



## Board of Directors

|   |  |
|---|--|
| <b>KHUSHROO RUSTUMJI</b><br>Chairman<br>(upto July 31, 2007)        | <b>B R TANEJA</b><br>Chief Executive Officer |
| <b>V BALASUBRAMANIAN</b><br>Joint Managing Director                 | <b>A K JAIN</b>                              |
| <b>NIRMAL CHANDRA</b><br>President (Projects & Product Development) | <b>VIRENDRA KAPOOR</b>                       |
| <b>SALIL TANEJA</b><br>President (Corporate Strategy & Development) | <b>J P SUREKA</b>                            |
| <b>O P KAKKAR</b><br>Managing Director                              | <b>K D HODAVDEKAR</b><br>IDBI Nominee        |
|   | <b>K K RAI</b><br>ICICI Nominee              |
|   | <b>RAJIV GOEL</b><br>Chief Financial Officer |

## Company Secretary

**JAYAN NAIR**

## Auditors

|   |   |
|---|---|
| <b>M/s P G BHAGWAT</b><br>Chartered Accountants | <b>J K SHAH &amp; CO</b><br>Chartered Accountants |
|---|---|

## Financial Institutions & Banks

|  |                      |
|--|----------------------|
| Industrial Development Bank of India Limited   | Bank of Baroda       |
| ICICI Bank Limited                             | Bank of India        |
| IFCI Limited                                   | Bank of Maharashtra  |
| Life Insurance Corporation of India            | Indian Overseas Bank |
| International Finance Corporation (Washington) | State Bank of India  |

## Registered Office

Lunkad Towers, Viman Nagar, Pune-411 014

## Transfer Agent

Sharepro Services (India) Private Limited

## Works

|   |   |                                      |
|---|---|--------------------------------------|
| MIDC Industrial Area<br>Ahmednagar-414111 | MIDC Industrial Area<br>Baramati-413133 | Jejuri-Morgaon Road<br>Jejuri-412303 |
|---|---|--------------------------------------|

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Annual General Meeting at Taj Blue Diamond, Pune on Tuesday, November 27, 2007 at 11.00 a.m.

## Physical Highlights

(Tonnes)

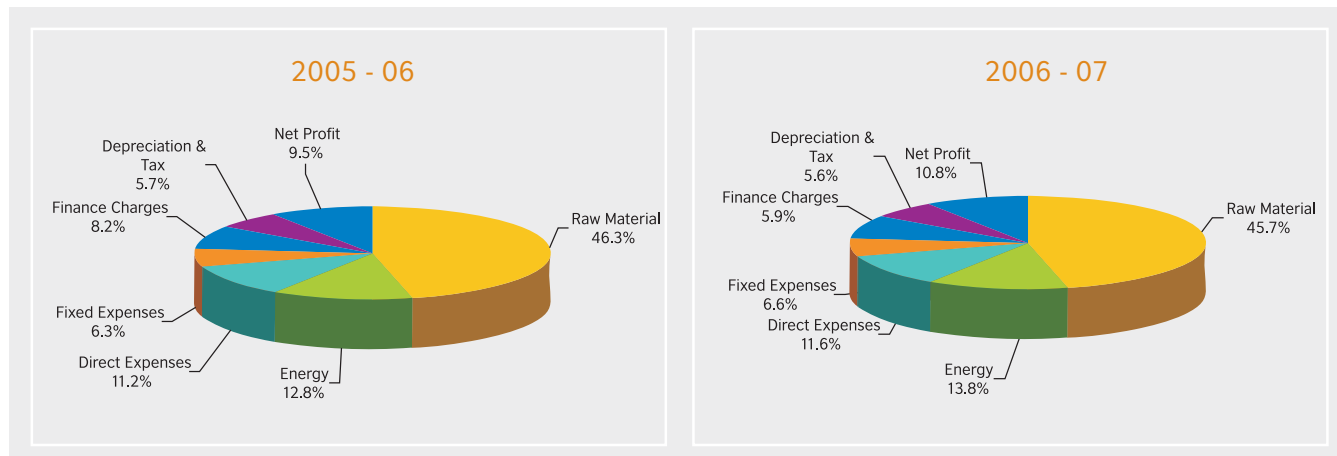
|                      | 2004 - 05 |        | 2005 - 06 |        | 2006 - 07 |        |
|----------------------|-----------|--------|-----------|--------|-----------|--------|
|                      | Tube      | Steel  | Tube      | Steel  | Tube      | Steel  |
| Capacity             | 158000    | 250000 | 158000    | 250000 | 158000    | 250000 |
| Production           | 110184    | 213303 | 135635    | 234707 | 161181    | 247351 |
| Capacity Utilisation | 69.7%     | 85.3%  | 85.8%     | 93.9%  | 102.0%    | 98.9%  |
| Sales                | 110526    | 214399 | 132794    | 228078 | 163315    | 245096 |
| Captive              | 11621     | 109091 | 17068     | 131968 | 17175     | 160985 |
| External of Which    | 98905     | 105308 | 115726    | 96110  | 146140    | 84111  |
| - Domestic           | 74878     | 102961 | 82481     | 95263  | 112833    | 83510  |
| - Exports            | 24027     | 2347   | 33245     | 847    | 33307     | 601    |

## External Sales

(Rs in Crore)



## Revenue Breakdown





## Key Parameters

(Rs in Crore)

|                                    | 2004 - 05 | 2005 - 06 | 2006 - 07 |
|------------------------------------|-----------|-----------|-----------|
| <b>Operations</b>                  |           |           |           |
| - Sales                            | 900.73    | 1067.11   | 1197.14   |
| - Export Sales                     | 160.62    | 216.62    | 232.22    |
| - Raw material (% of Sales)        | 52.7%     | 46.5%     | 45.9%     |
| - Energy Cost (% of Sales)         | 12.3%     | 12.9%     | 13.8%     |
| <b>Profitability</b>               |           |           |           |
| - EBIDTA                           | 158.67    | 251.19    | 268.55    |
| - Operating Profit (EBIDTA) Margin | 17.6%     | 23.5%     | 22.4%     |
| - Cash Profit Margin               | 8.5%      | 15.6%     | 15.3%     |
| - Net Profit Margin                | 3.7%      | 10.8%     | 10.9%     |
| - Return on Network                | 9.4%      | 27.3%     | 28.2%     |
| <b>Finance</b>                     |           |           |           |
| - Interest Cost (% of Sales)       | 10.4%     | 8.2%      | 5.9%      |
| <b>General</b>                     |           |           |           |
| - Average Market Capitalisation    | 164.97    | 888.24    | 1154.48   |
| - Share Price during the year      |           |           |           |
| - High (Rs)                        | 41.9      | 112.45    | 124.90    |
| - Low (Rs)                         | 3.05      | 27.00     | 62.00     |
| - Earning Per Share (Rs)           | 2.33      | 7.96      | 9.01      |

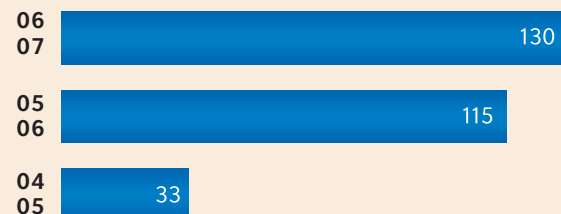
### Net Sales

Rs in Crore



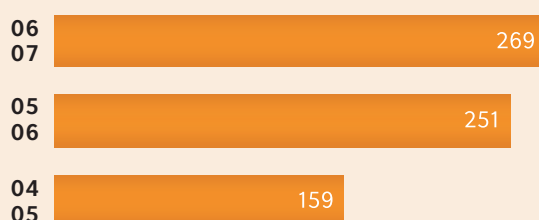
### PAT

Rs in Crore



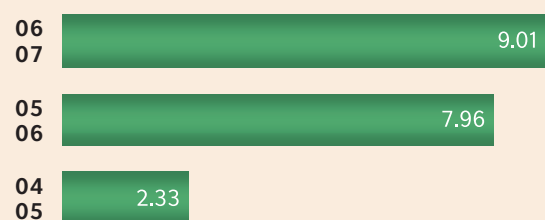
### EBIDTA

Rs in Crore



### EPS

Rs / Share

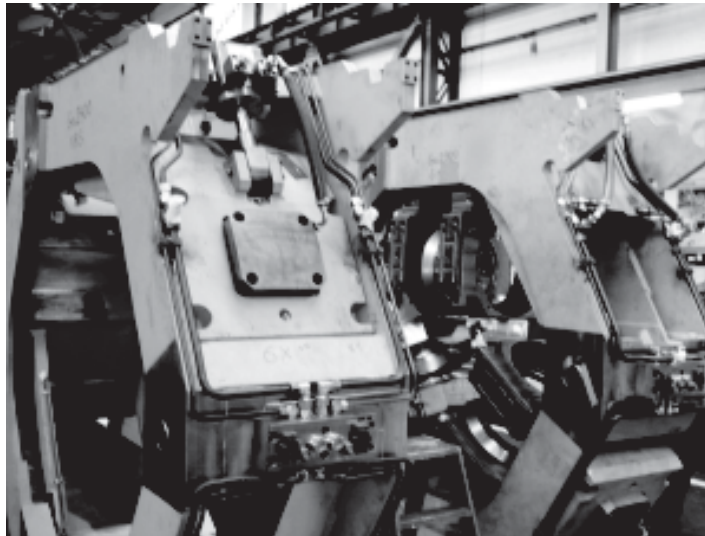


## Three Year Financial Summary

|  | (Rs in Crore) |         |         |
|--|---------------|---------|---------|
|  | 2004-05       | 2005-06 | 2006-07 |
| <b>A) Profitability</b>                        |               |         |         |
| Net Sales & Other Income                       | 910           | 1085    | 1201    |
| Raw Material                                   | 475           | 497     | 549     |
| Energy Cost                                    | 111           | 137     | 165     |
| Other Direct Expenses                          | 101           | 120     | 138     |
| Personnel Cost                                 | 42            | 52      | 63      |
| Administrative Expenses                        | 17            | 15      | 17      |
| Profit from Operations (EBIDTA)                | 164           | 264     | 269     |
| Finance Cost                                   | 94            | 88      | 71      |
| Depreciation & Amortisation                    | 44            | 51      | 60      |
| Taxation                                       | (7)           | 10      | 8       |
| Net Profit                                     | 33            | 115     | 130     |
| Cash Accruals                                  | 77            | 166     | 183     |
| <b>B) Balance Sheet</b>                        |               |         |         |
| Sources of Funds                               |               |         |         |
| Share Capital                                  | 155           | 119     | 72      |
| Reserves & Surplus                             | 202           | 310     | 398     |
| Net Worth                                      | 357           | 429     | 470     |
| Term Debt                                      | 558           | 533     | 476     |
| Working Capital Borrowings                     | 158           | 140     | 141     |
| Unsecured Loans                                | 83            | 111     | 217     |
| Total  | 1156          | 1213    | 1304    |
| Application of Funds                           |               |         |         |
| Net Fixed Assets                               | 858           | 823     | 810     |
| Current Assets                                 | 474           | 533     | 691     |
| Current Liabilities                            | (273)         | (242)   | (257)   |
| Net Current Assets                             | 201           | 291     | 434     |
| Deferred Tax Asset & Miscellaneous Expenditure | 97            | 99      | 60      |
| Total  | 1156          | 1213    | 1304    |



## The Road Ahead



PQF Mill

### Expansion Project at Baramati on Schedule

- Seamless tube capacity to become three fold.
- Capacity addition achieved at low capital cost.
- Enhanced product range of thin walled tubes upto 38 mm outside diameters and wall thickness of 3.2 mm.
- Significant savings in material & process cost to improve competitive position of the company.
- Large fiscal benefits from 'Mega Project' status.



### Structo Acquisition – A major step towards utilising increased capacity

- Market leader in Finished hydraulic cylinders segment in Europe.
- Ability to scale up production from present 25,000 tpa to 40,000 tpa.
- Extensive marketing network in Europe.
- Complete product range of cold drawn seamless tubes, skived and roller burnished tubes & components for hydraulic cylinders.
- Acquisition would lead to increased captive demand and establish a strong foothold in Europe.

## CEO's Statement



The performance parameters of ISMT Limited in the last couple of years have clearly established its capabilities to achieve continuously higher operating efficiencies to meet the dynamic market forces. I am happy to mention that in the last two years, we have been able to align our business processes to position the Company as an integrated specialized seamless tube manufacturing company.

As I shared with you last year, we have embarked upon an expansion plan that would increase our tube making capacity to 475,000 tpa (from a current level of 155,000 tpa) and our steel making capacity to 350,000 tpa (from a current level of 250,000 tpa).

The Company, through its new project, is in the process of acquiring unmatched capabilities in manufacturing application-based sophisticated products at reduced manufacturing costs. This would help us to penetrate into markets that were not available to us earlier. And, this would be true for both domestic as well as international markets. We are already operating at full capacity utilization and considering the demand pull that we are experiencing, we are confident that the production from the additional capacity would be ramped up sooner than what had been anticipated. In the last one year we have carried out extensive market research in the domestic as well as the international markets and our findings clearly validate our assumption that the growth drivers for us would be power, hydraulic cylinders, oil exploration and automobile sectors.

To speed up the process of realizing our vision, we have acquired Structo Hydraulics AB, Sweden (along with the Structo trademark) – a leading manufacturer of precision seamless tubes and components for

hydraulic cylinders in Europe. This acquisition, in addition to generating a substantial captive market (the Company has the ability to use up to 45,000 tpa) would, also, help us improve market penetration in Europe through Structo's extensive marketing setup. With this synergistic acquisition we are sitting on a platform which will provide enormous fillip to the growth of value added tube business in India and abroad. It is our intention to replicate that business in India for supplies to domestic consumers as also to international customers in the Asia Pacific Region and this should happen in the immediate future.

It is our endeavour to become one of the major specialized seamless tube manufacturers in the world. Towards this end we have started reinforcing and scaling up our capabilities in managing our processes and further re-aligning our customer management approach so that we are able to meet and exceed the expectations of the most discerning domestic as well as international customers. While we have adopted a strong process based approach to management, we have created an organizational culture that promotes out of the box thinking, experimentation and risk taking abilities while focusing at creating a better value for our customers.

I must mention here that our knowledge capital is absolutely unparalleled and it is this, along with our commitment to teamwork, which will take us to the next milestone we have set out to reach - to be one of the largest integrated specialized seamless tube manufacturing companies in the world.

I am glad to mention that the Company increased its Net Sales by 12% to Rs 1197 crores and its Net Profit by 27% to 130 crores. Given the robust fundamentals of the economy and the consequent growth in demand for our products and our expanding capacity we are confident of a bright future.

I take this opportunity to express my gratitude to our Customers, Banks, Financial Institutions, Business Associates, and Shareholders for their continued support.

My confidence in achieving results is, of course, based solely on the abilities of our people and the passion they display in doing better than others. I salute them.

Thank you.

**B.R. Taneja**



## Directors' Report

To the Members of ISMT Limited

Your Directors are pleased to present the Annual Report and the Audited Accounts for the year ended March 31, 2007.

### Financial Highlights

(Rs in Crore)

| Particulars  | Financial Year |              |
|--|----------------|--------------|
|  | 2006-07        | 2005-06      |
| Gross Sales  | 2056.06        | 1813.14      |
| Profit before Finance Charges, Depreciation, Amortisation & Tax (EBIDTA) | 268.55         | 264.12       |
| Gross Profit   | 197.41         | 176.32       |
| Profit Before Tax  | 137.66         | 125.40       |
| Taxation (Net)   | 7.54           | 10.35        |
| Net Profit   | 130.12         | 115.05       |
| Add : Balance brought forward from Previous Year                         | 57.13          | 8.24         |
| Less: Transferred to Profit & Loss Account                               | -              | 6.21         |
| Add : Transferred from Debenture Redemption Reserve                      | 43.31          | -            |
| Balance available for Appropriations                                     | 230.56         | 117.08       |
| <b>Appropriations</b>  |                |              |
| Proposed Dividend  | 7.22           | -            |
| Tax on Dividend  | 1.23           | -            |
| Debenture Redemption Reserve   | -              | 14.77        |
| Capital Redemption Reserve   | 46.92          | 33.68        |
| General Reserve  | 100.00         | 11.50        |
| <b>Balance carried to Balance Sheet</b>                                  | <b>75.19</b>   | <b>57.13</b> |

### Dividend

Your Directors are pleased to recommend maiden dividend of Rs. 0.50 per share. We sincerely thank the shareholders for their support during the initial difficult years of the Company.

### Operations

Plant efficiencies were high with all the three plants operating at near 100% capacity utilization. The yields at both the tube plants have improved whereas steel plant was successful in attaining upto 17 heats per day against 15 heats per day in the previous year.

### Market

Tube sales witnessed a strong growth of 25% across segments largely led by domestic demand.

The increase in sales to Power segment was especially encouraging with sales going up by about 45%. The planned growth in power generating capacity in the country shall lead to a quantum jump in demand for seamless tubes.

The penetration in export market has widened and deepened and the recent European acquisition is expected to provide a big fillip to our exports.

### Expansion

The expansion project at Baramati is moving rapidly towards commissioning. Civil construction is at an advanced stage, equipments both Imported and Indigenous have started arriving at site and after assembly and erection, the commissioning trials are slated to commence by end March 2008.

The expansion project at Baramati has been accorded 'Mega Project' status by the Government of Maharashtra which entitles the Company to incentive upto Rs 195 Crore on VAT payable to the State Government over a period of Seven years.

The company is also augmenting the steel manufacturing capacity from the present 2,50,000 tpa to 3,50,000 tpa by adding a new Ladle refining furnace and related balancing equipments.

### Capital and Finance

Your Company raised USD 20 million through Issue of Zero coupon Foreign Currency Convertible Bonds, convertible at an average price of Rs.105 per share. The Company has also availed export credit of EURO 15.9 million on competitive terms, repayable over ten years to finance the import of equipments from Germany.

There has been a significant reduction in both the quantum and the cost of debt during the financial year.

### Acquisitions

With the objective of moving towards its goal of being a global leader in precision seamless tube manufacturing, the Company in June 2007, has acquired Structo Hydraulics AB, Sweden, a leading producer of precision seamless tubes and components for hydraulic cylinder in Europe along with the Structo Trademark. The acquisition will lead



## Directors' Report (contd.)

to a multi fold increase in off take of seamless tubes both by Structo and by other European markets and would also help meet the demand of fast growing construction equipment industry in India.

### Research & Development

Ongoing product development and use of innovative processes has over the years been deeply embedded in the work culture at ISMT.

Development of certain special grades of steel which find critical applications in Power Sector was the major achievement during the year.

The R & D activities undertaken are enumerated in Annexure I to this Report.

### Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company Mr R Goel, Mr A K Jain and Mr V Kapoor retire by rotation and being eligible offer themselves for re-appointment.

Mr. N D Pinge was nominated by ICICI Bank Limited with effect from November 29, 2005. His nomination was withdrawn by ICICI Bank Limited on August 02, 2006 and Mr Khushroo Rustumji resigned as Director of the Company with effect from July 31, 2007. The Board places on record its sincere appreciation of their services during their tenure with the Company.

Mr. K K Rai has been nominated as Director by ICICI Bank Limited with effect from October 31, 2006.

### Auditors

Both M/s P G Bhagwat and J K Shah & Co. retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

### Fixed Deposits

There are no outstanding fixed deposits as on March 31, 2007 except the unclaimed Deposits of the erstwhile The Indian Seamless Metal Tubes Limited.

## Corporate Governance Report and Management Discussion and Analysis

A separate section on Corporate Governance and Management Discussion and Analysis together with a Certificate from the Company's Auditors on compliance is attached to this report.

### Disclosure Particulars

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to Conservation of Energy, Technology

Absorption, Foreign Exchange Earnings and Outgo is provided in Annexure I forming part of this Report.

The particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 forming part of this Report are given in Annexure II to this Report.

### Directors' Responsibility Statement

As required by Section 217 (2AA) of the Companies Act, 1956 the Directors' Responsibility Statement is given hereunder :

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departure;
- ii) that the Directors have selected such accounting policies and applied them consistently and the Director made judgements and estimates, that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2007 and of the profits of the Company for the year on that date;
- iii) that 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 fraud and other irregularities;
- iv) that the annual accounts have been prepared on going concern basis.

### Acknowledgement

The Board of Directors take this opportunity to thank customers & suppliers and all the stakeholders for their continued co-operation and support to the Company. The Board of Directors also wish to place on record their appreciation for the continued co-operation and support received from the Joint Venture Partners/Associates. The Directors also wish to place on record their sincere appreciation of employees at all levels for their hard work, dedication and commitment.

For and on behalf of the Board of Directors

**B R Taneja**                      **O P Kakkar**  
Chief Executive Officer      Managing Director

Regd. Office:  
Lunkad Towers,  
Viman Nagar, Pune 411014  
Pune, October 29, 2007

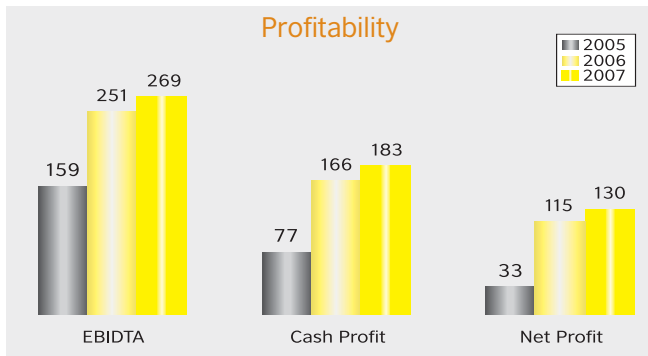




## Management Discussion and Analysis

### Overview

The Company ended the year with Net Sales at Rs.1197 Crore, up by 12%, while Net profit and Earning per share before Extra Ordinary items at Rs.130 Crore & Rs. 9.01 respectively, up by 27%.

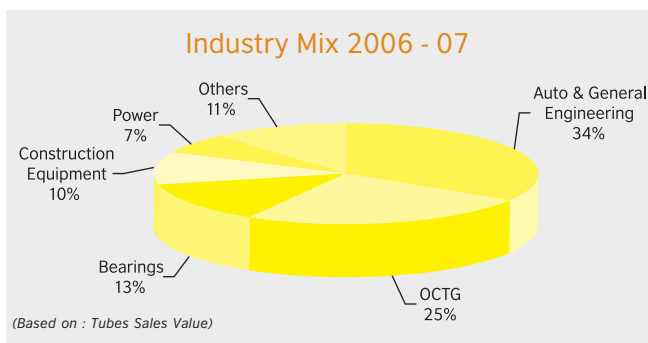


### Industry Structure and Developments

Seamless tube industry has exhibited strong growth across the globe. The Indian players are benefiting both from the global up-trend and the strong growth in the domestic economy.

#### Market:

Tubes sales on a net basis registered a healthy growth of 25% in value terms to touch sales of Rs. 879 crore. The continuous endeavor of your company is to cater to niche segments across industries rather than being dependent on a single industry commodity product.



The proposed expansion is ideally timed to meet the much higher domestic and global demand which would help the company to become competitive in the value added lower diameter thin walled tubes market.

The increased capacity shall focus on following industry segments;

**Automotive, General engineering and Bearings industry** continue to be key contributors for the company. Sales from these industry segments should continue to grow at the overall economic growth rate.

**Oil Exploration:** Globally, the higher oil prices have led to a big leap in oil exploration activity and the private participation in India has further accelerated it. Together this has led to unprecedented demand for seamless tubes.

**Construction Equipment:** Thrust on Infrastructure development and a gradual shift towards higher automation within the construction & earth moving equipment sector, provides immense scope for sustained long term growth in the hydraulic cylinders segment.

**Power:** India faces a major challenge in meeting the energy needs to sustain the present economic growth of 8% to 9%. The targeted addition in generating capacity would mean explosive and sustained growth in seamless tubes requirement.

#### Exports:

Europe & US remain the dominant export revenue earners for the company.

Acquisition of Structo Hydraulics AB, Sweden would further strengthen company's position in value added hydraulic cylinder segment, specifically in the European market.

### Opportunities & Threats

#### Opportunities:

In India, Power & Infrastructure sectors are witnessing unprecedented growth which is expected to be sustained for a longer term leading to higher demand for seamless tubes within the country itself. Your company is well poised to capitalize on the long term growth opportunities resulting from the same, with expanded capacity.

Not only are the existing industry segments witnessing good growth but also seamless tubes is finding newer applications across industries, with opportunities shifting in favor of high value added alloy steel tubes (v/s carbon steel tubes) for which your company is well positioned to reap the benefits.

## Management Discussion and Analysis (contd.)

### Threats:

Volatility in steel prices do pose threat and could impact margins, however your company is relatively better placed, having backward integration.

Import of modern technology PQF mill from Germany, would further strengthen the cost competitiveness and thus enable company to counter potential threat that may arise from dumping by global competitors.

### Segment / Product Information

During the year seamless tube sales accounted for 73.4% of total sales as against 65.6% in the previous year and is expected to increase further with increase in seamless tube sales from Baramati plant, post expansion.

The overall Steel Sales for the year was higher by 6.2% at Rs. 833 crore though external steel sales was lower by 13% at Rs. 318 crore on account of increased captive consumption.

(Rs in Crore)

| Particulars | 2005-06 | 2006-07 | % increase |
|-------------|---------|---------|------------|
| Sales       | 1067    | 1197    | 12.2%      |
| - Tube      | 700     | 879     | 25.5%      |
| - Steel     | 367     | 318     | -13.3%     |

### Outlook

Though constrained by capacity in the current year, the expanded capacity is scheduled to start contributing to sales from Q1 of FY 2008-09.

Your company shall aim at accelerated ramp up of production given the strong market outlook.

### Risks & Concerns

Successful integration of technology, Processes, logistics and people in the Overseas acquisition of Structo Hydraulics AB, poses a challenge for your company.

The ongoing Expansion project at Baramati aims at three fold increase in seamless tube production. Your company is hence exposed to risks associated with such large project. However company has taken adequate steps to ensure smooth and timely implementation of the project.

Foreign exchange volatility, taxation, Interest rates, natural and man made disasters and political risks are some of the general risks to which your company is also exposed.

### Internal Control Systems

ISMT has in place a proper and adequate internal control system. They are supported by controls & reviews and monitored through Internal Audits carried out on a regular basis.

The level of internal controls are being strengthened in line with growth in scale of operations.

### Financial Performance

Despite higher raw material cost and 25% increase in unit cost of power, contribution margins were sustained as a result of improved productivity, better yields and measures taken to reduce unit consumption of power.

EBIDTA margins was marginally lower largely on account of increased fixed cost.

### Energy Cost:

Power is the largest cost after raw material for your company. Sharp rise in unit cost of power has led to pressure on margins which was partially mitigated through increased efficiency.

|   | 2005-06 | 2006-07 | % change |
|---|---------|---------|----------|
| <b>Power consumption</b><br>(KWH/Ton of Production) |         |         |          |
| - Steel Division                                    | 733     | 711     | -3%      |
| - Tube Division                                     | 555     | 464     | -16%     |
| <b>Avg. Electricity Rate per Unit</b><br>(Rs/KWH)   | 3.51    | 4.39    | 25%      |

### Leverage Parameters:

The consistent improvement in profitability has led to improvement in various financial parameters as under:

| Particulars                 | 2004-05 | 2005-06 | 2006-07 |
|-----------------------------|---------|---------|---------|
| Debt Equity Ratio           | 1.59    | 1.26    | 1.03    |
| Term Debt to EBIDTA (times) | 3.52    | 2.12    | 1.77    |
| Bank Borrowing (% to Sales) | 17.5%   | 13.2%   | 11.8%   |
| Current Ratio               | 1.10    | 1.39    | 1.73    |

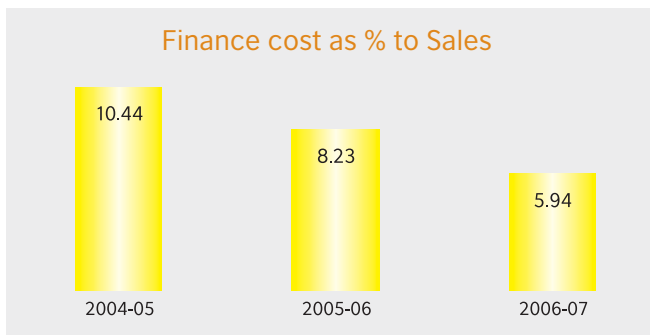


## Management Discussion and Analysis (contd.)

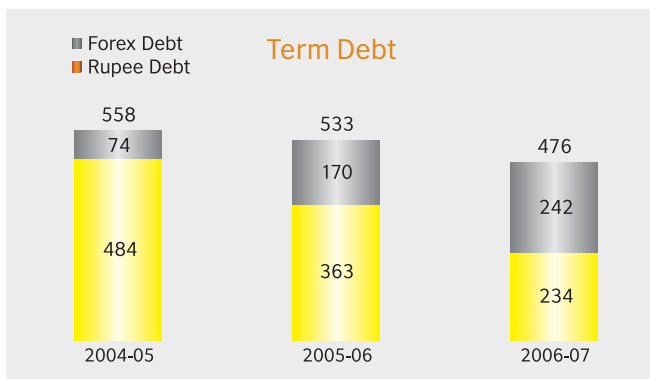
### Finance Cost:

Finance cost for the year came down by 19% on account of loan repayments and refinance of high cost debt by low cost debt. Finance Cost as % to sales has come down over last couple of years and now stands at 5.94% of sales.

The financial gearing is now touching 1 and together with Debt to EBIDTA ratio of less than 2, demonstrates the financial soundness of the Company.



Given the natural hedge of large exports, the company has actively pursued to convert Rupee loan into Foreign currency loan. As on March 2007, 50% of the loans were in Foreign currency thereby lowering the overall cost.



### Working Capital:

The working capital requirement of the company went up in line with increased production, and was met by internal accruals.

(Rs in Crore)

| Particulars               | 2005-06 | 2006-07 |
|---------------------------|---------|---------|
| Working Capital Borrowing | 140     | 141     |
| Inventory                 | 185     | 223     |
| - number of months        | 2.94    | 3.14    |
| Receivables               | 247     | 287     |
| - number of months        | 2.78    | 2.87    |

With strong internal accruals & a promising demand outlook, the company is comfortably placed to pursue its growth path.

### Human Resources Development and Industrial Relations

Seamless tube manufacturing is highly technology intensive requiring a rich pool of technical and managerial skills.

In order to improve performance management, the company has implemented a variable incentive plan for increased productivity.

Programmes on manufacturing and maintenance related skill development, team building and knowledge creation are carried out on an ongoing basis.

### Employee Strength:

(As on March 31, 2007)

|                  | Factory Locations | Others     | Total       |
|------------------|-------------------|------------|-------------|
| Managers         | 122               | 59         | 181         |
| Officers & Staff | 482               | 108        | 590         |
| Workmen          | 1319              | Nil        | 1319        |
| <b>Total</b>     | <b>1923</b>       | <b>167</b> | <b>2090</b> |

### Cautionary Statement

The report of Board of Directors and Management Discussion and Analysis are forward looking and affirmative statements within the meaning of the applicable securities laws and regulations. The actual performance in the coming years could differ from what is expressed or implied. The factors that could affect the company's performance are the economic and other factors that affect the demand-supply balance in the domestic market as well as the international markets that the Company services, changes in governmental regulations, tax laws and other statutes and host of other incidental factors.

## Corporate Governance Report

### Company's Philosophy on Corporate Governance

The Company is committed and continues to focus on good Corporate Governance by being transparent with high level of integrity, accountability and social responsibility. This report is prepared in conformity with the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges.

### Board of Directors

The composition of the Board of Directors, their attendance at the meetings held during the year and at the last Annual General Meeting as also the number of other directorships in public companies and membership of various committees across all public companies as on March 31, 2007 are as follows:

| Name of the Director | Category             | Financial Year 2006-07 Attendance at |          | No. of Directorships in other companies | Committee Positions |             |
|----------------------|----------------------|--------------------------------------|----------|---|---------------------|-------------|
|                      |                      | Board Meeting                        | Last AGM |   | As Member           | As Chairman |
| Khushroo Rustumji *  | Chairman, INED       | 5                                    | No       | 1                                       | 3                   | 3           |
| B R Taneja           | Promoter, ED         | 5                                    | Yes      | 4                                       | —                   | —           |
| V Balasubramanian    | ED                   | 5                                    | Yes      | —                                       | —                   | —           |
| Nirmal Chandra       | ED                   | 4                                    | Yes      | 1                                       | —                   | —           |
| Rajiv Goel           | ED                   | 5                                    | Yes      | 2                                       | —                   | —           |
| O P Kakkar           | ED                   | 3                                    | Yes      | —                                       | —                   | —           |
| Salil Taneja         | Promoter ED          | 3                                    | Yes      | 3                                       | —                   | —           |
| A K Jain             | Promoter, NED        | 3                                    | Yes      | 8                                       | —                   | —           |
| Virendra Kapoor      | INED                 | 5                                    | Yes      | 1                                       | —                   | 3           |
| J P Sureka           | Promoter, NED        | 4                                    | Yes      | 3                                       | —                   | —           |
| K D Hodavdekar       | INED, IDBI Nominee   | 1                                    | No       | 1                                       | 2                   | —           |
| N D Pinge **         | INED, ICICI INominee | No                                   | —        | 2                                       | —                   | —           |
| K K Rai ***          | INED, ICICI Nominee  | 2                                    | No       | —                                       | —                   | —           |

ED Executive Director

NED Non Executive Director

INED Independent Non Executive Director

\* Ceased to be Director w.e.f July 31, 2007

\*\* Ceased to be Director w.e.f August 2, 2006

\*\*\* Appointed as Director w.e.f October 31, 2006

During the year under review, five Board Meetings were held i.e. on May 4, 2006, July 17, 2006, July 29, 2006, October 31, 2006 and January 24, 2007. The composition of the Board is in conformity with Clause 49 of the Listing Agreement. The Board has complete access to all the relevant information within the Company and to all our employees. Meetings are generally held at the Registered Office of the Company.

### Appointment / Re-appointment of Directors

In terms of the Articles of Association of the Company and the relevant provisions of the Companies Act, 1956, Mr R Goel, Mr A K Jain and Mr V Kapoor will retire by rotation and being eligible offer themselves for re-appointment in the ensuing Annual General Meeting.

**Mr R Goel** is a qualified Chartered Accountant and Company Secretary with about three decades of

industrial experience. He has extensive exposure in Fund Management, Company Law, Administration, Takeovers, Mergers, Acquisitions, Accounts and Taxations etc. He has been associated with Indian Seamless Group right from its inception. Presently he is the Chief Financial Officer of the Company and is also on the Board of Indian Seamless Enterprises Limited, Indian Seamless Inc., USA. and Structo Hydraulics, AB, Sweden. He is also Adudit Committee Member of Indian Seamless Enterprises Limited.

**Mr A K Jain** is an industrialist with business interests in financial services, mining and mineral processing of iron ore, China clay, graphite etc. in Jharkhand and Orissa. He is a Promoter Director of ISMT Limited and is also on the Board of Taneja Aerospace and Aviation Limited, Misrilall Dharamchand Pvt. Ltd., Misrilall Mines Pvt. Ltd., R McDill & Co. Pvt. Ltd., Misrilall Properties Pvt. Ltd., Tulika Estate & Holding Pvt. Ltd.,



## Corporate Governance Report (contd.)

Tulika Films Pvt. Ltd. and The Jain China Clay Mines (P) Ltd. He holds 10,08,041 Equity Shares of the Company as of March 31, 2007.

**Mr V Kapoor** has held important portfolios in various departments of IDBI viz. Project Finance, Rehabilitation Finance, Corporate Accounts, Resource Management, Merchant Banking, Management Services, Personnel and Administration. Mr Kapoor retired as Executive Director from IDBI in December, 1997. He is also on the Board of Nandan Biomatrix Limited. He holds 3000 Equity Shares in the Company as of March 31, 2007.

### Code of Conduct

The Board has laid down a code of conduct for all Board members and Senior Management Personnel of the Company, which is available on the Company's website [www.ismt.co.in](http://www.ismt.co.in).

### Audit Committee

The Audit Committee consists of Mr V Kapoor as Chairman, Mr Khushroo Rustumji and Mr K D Hodavdekar. Mr. J P Sureka (w.e.f. July 31, 2007) as Members. The Company complies with the Listing Agreement and the provisions of Section 292A of the Companies Act, 1956, pertaining to the Audit Committee and its functioning.

During the year under review Audit Committee meetings were held on May 4, 2006, July 29, 2006, October 31, 2006 and January 24, 2007. Both Mr Kapoor and Mr Rustumji attended all these meetings, while Mr Hodavdekar did not attend any of the meetings.

Mr V Kapoor, Chairman of the Audit Committee was present at the last Annual General Meeting.

## MANAGERIAL REMUNERATION

### Remuneration Committee

The Remuneration Committee consists of Mr V Kapoor as Chairman, Mr K Rustumji and Mr N D Pinge (upto August 02, 2006) as Members. The Remuneration Committee is empowered to fix, review and recommend the remuneration payable to Whole Time Directors.

During the year under review Remuneration Committee meetings were held on July 29, 2006 and January 24, 2007 which was attended by Mr Kapoor and Mr Rustumji.

### Remuneration Policy

The remuneration of the Whole Time Directors is decided and approved by the Board on the recommendations of the Remuneration Committee, which inter-alia is based on certain criteria like the industry benchmarks, Company's performance, performance of the Whole Time Directors etc. The Company pays remuneration by way of salary, perquisites, allowance and commission to its Whole Time Directors.

Sitting fees are paid to the Non Executive Directors for attending the Board and Committee Meetings. No Commission is paid to Non Executive Directors.

### Remuneration to Directors

A Statement on the remuneration paid to the Whole Time Directors and sitting fees paid to Non Executive Directors during the financial year 2006-07 is given below :

| Name of the Director | Salary & Perquisites (Rs) | Commission (Rs) | Sitting Fees (Rs) |
|----------------------|---------------------------|-----------------|-------------------|
| Khushroo Rustumji    | —                         | —               | 90,000            |
| B R Taneja           | 55,07,386                 | 137,63,390      | —                 |
| V Balasubramanian    | 23,72,670                 | 34,40,848       | —                 |
| Nirmal Chandra       | 30,08,140                 | 34,40,848       | —                 |
| Rajiv Goel           | 33,73,960                 | 34,40,848       | —                 |
| O P Kakkar           | 41,81,779                 | 34,40,848       | —                 |
| Salil Taneja         | 30,30,009                 | 34,40,848       | —                 |
| A K Jain             | —                         | —               | 30,000            |
| Virendra Kapoor      | —                         | —               | 90,000            |
| J P Sureka           | —                         | —               | 40,000            |
| K D Hodavdekar       | —                         | —               | 10,000            |
| N D Pinge            | —                         | —               | —                 |
| K K Rai              | —                         | —               | 20,000            |

### Shareholders/Investors Grievance Committee

The Shareholders / Investors Grievance Committee consists of Mr V Kapoor as Chairman, Mr K D Hodavdekar and Mr N D Pinge (upto August 02, 2006). Mr K Rustumji (w.e.f. July 29, 2006) as Members. During the year under review shareholder/ Investors Grievance Committee meetings were held on October 31, 2006 and January 24, 2007. Mr Hodavdekar did not attend the meetings. Mr Kapoor and Mr Rustumji attended both the meetings.

During the year ended March 31, 2007, 516 complaints / grievances were received from the shareholders / investors, all of which have been satisfactorily attended to. No valid transfer/transmission of shares were pending as on March 31, 2007. The Equity Shares of the Company have been listed on the National Stock Exchange of India Limited w.e.f. August 28, 2007.

Detachable Warrants of the Company have been listed on the Bombay Stock Exchange Limited w.e.f. September 18, 2007.

The Company has paid listing fees for the financial year 2007-08 to Bombay Stock Exchange Limited, Pune Stock Exchange Limited and National Stock Exchange of India Limited.

### Compliance Officer

Mr Jayan Nair, Executive Vice President & Company Secretary acts as Compliance Officer of the Company



## Corporate Governance Report (contd.)

for complying with the requirements of the Listing Agreement with the Stock Exchanges and requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended from time to time.

### Other Disclosures

Details of related party transactions are furnished in Note No 21 of Schedule 19 under Notes on Accounts. There has been no instance of non-compliance on any matter relating to the capital market during the last three years.

The Risk Management areas has been identified to ensure mitigations against key risks, which is generally discussed in the Audit Committee meetings and necessary monitoring mechanism is put in place to track adherence to the same.

### Means of Communication

Quarterly and Annual results are generally published in Economic Times (English) and Maharashtra Times (Marathi). The said results are also made available on the website of the Company [www.ismt.co.in](http://www.ismt.co.in).

### General Body Meetings

Location and time of General Meetings held in last 3 years:

| Year    | Type | Date     | Venue                                 | Time     | No. of Special Resolutions passed |
|---------|------|----------|---------------------------------------|----------|-----------------------------------|
| 2005-06 | AGM  | 28.08.06 | Taj Blue Diamond, Koregaon Road, Pune | 11:00 AM | 2                                 |
| 2004-05 | AGM  | 31.12.05 | Le Meridien, RBM Road, Pune           | 11:00 AM | 12                                |
| 2003-04 | AGM  | 27.09.04 | Taj Blue Diamond, Koregaon Road, Pune | 10:00 AM | 5                                 |

All special resolutions moved at the Annual General Meetings were passed by show of hands unanimously by all the members present at the meeting.

Pursuant to the provisions of Section 192 A of the Companies Act, 1956 no matter was required to be dealt by the Company so as to have the same passed by Postal Ballot.

### General Shareholders Information

|                          |   |
|--------------------------|---|
| AGM Date and Time        | November 27, 2007 - 11 a.m.               |
| Venue                    | Taj Blue Diamond, Pune                    |
| Financial Year           | April 1, 2006 to March 31, 2007           |
| Date of Book Closure     | November 19, 2007 to November 27, 2007 to |
| Dividend payment Date    | November 28, 2007                         |
| Listed on Stock Exchange | Pune, Mumbai and NSE                      |
| Security Code (BSE)      | 532479                                    |
| Security Code (NSE)      | ISMTLT                                    |

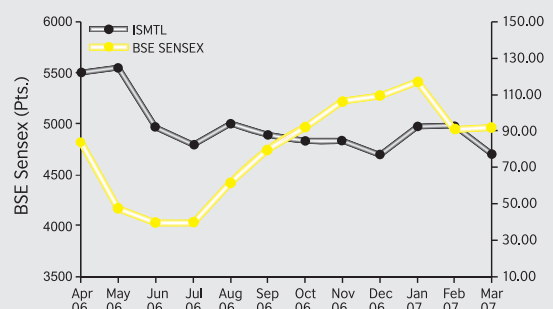
|                                     |   |
|-------------------------------------|---|
| ISIN No. Allotted to Equity Shares  | INE732F01019                              |
| Security Code (Detachable Warrants) | 961666                                    |
| ISIN No. Allotted to Warrants       | INE732F13014                              |
| Registered Office                   | Lunkad Towers, Viman Nagar Pune-411 014.  |
| Address for Correspondence          | Lunkad Towers, Viman Nagar Pune-411 014.  |
| Plant Locations                     | 1. Ahmednagar<br>2. Baramati<br>3. Jejuri |

### Market Price Data

Quotes at the Bombay Stock Exchange Limited

| Month          | High   | Low    |
|----------------|--------|--------|
| April 2006     | 122.00 | 101.00 |
| May 2006       | 124.90 | 85.75  |
| June 2006      | 92.05  | 63.00  |
| July 2006      | 82.35  | 64.25  |
| August 2006    | 94.00  | 67.35  |
| September 2006 | 88.00  | 74.10  |
| October 2006   | 85.00  | 71.25  |
| November 2006  | 85.00  | 63.05  |
| December 2006  | 77.00  | 62.00  |
| January 2007   | 92.50  | 70.90  |
| February 2007  | 92.75  | 66.00  |
| March 2007     | 77.80  | 64.40  |

### ISMT Limited V/s BSE 500 Indices - 2006-2007



### Dematerialisation of Shares

As on March 31, 2007 54.29% of total Equity Capital is held in demat form with NSDL and CDSL.

### Share Transfer System

The Company's shares are traded on the Stock Exchanges only in electronic mode. Shares received for transfer in physical mode are processed and valid transfers are approved. Duly transferred share certificates are despatched within 30 days from





## Corporate Governance Report (contd.)

the date of receipt.

Pursuant to Clause 47 (C) of the Listing Agreement with the Stock Exchanges, Certificate from a Practising Company Secretary on half yearly basis have been filed with the Stock Exchanges for due compliance of share transfer formalities by the Company. In terms of guidelines issued by SEBI, the Secretarial Audit Report for all the quarters have been filed with the Stock Exchanges, which inter-alia gives details about the reconciliation of Share Capital (both physical and demat).

### Distribution of Shareholding of the Company as on March 31, 2007

| Shareholding of nominal value of Rs | Share Holder(s) | % to Total | No. of Shares | % to Total |
|-------------------------------------|-----------------|------------|---------------|------------|
| Upto 5,000                          | 136625          | 97.77      | 20572121      | 14.26      |
| 5,001 10,000                        | 1458            | 1.05       | 2173853       | 1.51       |
| 10,001 20,000                       | 734             | 0.53       | 2079422       | 1.44       |
| 20,001 30,000                       | 359             | 0.26       | 1792289       | 1.24       |
| 30,001 40,000                       | 115             | 0.08       | 798864        | 0.55       |
| 40,001 50,000                       | 101             | 0.07       | 946377        | 0.66       |
| 50,001 1,00,000                     | 131             | 0.10       | 1950487       | 1.35       |
| 1,00,001 and above                  | 186             | 0.14       | 114068343     | 78.99      |
| Total                               | 139709          | 100        | 144381756     | 100        |

### Transfer Agent

In accordance with the Securities and Exchange Board of India (SEBI) directive, the Company has appointed M/s Sharepro Services (India) Private Limited as a common agent for all investor services viz processing of transfers, sub-division, consolidation and for rendering demat services such as dematerialisation and rematerialisation of shares, etc. Shareholders may correspond with our Transfer Agent, M/s Sharepro Services (India) Private Limited whose address is as under :

|  |   |
|--|---|
| M/s Sharepro Services (India) Pvt Ltd<br>Satam Estate, 3 <sup>rd</sup> Floor<br>Above Bank of Baroda<br>Cardinal Gracious Road<br>Chakala, Andheri (E)<br>Mumbai-400099<br>Tel. +91-22-28348218<br>Fax +91-22-28375646 | M/s Sharepro Services (India) Pvt Ltd<br>3, Chintamani Apartments<br>Lane No 13, Off V G Kale Path<br>824/D, Bhandarkar Road<br>Pune-411004<br>Tel. +91-20-25662855/56<br>e-mail: sharepropune@vsnl.net |
|--|---|

Shareholders will have to correspond with the respective Depository Participants for shares held in demat mode.

### Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity:

In terms of the Scheme of Arrangement approved by the Hon'ble High Court, Bombay, the Company has

allotted 27,02,222 Detachable Warrants and these Warrant Holders have a right to apply for one Equity Share of Rs 5/- each fully paid at a price of Rs 47.50 per share in the Company for every Warrant held by them.

For and on behalf of the Board of Directors

**B R Taneja**

**O P Kakkar**

Chief Executive Officer Managing Director

Pune, October 29, 2007

To the Shareholders of ISMT Limited

Sub : Compliance with Code of Conduct

I hereby declare that all the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct as adopted by the Board of Directors.

**B R Taneja**

Pune, October 29, 2007

Chief Executive Officer

### Certificate from Auditors regarding compliance of conditions of Corporate Governance

To the Shareholders of ISMT Limited

We have examined the compliance of conditions of Corporate Governance by ISMT Limited for the year ended on March 31, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

On the basis of information and explanation given to us and as per the records maintained in the Company, we state that no investor grievances are pending for a period exceeding one month against the Company.

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

For M/s P G Bhagwat  
Chartered Accountants

For J K Shah & Company  
Chartered Accountants

**Sandeep Rao**

**J K Shah**

Partner

Partner

Membership No 47235  
Pune, October 29, 2007

Membership No 3662  
Pune, October 29, 2007

## Auditors' Report

To,  
THE MEMBERS OF ISMT LIMITED

1. We have audited the attached Balance Sheet of **ISMT Limited** as at March 31, 2007, the Profit and Loss account and also Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the accounting 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 as amended by Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of the information and explanation given to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comment in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - (c) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable;
  - (e) on the basis of written representation received from the directors, as on March 31, 2007 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - (f) in our opinion and to the best of our information and according to the explanation given to us, the said accounts, read together with notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India ;
    - (i) in the case of Balance Sheet, of the state of affairs of the company as at March 31, 2007;
    - (ii) in the case of Profit and Loss account, of the Profit for the year ended on that date; and
    - (iii) in the case of Cash Flow statement, of the cash flow for the year ended on the that date.

For M/s P.G. BHAGWAT  
Chartered Accountants

For J.K. SHAH & CO.  
Chartered Accountants

Sandeep Rao  
Partner  
Membership No. 47235  
Pune, October 29, 2007

J.K. Shah  
Partner  
Membership No. 3662  
Pune, October 29, 2007

## Annexure to the Auditors' Report

(as referred to in paragraph 3 of our report of even date)

- 1) a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) These fixed assets have been physically verified by the management at regular interval considering the size of the company and nature of asset. As informed to us, no material discrepancies have been noticed on such verification.
- c) No disposal of a substantial part of fixed assets of the company has taken place during the year.
- 2) a) As explained to us, the inventories including majority of the goods lying with third parties have been physically verified by the management at reasonable intervals during the year.
- b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) In our opinion and according to the information and explanation given to us, the company has maintained proper records of its inventories and the discrepancies noticed on such physical verification between physical stock and the book records were not material and have been properly dealt with in the books of account.
- 3) As per the records of the company, it has not granted any loans secured / unsecured to companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956.
- 4) As per the records of the company, it has not taken any loans secured / unsecured from companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956.
- 5) In our opinion and according to the information and explanation given to us, there are adequate internal control systems commensurate with the size of the company and nature of its business with regard to purchase of inventory and fixed assets and for sale of goods and services. During the course of audit, we have not observed any continuing failure to correct major weakness in internal control systems.
- 6) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion there were no contracts or arrangements whose particular are needed to be entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956.
- 7) The company has not accepted / nor there are any outstanding Fixed Deposit from the public.



## Annexure to the Auditors' Report (contd.)

- 8) The company has set up an Internal Audit Department and has also appointed a Chartered Accountant to carry out its internal audit function. In our opinion, the internal audit system is commensurate with the size of the company and nature of its business.
- 9) We have broadly reviewed the books of account maintained by the company, pursuant to the rules made by the Central Government for the maintenance of cost records, under Section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have generally been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete. We have been informed that the Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 in respect of Tooling and Cold Rolled Rings in the Tube Segment of the company.
- 10) a) According to the records of the company, the company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities. According to the information and explanation given to us, there are no undisputed amounts payable in respect of such statutory dues which have remained outstanding as at March 31, 2007 for a period of more than six months from the day they become payable.
- b) The disputed statutory dues that have not been deposited on account of disputes pending before the appropriate authorities are as mentioned in the Annexure I to this report.
- 11) The company has no accumulated losses as at March 31, 2007 and it has not incurred cash loss during the year or in the immediately preceding financial year.
- 12) According to the information and explanation given to us, the company has not defaulted in repayment of dues to financial institutions, banks and debenture holders.
- 13) According to the information and explanation given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- 14) In our opinion, the company is not a Chit Fund or a Nidhi or Mutual benefit Fund / Society, Therefore, the provision of clause 4 (xiii) of the Companies (Auditor Report) Order, 2003 is not applicable to the company.
- 15) The company is not dealing in or trading in shares, securities, debenture, or other investments and hence, provision of clause 4 (xiv) of the Companies (Auditor Report) Order, 2003 is not applicable to the company.
- 16) According to the information and explanations given to us, the company has given guarantees for loans taken by others from banks. The terms and conditions whereof, in our opinion, based on the management representation, are not prima-facie prejudicial to the interest of the company.
- 17) According to the information and explanation given to us, the term loans taken by the company during the year have been utilised for the purpose for which the said loans were obtained.
- 18) According to the Cash Flow Statement and other records examined by us and on the basis of information and explanation given to us, on an overall basis, funds raised on Short Term basis have, prima facie, not been used during the year for Long Term investment.
- 19) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- 20) According to the information and explanation given to us, the company had created security for debentures issued. The said debentures have been repaid by the company.
- 21) The company has not made any Public Issue during the year to raise money. Accordingly the provision of clause 4 (xx) of the Companies (Auditor Report) Order, 2003 is not applicable.
- 22) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the course of our audit that causes the financial statement to the materially misstated.

For M/s P. G. BHAGWAT  
Chartered Accountants

For J. K. SHAH & CO.  
Chartered Accountants

Sandeep Rao  
Partner  
Membership No. 47235  
Pune, October 29, 2007

J. K. Shah  
Partner  
Membership No. 3662  
Pune, October 29, 2007

## Annexure - I

Particulars of dues of Sales Tax/Excise Duty/Income Tax not deposited on account of disputes:

| Name of Statute                 | Nature of Dues   | Amount disputed<br>Rs in Crore | Forum where dispute is pending |
|---------------------------------|--|--------------------------------|--------------------------------|
| Central Sales Tax Act, 1956     | Sales Tax  | 6.53                           | Tribunal                       |
|                                 |  | 0.43                           | Dy. DCST (Appeals)             |
| Maharashtra Sales Tax Act, 1959 | Sales Tax<br>Purchase Tax<br>Turnover Tax,<br>Penalty and Interest | 3.37                           | Tribunal                       |
|                                 |  | 2.67                           | Dy. DCST (Appeals)             |
|                                 |  | 0.26                           | Tribunal                       |
|                                 |  | 0.08                           | Dy. DCST (Appeals)             |
| Central Excise Act, 1944        | Excise Duty  | 0.62                           | Appellate Commissioner         |
|                                 |  | 8.76                           | CEGAT                          |
|                                 |  | 0.81                           | High Court, Bombay             |
|                                 |  | 1.10                           | Commissioner (Appeal)          |
|                                 |  | 5.05                           | Commissioner (Adjudication)    |
|                                 |  | 0.21                           | Joint Commissioner             |
|                                 |  | 0.63                           | Supreme Court                  |

## Balance Sheet as at March 31, 2007

|   | Schedule | As at<br>March 31, 2007 | As at<br>March 31, 2006 |
|---|----------|-------------------------|-------------------------|
| Rs in Crore                                       |          |                         |                         |
| <b>Sources of Funds</b>                           |          |                         |                         |
| <b>Shareholders' Funds</b>                        |          |                         |                         |
| Share Capital                                     | 1        | 72.19                   | 119.11                  |
| Reserves and Surplus                              | 2        | 398.04                  | 310.02                  |
|   |          | 470.23                  | 429.13                  |
| <b>Loan Funds</b>                                 |          |                         |                         |
| Secured Loans                                     | 3        | 616.88                  | 673.35                  |
| Unsecured Loans                                   | 4        | 216.87                  | 110.73                  |
|   |          | 833.75                  | 784.08                  |
|   |          | <u>1,303.98</u>         | <u>1,213.21</u>         |
| <b>Application of Funds</b>                       |          |                         |                         |
| <b>Fixed Assets</b>                               |          |                         |                         |
| Gross Block                                       | 5        | 985.26                  | 956.66                  |
| Less : Depreciation                               |          | 198.87                  | 150.29                  |
| Net Block   |          | 786.39                  | 806.37                  |
| Capital Work-in-Progress                          |          | 23.67                   | 16.53                   |
|   |          | 810.06                  | 822.90                  |
| <b>Investments</b>                                | 6        | 0.01                    | 0.01                    |
| <b>Deferred Tax Asset</b>                         |          | 50.78                   | 91.58                   |
| <b>Current Assets, Loans &amp; Advances</b>       | 7        | 690.74                  | 533.47                  |
| <b>Less: Current Liabilities &amp; Provisions</b> | 8        | 257.23                  | 242.28                  |
| <b>Net Current Assets</b>                         |          | 433.51                  | 291.19                  |
| <b>Miscellaneous Expenditure</b>                  | 9        | 9.62                    | 7.53                    |
| (To the extent not written off or adjusted)       |          |                         |                         |
|   |          | <u>1,303.98</u>         | <u>1,213.21</u>         |
| <b>Notes on Accounts</b>                          | 19       |                         |                         |
| <b>Significant Accounting Policies</b>            | 20       |                         |                         |

As per our report of even date

For M/s P G BHAGWAT  
Chartered Accountants

For J K SHAH & Co.  
Chartered Accountants

**B R Taneja**  
Chief Executive Officer

**O P Kakkar**  
Managing Director

**Rajiv Goel**  
Chief Financial Officer

**Sandeep Rao**  
Partner  
Membership No. 47235  
Pune, October 29, 2007

**J K Shah**  
Partner  
Membership No. 3662  
Pune, October 29, 2007

**Jayan Nair**  
Company Secretary  
Pune, October 29, 2007



## Profit & Loss Account for the year ended March 31, 2007

Rs in Crore

|  | Schedule | 2006-07         | 2005-06  |
|--|----------|-----------------|----------|
| <b>Income</b>  |          |                 |          |
| <b>Gross Sales &amp; Income from Operations</b>  |          | <b>2,056.06</b> | 1,813.14 |
| Less : Inter Segment Transfers   |          | <b>632.52</b>   | 520.85   |
| Inter Division Transfers   |          | <b>88.17</b>    | 97.25    |
| Excise Duty  |          | <b>138.23</b>   | 127.93   |
| <b>Net Sales</b>   |          | <b>1,197.14</b> | 1,067.11 |
| Other Income   | 10       | <b>3.63</b>     | 18.16    |
|  |          | <b>1,200.77</b> | 1,085.27 |
| <b>Expenditure</b>   |          |                 |          |
| Materials Consumed   | 11       | <b>627.30</b>   | 564.83   |
| Energy   | 12       | <b>165.10</b>   | 137.28   |
| Manufacturing  | 13       | <b>27.19</b>    | 23.60    |
| Selling and Distribution   | 14       | <b>33.06</b>    | 28.51    |
| Personnel  | 15       | <b>62.54</b>    | 51.46    |
| Overheads  | 16       | <b>17.03</b>    | 15.47    |
|  |          | <b>932.22</b>   | 821.15   |
| <b>Profit before Finance Charges, Depreciation, Amortisation and Taxation</b>                  |          | <b>268.55</b>   | 264.12   |
| Finance Charges  | 17       | <b>71.14</b>    | 87.80    |
| Depreciation and Amortisation  | 18       | <b>59.75</b>    | 50.92    |
|  |          | <b>130.89</b>   | 138.72   |
| <b>Profit before Taxation</b>  |          | <b>137.66</b>   | 125.40   |
| Less : Provision for Taxation<br>(Refer Note No. 15 of Schedule 19)                            |          | <b>7.54</b>     | 10.35    |
| <b>Profit after Taxation</b>   |          | <b>130.12</b>   | 115.05   |
| Balance brought forward from Previous Year   |          | <b>57.13</b>    | 8.24     |
| Less : Transferred to Profit and Loss Account  |          | —               | 6.21     |
| Add : Transferred from Debenture Redemption Reserve  |          | <b>43.31</b>    | —        |
| <b>Balance available for appropriations</b>  |          | <b>230.56</b>   | 117.08   |
| <b>Appropriations</b>  |          |                 |          |
| Proposed Dividend  |          | <b>7.22</b>     | —        |
| Tax on Dividend  |          | <b>1.23</b>     | —        |
| Debenture Redemption Reserve   |          | —               | 14.77    |
| Capital Redemption Reserve   |          | <b>46.92</b>    | 33.68    |
| General Reserve  |          | <b>100.00</b>   | 11.50    |
| <b>Balance carried to Balance Sheet</b>  |          | <b>75.19</b>    | 57.13    |
| <b>Earnings per share Rs</b> (Face Value of Rs 5/- each)<br>(Refer Note No. 24 of Schedule 19) |          | <b>9.01</b>     | 7.96     |
| <b>Notes on Accounts</b>   | 19       |                 |          |
| <b>Significant Accounting Policies</b>   | 20       |                 |          |

As per our report of even date

For M/s P G BHAGWAT  
Chartered Accountants

For J K SHAH & Co.  
Chartered Accountants

**B R Taneja**  
Chief Executive Officer

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Partner  
Membership No. 47235  
Pune, October 29, 2007

**J K Shah**  
Partner  
Membership No. 3662  
Pune, October 29, 2007

**Jayan Nair**  
Company Secretary  
Pune, October 29, 2007

## Cash Flow Statement for the year ended March 31, 2007

Rs in Crore

|   | 2006-07        | 2005-06         |
|---|----------------|-----------------|
| <b>A. Cash Flow from Operating Activities</b>   |                |                 |
| Net Profit Before Tax   | 137.66         | 125.40          |
| Adjustments for   |                |                 |
| Expenses adjusted against Contingency Reserve   | —              | (2.99)          |
| Expenses adjusted against Restructuring Reserve   | —              | (0.85)          |
| Financial Restructuring Benefit   | —              | (12.92)         |
| Loss/(Profit) on sale of Fixed Assets (Net)   | 0.08           | 0.03            |
| Depreciation  | 53.63          | 49.48           |
| Finance Charges   | 71.14          | 87.80           |
| Interest Income   | (3.12)         | (1.68)          |
| Dividend Received   | —              | (0.00)          |
| Loss / (Gain) on Exchange Fluctuation   | (6.24)         | 0.56            |
| Amortisation of Miscellaneous Expenditure write off   | 1.78           | 1.44            |
|   | 4.34           | —               |
|   | <u>121.61</u>  | <u>120.87</u>   |
| <b>Operating Cash Profit before Working Capital Changes</b>   | <b>259.27</b>  | <b>246.27</b>   |
| Adjustments for   |                |                 |
| Trade and Other Receivables   | (110.12)       | (16.46)         |
| Inventories (Increase) / Decrease   | (38.69)        | (57.35)         |
| Trade Payables  | 5.46           | (31.57)         |
| Taxes Paid  | (12.08)        | (10.33)         |
| <b>Net Cashflow from Operating Activities</b>   | <b>103.84</b>  | <b>130.56</b>   |
| <b>B Cash Flow from Investing Activities</b>  |                |                 |
| Additions to Fixed Assets   | (44.05)        | (25.49)         |
| Sale of Fixed Assets  | 2.85           | 5.32            |
| Investments   | —              | 0.06            |
| Interest Received   | 3.33           | 1.95            |
| Dividend Received   | —              | —               |
| <b>Net Cash used in Investing Activities</b>  | <b>(37.87)</b> | <b>(18.16)</b>  |
| <b>C Cash Flow from Financing Activities</b>  |                |                 |
| Redemption of Share Capital   | (46.92)        | (32.32)         |
| Expenditure incurred on Foreign Currency Convertible Bonds  | (1.66)         | —               |
| Miscellaneous Expenditure   | (3.87)         | (2.71)          |
| Proceeds from / (Repayment of) Borrowings   | 56.27          | (0.20)          |
| Finance Charges Paid  | (70.24)        | (91.45)         |
| <b>Net Cash from Financing Activities</b>   | <b>(66.42)</b> | <b>(126.68)</b> |
| <b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>   | <b>(0.45)</b>  | <b>(14.28)</b>  |
| Cash and Cash Equivalents at the beginning of the year (Refer Note No.1)                                    | 8.89           | 23.17           |
| Cash and Cash Equivalents at the end of the year (Refer Note No.1)  | 8.44           | 8.89            |
| <b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>   | <b>(0.45)</b>  | <b>(14.28)</b>  |
| Notes   |                |                 |
| 1 The cash and cash equivalents in the cash flow statement comprise of the following Balance Sheet amounts: | As at          | As at           |
|   | March 31, 2007 | March 31, 2006  |
| (a) Cash on hand  | 0.02           | 0.04            |
| (b) Current Accounts with Banks   | 8.42           | 8.85            |
|   | <u>8.44</u>    | <u>8.89</u>     |

2 Previous year's figures have been restated, wherever necessary, to conform to current year's classification.

As per our report of even date

 For M/s P G BHAGWAT  
Chartered Accountants

 For J K SHAH & Co.  
Chartered Accountants

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Membership No. 47235  
Pune, October 29, 2007

 J K Shah  
Partner  
Membership No. 3662  
Pune, October 29, 2007

 Jayan Nair  
Company Secretary  
Pune, October 29, 2007





## Schedules to the Balance Sheet

Rs in Crore

|  | As at<br>March 31, 2007 | As at<br>March 31, 2006 |
|--|-------------------------|-------------------------|
| <b>Schedule - 1</b>  |                         |                         |
| <b>Share Capital</b>   |                         |                         |
| <b>Authorised</b>  |                         |                         |
| i) 17,50,00,000 (Previous Year 15,50,00,000)<br>Equity Shares of Rs 5/- each   | 87.50                   | 77.50                   |
| ii) Nil (Previous Year 80,08,000)<br>10 % Non Cumulative Redeemable Preference<br>Shares of Rs 100/- each            | —                       | 80.08                   |
| iii) Nil ( Previous Year 92,000)<br>10 % Cumulative Redeemable Preference<br>Shares of Rs 100/- each                 | —                       | 0.92                    |
| iv) Unclassified Shares ( Previous Year Nil)   | 71.00                   | —                       |
|  | <u>158.50</u>           | <u>158.50</u>           |
| <b>Issued, Subscribed and Paid up</b>  |                         |                         |
| i) 14,43,81,756 (Previous Year 14,43,81,756)<br>Equity Shares of Rs 5/- each fully paid                              | 72.19                   | 72.19                   |
| ii) Nil (Previous Year 46,01,485)<br>10 % Non Cumulative Redeemable Preference<br>Shares of Rs 100/- each fully paid | —                       | 46.02                   |
| iii) Nil (Previous Year 90,000 )<br>10 % Cumulative Redeemable Preference<br>Shares of Rs 100/- each fully paid      | —                       | 0.90                    |
|  | <u>72.19</u>            | <u>119.11</u>           |
| <b>Schedule - 2</b>  |                         |                         |
| <b>Reserves and Surplus</b>  |                         |                         |
| i) Capital Reserve   |                         |                         |
| As per last Balance Sheet  | 1.65                    | 0.30                    |
| Additions during the year  | —                       | 1.35                    |
|  | 1.65                    | 1.65                    |
| ii) Capital Redemption Reserve   |                         |                         |
| As per last Balance Sheet  | 33.68                   | —                       |
| Add : Transferred from Profit & Loss Account   | 46.92                   | 33.68                   |
|  | 80.60                   | 33.68                   |
| iii) Securities Premium  |                         |                         |
| As per last Balance Sheet  | 3.31                    | 1.52                    |
| Add : Additions during the year  | —                       | 1.79                    |
| Less : Debits related to FCCB issue expenses   | 1.66                    | —                       |
|  | 1.65                    | 3.31                    |
| iv) Amalgamation Reserve   |                         |                         |
| As per last Balance Sheet  | 45.72                   | 45.72                   |
| v) Reserve for Contingencies   |                         |                         |
| As per last Balance Sheet  | 3.73                    | 6.72                    |
| Less : Debits related to Pre-Merger period   | —                       | 2.99                    |
|  | 3.73                    | 3.73                    |
| vi) Restructuring Reserve  |                         |                         |
| As per last Balance Sheet  | 29.15                   | 30.00                   |
| Less : Debits as per the Scheme of Arrangement<br>(Refer Note No. 20 of Schedule 19)                                 | 8.27                    | 0.85                    |
|  | 20.88                   | 29.15                   |
| vii) General Reserve   |                         |                         |
| As per last Balance Sheet  | 92.34                   | 80.84                   |
| Add : Transferred from Profit & Loss Account   | 100.00                  | 11.50                   |
| Less : Transferred to Profit & Loss Account  | 23.72                   | —                       |
|  | <u>168.62</u>           | <u>92.34</u>            |

## Schedules to the Balance Sheet (contd.)

Rs in Crore

|   | As at<br>March 31, 2007 | As at<br>March 31, 2006 |
|---|-------------------------|-------------------------|
| viii) Debenture Redemption Reserve                              |                         |                         |
| As per last Balance Sheet                                       | 43.31                   | 28.54                   |
| Add /(Less) : Transferred (to)/ from Profit & Loss Account      | (43.31)                 | 14.77                   |
|   | —                       | 43.31                   |
| ix) Balance in Profit & Loss Account                            | 75.19                   | 57.13                   |
|   | <u>398.04</u>           | <u>310.02</u>           |
| <b>Schedule - 3</b>   |                         |                         |
| <b>Secured Loans</b>  |                         |                         |
| (Interest accrued and due included under the appropriate heads) |                         |                         |
| i. Debentures   | —                       | 41.08                   |
| ii. Term Loans  |                         |                         |
| a) Rupee Loans  | 234.19                  | 321.78                  |
| b) Foreign Currency Loans                                       | 241.78                  | 170.12                  |
|   | 475.97                  | 532.98                  |
| iii. Working Capital Borrowings From Banks                      |                         |                         |
| a) Rupee Loans  | 112.42                  | 112.51                  |
| b) Foreign Currency Loans                                       | 28.49                   | 27.86                   |
| (Refer Note No 12 of Schedule 19)                               | 140.91                  | 140.37                  |
|   | <u>616.88</u>           | <u>673.35</u>           |
| <b>Schedule – 4</b>   |                         |                         |
| <b>Unsecured Loans :</b>  |                         |                         |
| i. Banks  |                         |                         |
| Debentures  | —                       | 2.26                    |
| ii. Others  |                         |                         |
| a) Foreign Currency Convertible Bonds (FCCB) *                  | 87.46                   | —                       |
| b) Interest Free Incentive and Sales Tax Loan                   | 129.04                  | 107.92                  |
| c) Others   | 0.37                    | 0.55                    |
| * (Refer Note No 9 of Schedule 19)                              | <u>216.87</u>           | <u>110.73</u>           |

## Schedule – 5

Fixed Assets

Rs in Crore

| Description            | Gross Block                |                         |                                   |                            | Depreciation               |                 |                                       |                            | Net Block                  |                            |
|------------------------|----------------------------|-------------------------|-----------------------------------|----------------------------|----------------------------|-----------------|---------------------------------------|----------------------------|----------------------------|----------------------------|
|                        | As At<br>April 01,<br>2006 | Additions/<br>Transfers | Deletions/<br>Sales/<br>Transfers | As at<br>March 31,<br>2007 | As on<br>April 01,<br>2006 | For the<br>Year | Deletions/<br>Sales/Adj/<br>Transfers | As on<br>March 31,<br>2007 | As at<br>March 31,<br>2007 | As at<br>March 31,<br>2006 |
| Leasehold Land         | 7.03                       | —                       | —                                 | 7.03                       | 0.17                       | 0.08            | —                                     | 0.25                       | 6.78                       | 6.86                       |
| Freehold Land          | 1.23                       | —                       | —                                 | 1.23                       | —                          | —               | —                                     | —                          | 1.23                       | 1.23                       |
| Buildings              | 80.49                      | 0.32                    | 0.82                              | 79.99                      | 7.75                       | 1.71            | 0.03                                  | 9.43                       | 70.56                      | 72.74                      |
| Plant & Machinery      | 845.22                     | 28.32                   | 1.87                              | 871.67                     | 136.92                     | 45.22           | 0.16                                  | 181.99                     | 689.68                     | 708.30                     |
| Furniture & Fixture    | 1.06                       | 0.20                    | —                                 | 1.26                       | 0.43                       | 0.14            | —                                     | 0.57                       | 0.69                       | 0.63                       |
| Office Equipments      | 7.50                       | 1.12                    | 0.02                              | 8.60                       | 2.43                       | 1.70            | 0.01                                  | 4.12                       | 4.48                       | 5.07                       |
| Vehicles               | 1.99                       | 0.18                    | 0.10                              | 2.07                       | 0.43                       | 0.44            | 0.07                                  | 0.80                       | 1.27                       | 1.56                       |
| Intangible Assets:     |                            |                         |                                   |                            |                            |                 |                                       |                            |                            |                            |
| Technical Know-How     | —                          | 4.13                    | —                                 | 4.13                       | —                          | 0.07            | —                                     | 0.07                       | 4.06                       | —                          |
| Software Development   | —                          | 2.32                    | —                                 | 2.32                       | —                          | 0.04            | —                                     | 0.04                       | 2.28                       | —                          |
| Assets taken on lease: |                            |                         |                                   |                            |                            |                 |                                       |                            |                            |                            |
| Plant & Machinery      | 12.14                      | —                       | 5.18                              | 6.96                       | 2.16                       | 4.23            | 4.79                                  | 1.60                       | 5.36                       | 9.98                       |
| <b>TOTAL</b>           | <b>956.66</b>              | <b>36.59</b>            | <b>7.99</b>                       | <b>985.26</b>              | <b>150.29</b>              | <b>53.63</b>    | <b>5.06</b>                           | <b>198.87</b>              | <b>786.39</b>              | <b>806.37</b>              |
| Previous Year          | 940.82                     | 21.42                   | 5.58                              | 956.66                     | 94.83                      | 55.69           | 0.23                                  | 150.29                     | 806.37                     | 845.99                     |



## Schedules to the Balance Sheet (contd.)

Rs in Crore

|   | As at<br>March 31, 2007 | As at<br>March 31, 2006 |
|---|-------------------------|-------------------------|
| <b>Schedule - 6</b>   |                         |                         |
| Investments (At Cost)   |                         |                         |
| Long Term (Unquoted and Trade)  |                         |                         |
| i. Government Securities  |                         |                         |
| National Saving Certificate<br>(Pledged with Sales Tax Authorities)       | <b>0.01</b>             | 0.01                    |
|   | <u>0.01</u>             | <u>0.01</u>             |
| <b>Schedule - 7</b>   |                         |                         |
| Current Assets, Loans & Advances  |                         |                         |
| i. Inventories  |                         |                         |
| (As taken, valued and certified by the Management )                       |                         |                         |
| i) Raw Material   | <b>79.90</b>            | 49.16                   |
| ii) Work-in-process   | <b>56.84</b>            | 30.99                   |
| iii) Finished Goods   | <b>39.42</b>            | 69.09                   |
| iv) Stores & Spares   | <b>47.18</b>            | 35.41                   |
|   | <b>223.34</b>           | 184.65                  |
| ii. Receivables   |                         |                         |
| (Including bills discounted with Banks)<br>Unsecured, considered good     |                         |                         |
| i) Outstanding for more than six months<br>Considered Good                | <b>13.55</b>            | 9.46                    |
| ii) Others Considered Good  | <b>273.26</b>           | 237.66                  |
|   | <b>286.81</b>           | 247.12                  |
| iii. Export Entitlements  | <b>5.33</b>             | 3.49                    |
| iv. Cash and Bank Balances  |                         |                         |
| i) Cash on hand   | <b>0.02</b>             | 0.04                    |
| ii) Current Accounts with Scheduled Banks                                 | <b>8.42</b>             | 8.85                    |
| iv) Deposit with Scheduled Banks  |                         |                         |
| a) Margin Money<br>(towards Letter of Credits & Bank Guarantees)          | <b>17.48</b>            | 8.99                    |
| b) Others<br>(Refer Note No. 8 of Schedule 19)                            | <b>42.95</b>            | 4.24                    |
|   | <b>68.87</b>            | 22.12                   |
| v. Loans and Advances   |                         |                         |
| (Unsecured, considered good)  |                         |                         |
| i) Advances recoverable in cash or in kind or for value<br>to be received |                         |                         |
| a) Sundry Deposits  | <b>8.18</b>             | 8.41                    |
| b) Others   | <b>33.69</b>            | 36.11                   |
| ii) Balance with Customs, Excise, Sales Tax etc.                          | <b>40.91</b>            | 31.57                   |
| iv) MAT Credit Entitlement  | <b>23.61</b>            | —                       |
|   | <b>106.39</b>           | 76.09                   |
| ( Refer Note No. 4 & 5 of Schedule 19)                                    | <b>690.74</b>           | <b>533.47</b>           |
| <b>Schedule - 8</b>   |                         |                         |
| Current Liabilities & Provisions  |                         |                         |
| i. Current Liabilities  |                         |                         |
| i) Acceptances  | <b>81.11</b>            | 109.81                  |
| ii) Sundry Creditors  |                         |                         |
| a) Small Scale Industrial Undertakings                                    | <b>8.28</b>             | 8.11                    |
| b) Others   | <b>111.19</b>           | 84.00                   |
| iii) Provision for Expenses   | <b>17.36</b>            | 10.32                   |

## Schedules to the Balance Sheet (contd.)

Rs in Crore

|   | As at<br>March 31, 2007 | As at<br>March 31, 2006 |
|---|-------------------------|-------------------------|
| iv) Advances from Customers   | 6.57                    | 8.12                    |
| v) Investor Education and Protection Fund<br>(Refer Note No. 14 of Schedule 19) | 1.33                    | 1.43                    |
| vi) Other Liabilities   | 14.50                   | 14.12                   |
| vii) Interest accrued but not due   | 0.31                    | 1.23                    |
|   | <u>240.65</u>           | <u>237.14</u>           |
| <b>ii. Provisions</b>   |                         |                         |
| i) Proposed Dividend  | 7.22                    | -                       |
| ii) Tax on Dividend   | 1.23                    | -                       |
| iii) Leave Encashment   | 2.69                    | 2.11                    |
| iv) Gratuity and Superannuation   | 1.33                    | 0.91                    |
| v) Income Tax (net of advance payment)  | 4.11                    | 2.12                    |
|   | <u>16.58</u>            | <u>5.14</u>             |
|   | <u>257.23</u>           | <u>242.28</u>           |
| <b>Schedule - 9</b>   |                         |                         |
| <b>Miscellaneous Expenditure</b>  |                         |                         |
| i) Preliminary Expenses   | 0.56                    | 0.68                    |
| ii) Merger Expenses   | 1.03                    | 1.53                    |
| iii) Financial Restructuring Expenses / Upfront fees                            | 8.03                    | 5.32                    |
|   | <u>9.62</u>             | <u>7.53</u>             |

## Schedules to Profit & Loss Account

|   | 2006-07       | 2005-06       |
|---|---------------|---------------|
| <b>INCOME</b>   |               |               |
| <b>Schedule - 10</b>  |               |               |
| <b>Other Income</b>   |               |               |
| i) Interest Received<br>(Tax deducted at source Rs 0.38 Crore<br>Previous Year Rs 0.21 Crore) | 3.12          | 1.68          |
| ii) Miscellaneous Income (Refer Note No.22 Schedule 19)                                       | 0.51          | 3.56          |
| iii) Financial Restructuring Benefit  | —             | 12.92         |
|   | <u>3.63</u>   | <u>18.16</u>  |
| <b>EXPENDITURE</b>  |               |               |
| <b>Schedule - 11</b>  |               |               |
| <b>Materials Consumed</b>   |               |               |
| i) Raw Material   |               |               |
| Opening Stock   | 49.16         | 46.18         |
| Add: Purchases  | 575.96        | 547.02        |
| Less: Closing Stock   | 79.90         | 49.16         |
|   | <u>545.22</u> | <u>544.04</u> |
| ii) (Increase) / Decrease in Stocks   |               |               |
| Closing Stock   |               |               |
| Work-in-process   | 56.84         | 30.99         |
| Finished Goods  | 39.42         | 69.09         |
|   | <u>96.26</u>  | <u>100.08</u> |
| Less : Opening Stock  |               |               |
| Work -in- process   | 30.99         | 17.19         |
| Finished Goods  | 69.09         | 35.50         |
|   | <u>100.08</u> | <u>52.69</u>  |
|   | <u>3.82</u>   | (47.39)       |
| iii) Stores and Spares  | 82.06         | 63.55         |
| iv) Excise Duty on Opening & Closing Stock of Finished Goods                                  | (3.80)        | 4.63          |
|   | <u>627.30</u> | <u>564.83</u> |



## Schedules to Profit & Loss Account (contd.)

Rs in Crore

|  | 2006-07       | 2005-06       |
|--|---------------|---------------|
| <b>Schedule - 12</b>   |               |               |
| <b>Energy</b>  |               |               |
| i) Power   | 110.10        | 86.70         |
| ii) Fuel   | 41.79         | 39.80         |
| iii) Gases   | 13.21         | 10.78         |
|  | <u>165.10</u> | <u>137.28</u> |
| <b>Schedule - 13</b>   |               |               |
| <b>Manufacturing</b>   |               |               |
| i) Processing Charges  | 11.76         | 11.45         |
| ii) Other Direct Expenses  | 9.87          | 7.44          |
| iii) Machine Lease Rentals   | 0.33          | 0.72          |
| iv) Repairs and Maintenance – Plant & Machinery  | 5.23          | 3.99          |
|  | <u>27.19</u>  | <u>23.60</u>  |
| <b>Schedule - 14</b>   |               |               |
| <b>Selling And Distribution</b>  |               |               |
| i) Freight & Forwarding  | 26.07         | 21.72         |
| ii) Commission on Sales  | 4.03          | 1.74          |
| iii) Other Selling Expenses  | 2.96          | 5.05          |
|  | <u>33.06</u>  | <u>28.51</u>  |
| <b>Schedule - 15</b>   |               |               |
| <b>Personnel</b>   |               |               |
| i) Salaries, Wages, Bonus and Allowances<br>(including rent paid of Rs 0.29 Crore, recovery<br>of Rs 0.03 Crore, (Previous Year Rs 0.83 Crore,<br>Recovery of Rs 0.24 Crore) | 55.42         | 44.74         |
| ii) Contribution to Provident and other Funds  | 3.99          | 4.06          |
| iii) Workmen and Staff Welfare   | 3.13          | 2.66          |
|  | <u>62.54</u>  | <u>51.46</u>  |
| <b>Schedule - 16</b>   |               |               |
| <b>Overheads</b>   |               |               |
| i) Rent  | 0.92          | 0.96          |
| ii) Travelling and Conveyance  | 3.96          | 2.97          |
| iii) Communication Expenses  | 1.35          | 1.87          |
| iv) Repairs and Maintenance – Others   | 0.75          | 0.65          |
| v) Insurance   | 1.29          | 1.65          |
| vi) Loss on Sale of Assets   | 0.12          | 0.03          |
| vii) Miscellaneous Expenses (Refer Note No. 25 of Schedule 19)   | 8.64          | 7.34          |
|  | <u>17.03</u>  | <u>15.47</u>  |
| <b>Schedule - 17</b>   |               |               |
| <b>Finance Charges</b>   |               |               |
| i) Interest  |               |               |
| a) Debentures  | 2.27          | 5.38          |
| b) Term Loans  | 50.02         | 46.68         |
| c) Working Capital & Others  | 15.02         | 24.31         |
|  | <u>67.31</u>  | <u>76.37</u>  |
| ii) Cash Discount  | 1.32          | 2.19          |
| iii) Other Finance Charges   | 7.52          | 7.33          |
| iv) Exchange Fluctuation (Gain) / Loss   | (5.01)        | 1.91          |
|  | <u>71.14</u>  | <u>87.80</u>  |

## Schedules to Profit & Loss Account (contd.)

Rs in Crore

|   | 2006-07      | 2005-06      |
|---|--------------|--------------|
| <b>Schedule - 18</b>                                |              |              |
| <b>Depreciation and Amortisation</b>                |              |              |
| i) Depreciation for the year                        | 53.63        | 55.69        |
| Less : Transferred from Profit & Loss Appropriation | —            | 6.21         |
|   | <u>53.63</u> | <u>49.48</u> |
| ii) Amortisation of Miscellaneous Expenditure       | 1.78         | 1.44         |
| iii) Write off (Refer Note No. 19 of Schedule 19)   | 4.34         | —            |
|   | <u>59.75</u> | <u>50.92</u> |

## Schedules forming part of the Balance Sheet and Profit & Loss Account

### Schedule - 19

#### Notes on Accounts

#### 1) Contingent Liabilities not provided for in respect of

Rs in Crore

|   | As at<br>March 31, 2007 | As at<br>March 31, 2006 |
|---|-------------------------|-------------------------|
| a) Counter Guarantees given to Banks  |                         |                         |
| i) Performance Guarantees   | 18.50                   | 20.22                   |
| ii) Others  | 1.57                    | 0.60                    |
| b) Claims against the Company not acknowledged as debt  |                         |                         |
| i) Sales Tax  | 13.34                   | 12.25                   |
| ii) Income Tax – disputed by the company<br>(against which the Company has pre-deposit of<br>Rs 0.79 Crore) – disputed by the Tax Dept. | 0.99                    | 2.48                    |
|   | 1.69                    | —                       |
| iii) Excise Duty  | 17.18                   | 13.34                   |
| iv) Employees State Insurance Corporation   | 0.27                    | 0.26                    |
| v) Others   | 3.08                    | 2.46                    |
| c) Guarantees given in respect of Employees housing loans   | 0.05                    | 1.60                    |
| d) Guarantees given to the lenders of third party   | 18.49                   | 18.49                   |
| e) Assignment of Liabilities  | 98.59                   | 100.11                  |
| f) Estimated amount of contracts remaining to be executed<br>on Capital Accounts (Net of advances)                                      | 176.77                  | 7.20                    |

#### 2) Exchange rate difference arising during the year has been dealt under the appropriate account heads having impact as under :

|                                 | As at<br>March 31, 2007 | As at<br>March 31, 2006 |
|---------------------------------|-------------------------|-------------------------|
| Revenue Account – Loss / (Gain) | (5.81)                  | (0.31)                  |
| Capital Account – Loss / (Gain) | (0.34)                  | 0.29                    |

3) Gross sales include Conversion Charges of Rs 2.17 Crore, Tax Deducted at Source Rs 0.03 Crore (Previous Year Rs 8.39 Crore, Tax Deducted at Source Rs 0.17 Crore).

4) Loans and Advances include interest free advances given by the Company to Employees Welfare Funds aggregating to Rs 5.50 Crore (Previous Year 5.50 Crore), for the benefit of designated employees pursuant to the proviso (b) to Section 77 (2) of the Companies Act, 1956.

5) Advances include loans to officers of the Company Rs 72,100/- (Previous Year Rs.84,690/-), (Maximum amount outstanding during the year Rs 84,690/-, Previous Year Rs 97,280/-).





## Notes on Accounts (Contd.)

- 6) Considering the uncertainty related to realisation, the following items are not considered to accrue till they are settled/sanctioned/ received as the case may be: a) Insurance claims; b) Interest on receivables.
- 7) The Company belongs to Engineering Segment being a Seamless Tube producer with captive Steel making facilities. Since the present steel production is in excess of the Steel required for Tube making, the surplus steel is sold to external customers. The Company has, thus, two reportable segments viz. "Tube and Steel".
- a) Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to enterprise as a whole and are not allocable to a segment on reasonable basis have been disclosed as unallocable.
- b) Segment assets and segment liabilities represent assets and liabilities in respective segments. Investments, tax related assets and other assets and liabilities that can not be allocated to a segment on a reasonable basis have been included under "Unallocable Assets / Liabilities".

Rs in Crore

| Particulars                                      | 2006 - 07    |               |             |          | 2005 - 06    |               |             |          |
|--|--------------|---------------|-------------|----------|--------------|---------------|-------------|----------|
|  | Tube Segment | Steel Segment | Unallocable | Total    | Tube Segment | Steel Segment | Unallocable | Total    |
| <b>i) Segment Revenue</b>                        |              |               |             |          |              |               |             |          |
| Total External Sales                             | 965.57       | 369.80        |             | 1,335.37 | 767.77       | 427.27        |             | 1,195.04 |
| Add : Inter Segment Transfers                    | 37.27        | 595.25        |             | 632.52   | 37.56        | 483.29        |             | 520.85   |
| Inter Division Transfers                         | 88.17        | —             |             | 88.17    | 97.25        | —             |             | 97.25    |
|  | 1091.01      | 965.05        |             | 2,056.06 | 902.58       | 910.56        |             | 1,813.14 |
| Less: Excise Duty                                | 104.35       | 132.52        |             | 236.87   | 85.87        | 126.37        |             | 212.24   |
|  | 986.66       | 832.53        |             | 1,819.19 | 816.71       | 784.19        |             | 1,600.90 |
| Less : Inter Segment Transfers (net)             | 32.57        | 514.04        |             | 546.61   | 33.18        | 417.00        |             | 450.18   |
| Inter Division Transfers (net)                   | 75.44        | —             |             | 75.44    | 83.61        | —             |             | 83.61    |
| Net Sales  | 878.65       | 318.49        |             | 1,197.14 | 699.92       | 367.19        |             | 1,067.11 |
| <b>ii) Segment Result Before Finance Charges</b> |              |               |             |          |              |               |             |          |
| Exceptional items & Taxes                        | 133.58       | *77.71        | 3.63        | 214.92   | 86.66        | *109.82       | 18.16       | 214.64   |
| Less: Finance Charges                            |              |               |             | 71.14    |              |               |             | 87.80    |
| Amortisation                                     |              |               |             | 6.12     |              |               |             | 1.44     |
| Profit Before Taxes                              |              |               |             | 137.66   |              |               |             | # 125.40 |
| <b>iii) Other Information</b>                    |              |               |             |          |              |               |             |          |
| Total Segment Assets                             | 894.36       | 513.50        | 92.92       | 1,500.78 | 912.52       | 418.20        | 25.65       | 1,356.37 |
| Total Segment Liabilities                        | 69.17        | 170.95        | 17.11       | 257.23   | 58.11        | 178.49        | 5.68        | 242.28   |
| Total cost incurred for                          |              |               |             |          |              |               |             |          |
| Acquiring Segment Assets                         | 27.97        | 15.73         |             | 43.70    | 10.27        | 15.50         |             | 25.77    |
| Segment Depreciation                             | 31.81        | 21.82         |             | 53.63    | 27.60        | 21.88         |             | 49.48    |
| <b>iv) Total Unallocable Assets</b>              |              |               |             |          |              |               |             |          |
| Investments                                      |              |               |             | 0.01     |              |               |             | 0.01     |
| Deferred Tax Assets                              |              |               |             | 50.78    |              |               |             | 91.58    |
| Miscellaneous Expenditure                        |              |               |             | 9.62     |              |               |             | 7.53     |
|  |              |               |             | 60.41    |              |               |             | 99.12    |
| <b>v) Total Unallocable Liabilities</b>          |              |               |             |          |              |               |             |          |
| Secured Loans                                    |              |               |             | 616.88   |              |               |             | 673.35   |
| Unsecured Loans                                  |              |               |             | 216.87   |              |               |             | 110.73   |
|  |              |               |             | 833.75   |              |               |             | 784.08   |

\* Includes profit on steel captively consumed by Tube Segment.

# Includes settlement benefit of Rs12.92 Crore.

## Notes on Accounts (Contd.)

- 8) Cash and Bank balances includes current account with Deogiri Nagari Sahakari Bank Ltd. (Non-Scheduled Bank), Rs 27,635/-, Previous Year Rs 15,261/-. (Maximum balance during the year Rs 27,635/-, Previous Year Rs 15,261/-).
- 9) The Company during the year has allotted 0% Foreign Currency Convertible Bonds (FCCB) aggregating to US\$20 Million as detailed hereunder, to finance inter-alia capital expenditure, repayment of foreign currency loan and acquisitions.

| Bond Series | No. of Bonds | Price per Bond (in US \$) | Aggregate Value (in US \$) | Conversion price (in INR) |
|-------------|--------------|---------------------------|----------------------------|---------------------------|
| A           | 48,76,146    | 2.0508                    | 10,000,000                 | 92.00                     |
| B           | 36,68,648    | 2.7258                    | 10,000,000                 | 122.28                    |

Each Bond in Series A and Series B would be convertible into one Equity Share of Rs.5/- each fully paid any time until redemption i.e. after five years and one day from the date of allotment subject to terms and conditions of the Subscription. Unless previously redeemed or converted or purchased and cancelled as herein provided, the Company will redeem the Series A Bond and the Series B Bond along with the premium calculated at the rate of six months LIBOR plus 2% p.a. of their principal amount (the "Redemption Amount") at the end of five years and one day from the date of issue and allotment of the said series A Bonds and Series B Bonds.

Expenses incurred in connection with the above issue of FCCB have been adjusted against the Securities Premium Account.

Out of the proceeds of the FCCB, the Company has utilised Rs.49.07 Crore towards the object of the issue, and the balance Rs.39.54 Crore are lying in the Fixed Deposit Accounts with Bankers.

- 10) Break-up of Managerial Remuneration included under Personnel Cost.

Rs in Crore

|  | 2006-07     | 2005-06       |
|--|-------------|---------------|
| i) Salaries  | 0.98        | 0.73          |
| ii) Contribution to Provident Fund and Superannuation Fund | 0.26        | 0.20          |
| iii) Other Perquisites                                     | 0.90        | 0.71          |
| v) Commission on Profits                                   | 3.10        | 1.26          |
|  | <u>5.24</u> | <u>* 2.90</u> |

Note : \* a) Includes Rs 0.67 Crore remuneration paid to the Whole-time Directors of erstwhile The Indian Seamless Metal Tubes Limited.

b) The above figures do not include contribution to gratuity fund and provision for leave encashment benefit as separate figures are not ascertainable for the Whole-time Directors.

Computation of Net Profit in accordance with Section 198 read with Sections 349 and 350 of the Companies Act, 1956 and calculation of commission payable to the Whole-time Directors.

Rs in Crore

|   | 2006-07       | 2005-06       |
|---|---------------|---------------|
| Profit before taxation as per Profit and Loss Account   | 137.66        | 125.40        |
| Add: Depreciation provided in accounts  | 53.63         | 49.48         |
| Remuneration paid as Director's   | 5.24          | 2.23          |
| Loss (net) on Assets sold or discarded as per Profit & Loss Account   | 0.08          | -             |
| Profit (net) on Assets sold as per Section 349 of Company's Act, 1956   | 0.45          | -             |
|   | <u>197.06</u> | <u>177.11</u> |
| Less: Depreciation and loss on Assets sold computed in accordance with Section 350 of the Companies Act, 1956                                 | 49.49         | 52.54         |
| Amount charged to Reserve   | 9.93          | 3.84          |
| Excess of expenditure over income in the earlier year under Section 349 (4) (i)   | -             | 0.95          |
| Profit as per Section 349 of the Companies Act, 1956  | <u>137.64</u> | <u>119.78</u> |
| Maximum permissible remuneration to the Whole-time Directors under Section 198 of the Companies Act, 1956 @ 11% of the profits computed above | 15.14         | 13.18         |
| Permissible Commission as per terms of agreement to the Whole-time Directors  |               |               |
| Commission provided as per terms of agreement   | 3.10          | 1.26          |

- 11) Expenditure incurred during construction period which have been capitalised during the year and credited to the respective heads are as under.

|                       |             |             |
|-----------------------|-------------|-------------|
| Stores & Spares       | -           | 0.20        |
| Power                 | -           | 0.19        |
| Fuel                  | -           | 0.15        |
| Gases                 | 2.55        | 2.51        |
| Other Direct Expenses | -           | 0.01        |
| Personnel Cost        | 2.39        | 0.65        |
| Overheads             | 1.45        | -           |
| Interest *            | 2.46        | -           |
|                       | <u>8.85</u> | <u>3.71</u> |

\* (Includes interest of earlier year Rs 1.18 Crore)



## Notes on Accounts (Contd.)

### 12) Security and other particulars of Secured Loans

- i. Rupee term loan of Rs. 28.93 Crore and Foreign Currency Term Loans of Rs. 81.25 Crore are secured by a first charge ranking pari passu on the Company's immovable properties and movable fixed assets both present and future with other term lenders. These loans are further secured by a second charge ranking pari passu by way of hypothecation with other term lenders on the current assets of the Company on which the first pari passu charge is stipulated to be created in favour of the Consortium Banks as mentioned in Clause ii below.
- ii. Working Capital borrowings from the Consortium Banks are secured by a first charge ranking pari passu by hypothecation in respect of the current assets of the Company and are further stipulated to be secured by a second pari passu charge on the Company's immovable properties and all the movable fixed assets both present and future.
- iii. The Term Loans of Rs. 71.03 Crore and Working Capital Loans of Rs. 61.67 Crore are further secured by Corporate Guarantee of Indian Seamless Enterprises Limited and the Personal Guarantee of Mr. B R Taneja.
- iv. Rupee Term Loan of Rs. 50 Crore availed in the preceding financial year and Rupee Term Loans of Rs.155.26 Crore and Foreign Currency Term Loans of Rs. 160.53 Crore availed during the year are being secured by a first charge ranking pari passu on the Company's immovable properties and movable fixed assets both present and future with other term lenders. These loans are further secured by second charge ranking pari passu by hypothecation with other term lenders in respect of the current assets of the Company on which the first pari passu charge is stipulated to be created in favour of the Consortium Banks as mentioned in Clause ii above.
- v. Term Loans installments falling due within one year is Rs. 68 87 Crore (Previous Year Rs. 36.75 Crore).

### 13) Additional information as required by Part-II of Schedule-VI to the Companies Act, 1956 (figures in brackets pertain to the Previous Year).

#### a) Particulars in respect of goods manufactured

| Class of Goods   | Unit   | Installed*<br>Capacity          | Production<br>Quantity           |
|--|--------|---------------------------------|----------------------------------|
| i) Seamless Hollows & Tubes                            | Tonnes | <b>1,58,000</b><br>(1,58,000)   | ** <b>1,61,181</b><br>(1,35,635) |
| ii) Components & Spares, Plugs & Dies Rolls & Mandrels | Nos.   | <b>10,000</b><br>(10,000)       | *** <b>41,902</b><br>(32,646)    |
| iii) Cold Rolled Rings                                 | Nos.   | <b>80,00,000</b><br>(80,00,000) | <b>42,89,755</b><br>(49,15,702)  |
| iv) Steel Bars   | Tonnes | <b>2,50,000</b><br>(2,50,000)   | <b>2,47,351</b><br>(2,34,707)    |

Licensed capacities are not given, as the respective industries are de-licensed.

\* The installed capacities as stated above are certified by the Management and relied upon by the Auditors.

\*\* Captive consumption for the year NIL Tonnes (Previous year 52 tonnes).

\*\*\* For Captive consumption within division.

#### b) Stock & Turnover of goods manufactured by the Company

| I) Tube Segment                           | Tonnes           | 2006 - 07<br>Rs in Crore | Tonnes    | 2005 - 06<br>Rs in Crore |
|---|------------------|--------------------------|-----------|--------------------------|
| 1) Seamless Hollows and Tubes             |                  |                          |           |                          |
| i) Sales (Excluding Excise Duty)          | <b>163,315</b>   | <b>972.59</b>            | 132,794   | 799.73                   |
| Less: Inter Segment Transfers – Scarp     | —                | <b>31.33</b>             | —         | 28.58                    |
| – Conversion                              | <b>876</b>       | <b>1.24</b>              | 2,448     | 4.60                     |
| Inter division Transfers                  | <b>16,299</b>    | <b>88.17</b>             | 14,620    | 97.25                    |
| Net Sales                                 | <b>146,140</b>   | <b>851.85</b>            | 115,726   | 669.30                   |
| ii) Opening Stock                         | <b>5,928</b>     | <b>25.84</b>             | 3,139     | 13.38                    |
| iii) Closing Stock                        | <b>3,794</b>     | <b>20.09</b>             | 5,928     | 25.84                    |
| 2) Cold Rolled Rings                      |                  |                          |           |                          |
|   | Nos.             | Rs in Crore              | Nos.      | Rs in Crore              |
| i) Sales (Excluding Excise Duty)          | <b>45,60,355</b> | <b>26.80</b>             | 49,00,384 | 30.62                    |
| ii) Opening Stock                         | <b>4,20,932</b>  | <b>1.81</b>              | 4,05,614  | 2.00                     |
| iii) Closing Stock                        | <b>1,50,332</b>  | <b>0.39</b>              | 4,20,932  | 1.82                     |
| II) Steel Segment                         | Tonnes           | Rs in Crore              | Tonnes    | Rs in Crore              |
| Steel Bars                                |                  |                          |           |                          |
| i) Sales (Excluding Excise Duty)          | <b>2,45,096</b>  | <b>832.53</b>            | 2,28,078  | 784.19                   |
| Less: Inter Segment Transfers- Steel Bars | <b>1,60,985</b>  | <b>514.04</b>            | 1,31,968  | 416.31                   |
| - Conversion                              | —                | —                        | —         | 0.69                     |
| Net Sales                                 | <b>84,111</b>    | <b>318.49</b>            | 96,110    | 367.19                   |
| ii) Opening Stock                         | <b>12,537</b>    | <b>41.44</b>             | 5,908     | 20.13                    |
| iii) Closing Stock (Includes WIP Stock)   | <b>14,792</b>    | <b>49.72</b>             | 12,537    | 41.44                    |

## Notes on Accounts (Contd.)

| c) CIF Value of Imports   |             | Rs in Crore |             |             |
|---|-------------|-------------|-------------|-------------|
|   | 2006 - 07   | 2005 - 06   |             |             |
| i) Raw Materials  | 69.89       | 84.37       |             |             |
| ii) Consumables   | 10.58       | 10.24       |             |             |
| iii) Capital Goods  | 3.98        | 0.97        |             |             |
| d) Raw Materials Consumed   |             |             |             |             |
|   | Tonnes      | Rs in Crore | Tonnes      | Rs in Crore |
| I) Tube Segment   |             |             |             |             |
| Steel Bars  | 1,72,777    | 548.79      | 1,54,067    | 484.08      |
| Less : Inter Segment Transfers included in above  | 1,60,985    | 512.16      | 1,31,968    | 414.68      |
|   | 11,792      | 36.63       | 22,099      | 69.40       |
| II) Steel Segment   |             |             |             |             |
| i) Pig Iron, DRI / Sponge Iron and Steel Scrap  | 2,69,849    | 432.89      | 2,66,765    | 398.12      |
| ii) Ferro Alloys  | 8,543       | 93.98       | 8,393       | 89.89       |
| iii) Other Materials  | —           | 13.05       | —           | 15.22       |
|   | 2,78,392    | 539.92      | 2,75,158    | 503.21      |
| Less : Inter Segment Transfers included in above  | 17,515      | 31.33       | 17,393      | 28.58       |
|   | 2,60,877    | 508.58      | 2,57,765    | 474.65      |
| Total Raw Material Consumed   | 2,72,669    | 545.22      | 2,79,864    | 544.04      |
| e) I) Particulars in respect of Consumption of Raw Materials  |             |             |             |             |
|   | Rs in Crore | %           | Rs in Crore | %           |
| Indigenous  | 466.52      | 85.56       | 425.34      | 78.18       |
| Imported  | 78.70       | 14.44       | 118.70      | 21.82       |
|   | 545.22      | 100.00      | 544.04      | 100.00      |
| II) Particulars in respect of Consumption of Stores and Spares  |             |             |             |             |
| Indigenous  | 71.09       | 86.63       | 50.27       | 79.11       |
| Imported  | 10.97       | 13.37       | 13.28       | 20.89       |
|   | 82.06       | 100.00      | 63.55       | 100.00      |
| f) I) Earnings in Foreign Currency  |             |             |             |             |
|   | 2006 - 07   | 2005 - 06   |             |             |
| i) FOB Value of Exports   | 212.40      | 193.61      |             |             |
| ii) Freight on Exports  | 13.65       | 13.61       |             |             |
| II) Expenditure in Foreign Currency   |             |             |             |             |
| i) Interest   | 2.33        | 1.96        |             |             |
| ii) Commission on Export Sales  | 2.74        | 0.78        |             |             |
| iii) Travelling   | 0.45        | 0.38        |             |             |
| iv) Professional Consultation Fees  | 1.00        | 0.81        |             |             |
| v) Others   | 0.88        | 0.63        |             |             |
| 14) Investor Education and Protection Fund  |             |             |             |             |
|   | 2006 - 07   | 2005 - 06   |             |             |
| shall be credited by the following amounts, when due.   |             |             |             |             |
| a) Unclaimed Matured Debentures *   | 1.32        | 1.39        |             |             |
| b) Unclaimed Dividends  | —           | 0.01        |             |             |
| c) Unclaimed Matured Deposits   | 0.01        | 0.03        |             |             |
| d) Unclaimed Application Money  | —           | (Rs. 1200)  |             |             |
| * Includes Rs 0.28 Crore due and outstanding to be credited to Investor Education and Protection Fund as at March 31, 2007, since paid. |             |             |             |             |
| 15) Provision for Taxation  |             |             |             |             |
|   | 2006 - 07   | 2005 - 06   |             |             |
| a) i) Provision for Income Tax / Wealth Tax   | 13.55       | 10.10       |             |             |
| ii) Provision for Fringe Benefit Tax  | 0.52        | 0.86        |             |             |
| iii) Deferred Tax – Debit / (Credit)  | 40.80       | (0.61)      |             |             |
| Less : Transferred from General Reserve   | 23.72       | —           |             |             |
|   | 17.08       | (0.61)      |             |             |
| iv) MAT Credit for Current Year   | (13.53)     | —           |             |             |
| v) MAT credit for previous year   | (10.08)     | —           |             |             |
|   | 7.54        | 10.35       |             |             |



## Notes on Accounts (Contd.)

- b) Provision for Income Tax is made based on the provisions of Section 115JB of the Income Tax Act, 1961.
- c) The Company (earlier Jejuri Steels & Alloys Ltd. before amalgamation of Indian Seamless Steels and Alloys Limited with it) had created "Deferred Tax Asset" in respect of unabsorbed losses, allowances, etc., of Indian Seamless Steels & Alloys Ltd., by corresponding credit to "General Reserve", in the first year after amalgamation and reflected in its first Balance Sheet as on 30<sup>th</sup> September, 2001, thereafter, pursuant to the amalgamation and in terms of the Scheme as well as relevant Accounting Standard, the assets and liabilities vested in the Company were accounted on "Purchase Method". Upon the review of the said "Deferred Tax Asset", on the balance sheet date, in terms of the applicable Accounting Standards or otherwise, the amount as required is charged on reversal of the said amount of Deferred Tax Asset, which necessitates equivalent write-down of the said General Reserve. The Deferred Tax charge arising as aforesaid has been disclosed in the Profit and Loss Account and the corresponding withdrawal from the said General Reserve has also been disclosed in the Profit and Loss Account.
- 16) Disclosure regarding exposure of the Company in respect of outstanding foreign currency transactions as the date of Balance Sheet and which are not hedged by a derivative instruments or otherwise.

|                               | 2006 – 07        |             | 2005 – 06        |             |
|-------------------------------|------------------|-------------|------------------|-------------|
|                               | Foreign Currency | Rs in Crore | Foreign Currency | Rs in Crore |
|                               | in Million       |             | in Million       |             |
| <b>a) Secured Loans</b>       |                  |             |                  |             |
| i) US Dollars                 | 61.32            | 268.13      | 44.16            | 197.94      |
| ii) Euros                     | 0.37             | 2.14        | —                | —           |
| <b>b) Unsecured Loans</b>     |                  |             |                  |             |
| i) US Dollars                 | 20.00            | 87.46       | —                | —           |
| <b>c) Receivables</b>         |                  |             |                  |             |
| i) US Dollars                 | 7.49             | 32.99       | 4.31             | 19.20       |
| ii) Euros                     | 6.08             | 35.02       | 2.80             | 14.90       |
| iii) Sterling Pounds          | 0.63             | 5.40        | 0.25             | 1.91        |
| <b>d) Deposits with Banks</b> |                  |             |                  |             |
| i) US Dollars                 | 9.16             | 39.54       | —                | —           |
| <b>e) Interest Receivable</b> |                  |             |                  |             |
| i) US Dollars                 | 0.01             | 0.06        | —                | —           |
| <b>f) Payables</b>            |                  |             |                  |             |
| i) US Dollars                 | 0.11             | 0.47        | 0.02             | 0.07        |
| ii) Euros                     | 0.29             | 1.66        | 0.17             | 0.90        |

- 17)a) The names of Small Scale Industrial Undertakings to whom the Company owes sums, which are outstanding for more than 30 Days are given below :-
- Quality Foundry, Monika Enterprises, Mudrik Enterprises, Roso Agro Engineers, Porwal Brothers, Klean Laboratories, Pace Telesystem, Krishna Marketing, Suyash Electricals, Auto Trans System, Anand and Sons, Alweld Sales, Chandrakant Shah, Coalition Engineers, Applied Engineering Services, Delta Sales, H C and Co., D.B. Associates, Deep Laxmi Engineering Company, Kiran Pressure, Ketaki Enterprises, Kumar Trading, M.G. Industries, Shanai Engineers, Star Engineering Co., Success Udyog, S.J. Steel Co., Chati Thermal Systems & Services, Shree Sales, Rajesh Electric, Saifee Tools, Slimline Hydrotek, Seal Jet Seals, Yash Deal Wel Inc., Anuradha Enterprises, Lopa Industries, Kulshri Polymers, Durga Industries, Mould Tech Pvt. Ltd., Krish Enterprises, Tej Bhushan, Shridhar Anant, Annapurna Engineering Works, Kohinoor Tool, Patange Unipax, Rose Bearings, Saras Plastics, Retco Cable, Haidr Alii, A.K. Abdujee, Alpha Arts, Atul Carbide Tools, Industrial Bearings, Kelvin Industries, Konark Plastics, Mrtuti Industries, Prashant Engg., Pristine Engineers, Quality Pump Expert, R.K. Products, Sanjeevan Chemicals, Seva Marketing, Shilpa Enterprises, Shree Parshwanath Industries, Super Mark, Suvarn Udyog Suyog Printers, Technics India, Techno-Aid Enterprises, Vijay Engineering Works, Wiperdrive, Yelmesh Engineering Works, Yenkey Instruments, Porwal Brothers, Aditya Enterprises, Dhupar Brothers, Creative Power, Classic Engineering Works, Ratna Industries, M.M. Electricals, New Shree Springs, Prashant Engineering, Mahendra Electric, Aman Enterprises, B J Marketing, Kalika Industries, Sanjeevan Chemicals, Navjeevan Rubber Products, Anand Enterprises, Pulse Services, Kalyani Box Works, Hallmark, Electryltes, Ganesh Associates, Superior Hydraulics, Fine Tools, J.K. Switchgears, Tube Tech Engineers, Doshi Enterprise, All Treat Services, Laxmi, Vora & Co., Exide Point, H.N. Enterprises, Hydroflex, Param Sales, Book Supply Bureau, Anugraha Industries, Rajput Engineering, Sai Electromech, Bhudevi Chemicals, Komal Trading Co., Abhishek Engineering, Guru Engineering, Bay-Chem Fabriks Pvt. Ltd., Pennar Chemicals Ltd., Accurate Engineers, Goenka Trading Co., Bhairavi Traders, Datta Traders, Inteltek Autmation, Arihant Electricals, Shri Swami Samarth, Innova Enterprises, Steelman Engg & Forgings, Kakamari Enterprises, Dutta Control, Veeneet Engineering, Shri Ganesh Pring, Vighnesh Sales, Asia Tic Steel Spring, Associated Powercon, New Fashion Tailors, Rohan Packaging Industries, Teknon, Kalpataru Packing, Kranti Industries, CSS Enterprises, Jyoti Sales, Hallmark Engineers, Purnendu Engineering, Shrikant Engg., Creative Engg., Laxmi Engineering, Sessa Metalforming, Venkateshwar Cast, D.S. Enterprises, Pallavi Trading Co., Renuka Enterprises, Chaitanya, Yantrik Engineers, Yash Engg., Utcon Engineers Pvt. Ltd., Devkishan Holdings Co., Macro Hydraulic, Strapex, Parag Trading, Akanksha Plast, Venu Industries, R.K. Engineers, Kraft Engg., Shree Padma, Premchand Roadlines, Rushas Engineering, Harshanjali, Meta-Plast, Weld Wire, Blue Point Powerlines, Excel Pack Solutions, Cartridge Sales, Sankalp Engineerrs, Process Controls, Bhavani Engg., Kirti Advertising, Rajshree Hose Pvt. Ltd., Global Touch, Rex Sealing & Packing, S.S. Filters, AVI Oilless Die Comp., Veer Mani Engg., Aroma Bearing Co.,

## Notes on Accounts (Contd.)

Ameet Ind., Glassedge, Data Traders, Global Instruments, Phaltan Rewinds, Pneucon Valves, Shri Maruti Tejas Enterprises, A.S.A.Marketing, Acme Traders, Agarwal Heat System, Apurav Enterprises, Arham Marketing, ARS Engineering Pvt. Ltd., Avail Parts, Balaji Enterprises, Compufast, Carftsman, Dutech Corporation, Equip-Maints, Europack Engg., Garage Equipment, General Engineering, Hi-Tech Transducers, Hitech Engineering, I.R. Technology, Impex Agencies, India Flex, Indian Industrial, Innova Enterprises, Insu-Tech, Kale Traders, Kewal Medico, Krsna Engineering, Laxmi Industries, Libraflex, Magna Core, Mamta Enterprises, Manharlal, Maruti Industries, Meghdoot Winders, Metro Rubber, Mother Cat Mfg., Nandadeep Engineers, Orbit Printers Pvt. Ltd., Oswal Daga Agencies, Polytest, Pooja Marketing, Poona Leather Works, Printech Sales, Prompt Industrial, Rajesh Printing, Retco Electricals, RM Applied Engineers, Ronak Scientific, S.M. Engineers, S.A. Enterprises, S.M. Engineers, Sanjeevan Chemicals, Shri Martand, Spin-N-Cast, Super-Tech General, Suraj Enterprises, Taurus Springs, Terry Enterprises, Transpower, Trimurti Engineers, Versatyle Paint, Vibal Consultants, Vision Engineers, Yashoda Metals, Pradip Engineering, Gadir Graphics, Express Stationery, B.S. Industrial, Bhanu Kiran Electric, Gomka Trading, Jasper Switchgear Pvt. Ltd., Jatini Enterprises, Brilliant Electricals, Chetna Printers, Prompt Services, Standard Rubber, Panchsheel Filters, Spertech Ind., Shivshakti Industries, Pushkraj.

- b) In absence of any intimation received from vendors regarding the status of their registration under the "Micro, Small and Medium Enterprises Development Act, 2006" the Company is unable to comply with the disclosures required to be made under the said Act.
- 18)a) Based on a technical evaluation, the Company has terminated earlier the finance lease agreement in respect of certain assets and has entered into fresh operating lease agreement. Consequently depreciation includes charge of Rs 3.28 Crore for unamortised amount of lease under finance lease adjusted for the outstanding liability written back.
- b) The Company has taken certain assets on finance lease. The lease rentals are payable monthly / quarterly in advance. The period of lease (including supplementary lease) ranges from 5 to 10 years. The agreements provide for renewal of the lease at the end of the lease period. With regard to assets acquired to finance leases, the details of Minimum Lease Payments (MLP) and their Present Values (PV) arrived by discounting the MLPs at the appropriate discounting rate are as under :-

Rs in Crore

| Asset Classification | Not later than 1 year | Later than 1 year But not later than 5 years | Later than 5 years | Total |
|----------------------|-----------------------|--|--------------------|-------|
| Plant & Machinery    |                       |  |                    |       |
| MLP                  | 0.02                  | 0.12   | 0.07               | 0.22  |
| PV                   | 0.02                  | 0.07   | 0.03               | 0.12  |

- 19) Pending exit of the Company from Corporate Debt Restructuring Scheme (CDR), the recompense paid during the year to some of the lenders have been accounted. No provision has been made for recompense payable to other lenders as the same is not ascertainable. Similarly, benefit receivable from the lenders in terms of CDR amounting to Rs 4.34 Crore has been written off and shall be accounted upon actual receipts.
- 20) During the year, the Company accepted a claim of Rs 8.27 Crore in respect of manufacturing defects in the goods supplied by the erstwhile The Indian Seamless Metal Tubes Limited during the period when the Scheme of Arrangement was pending approval. The Scheme specifically provided for creating Restructuring Reserve to meet the contingencies etc. Considering the provision in the Scheme, the Company has adjusted the claim against Restructuring Reserve.
- 21) Disclosure of related parties and companies under same Management as per Section 370 (1B) of The Companies Act 1956.

### I) Related Parties

- a) Names of related parties and description of relationship.
- (i) Related parties where control exists
- Indian Seamless Enterprises Limited
  - Indian Seamless Incorporated, USA
  - Taneja Aerospace and Aviation Limited
- (ii) Key Management Personnel
- Mr V Balasubramanian  
Joint Managing Director
  - Mr Nirmal Chandra  
President (Projects & Product Development)
  - Mr Rajiv Goel  
Chief Financial Officer
  - Mr O P Kakkar  
Managing Director
  - Mr B R Taneja  
Chief Executive Officer
  - Mr Salil Taneja  
President (Corporate Strategy & Development)
- (iii) Relative of Key Management Personnel with whom Company has transacted.
- Mrs Aneeta Chandra W/o. Mr Nirmal Chandra
  - Mrs Beena Goel, W/o. Mr Rajiv Goel
  - Mrs Usha Kakkar, W/o. Mr O P Kakkar





## Notes on Accounts (Contd.)

|  | Rs in Crore    |                |
|--|----------------|----------------|
|  | 2006-07        | 2005-06        |
| <b>(b) Details of Transaction</b>  |                |                |
| <b>i) Companies where control exists</b>   |                |                |
| Transactions   |                |                |
| a) Professional services availed   | 0.88           | 0.49           |
| b) Reimbursement of Export Promotional Expenses  | —              | 0.29           |
| c) Sale of Finished Goods  | 42.33          | 71.99          |
| d) Lease rent  | 0.03           | —              |
| e) Inter Corporate Deposits received   | 32.00          | 20.00          |
| f) Interest paid   | 0.69           | 0.61           |
| g) Inter Corporate Deposits given  | 15.50          | —              |
| h) Interest received   | 0.32           | —              |
| Outstanding as at Balance Sheet date   |                |                |
| a) Payables  | —              | 0.59           |
| b) Receivables   | 14.35          | 32.07          |
| c) Loans & Advances  | 1.18           | Nil            |
| <b>ii) Key Management Personnel and their Relatives</b>  |                |                |
| a) Remuneration  | 4.91           | 2.63           |
| b) Rent Paid   | 0.33           | 0.28           |
| Outstanding as at Balance Sheet date   |                |                |
| Loans & Advances   | 0.32           | 0.27           |
| <b>II) Companies under same Management</b>   |                |                |
| Receivables include due from Indian Seamless Incorporated, USA Rs 11.78 Crore (Previous Year Rs 29.50 Crore).        |                |                |
|  | 2006-07        | 2005-06        |
| <b>22) Miscellaneous income include</b>  |                |                |
| a) Recovery of bad debts   | 0.01           | 0.17           |
| b) Dividend on Trade Investments   | —              | (Rs 12,600)    |
| c) Profit on Sale of Assets  | 0.04           | —              |
| <b>23) The break-up of Deferred Tax Assets and Liabilities into major components at the year end is as follows :</b> |                |                |
|  | As at          | As at          |
|  | March 31, 2007 | March 31, 2006 |
| <b>a) Deferred Tax Assets</b>  |                |                |
| i) Accumulated Tax Losses  | 29.33          | 71.96          |
| ii) Unabsorbed Tax Depreciation  | 122.95         | 123.87         |
| iii) Deduction eligible in future period in respect of expenses already debited to Profit & Loss Account             | 0.99           | 16.35          |
|  | <u>153.27</u>  | <u>212.18</u>  |
| <b>b) i) Depreciation</b>  | 99.61          | 118.25         |
| ii) Expenditure Deferred   | 2.88           | 2.35           |
|  | <u>102.49</u>  | <u>120.60</u>  |
| <b>c) Net Deferred Tax Asset</b>   | <u>50.78</u>   | <u>91.58</u>   |
|  | 2006-07        | 2005-06        |
| <b>24) Earnings per Share (annualised)</b>   |                |                |
| a) Profit After Tax  | 130.12         | 115.04         |
| Less : Adjustments as per para 13 of Accounting Standard - 20  | —              | 0.10           |
| b) Net profit for the year attributable to Equity Share Holders  | 130.12         | 114.94         |
| c) Weighted Average number of Equity Shares  | 14,43,81,756   | 14,43,81,756   |
| d) Earnings per share (Rs) (Basic and Diluted)   | 9.01           | 7.96           |

## Significant Accounting Policies

|                                     | 2006-07     | 2005-06     |
|-------------------------------------|-------------|-------------|
| 25) Miscellaneous Expenses include  |             |             |
| a) Rates & Taxes                    | 0.16        | 0.17        |
| b) Repairs & Maintenance – Building | 0.45        | 0.22        |
| c) Directors Sitting Fees           | 0.03        | 0.03        |
| d) Bad Debts / Advances written off | —           | —           |
| e) Equipment Lease Rent             | 0.07        | 0.15        |
| f) Excise Duty Expenses             | 0.14        | 0.11        |
| g) Auditors Remuneration            |             |             |
| i) Statutory Audit Fees             | 0.14        | 0.09        |
| ii) Taxation Matters                | 0.02        | 0.01        |
| iii) Other Services                 | 0.01        | 0.06        |
| iv) Out of Pocket Expenses          | 0.03        | 0.01        |
|                                     | <b>0.20</b> | <b>0.17</b> |

26) Previous year figures have been regrouped and reclassified wherever necessary to conform to the current year's classification.

## Schedule forming part of the Balance Sheet and Profit & Loss Account Schedule - 20

### Significant Accounting Policies

#### 1) General

- i) These accounts are prepared under the historical cost convention on accrual basis and comply with Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
- ii) Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

#### 2) Revenue Recognition

Expenses and income are accounted for on accrual basis.

#### 3) Sales

- i) Sales are net of sales tax and sales returns.
- ii) Inter Division Transfer represents transfer of finished / semi-finished products within the Segment for further processing and sale.

#### 4) Fixed Assets

- i) Fixed assets are stated at their original cost of acquisition including taxes, duties, freight, other incidental expenses related to acquisition & installation of the concerned assets and excludes CENVAT benefit.
- ii) Cost of fixed assets acquired through foreign currency loan is adjusted for exchange differences on the basis of exchange rates prevailing on the last date of the financial year unless these loans are covered by forward contracts in which case the forward cover rates are used.

#### 5) Depreciation

- i) Leasehold land – Cost of leasehold land is amortised over lease period.
- ii) Depreciation on Building and Plant & Machinery is provided on straight line method in the manner and at the rates specified in Schedule XIV of the Companies Act, 1956.
- iii) Depreciation on Furniture & Fixtures, Office Equipment and vehicle is provided on written down value method in the manner and at the rates specified in Schedule XIV of the Companies Act, 1956.
- iv) Depreciation on increase / decrease in cost of fixed assets, acquired through foreign currency loan, due to exchange rate fluctuation is provided / adjusted over the

remaining life of the assets.

#### 6) Intangibles

- i) Intangible assets are stated at costs less accumulated amortisation.
- ii) The cost relating to intangible assets are capitalised and amortised over the period of 5 years.

#### 7) Leased assets

##### i) Finance Lease

Lease rentals in respect of finance lease are segregated into cost of the Assets and finance components by applying an implicit internal rate of return. The cost component is amortised over the useful life of the Asset and the finance component is recognised in the Profit and Loss Account.

##### ii) Operating Lease

Lease rentals in respect of operating lease are charged as per the terms of the lease agreement.

#### 8) Incidental Expenditure during Construction

All incidental expenses incurred during project implementation, for the project as well as trial run expenses are treated as expenditure during construction and subsequently capitalised.

#### 9) Inventories

**A) Classification :** Scrap generated from Tube Segment is classified as raw material as the same is mostly used by Steel Segment.

##### B) Valuation

##### i) Steel Segment

- a) Raw Materials are valued at lower of cost or net realisable value. Cost is determined on FIFO basis.
- b) Finished Goods are valued at lower of cost or net realisable value. Cost includes raw material, labour cost, manufacturing expenses, production overheads and depreciation.
- c) Stores and Spares are valued at cost determined on FIFO basis, except for those which have a longer usable life, which are valued on the basis of their remaining useful life.



## Schedule forming part of the Balance Sheet and Profit & Loss Account (contd.)

- II) Tube Segment
- Raw Materials are valued at lower of cost or net realisable value. Cost is determined on weighted average basis.
  - Semi finished and finished goods are valued at lower of cost or net realisable value. The cost includes raw material, labour cost, manufacturing expenses, production overheads and depreciation.
  - Stores and Spares are valued at cost determined on weighted average basis except for those which have a longer usable life, which are valued on the basis of their remaining useful life.
- C) Inventories include goods in transit under the appropriate heads.

### 10) Provision for Retirement Benefits

- Leave encashment is provided based on actuarial valuation.
- Gratuity
  - Steel Segment  
The liability for gratuity is provided based on actuarial valuation.
  - Tube Segment  
The contribution to the approved gratuity fund is made based on actuarial valuation.

### 11) Research & Development

Research and Development costs (other than costs of fixed assets acquired) are charged to Profit & Loss Account in the year in which they are incurred.

### 12) Long Term Investments

Investments are valued at cost of acquisition. Provision for diminution in value of investments is made only if such a decline is other than temporary in the opinion of the Management.

### 13) Foreign Currency transactions

- All transactions in foreign currency are recorded by applying the exchange rate prevailing at the time of the transaction. Gain or losses upon settlement of the transaction during the year is recognised in the Profit & Loss account.
- Foreign Currency Loans for financing fixed assets and outstanding at the close of the year are expressed in Indian currency at the rate of exchange prevailing at the close of the year, except in cases where the loans are covered by forward contracts. Net gain or loss due to increase / decrease in rupee liability is adjusted to the cost of assets acquired through these loans.
- Current Assets and Liabilities in foreign currency outstanding at the close of the year are expressed in

Indian currency at the rate of exchange prevailing at the close of the year, except in cases where they are covered by forward contracts. Resultant gain or loss is accounted during the year.

- In respect of forward exchange contracts, the difference between the forward rate and the spot rate is recognised as income or expense over the contract period.

### 14) Miscellaneous Expenditure

- Preliminary expenses, public issue expenses and expenses in respect of increase in authorised capital are amortised over a period of ten years.
- Financial restructuring expenses are amortised over the period of restructuring.
- Merger expenses are amortised over a period of five years.
- Loan processing fees are amortised over the Loan period.

### 15) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition of qualifying assets are capitalised as a 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 revenue.

### 16) Income Tax

- Tax expenses comprise of current, deferred and fringe benefit tax.
- Provision for current income tax and fringe benefit tax is made on the basis of relevant provisions of the Income Tax Act, 1961 as applicable to the financial year.
- Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.
- Minimum Alternative Tax (MAT) credit is recognised 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.

### 17) Impairment of Assets

Where there is an indication that an asset is impaired, the recoverable amount if any, is estimated and the impairment loss is recognised to the extent-carrying amount exceeds recoverable amount.

### 18) Contingent Liabilities

Contingent Liabilities are not provided and are disclosed in notes on accounts.

As per our report of even date

For M/s P. G. BHAGWAT  
Chartered Accountants

For J. K. SHAH & Co.  
Chartered Accountants

B. R. Taneja  
Chief Executive Officer

Sandeep Rao  
Partner  
Membership No. 47235

J. K. Shah  
Partner  
Membership No. 3662

O. P. Kakkar  
Managing Director

Rajiv Goel  
Chief Financial Officer

Jayan Nair  
Company Secretary

Pune, October 29, 2007

Pune, October 29, 2007

Pune, October 29, 2007

## Balance Sheet Abstract

THE INFORMATION RELATING TO THE BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE AS PER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

### I. Registration Details

Registration No. 

|   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|
| 2 | 5 | - | 1 | 6 | 4 | 1 | 7 |
|---|---|---|---|---|---|---|---|

 State Code 

|   |   |
|---|---|
| 1 | 1 |
|---|---|

  
 Balance Sheet Date 

|   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|
| 3 | 1 | 0 | 3 | 2 | 0 | 0 | 7 |
|---|---|---|---|---|---|---|---|

### II. Capital Raised during the year

Public Issue 

|   |   |   |
|---|---|---|
| N | I | L |
|---|---|---|

 Right Issue 

|   |   |   |
|---|---|---|
| N | I | L |
|---|---|---|

  
 Bonus Issue 

|   |   |   |
|---|---|---|
| N | I | L |
|---|---|---|

 Private Issue 

|   |   |   |
|---|---|---|
| N | I | L |
|---|---|---|

### III. Position of Mobilisation and Deployment of Funds (Amt. in Rs Thousand)

Total Liabilities 

|   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|
| 1 | 5 | 6 | 1 | 1 | 9 | 9 | 7 |
|---|---|---|---|---|---|---|---|

 Total Assets 

|   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|
| 1 | 5 | 6 | 1 | 1 | 9 | 9 | 7 |
|---|---|---|---|---|---|---|---|

#### Source of Funds

Paid up Capital 

|   |   |   |   |   |   |
|---|---|---|---|---|---|
| 7 | 2 | 1 | 9 | 0 | 9 |
|---|---|---|---|---|---|

 Reserve & Surplus 

|   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|
| 3 | 9 | 8 | 0 | 3 | 7 | 7 |
|---|---|---|---|---|---|---|

  
 Secured Loans 

|   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|
| 6 | 1 | 6 | 8 | 7 | 3 | 0 |
|---|---|---|---|---|---|---|

 Unsecured Loans 

|   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|
| 2 | 1 | 6 | 8 | 7 | 2 | 4 |
|---|---|---|---|---|---|---|

#### Application of Funds

Net Fixed Assets 

|   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|
| 8 | 1 | 0 | 0 | 4 | 8 | 1 |
|---|---|---|---|---|---|---|

 Investments 

|   |   |
|---|---|
| 6 | 0 |
|---|---|

  
 Deferred tax Asset 

|   |   |   |   |   |   |
|---|---|---|---|---|---|
| 5 | 0 | 7 | 8 | 3 | 7 |
|---|---|---|---|---|---|

 Misc. Expenditure 

|   |   |   |   |   |
|---|---|---|---|---|
| 9 | 6 | 2 | 5 | 6 |
|---|---|---|---|---|

  
 Net Current Assets 

|   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|
| 4 | 3 | 3 | 5 | 1 | 0 | 6 |
|---|---|---|---|---|---|---|

### IV. Performance of Company (Amt. in Rs Thousands)

Turnover # 

|   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|
| 1 | 2 | 0 | 0 | 7 | 6 | 6 | 0 |
|---|---|---|---|---|---|---|---|

 Total Expenditure 

|   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|
| 1 | 0 | 6 | 3 | 1 | 0 | 9 | 7 |
|---|---|---|---|---|---|---|---|

  
 Profit Before Tax 

|   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|
| 1 | 3 | 7 | 6 | 5 | 6 | 3 |
|---|---|---|---|---|---|---|

 Profit After Tax 

|   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|
| 1 | 3 | 0 | 1 | 1 | 5 | 6 |
|---|---|---|---|---|---|---|

  
 Earnings per Share (Rs.) #including other income 

|   |   |   |   |
|---|---|---|---|
| 9 | . | 0 | 1 |
|---|---|---|---|

 Dividend Rate % 

|   |   |
|---|---|
| 1 | 0 |
|---|---|

### V. Generic Names of Three Principal Products/Services of the Company

Item Code No. (ITC Code) Product Description

|   |   |   |   |
|---|---|---|---|
| 7 | 2 | 1 | 4 |
|---|---|---|---|

 H O T R O L L E D B A R S A N D R O D S  
 O F N O N A L L O Y S T E E L

|   |   |   |   |   |
|---|---|---|---|---|
| 7 | 2 | 2 | 4 | 7 |
|---|---|---|---|---|

 C A S T R O U N D S / H O T R O L L E D

|   |   |   |   |
|---|---|---|---|
| 7 | 2 | 2 | 8 |
|---|---|---|---|

 B A R S & R O D S O F A L L O Y S T E E L

|   |   |   |   |
|---|---|---|---|
| 7 | 3 | 0 | 4 |
|---|---|---|---|

 S E A M L E S S T U B E S & H O L L O W S

**B R Taneja**  
Chief Executive Officer

**O P Kakkar**  
Managing Director

**Rajiv Goel**  
Chief Financial Officer

**Jayan Nair**  
Company Secretary

Pune, October 29, 2007