEMBERS OF ELECTROTHERM (INDIA) LIMITED, ON THE ACCOUNTS FOR THE 18 MONTHS PERIOD ENDED ON 30TH SEPTEMBER, 2012.**

- (1) (a) *The company is in process of updating the records showing particulars of quantity and situation of fixed assets.*
 - (b) As informed to us, the company has formulated a programme of physical verification of all the fixed assets over a period of three years, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. Accordingly, the physical verification has been carried out by the management during the period of the fixed assets at Palodia plant and as informed to us, no material discrepancies were noticed on such physical verification.
 - (c) None of the substantial part of fixed assets has been disposed off during the period.
- (2) (a) As informed to us, during the period the management has conducted physical verification of the inventories and in our opinion the frequency of verification is reasonable.
 - (b) The procedures of physical verification of inventories followed by the management is broadly reasonable and adequate having regard to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanation given to us, the Company has maintained records of inventory. As informed to us, the discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
- (3) (a) As informed to us, the company has taken unsecured loan from the Companies, firms and other parties (except foreign associates) listed in the register maintained under section 301 of the Companies Act, 1956. The aggregate of loan outstanding from seven such parties as on the last day of the period is ₹ 67.78 Million. The rate of interest and the terms of repayment are not stipulated and other terms and conditions are not prima facie prejudicial to the interest of the Company.
 - (b) As informed to us, the company has given loans to the companies, firms and other parties (except foreign associates) listed in the register maintained under section 301 of the Companies Act, 1956. The aggregate amount of loan outstanding of ten such parties is ₹ 274.39 Million. The rate of interest and the terms of repayment are not stipulated and other terms and conditions are not prima facie prejudicial to the interest of the company.
- (4) In our opinion and according to the information and explanations given to us, there are generally adequate internal control procedures commensurate with the size of the company and the nature of its business with regards to purchases of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (5) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that transactions that need to be entered into the register maintained under section 301 have been so entered.
 - (b) In respect of transactions with parties with whom transactions exceeding value of ₹ 5 Lacs have been entered into during the financial period, are at the prices which are reasonable having regard to the prevailing market prices at the relevant time, except in case of transactions where we are unable to comment owing to the unique and specialized nature of the items and absence of any comparable prices, whether the transactions are made at the prevailing market prices at the relevant time or not.
- (6) In our opinion and according to the information and explanation given to us, the company has not accepted deposits from the public as per the directives issued by the Reserve Bank of India and the provisions of section 58A, section 58AA and any other relevant provisions of the Act and the rules framed there under.
- (7) The Company has an Internal Audit Department system; however, the same is required to be further strengthened with regard to the scope, reporting and its compliance so that it can be commensurate with size and nature of business of the company.
- (8) The Central Government of India has prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for the Steel Products and Vehicles and on the basis of the explanation given and our broad review of the records maintained, prima facie the company has maintained cost records for the said Products. The contents of these accounts and records have not been examined by us.
- (9) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it *except Central Sales Tax Liability of ₹ 18.59 Million for the Period starting from June 2012 to September 2012 and Value Added Tax of ₹ 22.26 Million for the period starting from July 2012 to September 2012.*
 - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Customs Duty, Excise Duty and cess were in arrears as at 30th September, 2012 for a period of more than six months from the date they become payable.

**ANNEXURE TO THE AUDITOR'S REPORT**

- (c) On the basis of information furnished to us, following are the details of outstanding dues in respect of Sales tax, Income tax, Custom duty, Wealth tax, Excise Duty and Cess, which have not been deposited on account of any dispute. :-

NAME OF THE STATUTORY DUES	FORUM WHERE DISPUTE IS PENDING	AMOUNT (₹ In Million)
Excise Duty	Customs Excise and Service Tax Appellate Tribunal	2489.60
Excise Duty	Dy. Commissioner of Excise and Custom	243.98
Excise Duty	Directorate General Of Central Excise Intelligence -Ahmedabad	13.01
Custom Duty	Commissioner of Custom, Kandla	70.00
Vat	Sales Tax Department	160.00

- (10) The company has accumulated losses at the end of the reporting period and the said losses has exceeded the fifty percent net worth of the company and it has incurred cash losses in current period but there is no cash loss in preceding financial year.
- (11) *Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has defaulted in repayment of dues (including interest) to financial institution and banks and details relating to extent of defaults is not readily available with the company.*
- (12) We are of the opinion that, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (13) In our opinion, the company is not a chit fund or a nidhi mutual benefit fund/society and therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (14) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments and accordingly, the provisions of clause 4(xiv) of the Companies (Auditors Report) Order 2003 are not applicable to the Company.
- (15) According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
- (16) According to the Cash Flow Statement and other records examined by us as well as information and explanations given to us on an overall basis, term loan taken by the company has been utilized for the purpose for which they were raised.
- (17) According to the Cash Flow Statement and other records examined by us as well as information and explanations given to us on an overall basis, we report that funds raised on short term basis have not prima-facie been used for long term investment.
- (18) The Company has not made allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (19) The company has not issued any debentures and accordingly, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (20) During the period, the company has not raised any money through a public issue.
- (21) During the course of our examination of the books and records of the company, carried out in accordance with generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instances of material fraud on or by the Company, noticed or reported during the period, nor we have been informed of such case by the management.

For Mehta Lodha & Co.
(Registration No.106250W)
Chartered Accountants

Prakash D.Shah
Partner
Membership No. 34363

Date : November 27, 2012
Place : Ahmedabad

BALANCE SHEET AS AT 30TH SEPTEMBER, 2012

Sr. No.	Particulars	Note No.	As at 30th September 2012 ₹ In Million	As at 31st March 2011 ₹ In Million
	EQUITY AND LIABILITIES			
	<i>Shareholders' funds</i>			
(a)	Share Capital	2.01	234.76	234.76
(b)	Reserves and Surplus	2.02	(167.22)	7,059.90
	<i>Non - Current liabilities</i>			
(a)	Long Term Borrowings	2.03	5,019.90	4,947.06
(b)	Deferred Tax Liability	2.04	-	865.13
(c)	Long Term Provisions	2.05	75.10	45.34
	<i>Current liabilities</i>			
(a)	Short-term borrowings	2.06	21,594.08	19,206.66
(b)	Trade Payables	2.07	598.94	1,863.76
(c)	Other current liabilities	2.08	5,362.99	2,778.11
(d)	Short Term Provisions	2.09	22.72	15.51
	TOTAL		32,741.27	37,016.23
	ASSETS			
	<i>Non-current Assets</i>			
(a)	Fixed Assets			
(i)	Tangible Assets	2.10	16,197.47	15,705.70
(ii)	Intangible Assets	2.10	17.56	25.98
(iii)	Capital work-in-progress	2.10	95.85	2,335.07
(b)	Non-current Investments	2.11	1,223.95	1,083.87
(c)	Long-term loans and advances	2.12	227.59	184.91
(d)	Other Non-Current Assets	2.13	292.72	342.20
	<i>Current Assets</i>			
(a)	Inventories	2.14	6,942.88	8,527.60
(b)	Trade Receivables	2.15	4,459.35	5,101.92
(c)	Cash and Bank Balances	2.16	516.51	1,180.32
(d)	Short-term loans and advances	2.17	2,746.62	2,518.78
(e)	Other Current assets	2.18	20.77	9.88
	TOTAL		32,741.27	37,016.23

Significant Accounting Policies **1**

Notes to Accounts **2**

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

As per our report of even date attached

For & on behalf of

Mehta Lodha & Co.,

Firm Registration No: 106250W

Chartered Accountants

Prakash D. Shah

M. NO. 34363

Partner

Place : Ahmedabad

Date : November 27, 2012

For & on behalf of the Board of Directors

Shailesh Bhandari

Managing Director

Avinash Bhandari

Joint Managing Director

Jigar Shah

Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE 18 MONTHS PERIOD ENDED ON 30TH SEPTEMBER, 2012

Sr. No.	Particulars	Note No.	18 months Period ended on 30th September 2012 (₹ In Million)	Year ended on 31st March 2011 (₹ In Million)
	Income			
	Revenue from Operations	2.19	22,389.03	22,968.93
	Other Income	2.20	316.42	163.90
A	Total Revenue		22,705.45	23,132.83
	Expenditure			
	Cost of Materials Consumed	2.21	15,192.56	13,610.96
	Purchases of Stock in Trade	2.21	1,388.22	6,186.94
	Changes in Inventories of Finished Goods and Work in Process	2.22	1,606.56	(4,827.38)
	Employee Benefits Expense	2.23	1,215.05	645.93
	Finance Cost	2.24	4,740.34	1,921.96
	Depreciation and Amortization Expense	2.10	1,991.83	1,077.76
	Other Expenses	2.25	4,710.75	4,099.70
	Preliminary Expenses Written Off		10.75	7.35
B	Total Expenses		30,856.06	22,723.22
	Profit/(Loss) before Tax (A-B)		(8,150.61)	409.61
	Tax Expenses			
	Current Tax		-	76.14
	Wealth Tax		0.23	-
	Deferred Tax		(865.13)	50.63
	Profit/(Loss) for the Period/Year		(7,285.70)	282.84
	Add/(Less) : Prior Period Adjustments	2.26	(6.83)	5.41
	Profit/(Loss) for the Period/Year		(7,292.53)	288.25
	Earnings per Equity Share (Nominal Value of Share ₹10/- each)	2.40	Negative	25.12
	Basic and Diluted (In ₹)			

Significant Accounting Policies

1

Notes to Accounts

2

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

As per our report of even date attached

For & on behalf of

Mehta Lodha & Co.,

Firm Registration No: 106250W

Chartered Accountants

Prakash D. Shah

M. NO. 34363

Partner

Place : Ahmedabad

Date : November 27, 2012

For & on behalf of the Board of Directors

Shailesh Bhandari

Managing Director

Avinash Bhandari

Joint Managing Director

Jigar Shah

Company Secretary

CASH FLOW STATEMENT FOR THE 18 MONTHS PERIOD ENDED ON 30TH SEPTEMBER, 2012

	CURRENT PERIOD ₹ In Million	PREVIOUS YEAR ₹ In Million
A: CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax as per Statement of Profit and Loss	(8,150.61)	409.61
Adjusted For:		
Loss on Sale/Discard of assets (net)	(23.29)	0.69
Depreciation	1,991.83	1,077.76
Dividend Income	(0.04)	-
Interest Income	(128.88)	(51.26)
Prior Period Item	(6.83)	5.41
Finance Cost	4,740.34	1,921.96
Operating profit before working capital changes	(1,577.48)	3,364.17
Adjusted For:		
Trade and other Receivables	642.57	(1,737.25)
Inventories	1,584.71	(3,686.15)
Trade and other Payables	(1,264.82)	(3,472.24)
Loans and advances and other assets	(216.49)	(455.60)
Other liabilities and provisions	2,621.80	2,361.74
Cash Generated from Operations	1,790.29	(3,625.33)
Taxes Paid	(15.67)	(57.42)
Net Cash Generated from Operating activities	1,774.62	(3,682.75)
B: CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(300.34)	(3,447.36)
Sales of Fixed Assets	32.05	1.71
Sales / (Purchases) of Investments (net)	(140.08)	(1,011.18)
Dividend Income	0.04	-
Interest Income	128.88	51.26
Net Cash (used in) Investing Activities	(279.45)	(4,405.57)
C: CASH FLOW FROM FINANCING ACTIVITIES		
Government subsidy received	121.10	-
Repayment of Long Term Borrowings*	72.84	(4,237.76)
Short term Borrowings (Net)*	2,387.42	13,620.11
Dividend paid (including Dividend Distribution Tax)	0.00	(41.99)
Finance Cost*	(4,740.34)	(1,921.96)
Net Cash (used in) Financing Activities	(2,158.98)	7,418.40
Net Increase in Cash and Bank Balances	(663.81)	(669.92)
Opening Balance of Cash and Bank Balances	1,180.32	1,850.24
Closing Balance of Cash and Bank Balances (Refer note no 2.16)	516.51	1,180.32

* Includes amount of unpaid interest converted into Term Loans.

As per our report of even date attached

For & on behalf of

Mehta Lodha & Co.,

Firm Registration No: 106250W

Chartered Accountants

Prakash D. Shah

M. NO. 34363

Partner

Place : Ahmedabad

Date : November 27, 2012

For & on behalf of the Board of Directors

Shailesh Bhandari

Managing Director

Avinash Bhandari

Joint Managing Director

Jigar Shah

Company Secretary

CORPORATE INFORMATION

Electrotherm (India) Limited (the Company) is a listed public company domiciled in India and Incorporated under the provisions of the Companies Act, 1956. The Company is engaged in the Manufacturing of Electronic furnaces and other capital equipments, Sponge and PIG Iron, Ferrous and Non-ferrous Billets/Bars/Ingots, Duct Iron Pipes, Battery operated vehicles, Electric Power Generation and services relating to Electric furnaces, other capital equipments and battery operated vehicles.

1. SIGNIFICANT ACCOUNTING POLICIES:

(A) BASIS OF PREPARATION OF ACCOUNTS:

The Financial Statements are prepared to comply in all material respects with the Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention (except for revalued assets which are stated at revalued amount) on an accrual basis.

(B) USE OF ESTIMATES:

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognized in the period in which the results are known /materialized.

(C) REVENUE RECOGNITION:

Sales are recognized when goods are billed and are accounted net of trade discounts, rebates, VAT & excise duty (except where Exemption is availed) but includes, export incentives. Income on services rendered is accounted for as and when the services are rendered as per the terms.

(D) TANGIBLE ASSETS:

Tangible Assets are stated at cost net of recoverable taxes and includes amounts added on revaluation, less accumulated depreciation and impairment loss, if any. It also includes assets acquired from other division of the Company less depreciation thereon. All costs, including financing costs till commencement of commercial production, net charges on foreign exchange contacts and adjustments arising from exchange rate variations attributable to the fixed assets are capitalized.

(E) INTANGIBLE ASSETS:

An intangible asset is recognized, only where it is probable that future economic benefits attributable to the asset will accrue to the enterprise and the cost can be measured reliably.

(F) DEPRECIATION:

Depreciation on all assets has been provided on Straight Line Method (S.L.M) except assets at Chatral Unit on which depreciation has been provided on Written down Value Method (W.D.V.) as per the rates prescribed in Schedule XIV of the Companies Act, 1956.

Depreciation for Power Plant at Kutch is provided at the rates applicable for continuous process plant.

The amount of Long Term lease hold land is amortized by equal installments during the last fifteen years of the residual lease period.

(G) INVESTMENTS:

Long term investments including investment in subsidiary companies are stated at cost. Diminution in value, if any, which is of a temporary nature, is not provided.

(H) INVENTORIES:

Finished goods are valued at cost or estimated net realizable value whichever is lower. Raw-material and stores are valued at cost. Work-in-progress value includes Raw-material, labour and appropriate overheads. The Cost is worked out on weighted average basis.

**(I) RESEARCH AND DEVELOPMENT:**

Revenue expenditure on research and development is charged against the profit of the year in which it is incurred, except in case of new projects, where it is accounted for as deferred revenue expenditure and charged to Statement of Profit & Loss from the commencement of the project in five years. Capital expenditure on research and development is shown as an addition to fixed assets.

(J) FOREIGN EXCHANGE TRANSACTIONS:

The transactions in Foreign Exchange are accounted at the exchange rate prevailing on the date of transaction. Foreign Currency monetary assets and liabilities at the date of balance sheet are translated at the rate of exchange prevailing on that date.

Gains/losses arising out of fluctuations in the exchange rates are recognized in the Statement of Profit and Loss in the period in which they arise except in respect of imported Fixed Assets where exchange variance is adjusted in the carrying amount of respective Fixed Assets.

Differences between the forward exchange rates and the exchange rates at the date of transactions are recognized as income or expense over the life of the contracts, except in respect of liabilities incurred for acquiring imported Fixed Assets, in which case such differences are adjusted in the carrying amount of the respective Fixed Assets.

Profit/loss arising on cancellation or renewal of forward exchange contracts are accounted for as income/expense for the period, except in case of forward exchange contracts relating to liabilities incurred for acquiring imported Fixed Assets, in which case such profit/loss are adjusted in the carrying amount of the respective Fixed Asset.

(K) TAXES ON INCOME:

Current tax is determined as the amount of tax payable in respect of taxable income for the period and the credits computed in accordance with the provisions of the Income Tax Act, 1961, and based on the expected outcome of the assessment/appeals.

MAT credit is recognized as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period.

Deferred Tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred Tax asset/liability is calculated on the basis of the rate of Income Tax (excluding other levies) applicable for the current year.

Deferred tax assets are recognized and carried forward to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

(L) LEASES:

Lease payments for assets taken on operating lease are recognized as an expense in the revenue/statement of profit and loss over the lease term.

(M) BORROWING COSTS:

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of an asset till put for its intended use is capitalized as part of the cost of that asset. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing cost (except as stated in notes) is charged to revenue.

(N) IMPAIRMENT OF ASSETS:

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the assets. If such recoverable amount of the assets is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Statement of Profit and Loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.



(O) DEFERRED REVENUE EXPENDITURE:

Expenditure relating to Preliminary Expenses, Capital issues and Deferred Revenue Expenses is amortized on straight line basis over a period of five years.

(P) RETIREMENT / POST RETIREMENT BENEFITS:

Contributions to defined contribution schemes such as Employees Provident fund and Family pension fund are charged to the Statement of Profit & Loss as and when incurred.

The company contributes to Group Gratuity policy with SBI Life Insurance Company Limited and Life Insurance Company Limited, for the Future Gratuity payment of the employees of the Engineering and EV Division on actuarial valuation method, whereas in case of Steel Division liability is provided on the basis of actuarial valuation.

Leave Encashment liability of the company is provided on the basis of actuarial valuation.

(Q) PROVISIONS AND CONTINGENT LIABILITIES:

(i) Provisions are recognized when the present obligation of a past event gives rise to a probable outflow, embodying economic benefits on settlement and the amount of obligation can be reliably estimated. Provisions 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.

(ii) Contingent Liabilities are disclosed after a careful evaluation of facts and legal aspects of the matter involved.

(iii) Provisions and Contingent Liabilities are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

(R) SEGMENT REPORTING:

The accounting policies adopted for segment reporting are in line with the accounting policies of the company with the following additional policies for the segment reporting:

Inter segment revenue have been accounted for, based on the transaction price agreed to, between segments which is primarily market led.

Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segment on a reasonable basis, have been included under "unallocated corporate expenses".

(S) FINANCE COST:

Finance Costs includes interest, bank charges, amortization of ancillary costs incurred in connection with the arrangement of borrowing and applicable gain/loss on foreign currency transactions and translation arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Finance Costs that are directly attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to statement of profit and loss.

(T) GENERAL:

Accounting policies not specifically referred to are consistent with generally accepted accounting policies.

NOTES TO ACCOUNTS

2.01 Shareholders' Funds

(a) Authorised, Issued, Subscribed and Paid- Up Capital:

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
Authorised		
2,50,00,000 Equity Shares of ₹10/- each	250.00	250.00
2,50,00,000 6% Non-Cumulative Redeemable Preference Shares of ₹10/- each	250.00	250.00
Total	500.00	500.00
Issued, Subscribed & Paid up		
1,14,76,374 (Previous Year 1,14,76,374) Equity Shares of ₹10/- each Fully paid up	114.76	114.76
1,20,00,000 (Previous Year 1,20,00,000) 6 % Non-Cumulative Redeemable Preference Shares of ₹10/- each Fully Paid Up, Redeemable at Par.	120.00	120.00
(35,60,000 Preference Shares Redeemable not later than 11th March 2025, 44,40,000 Preference Shares Redeemable not later than 1st April 2025 and 40,00,000 Preference Shares Redeemable not later than 14th May 2025)	234.76	234.76
Total	234.76	234.76

(b) A reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period.

(i) Equity Shares	As at 30th September 2012	As at 31st March 2011
	Numbers	Numbers
Shares outstanding at the beginning of the Period	11,476,374	11,476,374
Shares outstanding at the end of the Period	11,476,374	11,476,374
(ii) 6% Non-Cumulative Redeemable Preference Shares		
	As at 30th September 2012	As at 31st March 2011
	Numbers	Numbers
Shares outstanding at the beginning of the Period	12,000,000	12,000,000
Shares outstanding at the end of the Period	12,000,000	12,000,000

(c) **Rights, preference and restriction attached to Equity Shares**

- The face value of the Equity shares is ₹ 10/- per share . Each holder of equity shares is entitled to one vote per share. The company declares and pays dividend in Indian Rupees. During the period , the company has not declared any dividend.
- The shareholders are not entitled to exercise any voting right either personally or proxy at any meeting of the Company in cases calls or other sums payable have not been paid.
- In the event of liquidation of the company, holder of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(d) **Rights, preference and restriction attached to Preference Shares**

- The face value of the Preference shares is ₹ 10/- per share . The Preference share holder does not have any voting rights. During the period , the company has not declared any dividend.
- In the event of liquidation of the company,the preference share holders will have priority over equity shares in the payment of dividend and repayment of capital.

(e) There were no shares reserved at the period-end for issue under options and contracts / commitments for the sale of shares / disinvestment.

NOTES TO ACCOUNTS
(f) Shareholders holding more than 5% of the Shares in the Company :
Equity Shares

Sr. No.	Name of Shareholder	As at 30th September 2012		As at 31st March 2011	
		No. of Shares held	% of Holding	No. of Shares held	% of Holding
1	Castleshine Pte Limited	1,000,000	8.71	1,000,000	8.71
2	DEG-Deutsche Investitions-Und Entwicklungsgesellschaft MBH	1,366,666	11.91	1,366,666	11.91
3	IDBI Trusteeship Services Limited (India Advantage Fund-VI)	1,292,231	11.26	1,368,333	11.92
4	Leadhaven Pte Limited	1,000,000	8.71	1,000,000	8.71
5	Mr. Mukesh Bhandari	809,500	7.05	809,500	7.05
6	Mr. Shailesh Bhandari	848,275	7.39	848,275	7.39
7	Western India Speciality Hospital Limited	975,000	8.50	975,000	8.50

6% Non-Cumulative Redeemable Preference Shares

Sr. No.	Name of Shareholder	As at 30th September 2012		As at 31st March 2011	
		No. of Shares held	% of Holding	No. of Shares held	% of Holding
1	Web Businesses.com Global Ltd.	2,730,000	22.75	2,730,000	22.75
2	Lavish Packagers Ltd.	2,580,000	21.50	2,580,000	21.50
3	Highland Finance and Investments Pvt.Ltd.	3,240,000	27.00	3,240,000	27.00
4	Froid Finance and Investments Pvt Ltd.	1,200,000	10.00	1,200,000	10.00
5	Ahmedabad Aviation and Aeronautics Ltd	1,050,000	8.75	1,050,000	8.75
6	Mr. Shailesh B. Bhandari	1,200,000	10.00	1,200,000	10.00

(g) The Company have calls in arrears / unpaid calls of ₹ Nil (P.Y Nil)

2.02 Reserves and surplus

Particulars	As at 30th September 2012 (₹ In Million)		As at 31st March 2011 (₹ In Million)	
(A) Capital Reserve				
As per Last Balance Sheet Date	9.11		9.11	
Add: Government Subsidy received during the period	121.10	130.21	-	9.11
(B) Share Premium Account				
As per Last Balance Sheet Date		2,126.90		2,126.90
(C) General Reserve				
As per Last Balance Sheet Date	3,341.61		3,176.28	
Add: Transfer From Statement of Profit & Loss	-		200.00	
Less : Reduction on Sales of Revalued Land	(3.69)		-	
Less : Transferred for depreciation on Revaluation of Fixed Assets	(52.00)	3,285.92	(34.67)	3,341.61
(D) Surplus/Deficit in Statement of Profit & Loss				
As per Last Balance Sheet Date	1,582.28		1,494.03	
Add: Profit/(Loss) for the Period/Year	(7,292.53)		288.25	
Less: Transfer to General Reserve	-	(5,710.25)	(200.00)	1,582.28
Total		(167.22)		7,059.90

NOTES TO ACCOUNTS
2.03 Long term borrowings

Particulars	As at 30th September 2012 (₹ In Million)		As at 31st March 2011 (₹ In Million)	
	Non-Current	Current	Non-Current	Current
Secured				
Term Loans from Bank				
- Rupee Term Loan-[Note No.(a)]	4,065.81	3,688.60	4,003.26	1,676.82
- Foreign Currency Term Loan-[Note No.(b)]	458.70	265.00	490.49	93.41
Total	4,524.51	3,953.60	4,493.75	1,770.23
Hire Purchase Finance for Vehicles (Secured By Hypothecation of Specific Vehicles)	1.20	3.67	5.15	7.28
Unsecured				
- Foreign Currency Term Loan	494.19	53.00	448.16	-
Total	5,019.90	4,010.27	4,947.06	1,777.51

(a) Secured by first Charge by way of Equitable mortgage of all immovable properties and hypothecation of specified movable assets situated at Vatva, Palodia, Dhank, Samakhiyali – Kutch, and Chhadawada –Bhachau and Juni Jithardi, Karjan, Vadodara and Bank Fixed Deposits & as second charge on all Stock-in-Trade & Receivables. Further the loans are guaranteed by the personal guarantees of some of Directors.

(b) ECB Loan is secured by Pari Passu Charge over the movable assets and first Pari Passu Charge on immovable assets of the company.

2.04 Deferred Tax Liability

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
Deferred Tax Liability (Related to Fixed Assets) (Refer Note No 2.32(c))	-	865.13
Total	-	865.13

2.05 Long Term Provisions

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
Provision for Leave Encashment	40.47	28.19
Provision for Gratuity	34.63	17.15
Total	75.10	45.34

NOTES TO ACCOUNTS
2.06 Short-term borrowings

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
Secured loan from Banks		
Term Loan [Refer Note No.(a)]	9,333.71	47.16
Working Capital Facilities [Refer Note No.(b)]	9,887.52	7,222.04
Buyers Credit [Refer Note No.(b)]	64.79	1,546.68
Letter of Credit [Refer Note No.(b)]	234.45	2,281.28
Unsecured		
Loans and Advances from other parties repayable on demand from:-		
Related Parties (Including Body Corporates) (Refer Note No 2.36(b))	23.89	28.23
Body Corporate	3.35	3.35
Directors (Refer Note No 2.36(b))	43.89	6.35
Term Loan from Banks		
- Rupee Term Loan	1,739.59	7,848.62
- Foreign Currency Term Loan	262.89	222.95
Total	21,594.08	19,206.66

(a) Secured by first Charge by way of Equitable mortgage of all immovable properties and hypothecation of specified movable assets situated at Vatva, Palodia, Dhank, Samakhiali – Kutch, and Chhadawada –Bhachau and Juni Jithardi, Karjan, Vadodara and Bank Fixed Deposits & as second charge on all Stock-in-Trade & Receivables. Further the loans are guaranteed by the personal guarantees of some of Directors.

(b) Secured by first charge by way of hypothecation of all stocks of raw material, packing materials, fuel, stock in process, semi finished and finished goods, stores and spares not relating to the plant and machinery and stocks in trade & receivables and second charge on all movable fixed assets & second and subservient charge by way of equitable mortgage of all immovable properties situated at Vatva, Palodia, Dhank, Samakhiali- Kutch and Chhadawada -Bhachau. Further the loans are guaranteed by the personal guarantees of some of the Directors of the company.

2.07 Trade Payables

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
Micro, Small and Medium Enterprises	4.92	4.92
Others [Refer Note No 2.39(b)]	593.92	1,736.52
Dues to Subsidiaries	0.10	121.82
Dues to Related Parties (Refer Note No 2.36(b))	-	0.50
Total	598.94	1,863.76

Under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. In regard to the above the company has received intimation from one such party details of which are provided as under-

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
Supreme Metallurgical Services (P). Ltd.	4.92	4.92

The above amount does not include any interest

NOTES TO ACCOUNTS
2.08 Other current liabilities

Particulars	As at 30th September 2012 (₹ In Million)		As at 31st March 2011 (₹ In Million)	
Unclaimed Dividend#	0.90		0.91	
Current Maturities of Long terms borrowings	4,010.27		1,777.51	
Interest accrued and due on borrowing	0.41		0.13	
Creditors for Capital expenditure	48.89		75.61	
Advance from Customer [Refer Note No 2.39(b)]	1,049.13		800.72	
Advance from Related Parties/Subsidiaries	1.02		1.09	
Others (Including Ex-Gratia of ₹ 19.82 Million)	102.39	5,213.01	24.58	2,680.55
Statutory Liabilities				
Provident Fund & Other Contribution	3.53		3.46	
Tax Deducted and Collected at Source	6.62		12.75	
Value Added Tax and Central Sales Tax	41.72		41.25	
Excise Duty Payable on Stock of Finished Goods	98.11	149.98	40.10	97.56
Total		5,362.99		2,778.11

The figure does not include any amount, due and outstanding, to be credited to Investor Education and Protection Fund.

2.09 Short Term Provisions

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
Provision for Bonus	22.49	15.51
Provision for Wealth Tax	0.23	-
Total	22.72	15.51

2.10 Fixed Assets
(₹ in Million)

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.4.2011	Addition / Adjustment	Deduction / Adjustment	As at 30.9.2012	As at 1.4.2011	Addition/ Adjustment	Deduction / Adjustment	As at 30.9.2012	As at 30.9.2012	As at 31.3.2011
TANGIBLE ASSETS:										
Own Assets:										
Freehold Land	1,491.90	9.16	9.52	1,491.54	-	-	-	-	1,491.54	1,491.90
Leasehold Land	10.96	-	-	10.96	-	-	-	-	10.96	10.96
Building	3,262.15	285.33	-	3,547.48	285.11	169.62	-	454.73	3,092.75	2,977.04
Plant and Machinery	13,657.83	2,232.80	-	15,890.63	2,620.54	1,824.35	-	4,444.89	11,445.74	11,037.29
Computer	96.93	3.05	-	99.98	42.70	20.19	-	62.89	37.09	54.23
Furnitures & Fixtures	72.64	3.39	-	76.03	20.50	6.33	-	26.83	49.20	52.14
Office Equipment	31.85	1.57	-	33.42	6.33	3.07	-	9.40	24.02	25.52
Vehicles	86.67	4.21	4.87	86.01	30.05	11.84	2.05	39.84	46.17	56.62
Total(A)	18,710.93	2,539.51	14.39	21,236.05	3,005.23	2,035.40	2.05	5,038.58	16,197.47	15,705.70
INTANGIBLE ASSETS:										
Software	34.58	-	-	34.58	8.60	8.42	-	17.02	17.56	25.98
Total(B)	34.58	-	-	34.58	8.60	8.42	-	17.02	17.56	25.98
Total(A+B)	18,745.51	2,539.51	14.39	21,270.63	3,013.83	2,043.82	2.05	5,055.60	16,215.03	15,731.68
Previous Year	16,415.97	2,333.75	4.21	18,745.51	1,903.20	1,112.43	1.80	3,013.83	15,731.68	14,512.77
Capital Work in Progress	2,335.07	-	2,239.22	95.85	-	-	-	-	95.85	2,335.07

Note: During the Financial Year 2009-10, in pursuance of the Scheme of Arrangement approved by the Hon'ble High Court of Gujarat vide its order dated November 30, 2009 the immovable assets of the Company, namely Land and Building, on the basis of Revaluation report of the Government approved competent Valuer appointed by the Company were recorded at their respective fair values and resulting increase over Book Value, of ₹ 2481.95 Million, was transferred to General Reserve Revaluation Account. Accordingly, the depreciation for current period includes depreciation of ₹ 52.00 Million (Previous Year ₹ 34.67 Million) on account of the said revaluation, and which has been reduced from the balance of General Reserve .

NOTES TO ACCOUNTS
2.11 Non Current Investments

Sr. No.	Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
	Investment in Mutual Funds(Quoted)		
1	64,288.778 (Previous Year 64,288.778) Units of ₹ 10 each of Punjab National Bank Mutual Fund (Market Value of Quoted Investments ₹ 0.72 Million (Previous Year ₹ 0.68 Million)	0.64	0.64
	Investment in Equity Instruments (UnQuoted)		
1	6,540 (Previous Year 6,540) Shares of ₹ 25 each of Siddhi Co.Op Bank Ltd.	0.16	0.16
2	National Saving Certificates	0.01	0.01
	Investment In Subsidiary Companies :		
1	90,45,127 (Previous Year 89,95,127) Equity Shares of ₹ 10 each of Bhaskarpara Coal Company Limited	90.45	89.95
2	7,24,400 (Previous Year 7,24,400) Equity Shares of ₹ 10 each of ET Elec-Trans Limited	7.24	7.24
3	38,00,000 (Previous Year 38,00,000) Shares of RMB 1 each of Jinhua Indus Enterprises Limited	20.42	20.42
4	3,14,20,000 (Previous Year 1,77,70,000) Equity Shares of ₹ 10/- each of Hans Ispat Limited	314.63	178.05
5	3,50,000 (Previous Year 50,000) Equity Shares of ₹ 10/- each of Shree Hans Papers Limited	3.51	0.51
6	7,78,000 (Previous Year 7,78,000) Equity Shares of ₹ 100/- each At a Premium of ₹ 909/- of Shree Ram Electro Cast Limited	786.79	786.79
7	100 (Previous Year 100) Shares of CFA 10,000 each of Electrotherm Mali Sarl	0.10	0.10
	Total	1,223.95	1,083.87

There were no Current Investment and Associate investment during the period of the company.

2.12 Long Term Loans & Advances

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
Unsecured, considered good unless stated otherwise		
Loans and Advances to subsidiaries (Refer Note No. 2.36(b))	41.77	-
Security Deposits [Refer Note No. 2.39(b)]	185.82	184.91
Total	227.59	184.91

2.13 Other Non-Current Assets

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
(To the extent not written off or adjusted)		
Preliminary Expenses	0.20	9.91
Deferred Revenue Expenditure	54.53	156.23
Product Development Cost	237.99	176.06
Total	292.72	342.20

NOTES TO ACCOUNTS

2.14 Inventories

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
(As valued, verified & certified by the Management)		
a. Raw Material [including goods in transit of ₹ 334.07 Million (Previous Year ₹ 161.89 Million)]	1,879.27	2,125.88
b. Work-In-Process	4,066.49	5,772.38
c. Finished Goods	528.79	429.46
d. Stores and Spares	468.33	199.88
Total	6,942.88	8,527.60

2.15 Trade Receivables [Refer Note No 2.39(b)]

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
(Unsecured, considered good unless stated otherwise)		
Over Six Months	3,034.14	2,017.12
Others	1,158.09	2,822.16
Due from Related Parties (Refer Note No. 2.36(b))	106.46	28.57
Due from Subsidiaries (Refer Note No 2.36(b))	160.66	234.07
Total	4,459.35	5,101.92

2.16 Cash and Bank Balances

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
a. Balances with Bank		
- Current Account	143.14	130.01
- Cheques in Hand	-	2.28
- Fixed Deposit*	371.19	1,045.20
- Unclaimed Dividend Account	0.90	0.91
b. Cash on hand (As certified by Management)	1.28	1.92
Total	516.51	1,180.32

*Fixed Deposit includes deposit of ₹ 230.42 Million having maturity within 12 months

2.17 Short-term loans and advances

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
Unsecured, considered good unless stated otherwise		
Advances Recoverable In Cash or Kind [Refer Note No 2.39(b)]	174.27	108.96
Advance to Related Parties (Refer Note No 2.36(b))	23.07	21.49
Advance for Capital Goods	22.30	19.02
Others		
Prepaid Expenses	9.93	114.05
Advances to Staff	11.50	12.76
Advance to Suppliers	844.13	664.47
Advances to Subsidiaries	209.55	50.93
Loan to Staff	2.45	2.61
Balance with Revenue Authorities [Refer Note No. 2.39]	1,433.75	1,543.01
Advance Income Tax(Net of Provision ₹ Nil (Previous Year ₹ 76.14 Million))	15.67	(18.52)
Total	2,746.62	2,518.78

NOTES TO ACCOUNTS
2.18 Other current assets

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
Insurance Claim Receivable	1.01	0.97
Interest accrued and due on fixed deposit & others	19.76	8.91
Total	20.77	9.88

2.19 Revenue from operations

Particulars	Current Period (₹ In Million)	Previous Year (₹ In Million)
Sale of Products (Includes Export Incentives of ₹ 6.15 Million (Previous Year ₹ 11.08 Million))	22,230.42	17,964.56
Less: Inter Division Sales	68.36	111.85
Less: Excise Duty	1,342.54	1,217.60
Technical Fees & Service income	123.94	21.18
Power Generation Income	3.81	1.90
Trading Sales	1,441.76	6,310.74
Total	22,389.03	22,968.93

(a) Sale of Product

Particulars	Current Period (₹ In Million)	Previous Year (₹ In Million)
Electronic Furnaces & Other Capital Equipment	3,479.05	2,098.61
Ferrous and Non-Ferrous Billets /Bars/Ingots and Others	9,455.59	9,079.85
Duct Iron Pipes	6,059.38	4,208.27
Battery Operated Vehicles	497.69	250.33
Sponge & Pig Iron	149.09	45.45
Spares / Up Gradation Income & Misc. Sale	1,178.72	952.60
Total	20,819.52	16,635.11

(b) Trading Sales

Particulars	Current Period (₹ In Million)	Previous Year (₹ In Million)
S.S.Flats/ S.S Billtes & Others	1,441.76	6,310.74
Total	1,441.76	6,310.74

NOTES TO ACCOUNTS

2.20 Other Income

Particulars	Current Period (₹ In Million)	Previous Year (₹ In Million)
Interest Income from Bank Fixed Deposits	128.88	51.26
Dividend Income from Long Term Investment	0.04	-
Rent Income	0.09	16.05
Miscellaneous Income (Including net balances written back)	187.41	96.59
Total	316.42	163.90

2.21 Cost of Material Consumed

Particulars	Current Period (₹ In Million)	Previous Year (₹ In Million)
Opening Stock	2,125.88	3,221.12
Add: Purchases of Raw Material	14,945.95	12,515.72
	17,071.83	15,736.84
Less: Closing Stock	1,879.27	2,125.88
Cost of Raw Material Consumed	15,192.56	13,610.96

(a) Details of Raw Material Consumed

Particulars	Current Period (₹ In Million)	Previous Year (₹ In Million)
M.S. Scrap/S.S. Scrap	3,076.77	4,762.27
Iron Ore/ Pelletes/Lam Coke/ Sinter/ Limestone	4,604.32	3,367.53
Copper and Engineering Items	3,219.94	1,918.23
Other Materials	4,291.53	3,562.93
Total	15,192.56	13,610.96

(b) Composition of Raw Materials Consumed

Particulars	Current Period		Previous Year	
	%	(₹ In Million)	%	(₹ In Million)
Imported	24.16	3,670.12	28.53	3,883.23
Indigenous	75.84	11,522.44	71.47	9,727.73
Total	100.00	15,192.56	100.00	13,610.96

(c) Details of Closing Stock of Raw Materials

Particulars	Current Period (₹ In Million)	Previous Year (₹ In Million)
M.S. Scrap/S.S. Scrap/Sponge	77.72	163.79
Iron Ore/ Pelletes/Lam Coke/ Sinter/ Limestone	40.25	233.23
Copper and Engineering Items	1,323.69	702.29
Others	437.61	1,026.57
Total	1,879.27	2,125.88

(d) Details of Purchase of Stock-In-Trade (Traded Goods)

Particulars	Current Period (₹ In Million)	Previous Year (₹ In Million)
S.S. Flats / S.S. Billets / Bars Trade	1,388.22	6,186.94
Total	1,388.22	6,186.94

NOTES TO ACCOUNTS
(e) Value Of Imports Calculated On CIF Basis:

Particulars	Current Period (₹ In Million)	Previous Year (₹ In Million)
Raw Materials	3450.71	3248.17
Stores	185.56	205.82
Capital Goods	108.47	34.88
Total	3744.74	3488.87

2.22 Changes in Inventories of Finished Goods and Work in Process

Particulars	Current Period (₹ In Million)		Previous Year (₹ In Million)	
Inventories (At Commencement)				
- Finished Goods	429.46		539.00	
- Work In Process	5,772.38	6,201.84	835.46	1,374.46
Inventories (At end)				
- Finished Goods	528.79		429.46	
- Work In Process	4,066.49	4,595.28	5,772.38	6,201.84
Total		1,606.56		(4,827.38)

(a) Details of Work in Process in Inventories

Particulars	Current Period (₹ In Million)	Previous Year (₹ In Million)
M S Billets	16.02	173.10
Sponge Iron	38.86	40.58
Pipes	17.72	849.52
Electronic Furnaces & Other Capital Equipments	1,069.18	1,089.86
Skull/Slag & Others	2,873.37	3,554.99
Others	51.34	64.33
Total	4,066.49	5,772.38

(b) Details of Finished Goods in Inventories

Particulars	Current Period (₹ In Million)	Previous Year (₹ In Million)
Ferrous and Non-Ferrous Billets /Bars/Ingots	232.71	308.20
Duct Iron Pipes	295.53	119.54
Battery Operated Vehicles	0.55	1.72
Total	528.79	429.46

2.23 Employee Benefit Expenses

Particulars	Current Period (₹ In Million)	Previous Year (₹ In Million)
Salaries,Wages and Allowances and Bonus	1,132.21	593.81
Contribution to Provident and other funds	63.15	38.90
Staff Welfare and amenities	19.69	13.22
Total	1,215.05	645.93

NOTES TO ACCOUNTS
2.24 Finance Cost

Particulars	Current Period (₹ In Million)		Previous Year (₹ In Million)	
Interest Expenses				
- Term Loan	1,697.58		700.53	
- Bank and Other Loan	2,316.71	4,014.29	1,038.11	1,738.64
Other Borrowing Cost & Charges		332.35		208.00
Loss on foreign currency transactions and translation		454.26		157.95
Less: Interest Capitalized		(60.56)		(182.63)
Total		4,740.34		1,921.96

2.25 Other Expenses

Particulars	Current Period (₹ In Million)		Previous Year (₹ In Million)	
Manufacturing Expenses				
Power and Fuel	1,707.71		1,333.59	
Stores and Spares	1,213.42		1,008.42	
Job Charges	766.51		532.25	
Machinery Repairs	9.22		7.20	
Building Repairs	2.40		4.94	
Vehicle & Other Repairs	17.97		12.84	
Excise duty	58.17	3,775.40	40.10	2,939.34
Establishment/ Administrative Expenses				
Hire-Lease-Rent Charges	120.84		69.20	
Rates & Taxes	23.43		9.75	
Insurance Premium	30.43		14.96	
Postage Telegram & Telephone Expenses	26.79		21.25	
Conveyance Expenses	10.45		4.26	
Travelling Expenses	96.77		64.64	
Printing and Stationery	13.62		13.37	
Vehicle Expenses	18.79		13.44	
Security Expenses	18.04		11.04	
Subscription & Membership	2.19		2.42	
Auditors' Remuneration:				
- Audit Fees	3.00		2.00	
- Tax Audit Fees	-		0.30	
- Other Matters	0.13		0.11	
Legal and Professional Charges	72.85		78.10	
Miscellaneous Expenses	74.59		76.54	
Research & Development Expenses	0.69		2.55	
Donation	3.03		0.81	
Loss/(Gain) on sale of Fixed assets (Net)	(23.29)	492.35	0.69	385.43
Selling & Distribution Expenses				
Advertisement	207.91		200.25	
Commission on sales	202.95		94.05	
Freight Outward and other Expenses	32.14*	443.00	480.63	774.93
Total		4,710.75		4,099.70

*Freight outward expenses for the current period is net of freight collected on sales of ₹ 503.12 Million.

NOTES TO ACCOUNTS

2.26 Prior Period Adjustment

Particulars	Current Period (₹ In Million)	Previous Year (₹ In Million)
Prior Period Adjustment- Income Tax And Others	(6.83)	5.41
	(6.83)	5.41

2.27 Details of the Cases of Recovery by the Lenders/ Creditors, against the company

- (a) During the financial period, UCO Bank, Syndicate Bank, Shiv Sales Industries and Shiv Metal Industries have filed winding up petitions under section 433 and 434 of the Companies Act, 1956 against the Company before Hon'ble Gujarat High Court. The winding up petition filed by UCO Bank is admitted and pending for further hearing with single judge, as per order of division bench. The Company has filed its reply to all the winding up petitions and all petitions are pending before the Hon'ble Gujarat High Court for further hearing.
- (b) During the financial period, UCO Bank, Syndicate Bank and ICICI Bank Limited have filed original applications against the Company before Debt Recovery Tribunal, Ahmedabad under section 19 of the Recovery of Debts due to Banks and Financial Institutions Act, 1993. The Company has filed its reply / application in all the three matters and the Ex-parte ad-interim injunction orders passed in the matter of UCO Bank and Syndicate Bank were partly modified. No order was passed in the matter of ICICI Bank Limited.
- (c) During the financial period, UCO Bank, Syndicate Bank, Vijaya Bank and Indian Overseas Bank have filed criminal complaints against the Company and its directors / officers under section 138 of Negotiable Instruments Act, 1881 for dishonour of various cheques. All the matters are pending before the respective Metropolitan Magistrate, Ahmedabad.
- (d) During the financial period, UCO Bank has declared the Company and its guarantors as willful defaulter, which was subsequently withdrawn by the Bank in a petition filed by the Company with Hon'ble Gujarat High Court. Subsequently, after additional representation and personal hearing of the Company, UCO Bank has once again declared the Company as willful defaulter. State Bank of Travancore has also issued letter to classify the company as willful defaulter, however no further action is taken by the Bank as on date.
- (e) During the financial period, Vijaya Bank has issued notice under section 13(2) of Chapter III of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act, 2002) for assets of Transmission Line Tower Division of the Company situated at Village : Juni Jithardi, Tal : Karjan, Dist : Vadodara. The Company has replied to the said notice. As on date, no action is taken by the Vijaya Bank under the SARFAESI Act, 2002.

2.28 Corporate Debt Restructuring and Net Worth:

- (a) During the 18 months period ending on September 30, 2012, the company could not service interest and installments obligation on due dates. The Company has approached to all its lenders to restructure the entire debt of the company. In accordance to the guidelines for Corporate Debt Restructuring (CDR) issued by Reserve Bank of India, the flash report of the company was discussed at CDR Empowered Group (EG) meeting and the reference for restructuring the debt of the company was admitted with CDR Cell as per CDR Empowered Group meeting held on 23rd/24th August 2012 with cutoff date as January 1, 2012.
- (b) The comprehensive financial restructuring would involve infusion of equity / Preference share capital by stakeholders of the company to augment its net-worth.
- (c) MITCON Consultancy & Engineering Services Limited has carried out Techno Economic Viability (TEV) Study and draft restructuring report is in final stage which shall be referred to CDR Cell after Join Lenders Meeting (JLM) for their approval. On approval the restructuring package shall be implemented by the company.
- (d) During the financial period, company had applied for restructuring of its various loans facilities and majority of the Banks and financial institutions have restructured the loan facilities (including, Cash Credit, Working Capital loans etc). During the current year, the company was not regular in repaying the financial dues (including interest), so in restructuring of facilities, Banks and Financial Institutions agreed to finance the defaulted Installments (including Interest) by converting majority of Interest amount into loan called Funded Interest Term Loan and Working Capital Demand Loans, and the company had to pay interest and installments regularly as per the terms of restructured sanctions, however the company failed to comply the terms of sanctions and defaulted into repaying the said loans. The amount of installments, unpaid interest and other charges were not ascertainable from the details available.
- (e) During the period after restructuring, many Bank Accounts of the company were classified as Non Performing Assets and therefore provision for Interest and upfront charges on Corporate Loan and Working Capital Loans for the Period has not been provided in the books of accounts and to that extent loss and bankers loan liability has been understated.

NOTES TO ACCOUNTS

2.29 Non Provisions of Disputed Advances and Claims/Liability

- (a) The Company has filed an application for refund of Terminal Excise Duty of ₹ 15.79 Million (Previous Year ₹ 15.79 Million) and the same is included in Loans and Advances Balances. The said claim is under dispute and has been rejected by the Department but the Management is of the opinion that the company will receive the claim; therefore the same is treated as good for its realization and not provided for as expenses.
- (b) The Company had paid Excise duty of ₹ 0.22 Million (Previous Year ₹ 0.22 Million) under protest and the said claim is under dispute but the management is of the opinion that the company will receive the claim; therefore the same is treated as good for its realization and not provided for as expenses.
- (c) During the current financial period the Company had VAT tax liability (including interest and penalty) of ₹ 200 Million under Maharashtra Sales tax Act and out of which the company had paid ₹ 40 Million under protest and the same has been shown as Loans and Advances. Further provision for the unpaid liability of ₹ 160 Million has not been made as the company is hopeful of matter being decided in its favour.
- (d) VAT Receivable of ₹ 0.79 Million and Vat Input Credit Receivable of ₹ 691.33 Million (Previous Year ₹ 691.67 Million) is subject to approval of respective government authority.
- (e) The Company had filed application for refund of Excise Duty of ₹ 122.28 Million (Previous Year ₹ 122.28 Million) and the same is included in Loans and Advances Balances. The said claim has been rejected by the Department but the Management is of the opinion that the company will receive the claim on resolution of the dispute; therefore the same is treated as good for its realization and not provided for as expenses.
- (f) The Company has outstanding derivative contracts as on 30th September 2012 and out of which the company is liable for approx ₹ 140.00 Million on Mark to Market basis as on 30th September 2012. The contract expires on 12th March 2013 and it will be accounted on its crystallization.
- (g) Advance Custom Duty of ₹ 29.75 Million shown under the head Loans & Advances, represents amount paid in advance for the purpose of clearance of imported material and the same has not been provided as expenses, as necessary clearances of documents are pending.

2.30 In accordance with the approval of the shareholders of the Company through postal ballot under section 293(1)(a) of the Companies Act, 1956, the Company has entered into binding agreements on December 14, 2011 pursuant to which Saint-Gobain Produits Pour La Construction SAS, France ("Saint Gobain") would acquire the Ductile Iron Pipes ("DI Pipes Division") business and 100% stake in subsidiary of the Company. However, the said transaction could not be consummated by the long stop date of June 30, 2012 and the long stop date for the agreements was accordingly lapsed on June 30, 2012. However the company is in dialogue with the buyer.

2.31 A Special Civil Application in the nature of Public Interest Litigation was filed, inter alia, against the Company in Hon'ble Gujarat High Court challenging the environment clearance for expansion of steel plant and No Objection Certificate (NOC) & Consolidated Consent and Authorisation. The Hon'ble Gujarat High Court by its order dated May 11, 2012 set aside the environment clearance with liberty to the Company to apply once again and to stop the operation of the steel plant. The Company has filed a Special Leave Petition (SLP) in the Hon'ble Supreme Court of India challenging the impugned order of Hon'ble Gujarat High Court dated May 11, 2012. After hearing, the Hon'ble Supreme Court of India on May 18, 2012 stayed the order passed by the Hon'ble Gujarat High Court. The matter is pending before the Hon'ble Supreme Court of India.

2.32 Additional Disclosures

- (a) Power and Fuel expenses are inclusive of duties and taxes of ₹79.73 Million(Previous year ₹ 53.32 Million) paid towards power generation.
- (b) During the year Foreign Exchange Fluctuation Gain of ₹11.98 Million (Previous Year Loss of ₹308.10 Million) has been adjusted to Material Cost and loss of ₹ 454.26 Million (Previous Year ₹157.95 Million) has been charged to Finance Cost.
- (c) In compliance of Accounting Standard 22 issued by Institute of Chartered Accountants of India, Deferred Tax liability of ₹ 865.13 Million outstanding on commencement of financial year has been written back to Statement of Profit and Loss on account of constant losses incurred by the company and that there is no chances of any tax liability occurring in near future, therefore the said Deferred Tax liability has been written back and no Deferred Tax Asset has been made as there is no certainty of its realization in near future in pursuance to heavy accumulated losses.
- (d) The Company has capitalized Pre-Operative Expenditure (including borrowing cost) of ₹ 409.35 Million (Previous Year ₹ 260.09 Million) and the same have been allocated towards the respective fixed assets.
- (e) Miscellaneous expenditure includes total Research and Development expenses of ₹ 237.99 Million (Previous Year ₹ 176.07 Million) incurred on development of Hybrid Bus/T-Cab/project, which is still in progress and said expenses would be written off in five years from the year of completion.
- (f) Miscellaneous income includes ₹ 93.3 Million of recovery from a party whose dues was written off by debiting to General Reserve Account.

NOTES TO ACCOUNTS

2.33 The company is contingently liable for the following :-

- (a) Estimated amount of contracts remaining to be executed on capital account and not provided for ₹Nil. (Previous Year ₹ 40.00 Million).
- (b) The amount of sundry debtors is net of Bills discounted of ₹ Nil Million with bankers (Previous year ₹ 34.99 Million).
- (c) Claims against the Company not acknowledged as debts amounting to ₹ 25.50 Million, which pertains to litigations filed against the Company and pending before various courts, authorities, arbitration, Consumer Dispute Redressal Forum etc.
- (d) Guarantees / Counter Guarantees (including un-utilized Letters of Credit) issued ₹ 309.82 Million (₹ 362.49 Million in Previous year).
- (e) Disputed Statutory Claims/Levies for which the company has preferred appeal in respect, Excise Liability of ₹ 2746.59 Million (Previous Year ₹ 2788.40 Million) and Custom Duty Liability of ₹ 70 Million (Previous Year ₹ Nil)
(The above amounts are excluding the amount of Interest payable and of the amount involved in appeal preferred by the department, if any.)
- (f) The company has executed Legal Undertaking Bond to pay Central Excise Duty (Terminal Excise Duty), levies and liquidated damages payable, if any, in respect of imported and indigenous capital goods and stores and spares consumed duty free, in the event that certain terms and conditions are not fulfilled. In this regard aggregate duty liability amount of ₹ 261.32 Million as at September 30, 2012 (Previous Year: ₹271.05Million). Against these, exports amounting to ₹ 1285.17Million (previous year ₹ 1972.76 Million) will have to be made with in next 8 years from the date of issue of license.
- (g) The company has received show cause notices for non compliance of export obligations, arised due to usage of license for payment of custom duty. In this regards the company has paid custom duty and has replied to those show cause notices. However the exact liability is under reconciliation.

2.34 FOREIGN EXCHANGE EARNING & OUTGO:

- (a) Earning in Foreign Exchange for Export of Goods & Services ₹ 1389.63 Million. (₹ 797.53 Million in Previous Year)
- (b) Expenditures in Foreign Currency for Import of Materials, Traveling & Others is ₹ 3337.38 Million (₹3163.67 Million in Previous Year).

2.35 DIRECTOR'S REMUNERATION :

Particulars	Current Period ₹ in Million	Previous Year ₹ in Million
Salary	14.40	17.44
Contribution to Provident & other funds	1.08	2.09
Other Allowances	0.00	10.46
Total	15.48	29.99

Computation of Net Profit in accordance with section 198 of the Companies Act, 1956.

Particulars	(₹ In Million)	
	Current Period	Previous Year
Profit before Tax		409.61
Add: Directors' Remuneration		29.99
Add: Depreciation as per accounts		1077.76
Add: Loss on sale of Assets	In view of Loss it has not been calculated	0.69
Less: Depreciation under section 350		1077.76
Sub Total : Net profit under section 349 & 350		440.29
10% thereof, amount eligible for Directors remuneration.		44.02
Total Remuneration paid to Directors		29.99

Due to the losses incurred by the Company during the 18 months period ended on 30th September 2012, the remuneration of the managerial personnel was reduced / revised to the minimum remuneration of ₹ 2,00,000/- per month as per Schedule XIII of the Companies Act, 1956.

NOTES TO ACCOUNTS
2.36 RELATED PARTY (AS IDENTIFIED AND DETERMINED BY THE COMPANY) DISCLOSURES UNDER ACCOUNTING STANDARD 18;
A. List of Related Parties
I) SUBSIDIARY COMPANIES

1. Jinhua Indus Enterprises Limited
2. Jinhua Jahari Enterprises Limited
3. Bhaskarpara Coal Company Limited
4. ET Elec-Trans Limited
5. Hans Ispat Limited
6. Shree Ram Electro Cast Limited
7. Shree Hans Papers Limited
8. Electrotherm Mali SARL

II) Enterprises owned or significantly influenced by key management personnel or their relatives (Except foreign companies)

- | | |
|--|---|
| 1. Ahmedabad Aviation and Aeronautics Ltd. | 2. Crystal Real Estate Pvt. Ltd. |
| 3. Palace Tours and Air Charters Pvt. Ltd. | 4. Western India Speciality Hospital Ltd. |
| 5. E-Motion Power Ltd. | 6. Indus Elec-Trans Pvt. Ltd. |
| 7. Afghan Trading Pvt. Ltd. | 8. Bhandari Brothers Commercial Pvt. Ltd. |
| 9. Jayshri Petro-Yarn Pvt. Ltd. | 10. Adroit Trading and Investment Co. |
| 11. EIL Hospitality Pvt. Ltd. | 12. EIL Realty Pvt. Ltd. |
| 13. EIL Software Pvt. Ltd. | 14. EIL Software Services Offshore Pvt. Ltd. |
| 15. EIL Technology Pvt. Ltd. | 16. Electrotherm Engineering & Projects Ltd. |
| 17. Kappa Consultancy Pvt. Ltd.
(Formerly Known as Electrotherm Infrastructure Pvt. Ltd.) | 18. Electrotherm Foundation. |
| 19. Gujarat Mint Alloys Ltd. | 20. Indus Real Estate Pvt. Ltd. |
| 21. Electra Transformers Pvt. Ltd.
(Formerly Known as ICS Commercial Pvt. Ltd.) | 22. New Delhi Real Estate Pvt. Ltd. |
| 23. Palace Infrastructure Pvt. Ltd. | 24. Suraj Real Estate Pvt. Ltd. |
| 25. S N Advisory Pvt. Ltd. | 26. Suraj Advisory Services Pvt. Ltd. |
| 27. Airfones Innovatives Private Limited | 28. BNB Real Estate Private Limited |
| 29. ETAIN Energy Holdings Limited
(Formerly Known as Electrotherm Energy Holdings Ltd.) | 30. Electrotherm Solar Limited |
| 31. Palace Solar Energy Pvt. Ltd.
(Formerly Known as Inspira Solar Energy Ltd.) | 32. SBRB Real Estate Pvt. Ltd.
(Formerly known as NET Architectures Pvt. Ltd.) |
| 33. Bhandari Real Estate Pvt. Ltd. | 34. ETAIN Immodo Renewables Ltd. |
| 35. Arjun Ceramics & Carbon Pvt. Ltd. | 36. Indus Chargers & Controllers Pvt. Ltd. |
| 37. Arjun Solar One Pvt. Ltd. | 38. Arjun Green Power Pvt. Ltd. |
| 39. Arjun Raj Solar One Pvt. Ltd. | 40. Mangalam Information Technologies Private Limited* |
| 41. Liberty Finance and Leasing Company Private Limited* | 42. Magnum Limited* |
| 43. Alwar Trading and Investment Company* | 44. Palanpur Reality Developers Private Limited* |
| 45. Electrotherm Renewables Private Limited* | 46. S B Realty Developers Private Limited* |
| 47. Sun Infrapower Private Limited* | 48. Sun Residency Private Limited* |
| 49. Firefly Energy Limited* | 50. Indus Coils & Plates Limited* |
| 51. Bhandari Charitable Trust | |

* These parties have ceased to be as Associates of the Company during the period.

III) Key Management Personnel (Other than Nominee & Independent Director)

1. Mr. Mukesh Bhandari (Chairman & Chief Technology Officer)
2. Mr. Shailesh Bhandari (Managing Director)
3. Mr. Narendra Dalal (Whole Time Director)
4. Mr. Avinash Bhandari (Joint Managing Director & CEO)

IV) Relatives of Key Management Personnel (With whom transaction has taken place during the year)

1. Mrs. Indubala Bhandari
2. Mrs. Jyoti Bhandari
3. Mr. Rakesh Bhandari
4. Mr. Anurag Bhandari
5. Mr. Siddharth Bhandari

NOTES TO ACCOUNTS
B. Transaction with Related Parties

(₹ in Million)

SR. NO.	NAME	SALES		PURCHASE		LOAN RECEIVED		LOAN GIVEN /REPAID		RENT PAID		SALARY		CLOSING BALANCE	
		Sep-12	Mar-11	Sep-12	Mar-11	Sep-12	Mar-11	Sep-12	Mar-11	Sep-12	Mar-11	Sep-12	Mar-11	Sep-12	Mar-11
(I)	SUBSIDIARY COMPANIES														
1	Jinhua Indus Enterprises Ltd.	0.21	0.32	35.86	10.47	-	-	-	-	-	-	-	-	22.58	10.34
2	Jinhua Jahari Enterprises Ltd.	-	0.74	213.26	58.98	-	-	-	-	-	-	-	-	21.67	29.85
3	Bhaskarpara Coal Company Ltd.	-	-	-	-	-	0.43	-	0.43	-	-	-	-	0.04	-
4	ET Elec-Trans Ltd.	1.59	0.15	-	-	0.15	-	6.40	-	-	-	-	-	6.74	(1.10)
5	Shree Ram Electro Cast Ltd.	-	-	271.09	-	-	-	153.82	-	-	-	-	-	44.48	(2.13)
6	Hans Ispat Ltd.	1,236.90	1,906.06	949.81	1,744.18	-	-	-	-	-	-	-	-	153.60	115.46
7	Shree Hans Papers Ltd.	-	-	-	-	-	-	41.77	-	-	-	-	-	41.77	-
8	Electrotherm Mali SARL	-	-	221.21	-	-	-	-	-	-	-	-	-	121.00	-
(II)	ASSOCIATES														
1	Ahmedabad Aviation and Aeronautics Limited	-	-	-	-	0.80	0.10	2.27	0.27	-	-	-	-	1.30	(0.17)
2	Palace Tours And Air Charters Private Limited	-	-	-	-	-	-	0.05	-	-	-	-	-	-	(0.05)
3	Western India Speciality Hospital Limited	-	-	-	-	-	-	0.49	-	-	-	-	-	-	(0.49)
4	ETAIN Immodo Renewables Limited	132.26	-	-	-	-	-	-	-	-	-	-	-	76.86	-
5	Indus Chargers & Controllers Pvt. Limited	-	-	-	-	0.05	-	-	-	-	-	-	-	(0.05)	-
6	EIL Software Services Offshore Pvt. Limited	-	-	-	-	-	-	-	-	-	-	-	-	(20.00)	(20.00)
7	Bhandari Charitable Trust	-	-	-	-	-	-	-	-	-	-	-	-	50.24	50.24
(III)	KEY MANAGEMENT PERSONNEL:														
1	Mr. Mukesh Bhandari, (Chairman & Chief Technology Officer)	-	-	-	-	7.95	6.00	-	6.00	2.83	0.18	3.87	12.90	(8.02)	(0.05)
2	Mr. Shailesh Bhandari, (Managing Director)	-	-	-	-	33.91	10.50	4.32	4.30	-	-	3.87	9.68	(36.32)	(6.30)
3	Mr. Narendra Dalal, (Whole time Director)	-	-	-	-	-	-	-	-	-	-	3.87	3.55	(0.04)	-
4	Mr. Avinash Bhandari, (Joint Managing Director & CEO)	-	-	-	-	-	-	-	-	-	-	3.87	3.87	0.06	-
(IV)	RELATIVES OF KEY MANAGEMENT PERSONNEL: (With whom Transaction has taken Place during the year)														
1	Mrs. Indubala Bhandari	-	-	-	-	-	-	-	-	0.44	0.39	-	-	(0.02)	(0.02)
2	Mrs. Jyoti Bhandari	-	-	-	-	-	-	-	-	0.41	0.02	-	0.54	(0.15)	(0.15)
3	Mr. Rakesh Bhandari	-	-	-	-	-	-	-	-	-	-	-	-	(0.23)	(0.23)
(IV)	RELATIVES OF DIRECTOR:														
1	Mr. Siddharth Bhandari	-	-	-	-	-	-	0.05	-	-	-	-	-	0.05	-
2	Mr. Anurag Bhandari	-	-	-	-	-	-	1.50	-	-	-	-	-	(3.50)	(5.00)

Note: The above chart consists details of parties who are relatives as on the last day of the Financial period ended on 30th September 2012 and it doesnot include transactions done with parties who ceased to be related party during the year.

The Figures in bracket indicates credit balances.

NOTES TO ACCOUNTS
2.37 SEGMENT REPORTING UNDER ACCOUNTING STANDARD
(A) Business Segment

Based on the guiding principles given as per Accounting Standard on "Segment Reporting" (AS-17) issued by The Institute of Chartered Accountants of India, the Company's primary business is manufacturing and marketing of Induction Furnaces, Steel items and Battery Operated Vehicles.

PRIMARY SEGMENT INFORMATION:- As Identified by the management
(₹ In Million)

Particulars	Current Period	Previous Year
SEGMENT REVENUE		
Engineering & Projects Division	4,977.82	2,589.98
Special Steel Division	16,896.23	20,238.80
Electric Vehicle Division	583.34	252.00
Total Sales	22,457.39	23,080.78
Less : Inter segment Revenue	68.36	111.85
Net Sale	22,389.03	22,968.93
SEGMENT PROFIT BEFORE TAX AND INTEREST		
Engineering & Projects Division	116.74	277.68
Special Steel Division	(3,138.02)	2,189.52
Electric Vehicle Division	(388.99)	(135.63)
Profit Before Interest, Tax & Prior Period Adjustment	(3,410.27)	2,331.57
Less: Financial Expenses	4,740.34	1,921.96
Less : Provision for Tax (Including Deferred Tax)	(864.91)	126.77
Net Profit After Tax	(7,285.70)	282.84
OTHER INFORMATION		
Segment Assets		
Engineering & Projects Division	5,304.47	4,398.49
Special Steel Division	26,303.38	31,315.69
Electric Vehicle Division	840.70	959.85
Total Segment Assets	32,448.55	36,674.03

NOTES TO ACCOUNTS

(₹ In Million)

Particulars	Current Period	Previous Year
Segment Liabilities		
Engineering & Projects Division	5,630.47	3,659.27
Special Steel Division	26,732.50	24,826.32
Electric Vehicle Division	310.76	294.72
Un-allocable Liabilities & Provisions	-	76.13
Total Segment Liabilities	32,673.73	28,856.44
Segment Depreciation		
Engineering & Projects Division	80.22	47.05
Special Steel Division	1,891.37	1,017.33
Electric Vehicle Division	20.24	13.38
Total Depreciation	1,991.83	1,077.76
Other Non Cash Expenses		
Engineering & Projects Division	18.81	16.20
Special Steel Division	76.71	56.57
Electric Vehicle Division	11.42	20.03
Total	106.94	92.80
Segment Capital Expenditure		
Engineering & Projects Division	25.61	334.11
Special Steel Division	260.11	3,105.64
Electric Vehicle Division	0.18	3.41
Total Capital Expenditure (Net)	285.90	3,443.16

(B) Geographical Segments

The operations of the Company are in India and all Assets and Liabilities are located in India. Summary of Sales and other operational income in India & overseas is as under.

(₹ In Million)

Particulars	Current Period	Previous Year
India	20,999.40	22,171.40
Overseas	1,389.63	797.53
Total	22,389.03	22,968.93

NOTES TO ACCOUNTS

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

(₹ In Million)

	Current Year			Previous Year		
	Gratuity Unfunded	Gratuity Funded	Leave Encashment Unfunded	Gratuity Unfunded	Gratuity Funded	Leave Encashment Unfunded
A) Defined contribution plan						
Employer's Contribution to Provident Fund		37.79			22.15	
Employer's Contribution to Pension Scheme		25.37			16.75	
B) Defined Benefit Plans -						
a) Liability recognised in the Balance Sheet						
i) Present Value of obligation at the beginning of the Period	9.59	27.09	28.19	6.42	16.90	22.81
Current Service Cost	7.82	7.19	7.85	4.62	4.35	4.23
Adjustment due to Valuation					3.35	
Interest Cost	1.19	3.35	3.49	0.51	1.62	1.83
Actuarial (Gain)/Loss	(3.18)	7.91	8.58	(1.74)	1.49	4.52
Benefit Paid	(0.64)	(1.58)	(11.76)	(0.22)	(0.62)	(5.19)
Present Value of obligation as at year end	14.78	43.96	36.35	9.59	27.09	28.20
Less:						
ii) Fair Value of Plan Assets at the beginning of the Period	0.00	19.53	0.00		14.30	
Expected return on Plan Assets		2.42			1.14	
Actuarial gain/(loss)		(0.81)			0.08	
Employers' Contribution	0.64	4.55	11.76	0.22	4.62	5.19
Benefit Paid	(0.64)	(1.58)	(11.76)	(0.22)	(0.62)	(5.19)
Fair Value of Plan Assets as at year end	0.00	24.11	0.00	0.00	19.53	0.00
Excess provision for Leave Encashment			(4.12)			
Amount recognised in the Balance Sheet or Paid to Fund Manager	(14.78)	(19.85)	(40.47)	(9.59)	(7.56)	(28.19)
b) Expenses during the year						
Service Cost	7.82	7.19	7.85	4.62	4.35	4.23
Interest Cost	1.19	3.35	3.49	0.51	1.62	1.83
Expected return on Plan assets		(2.42)			(1.14)	
Actuarial (Gain)/Loss	(3.18)	8.72	8.58	(1.74)	1.41	4.52
Total	5.83	16.84	19.92	3.39	6.24	10.58
c) Actual Return on plan assets		1.61			1.23	
d) Break up of Plan Assets as a percentage of total Plan Assets (Percentage or Value)						
Insurer managed Funds	NIL	100%	NIL	NIL	100%	NIL
e) Principal actuarial assumptions						
Rate of Discounting	8.50%	8.50%	8.50%	8.25%	8.25%	8.25%
Expected return on Plan Assets	8.50%	8.50%	8.50%	8.25%	8.25%	8.00%
Rate of increase in Salaries	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Attrition Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

2.39 (a) In the opinion of the Management, the current assets, loans & advances are realizable at the values stated, if realized in the ordinary course of business and the provisions for all known liabilities are adequate.

NOTES TO ACCOUNTS

- (b) The account of Trade receivables, Loans, Trade payables and Loans & advances are subject to confirmation / reconciliation and the amounts of Trade receivables, Trade payables and Advances are stated on net basis, on the basis of control account, and accordingly the same are subject to necessary adjustments or re-grouping /classification. The details of netting of such accounts of material amount are as under:-

Account Head	₹ in Million	Relating to
Trade Payable	₹ 1710.99 (PY ₹ 1652.99)	Advances to suppliers
Balance with Revenue Authorities	₹ 7.36	Excise Duty Payable
Balance with Revenue Authorities	₹ 2.98	Service Tax Payable
Advance from customers	₹ 44.75	Foreign Exchange Fluctuation on Debtors
Advance recoverable in Cash or Kind	₹ 24.05	Amount received as advance
Security Deposits Given	₹ 0.23	Deposit taken from Employees

- (c) During the period after restructuring, various Bank Accounts of the company were classified as Non Performing Assets by the Bankers and therefore provision for Interest(Other than upfront charges) on Corporate Loan and Working Capital Loans for the Period of ₹ 1437.06 Million (Approx) (Previous Year ₹Nil), has not been provided in the books of accounts and to that extent loss and bankers loan liability has been understated. The extent of exact amount is under determination and reconciliation with the banks.
- (d) The classification/grouping of items of the accounts are made by the management, on the basis of the available data with the company and which has been relied upon by the auditors.
- (e) The amount of stock has been taken by the management on the basis of information available with the company and it includes old slow moving inventory and it has been valued by the management on estimate net realizable value.
- (f) Account of Service Tax Receivables and VAT is subject to reconciliation, submission of its return for its claim and/or its assessment, if any.

2.40 EARNING PER SHARE (EPS):

The basic Earnings per Share is calculated by dividing the profit/ loss attributable to the existing Equity Shares outstanding.

EPS CALCULATION	Current Period	Previous Year
Profit attributable to the Equity Shareholder (After prior period expenses) ₹ Million		288.25
Closing number of Equity Shares outstanding during the year	In view of Loss it has not been calculated	11,476,374
Basic/ Weighted average number of Equity Shares outstanding during the year		11,476,374
Nominal value of Equity share (₹)		10.00
Basic Earning per Share (₹)		25.12
Diluted Earning per share (₹)		25.12

- 2.41** Till the year ended 31.03.2011 the Company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the period ended 30.09.2012, the revised Schedule VI notified under the Companies Act 1956 has become applicable to the Company. The Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principals followed for preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.
- 2.42** The Registrar of Companies, Gujarat, Dadra and Nagar Havelli has approved the extension of financial year of the Company upto 30th September, 2012 by letter dated 4th July, 2012 and as such figures for this financial period are of 18 (eighteen) months ended on 30/09/2012 and previous year is of 12 (twelve) months ended on 31/03/2011 and hence the same are not comparable. Figures of the previous year have been re-arranged / regrouped / reclassified / re-casted wherever necessary.
- 2.43** Signed Notes No.1 and 2 forms part of the Annexed account of the Company.

As per our report of even date attached

For & on behalf of

Mehta Lodha & Co.,

Firm Registration No: 106250W

Chartered Accountants

Prakash D. Shah

M. NO. 34363

Partner

Place : Ahmedabad

Date : November 27, 2012

For & on behalf of the Board of Directors

Shailesh Bhandari

Managing Director

Avinash Bhandari

Joint Managing Director

Jigar Shah

Company Secretary

FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES

(₹ In Million)

Sr. No.	Name of the Subsidiary Company	Reporting Currency	Capital	Reserves	Total Asset	Total Liability	Investment	Turnover / Total Income	Profit before taxation	Provision for taxation	Profit After Taxation	Proposed Dividend	Country
1	Jinua Indus Enterprises Ltd.	RMB	20.56	(7.25)	38.17	38.17	5.41	35.86	(9.81)	-	(9.81)	-	People's Republic of China
2	Jinhua Jahari Enterprises Ltd.	RMB	5.41	1.35	62.82	62.82	-	213.26	(6.58)	-	(6.58)	-	People's Republic of China
3	Bhaskarpara Coal Company Ltd	INR	171.86	(5.33)	180.70	180.70	-	-	(3.14)	-	(3.14)	-	India
4	ET Elec-Trans Ltd	INR	9.00	(7.47)	11.28	11.28	-	1.99	(6.53)	0.44	(6.97)	-	India
5	Shree Ram Electro Cast Ltd.	INR	81.90	461.11	1,000.01	1,000.01	-	473.18	(236.22)	-	(236.22)	-	India
6	Hans Ispat Limited	INR	314.20	(265.26)	1,366.94	1,366.94	-	5,267.82	(183.61)	-	(183.61)	-	India
7	Shree Hans Papers Limited	INR	3.50	-	45.36	45.36	41.77	-	-	-	-	-	India
8	Electrotherm Mali SRL	CHF	0.10	(78.95)	46.35	46.35	-	294.72	(76.14)	2.81	(78.95)	-	Mali

Exchange Rate as on 31.12.2011 1 RMB = ₹ 8.4298 and as on 30.09.2012 1 RMB = ₹ 8.4076

Exchange Rate as on 31.12.2011 1 CFA = ₹ 9.5397 and as on 30.09.2012 1 CFA = ₹ 9.6548

For & on behalf of the Board of Directors

Place : Ahmedabad
Date : November 27, 2012Shailesh Bhandari
Managing DirectorAvinash Bhandari
Joint Managing DirectorJigar Shah
Company Secretary

AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To,
The Board of Directors,
ELECTROTHERM (INDIA) LIMITED
AHMEDABAD

- 1) We have audited the attached consolidated Balance Sheet of **ELECTROTHERM (INDIA) LIMITED** ('the company') and its subsidiaries (collectively referred to as 'The Electrotherm India's Group'), as at **30th September, 2012**, the consolidated Statement of Profit & Loss and also the consolidated Cash Flow Statement for the 18 months period ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
- 2) We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) We did not audit the financial statement and other financial information of the subsidiaries [Jinhua Indus Enterprises Limited, its subsidiary in China namely Jinhua Jahari Enterprises Limited, Bhaskarpara Coal Company Limited, ET Elec-Trans Limited, Shree Ram Electro Cast Limited, Hans Ispat Limited, Shree Hans Papers Limited and Electrotherm Mali SARL], which have been either audited by other auditor or are un-audited. The audit reports of the audited Company have been furnished to us and our opinion is based on the report of other auditors or unaudited statement of accounts. The financial statement (amount including minority's interest) of these subsidiaries reflect total net worth of ₹669.58 Million as at September 30, 2012, total revenues (Sales and other Income) of ₹6298.33 Million and net loss amounting to ₹526.62 Million for the 18 months period ended on that date. These financial statements have been incorporated in the consolidated financial statements on the basis of audited accounts of Bhaskarpara Coal Company Limited, ET Elec-Trans Limited, Shree Ram Electro Cast Limited, Hans Ispat Limited, Shree Hans Paper Limited and un-audited financial statements of Jinhua Indus Enterprises Limited, its subsidiary namely Jinhua Jahari Enterprises Limited and Electrotherm Mali SARL as provided and certified by the management of the said subsidiaries. All of these financial statements are of the 18 months period ended on September 30, 2012. With regard to unaudited accounts of the subsidiaries, we are unable to comment on the impact, if any, arising out of these un-audited financial statements on the consolidated financial statements.
- 4) We report that the consolidated financial statements, read with the notes to accounts have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21, 'Consolidated Financial Statements', accounting standard by the Companies (Accounting Standard) Rules, 2006.
- 5) Based on our audit and on consideration of separate financial statements and on the other financial information of the components and to the best of our information and according to the explanations given to us, we are of the opinion that the said attached consolidated financial statements, subject to *Note No. 2.27 relating to Winding Up Petitions and recovery cases against the company, Note No 2.28 relating to restructuring of the debts of the company; affecting the going concern's concept of the company, Note No. 2.29 relating to non provision of disputed advances and Claims/Liability and Note No 2.36 relating to third party balance confirmations and its classification, non provision of interest on NPA Accounts of Banks and other issues, affecting the financial statements, to the extent stated therein*, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:-
 - (i) in the case of the consolidated balance sheet, of the consolidated state of affairs of the Electrotherm (India) group as at 30th September, 2012;
 - (ii) in the case of the consolidated Statement of profit and loss, of the consolidated result of operation of the Electrotherm (India) group for the period ended on that date; and
 - (iii) in the case of the consolidated cash flow statement, of the consolidated cash flows of the Electrotherm (India) group for the period ended on that date.

For Mehta Lodha & Co.
(Registration No.106250W)
Chartered Accountants

Prakash D.Shah
Partner

Membership No. 34363

Date : November 27, 2012
Place : Ahmedabad

CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER, 2012

Sr. No.	Particulars	Note No.	As at 30th September 2012 ₹ In Million	As at 31st March 2011 ₹ In Million
	EQUITY AND LIABILITIES			
	<i>Shareholder's funds</i>			
(a)	Share Capital	2.01	234.76	234.76
(b)	Reserves & Surplus	2.02	(62.21)	7,800.99
(c)	Share Application Money		13.76	-
	Minority Interest		79.18	81.58
	<i>Non - Current liabilities</i>			
(a)	Long Term Borrowing	2.03	5,550.31	5,001.80
(b)	Deferred Tax Liability	2.04	42.46	907.15
(c)	Long Term Provisions	2.05	79.40	47.15
	<i>Current liabilities</i>			
(a)	Short-term borrowings	2.06	22,090.85	20,220.95
(b)	Trade Payables	2.07	962.43	2,284.70
(c)	Other current liabilities	2.08	5,544.02	2,891.01
(d)	Short Term Provisions	2.09	22.73	15.51
	TOTAL		34,557.69	39,485.60
	ASSETS			
	<i>Non-current Assets</i>			
(a)	Fixed Assets			
(i)	Tangible Assets	2.10	17,506.28	17,188.48
(ii)	Intangible Assets	2.10	764.57	735.32
(iii)	Capital work-in-progress		230.52	2,454.32
(b)	Non-current Investments	2.11	1.11	1.11
(c)	Long-term loans and advances	2.12	245.92	244.20
(d)	Other Non-Current Assets	2.13	327.86	383.78
	<i>Current Assets</i>			
(a)	Inventories	2.14	7,621.78	9,429.76
(b)	Trade Receivables	2.15	4,564.26	5,191.83
(c)	Cash and Bank Balances	2.16	573.18	1,237.78
(d)	Short-term loans and advances	2.17	2,699.22	2,606.35
(e)	Other Current assets	2.18	22.99	12.67
	TOTAL		34,557.69	39,485.60

Significant Accounting Policies **1**

Notes to Accounts **2**

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

As per our report of even date attached

For & on behalf of

Mehta Lodha & Co.,

Firm Registration No: 106250W

Chartered Accountants

Prakash D. Shah

M. NO. 34363

Partner

Place : Ahmedabad

Date : November 27, 2012

For & on behalf of the Board of Directors

Shailesh Bhandari

Managing Director

Avinash Bhandari

Joint Managing Director

Jigar Shah

Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE 18 MONTHS PERIOD ENDED ON 30TH SEPTEMBER, 2012

Sr. No.	Particulars	Note No.	18 months	Year ended
			Period ended on 30th September 2012 (₹ In Million)	on 31st March 2011 (₹ In Million)
			Current Period	Previous Year
	Income			
	Revenue from operations	2.19	25,747.73	23,832.59
	Other Income	2.20	327.93	259.95
A	Total Revenue		26,075.66	24,092.54
	Expenditure			
	Cost of Materials Consumed		16,688.63	13,783.70
	Purchases of Stock in Trade		1,794.49	6,186.94
	Changes in Inventories of Finished Goods and Work in Process	2.21	1,706.65	(4,888.55)
	Employee Benefits Expenses	2.22	1,432.06	760.71
	Finance Costs	2.23	5,025.16	2,025.28
	Depreciation and Amortization Expenses	2.10	2,062.35	1,120.23
	Other Expenses	2.24	6,020.98	4,885.00
	Preliminary Expenses Written off		18.64	9.25
B	Total Expenses		34,748.96	23,882.56
	Profit/(Loss) before Tax		(8,673.30)	209.98
	Tax Expenses			
	Current Tax		2.81	76.14
	Wealth tax		0.23	-
	Deferred Tax		(864.68)	50.85
	Profit/(Loss) for the period/year (before adjustment of Minority Interest)		(7,811.66)	82.99
	Less:- Share of Loss Transferred to Minority Interest		2.85	1.14
	Profit/(Loss) for the period/year		(7,808.81)	84.13
	Add/(Less) : Prior Period Adjustment	2.25	(7.47)	5.57
	Profit/(Loss) for the Period/year carried to Balance sheet		(7,816.28)	89.70
	Earnings per equity share (Nominal Value of share ₹ 10/- each)	2.37	Negative	7.82
	Basic and Diluted (In ₹)			

Significant Accounting Policies

1

Notes to Accounts

2

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

As per our report of even date attached

For & on behalf of

Mehta Lodha & Co.,

Firm Registration No: 106250W

Chartered Accountants

Prakash D. Shah

M. NO. 34363

Partner

Place : Ahmedabad

Date : November 27, 2012

For & on behalf of the Board of Directors

Shailesh Bhandari

Managing Director

Avinash Bhandari

Joint Managing Director

Jigar Shah

Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE 18 MONTHS PERIOD ENDED ON 30TH SEPTEMBER, 2012

	CURRENT PERIOD ₹ In Million	PREVIOUS YEAR ₹ In Million
A: CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax as per Statement of Profit and Loss	(8,673.30)	209.98
Adjusted For:		
Loss on Sale/Discard of assets (net)	(21.81)	0.93
Depreciation	2,062.35	1,120.23
Dividend Income	(0.04)	-
Interest Income	(139.84)	(57.67)
Prior Period Item	(7.47)	5.57
Finance Cost	5,025.16	2,025.28
Operating profit before working capital changes	(1,754.95)	3,304.32
Adjusted For:		
Trade and other Receivables	627.57	(1,827.15)
Inventories	1,807.98	(4,577.68)
Trade and other Payables	(1,322.27)	(3,080.29)
Loans and advances and other assets	(31.46)	(614.86)
Other liabilities and provisions	2,692.47	2,476.22
Cash Generated from Operations	2,019.34	(4,319.44)
Taxes Paid	(20.57)	(57.63)
Net Cash Generated from Operating activities	1,998.77	(4,377.07)
B: CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(419.28)	(3,681.60)
Acquisition of Subsidiary (Including Additional Consideration)	37.67	(1,011.18)
Sales of Fixed Assets	48.25	5.62
Sales / (Purchases) of Investments (net)	-	4.44
Minority Interest	0.45	37.13
Dividend Income	0.04	-
Net Prior Period Adjustment on Account of Investment In Subsidiaries	-	(73.53)
Interest Income	139.84	57.67
Net Cash (used in) Investing Activities	(193.03)	(4,661.45)
C: CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Share Application Money	13.76	-
Government subsidy received	122.65	-
Repayment Long Term Borrowings*	548.51	(4,183.02)
Short term Borrowings (Net)*	1,869.90	14,632.27
Dividend paid (including Dividend Distribution Tax)	-	(41.99)
Financial Cost *	(5,025.16)	(2,025.28)
Net Cash (used in) Financing Activities	(2,470.34)	8,381.98
Net Increase in Cash and Cash Equivalents	(664.60)	(656.54)
Opening Balance of Cash and Cash Equivalents	1,237.78	1,862.62
Add: Upon Addition of Subsidiary	-	31.70
Closing Balance of Cash and Cash Equivalents (Refer note no 2.16)	573.18	1,237.78

* includes amount of unpaid interest converted into Term Loan

As per our report of even date attached

For & on behalf of

Mehta Lodha & Co.,

Firm Registration No: 106250W

Chartered Accountants

Prakash D. Shah

M. NO. 34363

Partner

Place : Ahmedabad

Date : November 27, 2012

For & on behalf of the Board of Directors

Shailesh Bhandari

Managing Director

Avinash Bhandari

Joint Managing Director

Jigar Shah

Company Secretary



NOTE 1 TO THE CONSOLIDATED ACCOUNTS FOR THE 18 MONTHS PERIOD ENDED ON 30TH SEPTEMBER, 2012

1. SIGNIFICANT ACCOUNTING POLICIES:

(A) BASIS OF PREPARATION OF ACCOUNTS:

The Consolidated Financial Statements read with the notes to accounts are prepared to comply in all material respects with the Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention, (except for revalued assets which are stated at revalued amount) on an accrual basis.

(B) USE OF ESTIMATES:

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognized in the period in which the results are known /materialized.

(C) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements relates to Electrotherm (India) Limited ('the Company') and its subsidiary companies. The consolidated financial statements have been prepared on the following basis:

- (a) The financial statements of the Company and its Subsidiary Companies have been combined on line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard (AS) 21 - "Consolidated Financial Statements".
- (b) In case of foreign subsidiaries, being non-integral foreign operations, revenue items are consolidated at the average rate prevailing during the period/year. All assets and liabilities are converted at the rates prevailing at the end of the period/year. Any exchange difference arising on consolidation is recognized in Statement of Profit and Loss.
- (c) The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognised in the financial statements as Goodwill or Capital Reserve as the case may be.
- (d) Minority Interest's share of net profit/(loss) of consolidated subsidiaries for the period/year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company.
- (e) Minority Interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's shareholders.
- (f) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

(D) Investments have been accounted as per Accounting Standard (AS) 13 on "Accounting for Investments"

(E) Other significant accounting policies

These are set out under "Significant Accounting Policies" as given in the Company's separate financial statements.

CONSOLIDATED NOTES TO ACCOUNTS
2.01 Shareholders' funds

(a) Authorised, Issued, Subscribed and Paid- Up Capital:

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
Authorised		
2,50,00,000 Equity Shares of ₹10/- each	250.00	250.00
2,50,00,000 6% Non-Cumulative Redeemable Preference Shares of ₹10/- each	250.00	250.00
Total	500.00	500.00
Issued, Subscribed & Paid up		
1,14,76,374 (Previous Year 1,14,76,374) Equity Shares of ₹10/- each Fully paid up	114.76	114.76
1,20,00,000 (Previous Year 1,20,00,000) 6 % Non-Cumulative Redeemable Preference Shares of ₹10/- each Fully Paid Up, Redeemable At Par.	120.00	120.00
(35,60,000 Preference Shares Redeemable not later then 11th March 2025, 44,40,000 Preference Shares Redeemable not later then 1st April 2025 and 40,00,000 Preference Shares Redeemable not later then 14th May 2025)	234.76	234.76
Total	234.76	234.76

(b) A reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period.

(i) Equity Shares	As at 30th September 2012	As at 31st March 2011
	Numbers	Numbers
Shares outstanding at the beginning of the Period	11,476,374	11,476,374
Shares outstanding at the end of the Period	11,476,374	11,476,374
(ii) 6% Non-Cumulative Redeemable Preference Shares		
	As at 30th September 2012	As at 31st March 2011
	Numbers	Numbers
Shares outstanding at the beginning of the Period	12,000,000	12,000,000
Shares outstanding at the end of the Period	12,000,000	12,000,000

(c) **Rights, preference and restriction attached to Equity Shares**

- The face value of the Equity shares is ₹ 10/- per share . Each holder of equity shares is entitled to one vote per share. The company declares and pays dividend in Indian Rupees. During the period, the company has not declared any dividend.
- The shareholders are not entitled to exercise any voting right either personally or proxy at any meeting of the Company in cases calls or other sums payable have not been paid.
- In the event of liquidation of the company, the holder of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(d) **Rights, preference and restriction attached to Preference Shares**

- The face value of the Preference shares is ₹ 10/- per share . The Preference share holder does not have any voting rights. During the period, the company has not declared any dividend.
- In the event of liquidation of the company, the preference share holders will have priority over equity shares in the payment of dividend and repayment of capital .

(e) There were no shares reserved at the year-end for issue under options and contracts / commitments for the sale of shares / disinvestment.

CONSOLIDATED NOTES TO ACCOUNTS
(f) Shareholders holding more than 5% of the Shares
Equity Shares

Sr. No.	Name of Shareholder	As at 30th September 2012		As at 31st March 2011	
		No. of Shares held	% of Holding	No. of Shares held	% of Holding
1	Castleshine Pte Limited	1,000,000	8.71	1,000,000	8.71
2	DEG-Deutsche Investitions-Und Entwicklungsgesellschaft MBH	1,366,666	11.91	1,366,666	11.91
3	IDBI Trusteeship Services Limited (India Advantage Fund-VI)	1,292,231	11.26	1,368,333	11.92
4	Leadhaven Pte Limited	1,000,000	8.71	1,000,000	8.71
5	Mr. Mukesh Bhandari	809,500	7.05	809,500	7.05
6	Mr. Shailesh Bhandari	848,275	7.39	848,275	7.39
7	Western India Speciality Hospital Limited	975,000	8.50	975,000	8.50

Preference Shares

Sr. No.	Name of Shareholder	As at 30th September 2012		As at 31st March 2011	
		No. of Shares held	% of Holding	No. of Shares held	% of Holding
1	Web Businesses.com Global Ltd.	2,730,000	22.75	2,730,000	22.75
2	Lavish Packagers Ltd.	2,580,000	21.50	2,580,000	21.50
3	Highland Finance and Investments Pvt.Ltd.	3,240,000	27.00	3,240,000	27.00
4	Froid Finance and Investments Pvt Ltd.	1,200,000	10.00	1,200,000	10.00
5	Ahmedabad Aviation and Aeronautics Ltd	1,050,000	8.75	1,050,000	8.75
6	Mr. Shailesh B. Bhandari	1,200,000	10.00	1,200,000	10.00

(g) The Company have calls in arrears / unpaid calls of ₹ Nil (P.Y Nil)

2.02 Reserves and surplus

Particulars	As at 30th September 2012 (₹ In Million)		As at 31st March 2011 (₹ In Million)	
(A) Capital Reserve				
As per Last Balance Sheet Date	9.11		9.11	
Add: Government Subsidy received during the period	122.65	131.76	-	9.11
(B) Share Premium Account				
As per Last Balance Sheet Date	2,226.99		2,226.99	
Addition on Issue of Shares	37.67	2,264.66	-	2,226.99
(C) General Reserve				
As per Last Balance Sheet Date	3,341.61		3,176.28	
Add: Transfer From Statement of Profit & Loss	-		200.00	
Less : Reduction on Sales of Revalued Land	(3.70)		-	
Less : Transferred for depreciation on Revaluation of Fixed Assets	(52.00)	3,285.91	(34.67)	3,341.61
(D) Revaluation Reserve				
As per Last Balance Sheet Date	826.33		-	
Add: Addition During the period/year	-		944.68	
Less : Reduction on Sales of Revalued Assets	(8.29)		-	
Less: Transfer to Depreciation	(143.25)	674.79	(118.35)	826.33
(D) Surplus/Deficit in Statement of Profit & Loss				
As per Last Balance Sheet Date	1,396.95		1,507.25	
Add: Profit/(Loss) for the Period/Year	(7,816.28)		89.70	
Less: Transfer to General Reserve	-	(6,419.33)	(200.00)	1,396.95
Total		(62.21)		7,800.99

CONSOLIDATED NOTES TO ACCOUNTS
2.03 Long term borrowings

Particulars	As at 30th September 2012 (₹ In Million)		As at 31st March 2011 (₹ In Million)	
	Non-Current	Current	Non-Current	Current
Secured				
Term Loans from Bank				
- Rupee Term Loan-[Note No.(a)]	4,595.77	3,794.77	4,055.76	1,764.14
- Foreign Currency Term Loan-[Note No.(b)]	458.70	265.00	490.49	93.41
Total	5,054.47	4,059.77	4,546.25	1,857.55
Hire Purchase Finance for Vehicles (Secured By Hypothecation of Specific Vehicles)	1.65	4.42	7.39	9.36
Unsecured				
- Foreign Currency Term Loan	494.19	53.00	448.16	-
Total	5,550.31	4,117.19	5,001.80	1,866.91

(a) Secured by first Charge by way of equitable mortgage of all immovable properties and hypothecation of specified movable assets situated at Vatva, Palodia, Dhank, Samakhiyali – Kutch and Chhadawada –Bhachau and Juni Jithardi, Karjan, Vadodara and Bank fixed Deposits & as second charge on all stock in Trade & Receivables. Further the Loans are guaranteed by the personal guarantees of some of directors.

Secured by First Pari-passu charge on the entire fixed assets & immovable properties of the company situated at Village : Budharmora, Bhuj-Bhachau Highway, Tal : Anjar, Dist : Kutch and personal guarantee of some of the directors of the company. Further Loan from State Bank of India are secured by all present and future goods, book-debts and all other Movable Assets.

First charge on the entire current assets of the Company, both present and future. Equitable Mortgage over factory land & factory building at Siriguppa, Dist : Bellary and Hypothecation of entire plant & machinery and other fixed assets of the Company. Personal Guarantees of Mr. Mukesh Bhandari and Mr. Shailesh Bhandari, Directors of the Company.

(b) ECB Loan is secured by Pari Passu Charge over the movable assets and first Pari Passu Charge on immovable assets.

2.04 Deferred Tax Liability

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
Deferred Tax Liability (Related to Fixed Assets)(Refer Note No 2.32(c))	42.46	907.15
Total	42.46	907.15

2.05 Long Term Provisions

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
Provision for Leave Encashment	42.19	29.02
Provision for Gratuity	37.21	18.13
Total	79.40	47.15

CONSOLIDATED NOTES TO ACCOUNTS
2.06 Short-term borrowings

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
Secured loan from Banks		
Term Loan [Refer Note No.(a)]	9,333.71	47.16
Working Capital Facilities [Refer Note No.(b)]	10,384.13	8,118.21
Buyers Credit [Refer Note No.(b)]	64.79	1,546.69
Letter of Credit [Refer Note No.(b)]	234.45	2,281.28
Unsecured		
Loans and Advances from other parties repayable on demand from:-		
Related Parties (Including Body Corporates) (Refer Note No 2.34)	23.90	146.18
Body Corporate	3.35	3.35
Directors (Refer Note No 2.34)	44.04	6.51
Term Loan from Banks		
- Rupee Term Loan	1,739.59	7,848.62
- Foreign Currency Term Loan	262.89	222.95
Total	22,090.85	20,220.95

(a) Secured by first Charge by way of Equitable mortgage of all immovable properties and hypothecation of specified movable assets situated at Vatva, Palodia, Dhank, Samakhiyali – Kutch and Chhadawada – Bhachau and Juni Jithardi, Karjan, Vadodara and Bank Fixed Deposits & as second charge on all Stock-in-Trade & Receivables. Further the loans are guaranteed by the personal guarantees of some of Directors.

(b) Secured by first charge by way of hypothecation of all stocks of raw material, packing materials, fuel, stock in process, semi finished and finished goods, stores and spares not relating to the plant and machinery and stocks in trade & receivables and second charge on all movable fixed assets & second and subservient charge by way of equitable mortgage of all immovable properties situated at Vatva, Palodia, Dhank, Samakhiyali- Kutch and Chhadawada -Bhachau. Further the loans are guaranteed by the personal guarantees of some of the Directors of the company.

First charge on the entire current assets of the Company, both present and future. Equitable Mortgage over factory land & factory building at Siriguppa, Dist : Bellary and Hypothecation of entire plant & machinery and other fixed assets of the Company. Personal Guarantees of Mr. Mukesh Bhandari and Mr. Shailesh Bhandari, Directors of the Company.

2.07 Trade Payable

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
Micro, Small and Medium enterprise	4.92	4.92
Others [Refer Note No 2.36(b)]	957.51	2,279.28
Due to Related Parties [Refer Note No 2.34]	-	0.50
Total	962.43	2,284.70

Under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. In regard to the above the company has received intimation from one such party details of which are provided as under-

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
Supreme Metallurgical Services (P). Ltd.	4.92	4.92

The above amount does not include any interest

CONSOLIDATED NOTES TO ACCOUNTS
2.08 Other current liabilities

Particulars	As at 30th September 2012 (₹ In Million)		As at 31st March 2011 (₹ In Million)	
Unclaimed Dividend#	0.90		0.91	
Current Maturity on Long terms Borrowings	4,117.19		1,866.91	
Interest Accrued & due on Borrowing	0.41		0.84	
Creditors for Capital expenditure	49.61		75.61	
Advance from Customer [Refer Note No 2.36(b)]	1,087.92		797.75	
Advance form Related Parties [Refer Note No 2.34]	1.02		-	
Others (Including Ex-Gratia of ₹ 19.82 Million)	113.92	5,370.97	24.58	2,766.60
Other Liabilities				
Provident Fund & Other Contribution	4.27		4.14	
Tax Deducted and Collected at Source	6.88		14.45	
Value Added Tax and Central Sales Tax	42.17		41.25	
Excise Duty Payable on Stock of Finished Goods	119.73	173.05	64.57	124.41
Total		5,544.02		2,891.01

The figure does not include any amount, due and outstanding, to be credited to investor Education and Protection Fund.

2.09 Short Term Provisions

Particulars	As at 30th September 2012 (₹ In Million)		As at 31st March 2011 (₹ In Million)	
Provision for Bonus		22.50		15.51
Provision for Wealth Tax		0.23		-
Total		22.73		15.51

2.10 Fixed Assets

(Amount in ₹)

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.4.2011	Addition / Adjustment	Deduction / Adjustment	As at 30.9.2012	As at 1.4.2011	Addition / Adjustment	Deduction / Adjustment	As at 30.9.2012	As at 30.9.2012	As at 31.3.2011
TANGIBLE ASSETS:										
Own Assets:										
Freehold Land	1,735.65	13.19	9.52	1,739.32	-	-	-	-	1,739.32	1,735.65
Leasehold Land	10.96	-	-	10.96	-	-	-	-	10.96	10.96
Building	3,409.09	297.96	5.12	3,701.93	325.34	181.24	2.19	504.39	3,197.54	3,083.75
Plant and Machinery	15,117.17	2,279.50	35.33	17,361.34	2,969.18	2,021.59	11.95	4,978.82	12,382.52	12,147.99
Computer	112.08	3.39	-	115.47	54.55	21.71	-	76.26	39.21	57.53
Furnitures & Fixtures	78.51	4.01	1.01	81.51	22.76	6.98	1.11	28.63	52.88	55.75
Office Equipment	35.66	2.06	-	37.72	7.10	3.44	-	10.54	27.18	28.56
Live Stock	0.04	-	-	0.04	-	-	-	-	0.04	0.04
Vehicles	103.88	5.32	5.79	103.41	35.63	14.29	3.14	46.78	56.63	68.25
Total(A)	20,603.04	2,605.43	56.77	23,151.70	3,414.56	2,249.25	18.39	5,645.42	17,506.28	17,188.48
INTANGIBLE ASSETS:										
Goodwill*	709.34	37.67	-	747.01	-	-	-	-	747.01	709.34
Software	34.58	-	-	34.58	8.60	8.42	-	17.02	17.56	25.98
Total(B)	743.92	37.67	-	781.59	8.60	8.42	-	17.02	764.57	735.32
Total(A+B)	21,346.96	2,643.10	56.77	23,933.29	3,423.16	2,255.67	18.39	5,662.44	18,270.85	17,923.80
Previous Year (Net Block)	16,440.55	4,913.76	7.35	21,346.96	1,908.78	1,516.92**	2.54	3,423.16	17,923.80	14,531.77

Note 1: During the Financial Year 2009-10, in pursuance of the Scheme of Arrangement approved by the Hon'ble High Court of Gujarat vide its order dated November 30, 2009 the immovable assets of the Company, namely Land and Building, on the basis of Revaluation report of the Government approved competent Valuer appointed by the Company were recorded at their respective fair values and resulting increase over Book Value, of ₹ 2481.95 Million, was transferred to General Reserve Revaluation Account. Accordingly, the depreciation for current period includes depreciation of ₹ 195.25 Million (Previous Year ₹ 153.03 Million) on account of the said revaluation, and which has been reduced from the balance of General Reserve and Revaluation Reserve.

CONSOLIDATED NOTES TO ACCOUNTS

Note 2: In the case of Bhaskarpara Coal Company Limited, depreciation of ₹ 0.07 Million (Previous Year ₹ 0.02 Million) has not been charged to Profit and Loss account and it has been capitalised under Capital Work in Progress (Project Development Expenditure)

* The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognised in the financial statements as Goodwill. Further New share acquired through new issue of Subsidiary at a premium, premium paid is considered as Goodwill and share premium received thereon is considered as Reserve and Surplus.

** Includes accumulated depreciation of ₹ 243.67 Million, relating to the new subsidiary Companies.

2.11 Non Current Investments

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
Investment in Mutual Funds(Quoted)		
1 64288.778 (Previous Year 64288.778) Units of ₹ 10 Each of Punjab National Bank Mutual Fund (Market Value of Quoted Investments ₹ 0.72 Million (P.Y. ₹ 0.68 Million)	0.64	0.64
2 20,000 (Previous Year 20,000) Units of SBI Mutual Fund (NAV ₹ 2,38,890 (Previous Year ₹ 2,19,088))	0.20	0.20
Investment in Equity Instruments (UnQuoted)		
1 6,540 (Previous Year 6,540) Shares of ₹ 25 Each of Siddhi Co.Op Bank Ltd.	0.16	0.16
2 National Saving Certificates	0.11	0.11
Total	1.11	1.11

There were no Current Investment and Associate Investment during the period of the Company.

2.12 Long Term Loans & Advances

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
Unsecured, considered good unless stated otherwise		
Security Deposits [Refer Note No 2.36(b)]	245.92	244.20
Total	245.92	244.20

2.13 Other Non-Current Assets

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
(To the extent not written off or adjusted)		
Preliminary Expenses	6.25	16.63
Deffered Revenue Expenditure	83.62	191.08
Product Development Cost	237.99	176.07
Total	327.86	383.78

2.14 Inventories [Refer Note No. 2.36]

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
(As valued,verified & certified by the Management)		
a. Raw Material [including goods in transit of ₹ 334.07 Million (Previous Year ₹ 161.89 Million)]	1,942.09	2,350.36
b Work In Process	4,376.14	6,118.83
c. Finished Goods	727.50	691.46
d. Stores and Spares	576.05	269.11
Total	7,621.78	9,429.76

CONSOLIDATED NOTES TO ACCOUNTS
2.15 Trade Receivables [Refer Note No 2.36(b)]

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
(Unsecured, considered good unless stated otherwise)		
Over Six Months	3,127.04	2,018.40
Others	1,330.76	3,144.86
Due from Related Parties [Refer Note No. 2.34]	106.46	28.57
Total	4,564.26	5,191.83

2.16 Cash and Bank Balances

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
a. Balances with Bank		
- Current Account	173.06	146.13
- Cheques in Hand	-	2.28
- Fixed Deposit*	393.99	1,081.83
- Unclaimed Dividend Account	0.90	0.91
b. Cash on hand (As certified by Management)	5.23	6.63
Total	573.18	1,237.78

* Fixed Deposit includes deposit of ₹ 253.22 Million having maturity within 12 months

2.17 Short-term loans and advances

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
(Unsecured, considered good unless stated otherwise)		
Advances Recoverable In Cash or Kind [Refer Note No 2.36(b)]	224.00	120.01
Advance to Related Parties (Refer Note No 2.34)	22.97	21.49
Inter-Corporate Deposits	0.48	0.48
Advance for Capital Goods	27.91	19.02
Others		
Prepaid Expenses	11.27	116.54
Advances to Staff	11.65	12.94
Advance to Suppliers	917.32	709.09
Loan to Staff	2.44	2.61
Balance with Revenue Authorities [Refer Note No. 2.36 and 2.29]	1,460.61	1,615.13
Advance Income Tax (Net of Provision of Income Tax of ₹ 2.81 Million (P.Y. of ₹76.14 Million))	20.57	(10.96)
Total	2,699.22	2,606.35

2.18 Other current assets

Particulars	As at 30th September 2012 (₹ In Million)	As at 31st March 2011 (₹ In Million)
Insurance Claim Receivable	1.01	0.97
Interest Accrued and Due on Fixed Deposit & Others	21.98	11.70
Total	22.99	12.67

CONSOLIDATED NOTES TO ACCOUNTS
2.19 Revenue from operations

Particulars	Current Period (₹ In Million)		Previous Year (₹ In Million)	
Sale of Products (includes Export Incentives of ₹ 6.15 Million (P.Y. ₹ 11.08 Million)	25,538.67		19,293.75	
Less: Inter Division Sales	(68.36)		(111.85)	
Less: Excise Duty on Sales	(1,912.53)	23,557.78	(1,683.16)	17,498.74
Technical Fees & Service income		125.24		21.21
Power Generation Income		3.81		1.90
Trading Sales		2,060.90		6,310.74
Total		25,747.73		23,832.59

2.20 Other Income

Particulars	Current Period (₹ In Million)		Previous Year (₹ In Million)	
Interest Income from Bank Fixed Deposits		139.84		57.67
Dividend Income from Long Term Investment		0.04		-
Rent Income		0.09		16.05
Excise Exemption Rollback		-		88.64
Miscellaneous Income (Including net balances written back)		187.96		97.59
Total		327.93		259.95

2.21 Changes in Inventories of Finished Goods and Work-in-Process

Particulars	Current Period (₹ In Million)		Previous Year (₹ In Million)	
Inventories (At Commencement)				
- Finished Goods	691.46		1,048.32	
- Work In Process	6,118.82	6,810.28	873.41	1,921.73
Inventories (At end)				
- Finished Goods	727.50		691.46	
- Work In Process	4,376.13	5,103.63	6,118.82	6,810.28
Total		1,706.65		(4,888.55)

2.22 Employee Benefit Expenses

Particulars	Current Period (₹ In Million)		Previous Year (₹ In Million)	
Salaries, Wages and Allowances and Bonus		1,335.18		700.83
Contribution to Provident and other Funds		70.93		42.78
Staff Welfare and amenities		25.95		17.10
Total		1,432.06		760.71

2.23 Finance Cost

Particulars	Current Period (₹ In Million)		Previous Year (₹ In Million)	
Interest Expenses				
- Term Loan	1,720.37		718.28	
- Bank & Other Loan	2,511.90	4,232.27	1,114.72	1,833.00
Other Borrowing Cost & Charges		350.11		220.50
Loss on foreign currency transactions and translation		505.06		154.41
Less: Interest Capitalized		(62.28)		(182.63)
Total		5,025.16		2,025.28

CONSOLIDATED NOTES TO ACCOUNTS
2.24 Other Expenses

Particulars	Current Period (₹ In Million)	Previous Year (₹ In Million)
Manufacturing Expenses		
Power and Fuel	2,505.38	1,736.02
Stores and Spares	1,260.49	1,175.71
Job Charges	876.36	597.78
Machinery Repairs	11.02	11.43
Building Repairs	2.90	6.53
Vehicle & Other Repairs	18.70	13.66
Excise duty	70.53	33.46
	4,745.38	3,574.59
Establishment/ Administrative Expenses		
Hire-Lease-Rent Charges	131.96	80.46
Rates & Taxes	28.39	23.42
Insurance Premium	33.28	17.50
Postage Telegram & Telephone Expenses	28.58	22.79
Conveyance Expenses	10.67	4.26
Traveling Expenses	98.20	66.11
Printing and Stationery	14.14	14.08
Vehicle Expenses	21.71	16.67
Security Expenses	20.88	12.20
Subscription & Membership	2.19	2.42
Net Sundry Balances Written Off/(Back) & Discount	0.21	48.62
Auditors' Remuneration:		
- Audit Fees	3.55	2.20
- Other Matters	0.16	0.11
Legal and Professional Charges	94.85	83.01
Miscellaneous Expenses	88.71	81.32
Research & Development Expenses	0.69	2.55
Donation	3.04	0.88
Loss/(Gain) on sale of Fixed assets (Net)	(21.81)	0.93
	559.40	479.53
Selling & Distribution Expenses		
Advertisement	209.54	200.59
Commission on sales	205.30	101.45
Freight and Forwarding Outward & Other Expenses	301.36*	528.84
	716.20	830.88
Total	6,020.98	4,885.00

* Freight Outward expenses for the current period is net of freight collected on sales.

2.25 Prior Period Adjustment

Particulars	Current Period (₹ In Million)	Previous Year (₹ In Million)
Prior Period Adjustment- Income Tax And Others	(7.47)	5.57
	(7.47)	5.57

CONSOLIDATED NOTES TO ACCOUNTS

2.26 A. The subsidiaries considered in the consolidated financial statements are:

Name of the Subsidiary	Country of Incorporation	% voting power held as at September 30, 2012	% voting power held as at March 31, 2011
Jinhua Indus Enterprises Limited* (JIEL)	China	100.00%	100.00%
Jinhua Jahari Enterprises Limited* (100% wholly owned company of JIEL)	China	100.00%	100.00%
Bhaskarpara Coal Company Limited	India	52.63%	52.63%
ET Elec-Trans Limited	India	80.49%	80.49%
Shree Ram Electro Cast Limited#	India	100.00%	100.00%
Hans Ispat Limited	India	100.00%	100.00%
Shree Hans Papers Limited	India	100.00%	100.00%
Electrotherm Mali SARL*	Republic of Mali	100.00%	100.00%

The name of the company has been changed from Shree Ram Electro Cast Private Limited to Shree Ram Electro Cast Limited with effect from 7th December 2011. The Registered office of the company has been changed from Kolkata, West Bengal to Ahmedabad, Gujarat.

* Subsidiary Company having 31st December as a reporting date.

B. In the opinion of the management, the unaudited financial statements of foreign subsidiaries have been prepared in accordance with the Generally Accepted Accounting Principles of its Country of Incorporation or International Financial Reporting Standards and the differences in accounting policies of the Company and its subsidiaries are not material.

2.27 Details of the Cases of Recovery by the Lenders/ Creditors against the Company.

- (a) During the financial period, UCO Bank, Syndicate Bank, Shiv Sales Industries and Shiv Metal Industries have filed winding up petitions under section 433 and 434 of the Companies Act, 1956 against the Company before Hon'ble Gujarat High Court. The winding up petition filed by UCO Bank is admitted and pending for further hearing with single judge, as per order of division bench. The Company has filed its reply to all the winding up petitions and all petitions are pending before the Hon'ble Gujarat High Court for further hearing.
- (b) During the financial period, UCO Bank, Syndicate Bank and ICICI Bank Limited have filed original applications against the Company before Debt Recovery Tribunal, Ahmedabad under section 19 of the Recovery of Debts due to Banks and Financial Institutions Act, 1993. The Company has filed its reply / application in all the three matters and the Ex-parte ad-interim injunction orders passed in the matter of UCO Bank and Syndicate Bank were partly modified. No order was passed in the matter of ICICI Bank Limited.
- (c) During the financial period, UCO Bank, Syndicate Bank, Vijaya Bank and Indian Overseas Bank have filed criminal complaints against the Company and its directors / officers under section 138 of Negotiable Instruments Act, 1881 for dishonour of various cheques. All the matters are pending before the respective Metropolitan Magistrate, Ahmedabad.
- (d) During the financial period, UCO Bank has declared the Company and its guarantors as willful defaulter, which was subsequently withdrawn by the Bank in a petition filed by the Company with Hon'ble Gujarat High Court. Subsequently, after additional representation and personal hearing of the Company, UCO Bank has once again declared the Company as willful defaulter. State Bank of Travancore has also issued letter to classify the company as willful defaulter, however no further action is taken by the Bank as on date.
- (e) During the financial period, Vijaya Bank has issued notice under section 13(2) of Chapter III of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act, 2002) for assets of Transmission Line Tower Division of the Company situated at Village : Juni Jithardi, Tal : Karjan, Dist : Vadodara. The Company has replied to the said notice. As on date, no action is taken by the Vijaya Bank under the SARFAESI Act, 2002.
- (f) Against the Subsidiary company- Hans Ispat Limited, a Civil Suit has been filed by a supplier of scrap, for a dispute and the exact amount of which is not determinable.

2.28 Corporate Debt Restructuring and Net Worth:

- (a) During the 18 months period ending on September 30, 2012, the company could not service interest and installments obligation on due dates. The Company has approached to all its lenders to restructure the entire debt of the company. In accordance to the guidelines for Corporate Debt Restructuring (CDR) issued by Reserve Bank of India, the flash report of the company was discussed at CDR Empowered Group (EG) meeting and the reference for restructuring the debt of the company

CONSOLIDATED NOTES TO ACCOUNTS

was admitted with CDR Cell as per CDR Empowered Group meeting held on 23rd/24th August 2012 with cutoff date as January 1, 2012.

- (b) The comprehensive financial restructuring would involve infusion of equity / Preference share capital by stakeholders of the company to augment its net-worth, and thus upon implementation of the package, (with retrospective cut-off date 01.01.2012), the net-worth is expected to become positive.
- (c) MITCON Consultancy & Engineering Services Limited has carried out Techno Economic Viability (TEV) Study and draft restructuring report is in final stage which shall be referred to CDR Cell after Join Lenders Meeting (JLM) for their approval. On approval the restructuring package shall be implemented by the company.
- (d) During the financial period, company had applied for restructuring of its various loans facilities and majority of the Banks and financial institutions have restructured the loan facilities (including, Cash Credit, Working Capital loans etc). During the current year, the company was not regular in repaying the financial dues (including interest), so in restructuring of facilities, Banks and Financial Institutions agreed to finance the defaulted Installments (including Interest) by converting majority of Interest amount into loan called Funded Interest Term Loan and Working Capital Demand Loans, and the company had to pay interest and installments regularly as the per the terms of restructured sanctions, however the company failed to comply the terms of sanctions and defaulted into repaying the said loans. The amount of installments, unpaid interest and other charges were not ascertainable from the details available.
- (e) During the period after restructuring, many Bank Accounts of the company were classified as Non Performing Assets and therefore provision for Interest and upfront charges on Corporate Loan and Working Capital Loans for the Period has not been provided in the books of accounts and to that extent loss and bankers loan liability has been understated.
- (f) In the Subsidiary – Hans Ispat Limited - during the Period ended as at 30th September 2012, Corporate Debt Restructure Scheme was sanctioned by the State Bank of India (lead Banker) on 25th July 2012 on the following terms and conditions :-
 - (i) Term loan is repayable in 24 Quarterly instalments, starting form financial year 2013-2014 till Financial Year 2021-2022 at revised rate of interest. The company is required to repay in the Term Loan in financial year 2013-14 of ₹ 0.44 Crores, in financial year 2014-15 till 2016-2017 of ₹ 0.44 Crores each year and in financial year 2017-18 and 2018-19 of ₹ 0.40 Crores each year.
 - (ii) Working Capital Term Loan is repayable in 36 Quarterly instalments, starting form financial year 2013-14 till Financial Year 2021-22 at revised rate of interest. The company required to pay in Financial Year 2013-14 of ₹ 2.52 Crores, in Financial Year 2014-15 till Financial Year 2018-19 of ₹ 4.44 Crores each year, in Financial Year 2019-2020 and 2020-2021 of ₹ 5.04 Crores each Year and in Financial Year 2021-22 of ₹ 5.08 Crores.
 - (iii) Funded Interest Term Loan is repayable in 24 Quarterly instalments, starting form financial year 2013-14 till Financial Year 2018-19 at revised rate of interest. The company required to pay in Financial Year 2013-14 of ₹ 0.36 Crores, in Financial Year 2014-15 till Financial Year 2018-19 of ₹ 0.57 Crores each year.

2.29 Non Provisions of Disputed Advances and Claims/Liability

- (a) The Company has filed an application for refund of Terminal Excise Duty of ₹ 15.79 Million (Previous Year ₹ 15.79 Million) and the same is included in Loans and Advances Balances. The said claim is under dispute and has been rejected by the Department but the Management is of the opinion that the company will receive the claim; therefore the same is treated as good for its realization and not provided for as expenses.
- (b) The Company had paid Excise duty of ₹ 0.22 Million (Previous Year ₹ 0.22 Million) under protest and the said claim is under dispute but the management is of the opinion that the company will receive the claim; therefore the same is treated as good for its realization and not provided for as expenses.
- (c) During the current financial period the Company had VAT tax liability (including interest and penalty) of ₹ 200 Million under Maharashtra Sales tax Act and out of which the company had paid ₹ 40 Million under protest and the same has been shown as Loans and Advances. Further provision for the unpaid liability of ₹ 160 Million has not been made as the company is hopeful of matter being decided in its favour.
- (d) VAT Receivable of ₹ 0.79 Million and VAT Input Credit Receivable of ₹ 691.33 Million (Previous Year ₹ 691.67 Million) is subject to approval of respective government authority.
- (e) The Company had filed application for refund of Excise Duty of ₹ 122.28 Million (Previous Year ₹ 122.28 Million) and the same is included in Loans and Advances Balances. The said claim has been rejected by the Department but the Management is of the opinion that the company will receive the claim on resolution of the dispute; therefore the same is treated as good for its realization and not provided for as expenses.
- (f) The Company has outstanding derivative contracts as on 30th September 2012 and out of which the company is liable for approx ₹ 140.00 Million on Mark to Market basis as on 30th September 2012. The contract expires on 12th March 2013 and it will be accounted on its crystallization.
- (g) Advance Custom Duty of ₹ 29.75 Million shown under the head Loans & Advances represents amount paid in advance for the purpose of clearance of imported material and the same has not been provided as expenses, as necessary clearances of documents are pending.

**CONSOLIDATED NOTES TO ACCOUNTS**

- (h) In the Subsidiary – Hans Ispat Limited - Vat Receivable of ₹ 14.82 Million, Service Tax Receivable of ₹ 4.22 Million and Excise Duty Receivables of ₹ 1.2 Million are outstanding since long and management is of the view that the same would be recoverable and therefore these are not required to be written off.
- (i) In the Subsidiary – Hans Ispat Limited - Criminal complain u/s 138 read with Section 142 of the Negotiable instrument Act, 1881 has been filed before the hon'ble Judicial Magistrate First Class Ahmedabad related to dishonour of cheque from a debtor. The Outstanding Balance as on 30/09/2012 in the books of the company is ₹13.25 Million and the same has been shown as good debt because the management of the company are hopeful that the amount outstanding would be recovered.
- 2.30** In accordance with the approval of the shareholders of the Company through postal ballot under section 293(1)(a) of the Companies Act, 1956, the Company has entered into binding agreements on December 14, 2011 pursuant to which Saint-Gobain Produits Pour La Construction SAS, France ("Saint Gobain") would acquire the Ductile Iron Pipes ("DI Pipes Division") business and 100% stake in subsidiary of the Company. However, the said transaction could not be consummated by the long stop date of June 30, 2012 and the long stop date for the agreements was accordingly lapsed on June 30, 2012. However, the Company is in dialouge with the buyer.
- 2.31** (a) A Special Civil Application in the nature of Public Interest Litigation was filed, inter alia, against the Company in Hon'ble Gujarat High Court challenging the environment clearance for expansion of steel plant and No Objection Certificate (NOC) & Consolidated Consent and Authorization. The Hon'ble Gujarat High Court by its order dated May 11, 2012 set aside the environment clearance with liberty to the Company to apply once again and to stop the operation of the steel plant. The Company has filed a Special Leave Petition (SLP) in the Hon'ble Supreme Court of India challenging the impugned order of Hon'ble Gujarat High Court dated May 11, 2012. After hearing, the Hon'ble Supreme Court of India on May 18, 2012 stayed the order passed by the Hon'ble Gujarat High Court. The matter is pending before the Hon'ble Supreme Court of India.
- (b) The Subsidiary Company-Shree Ram Electro Cast Limited has discontinued its operation since April 2011 because of non-availability of Iron Ore due to Hon'ble Supreme Court's order banning the Iron Ore mining in the State of Karnataka and accordingly operations of the Plant are temporarily discontinued. However the company is hopeful of commencing its operation in the near future and in the opinion of the company, concept of going concern is not affected.
- (c) The Subsidiary Company -Shree Ram Electro Cast Limited is in process of executing the legal document for the land acquired at Halekote-25 Village, Siruguppa Hubli or Firka, Siruguppa Taluka, District Bellary and Honnarahalli Village, Hatcholli.
- (d) The Subsidiary Company - Bhaskarpara Coal Company Limited, was asked by the Ministry of Coal, Government of India vide their letter No: 13016/54/2008-CA-I Vol.III dated 30/04/2012 to show cause as to why the delay in the development of coal block should not be held as violation of terms and conditions of allotment of Bhaskarpara Coal block. The company had submitted their reply on 16/05/2012. Thereafter, Ministry of Coal, vide letter No: 13011/2/2011-CA-I (Vol-I) dated 4th September, 2012 had asked the company to make a presentation with respect to achievement of difference milestones for development of coal block and reasons for delay before Inter Ministerial Group (IMG) constituted to undertake periodic review of development of allocated coal/lignite blocks. In response thereto, the company had made presentation as on 7th September, 2012 before Inter Ministerial Group. The outcome of the same is awaited. Consequently in our opinion the ability of the company to operate as a going concern is dependent upon the decision of Ministry of Coal, Government of India on continuation of allocation of coal block.
- 2.32 Additional Disclosures**
- (a) Power and Fuel expenses are inclusive of duties and taxes of ₹79.73 Million (Previous year ₹ 53.32 Million) paid towards power generation.
- (b) During the year Foreign Exchange Fluctuation Gain of ₹ 11.58 Million (Previous Year loss of ₹ 308.10 Million) has been adjusted to Material Cost and loss of ₹ 454.26 Million (Previous Year ₹ 157.95 Million) has been charged to Finance Cost.
- (c) In compliance of Accounting Standard 22 issued by Institute of Chartered Accountants of India, Deferred Tax liability of ₹ 865.13 Million outstanding on commencement of financial year has been written back to Statement of Profit and Loss on account of constant losses incurred by the company and that there is no chances of any tax liability occurring in near future, therefore the said Deferred Tax liability has been written back and no Deferred Tax Asset has been made as there is no certainty of its realization in near future in pursuance to heavy accumulated losses .
- (d) The Company has capitalized Pre-Operative Expenditure (including borrowing cost) of ₹ 449.45 Million (Previous Year ₹ 354.16 Million) and the same have been allocated towards the respective fixed assets.
- (e) Miscellaneous expenditure includes total Research and Development expenses of ₹ 237.99 Million (Previous Year ₹176.07 Million) incurred on development of Hybrid Bus/T-Cab/project, which is still in progress and said expenses would be written off in five years from the year of completion.
- (f) During the period the Subsidiary-Shree Ram Electro Cast Limited has written off ₹ 5.81 Million (Previous Year ₹ 1.83 Million) as Deferred Revenue Expenditure out of the unamortized amount of ₹34.86 Million incurred on account of non operation of the plant during the previous year ended on 31st March,2011
- (g) Miscellaneous income includes ₹ 93.30 Million of recovery from a party whose dues was written off by debiting to General Reserve Account.

CONSOLIDATED NOTES TO ACCOUNTS

2.33 The company is contingently liable for the following :-

- (a) Estimated amount of contracts remaining to be executed on capital account and not provided for ₹Nil. (Previous Year ₹ 40.00 Million).
- (b) The amount of sundry debtors is net of Bills discounted of ₹ Nil with bankers (Previous year ₹ 34.99 Million).
- (c) Claims against the Company not acknowledged as debts amounting to ₹ 25.50 Million, which pertains to litigations filed against the Company and pending before various courts, authorities, arbitration, Consumer Dispute Redressal Forum etc.
- (d) Guarantees / Counter Guarantees (including un-utilized Letters of Credit) issued ₹ 394.32 Million (₹2941.96 Million in Previous year).
- (e) Disputed Statutory Claims/Levies for which the company has preferred appeal in respect of ,Income Tax Liability of ₹ 18.78 Million (Previous Year ₹ 7.62 Million) Excise Liability of ₹ 2746.59 Million (Previous Year ₹ 2788.40 Million), Custom Duty Liability of ₹ 70 Million(Previous Year ₹ Nil) and VAT liability of ₹ NIL (P.Y. ₹ 0.61 Million)
(The above amounts are excluding the amount of Interest payable and of the amount involved in appeal preferred by the department, if any.)
- (f) The company has executed Legal Undertaking Bond to pay Central Excise Duty (Terminal Excise Duty), levies and liquidated damages payable, if any, in respect of imported and indigenous capital goods and stores and spares consumed duty free, in the event that certain terms and conditions are not fulfilled. In this regard aggregate duty liability amount of ₹ 280.46 Million as at September 30, 2012 (Previous Year: ₹290.19 Million). Against these, exports amounting to ₹ 1551.07 Million (previous year ₹ 2238.93 Million) will have to be made within next 8 years from the date of issue of license.
- (g) The company has received show cause notices for non compliance of export obligations, arised due to usage of license for payment of custom duty. In this regards the company has paid custom duty and has replied to those show cause notices. However the exact liability is under reconciliation.

2.34 RELATED PARTY (AS IDENTIFIED AND DETERMINED BY THE COMPANY) DISCLOSURES UNDER ACCOUTING STANDARD 18;

A. List of Related Parties

I) Enterprises owned or significantly influenced by key management personnel or their relatives (Except foreign companies)

- | | |
|--|---|
| 1. Ahmedabad Aviation and Aeronautics Ltd. | 2. Crystal Real Estate Pvt. Ltd. |
| 3. Palace Tours and Air Charters Pvt. Ltd. | 4. Western India Speciality Hospital Ltd. |
| 5. E-Motion Power Ltd. | 6. Indus Elec-Trans Pvt. Ltd. |
| 7. Afghan Trading Pvt. Ltd. | 8. Bhandari Brothers Commercial Pvt. Ltd. |
| 9. Jayshri Petro-Yarn Pvt. Ltd. | 10. Adroit Trading and Investment Co. |
| 11. EIL Hospitality Pvt. Ltd. | 12. EIL Realty Pvt. Ltd. |
| 13. EIL Software Pvt. Ltd. | 14. EIL Software Services Offshore Pvt. Ltd. |
| 15. EIL Technology Pvt. Ltd. | 16. Electrotherm Engineering & Projects Ltd. |
| 17. Kappa Consultancy Pvt. Ltd.
(Formerly Known as Electrotherm Infrastructure Pvt. Ltd.) | 18. Electrotherm Foundation. |
| 19. Gujarat Mint Alloys Ltd. | 20. Indus Real Estate Pvt. Ltd. |
| 21. Electra Transformers Pvt. Ltd.
(Formerly Known as ICS Commercial Pvt. Ltd.) | 22. New Delhi Real Estate Pvt. Ltd. |
| 23. Palace Infrastructure Pvt. Ltd. | 24. Suraj Real Estate Pvt. Ltd. |
| 25. S N Advisory Pvt. Ltd. | 26. Suraj Advisory Services Pvt. Ltd. |
| 27. Airfones Innovatives Private Limited | 28. BNB Real Estate Private Limited |
| 29. ETAIN Energy Holdings Limited
(Formerly Known as Electrotherm Energy Holdings Ltd.) | 30. Electrotherm Solar Limited |
| 31. Palace Solar Energy Pvt. Ltd.
(Formerly Known as Inspira Solar Energy Ltd.) | 32. SBRB Real Estate Pvt. Ltd.
(Formerly known as NET Architectures Pvt. Ltd.) |
| 33. Bhandari Real Estate Pvt. Ltd. | 34. ETAIN Immodo Renewables Ltd. |
| 35. Arjun Ceramics & Carbon Pvt. Ltd. | 36. Indus Chargers & Controllers Pvt. Ltd. |
| 37. Arjun Solar One Pvt. Ltd. | 38. Arjun Green Power Pvt. Ltd. |
| 39. Arjun Raj Solar One Pvt. Ltd. | 40. Mangalam Information Technologies Private Limited* |
| 41. Liberty Finance and Leasing Company Private Limited* | 42. Magnum Limited* |
| 43. Alwar Trading and Investment Company* | 44. Palanpur Reality Developers Private Limited* |
| 45. Electrotherm Renewables Private Limited* | 46. S B Realty Developers Private Limited* |
| 47. Sun Infrapower Private Limited* | 48. Sun Residency Private Limited* |
| 49. Firefly Energy Limited* | 50. Indus Coils & Plates Limited* |
| 51. Bhandari Charitable Trust | |

* These parties have ceased to be as Associates of the Company during the period.

CONSOLIDATED NOTES TO ACCOUNTS
II) Key Management Personnel (Other than Nominee & Independent Director)

1. Mr. Mukesh Bhandari (Chairman & Chief Technology Officer)
2. Mr. Shailesh Bhandari (Managing Director)
3. Mr. Narendra Dalal (Whole Time Director)
4. Mr. Avinash Bhandari (Joint Managing Director & CEO)
5. Mr. Mahendrakumar Patira (President Work)
6. Mr. Suraj Mohan Sharma (Director)
7. Mr. Rajendrakumar Purohit (Director)
8. Mr. Dilip Nandkeolyar (Managing Director)

III) Relatives of Key Management Personnel (With whom transaction has taken place during the year)

1. Mrs. Indubala Bhandari
2. Mrs. Jyoti Bhandari
3. Mr. Rakesh Bhandari
4. Mr. Anurag Bhandari
5. Mr. Siddharth Bhandari

B. Transaction with Related Parties

(₹ in Million)

SR. NO.	NAME	SALES		LOAN RECEIVED		LOAN GIVEN /REPAID		RENT PAID		SALARY		CLOSING BALANCE	
		Sep-12	Mar-11	Sep-12	Mar-11	Sep-12	Mar-11	Sep-12	Mar-11	Sep-12	Mar-11	Sep-12	Mar-11
(I)	Associates												
	1 Ahmedabad Aviation and Aeronautics Limited	-	-	0.80	0.10	2.27	0.27	-	-	-	-	1.30	(0.17)
	2 Palace Tours And Air Charters Private Limited	-	-	-	-	0.05	-	-	-	-	-	-	(0.05)
	3 Western India Speciality Hospital Limited	-	-	-	-	0.49	-	-	-	-	-	-	(0.49)
	4 ETAIN Immodo Renewables Limited	132.26	-	-	-	-	-	-	-	-	-	76.86	-
	5 Indus Chargers & Controllers Pvt. Limited	-	-	0.05	-	-	-	-	-	-	-	(0.05)	-
	6 EIL Software Services Offshore Pvt. Limited	-	-	-	-	-	-	-	-	-	-	(20.00)	(20.00)
	7 Bhandari Charitable Trust	-	-	-	-	-	-	-	-	-	-	50.24	50.24
(II)	KEY MANAGEMENT PERSONNEL:												
	1 Mr. Mukesh Bhandari (Chairman & Chief Technology Officer)	-	-	7.95	6.00	-	6.00	2.83	0.18	3.87	12.90	(8.02)	(0.05)
	2 Mr. Shailesh Bhandari (Managing Director)	-	-	33.91	10.50	4.32	4.30	-	-	3.87	9.68	(36.32)	(6.30)
	3 Mr. Narendra Dalal (Whole time Director)	-	-	-	-	-	-	-	-	3.87	3.55	(0.04)	-
	4 Mr. Avinash Bhandari (Joint Managing Director & CEO)	-	-	-	-	-	-	-	-	3.87	3.87	0.06	-
(III)	RELATIVES OF KEY MANAGEMENT PERSONNEL:												
	(With whom Transaction has taken Place during the year)												
	1 Mrs. Indubala Bhandari	-	-	-	-	-	-	0.44	0.39	-	-	(0.02)	(0.02)
	2 Mrs. Jyoti Bhandari	-	-	-	-	-	-	0.41	0.02	-	0.54	(0.15)	(0.15)
	3 Mr. Rakesh Bhandari	-	-	-	-	-	-	-	-	-	-	(0.23)	(0.23)
	4 Mr. Siddharth Bhandari	-	-	-	-	0.05	-	-	-	-	-	0.05	-
	5 Mr. Anurag Bhandari	-	-	-	-	1.50	-	-	-	-	-	(3.50)	(5.00)

Note: The above chart consists details of parties who are relatives as on the last day of the Financial period ended on 30th September 2012 and it does not include transactions done with parties who ceased to be related party during the year.

The Figures shown in bracket indicates credit balance.

2.35 SEGMENT REPORTING UNDER ACCOUNTING STANDARD
(A) Business Segment

Based on the guiding principles given as per Accounting Standard on "Segment Reporting" (AS-17) issued by The Institute of Chartered Accountants of India, the Company's primary business is manufacturing and marketing of Induction Furnaces, Steel items and Battery Operated Vehicles.

CONSOLIDATED NOTES TO ACCOUNTS
PRIMARY SEGMENT INFORMATION: As Identified by the management
(₹ In Million)

Particulars	Current Period	Previous Year
SEGMENT REVENUE		
Engineering & Projects Division	4,977.82	2,589.98
Special Steel Division	16,896.23	20,238.80
Electric Vehicle Division	583.34	252.00
Others	3,358.70	863.66
Total Sales	25,816.09	23,944.44
Less : Inter segment Revenue	68.36	111.85
Net Sale	25,747.73	23,832.59
SEGMENT PROFIT BEFORE TAX AND INTEREST		
Engineering & Projects Division	116.75	280.55
Special Steel Division	(3,138.01)	2,189.52
Electric Vehicle Division	(388.99)	(135.63)
Others	(237.89)	(99.18)
Profit Before Interest, Tax & Prior Period Adjustment	(3,648.14)	2,235.26
Less: Financial Expenses	5,025.16	2,025.28
Less : Provision for Tax (Including Deferred Tax)	(861.64)	126.99
Net Profit After Tax	(7,811.66)	82.99
OTHER INFORMATION		
Segment Assets		
Engineering & Projects Division	5,304.47	4,398.49
Special Steel Division	26,303.38	31,315.69
Electric Vehicle Division	840.70	959.85
Others	1,781.28	2,427.79
Total Segment Assets	34,229.83	39,101.83
Segment Liabilities		
Engineering & Projects Division	5,630.47	3,659.27
Special Steel Division	26,732.50	24,826.32
Electric Vehicle Division	310.76	294.72
Others	1,576.01	1,604.68
Un-allocable Liabilities & Provisions	-	76.13
Total Segment Liabilities	34,249.74	30,461.12

**CONSOLIDATED NOTES TO ACCOUNTS**

(₹ In Million)

Particulars	Current Period	Previous Year
Segment Depreciation		
Engineering & Projects Division	80.21	47.05
Special Steel Division	1,891.37	1,017.33
Electric Vehicle Division	20.24	13.38
Others	70.53	42.47
Total Depreciation	2,062.35	1,120.23
Other Non Cash Expenses		
Engineering & Projects Division	18.81	16.20
Special Steel Division	76.71	56.57
Electric Vehicle Division	11.42	20.03
Others	7.88	1.91
Total	114.82	94.71
Segment Capital Expenditure		
Engineering & Projects Division	25.61	334.11
Special Steel Division	260.11	3,105.64
Electric Vehicle Division	0.18	3.41
Others	76.63	1,665.90
Total Capital Expenditure (Net)	362.53	5,109.06

Note : The business which were not reportable segments during the year have been grouped under the "Others" segment.

(B) Geographical Segments

The operations of the Company are in India and all Assets and Liabilities are located in India. Summary of Sales and other operational income in India & overseas is as under.

(₹ in Million)

Particulars	Current Period	Previous Year
India	24,358.10	23,035.06
Overseas	1,389.63	797.53
Total	25,747.73	23,832.59

- 2.36 (a) In the opinion of the Management, the current assets, loans & advances are realizable at the values stated, if realized in the ordinary course of business and the provisions for all known liabilities are adequate.
- (b) The account of Trade receivables, Loans, Trade payables and Loans & advances are subject to confirmation / reconciliation and the amounts of Trade receivables, Trade payables and Advances are stated on net basis, on the basis of control account, and accordingly the same are subject to necessary adjustments or re-grouping /classification. The details of netting of such accounts of material amount are as under:-

Account Head	₹ in Million	Relating to
Trade Payable	₹ 1710.99 (PY ₹ 1652.99)	Advances to suppliers
Balance with Revenue Authorities	₹7.36	Excise Duty Payable
Balance with Revenue Authorities	₹2.98	Service Tax Payable
Advance from customers	₹ 44.75	Foreign Exchange Fluctuation on Debtors
Advance recoverable in Cash or Kind	₹ 24.05	Amount received as advance
Security Deposits Given	₹ 0.23	Deposit taken from Employees

CONSOLIDATED NOTES TO ACCOUNTS

- (c) During the period after restructuring, various Bank Accounts of the company were classified as Non Performing Assets by the Bankers and therefore provision for Interest (Other than upfront charges) on Corporate Loan and Working Capital Loans for the Period of ₹ 1485.37 Million (Approx) (Previous Year ₹ Nil), has not been provided in the books of accounts and to that extent loss and bankers loan liability has been understated. The extent of exact amount is under determination and reconciliation with the banks.
- (d) The classification/grouping of items of the accounts are made by the management, on the basis of the available data with the company and which has been relied upon by the auditors.
- (e) The amount of stock has been taken by the management on the basis of information available with the company and it includes old slow moving inventory and it has been valued by the management on estimate net realizable value
- (f) Account of Service Tax Receivables and VAT is subject to reconciliation, submission of its return for its claim and/or its assessment, if any.
- (g) In pursuance to the AS-21, regarding Consolidation of Financial Statement, the excess of cost to the parent company of its investment in the subsidiary over its portion of equity at the respective dates on which investment in such entities of ₹ 747.01 Million has been recognized in the financial statement as "Goodwill". In pursuance to AS-21, said goodwill of ₹ 747.01 Million is required to be set-off against the said capital reserve, but to amortize the Goodwill amount in future; it has not been set-off against the said Capital Reserve.
- (h) The Gross Block of Fixed Assets includes ₹ 3422.93 Million (Previous Year ₹ 3426.63 Million) on account of revaluation of Fixed Assets. Consequent to the said revaluation, there is an additional charge of depreciation of ₹ 195.25 Million (Previous Year ₹ 153.03 Million) and an equivalent amount, has been withdrawn from Revaluation Reserve/General Reserve, as applicable. This has no impact on profit/(loss) for the period.

2.37 EARNING PER SHARE (EPS):

The basic Earnings per Share is calculated by dividing the profit/ loss attributable to the existing Equity Shares outstanding.

EPS CALCULATION	Current Period	Previous Year
Profit attributable to the Equity Shareholder (After prior period expenses) ₹ Million		89.70
Closing number of Equity Shares outstanding during the year		1,14,76,374
Basic/ Weighted average number of Equity Shares outstanding during the year	In view of Loss it has not been calculated	1,14,76,374
Nominal value of Equity share (₹)		10
Basic Earning per Share (₹)		7.82
Diluted earning per share (₹)		7.82

- 2.38 (a) Till the year ended 31.03.2011 the Company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the period ended 30.09.2012, the revised Schedule VI notified under the Companies Act 1956 has become applicable to the Company. The Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principals followed for preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.
- (b) The Registrar of Companies, Gujarat, Dadra and Nagar Havelli has approved the extension of financial year of the Company upto 30th September, 2012 by letter dated 4th July, 2012 and as such figures for this financial period are of 18 (eighteen) months ended on 30/09/2012 and previous year is of 12 (twelve) months ended on 31/03/2011 and hence the same are not comparable. Figures of the previous year have been re-arranged / regrouped / reclassified / re-casted wherever necessary.

2.39 Signed Notes No.1 and 2 forms part of the Annexed account of the Company.

As per our report of even date attached

For & on behalf of

Mehta Lodha & Co.,

Firm Registration No: 106250W

Chartered Accountants

Prakash D. Shah

M. NO. 34363

Partner

Place : Ahmedabad

Date : November 27, 2012

For & on behalf of the Board of Directors

Shailesh Bhandari

Managing Director

Avinash Bhandari

Joint Managing Director

Jigar Shah

Company Secretary



PROXY / ATTENDANCE SLIP

ELECTROTHERM (INDIA) LIMITED

Registered Office : A-1, Skylark Apartment, Satellite Road, Satellite, Ahmedabad – 380 015

PROXY FORM

DP ID	
Client ID	

Folio No.	
No. of Shares	

I / We _____ of _____ being a member / members of **ELECTROTHERM (INDIA) LIMITED** hereby appoint _____ of _____

or failing him _____ of _____ as my/our Proxy to attend and vote for me/us and for my / our behalf at the 26th Annual General Meeting of the Company to be held on Friday, 28th December, 2012 at 11.00 a.m. at S-5, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad- 380 015 and at any adjournment thereof.

Signed this _____ day of _____, 2012

Affix
One Rupee
Revenue
Stamp

Signature

NOTE :

1. The Proxy Form signed across revenue stamp should reach at the Company's Registered Office at A-1, Skylark Apartment, Satellite Road, Satellite, Ahmedabad – 380 015 at least 48 hours before the schedule time of the meeting.
2. The Proxy need not be a member of the Company.
3. Please fill in full particulars.
4. Company reserves the right to ask for identification of the proxy.

ELECTROTHERM (INDIA) LIMITED

Registered Office : A-1, Skylark Apartment, Satellite Road, Satellite, Ahmedabad – 380 015

ATTENDANCE SLIP

Please complete the Attendance Slip and hand it over at the entrance of the meeting hall.

I / We hereby record my presence at the 26th Annual General Meeting of the Company held on Friday, 28th December, 2012 at 11.00 a.m. at S-5, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad- 380 015.

DP ID	
Client ID	

Folio No.	
No. of Shares	

Name of the Shareholder (In Block Letters)

Signature of Shareholder

Name of the Proxy (In Block Letters)

Signature of the Proxy

NOTES :

1. This attendance is valid only in case shares are held on the date of this Annual General Meeting.
2. You are requested to sign and hand over this slip at the entrance of the Meeting hall.