ISMT LIMITED

Solutions You Can Trust

Annual Report 2008-09

ISMT

Board of Directors

S C Gupta	-	Chairman
B R Taneja	-	Chief Executive Officer - up to March 31, 2009
O P Kakkar	-	Managing Director - up to March 31, 2009
Salil Taneja	-	Chief Executive Officer - w. e. f. April 1, 2009
Rajiv Goel	-	Chief Financial Officer
Nirmal Chandra	-	President (Project & Product Development)
A K Jain		
J P Sureka		
Virendra Kapoor		
Vinod Sethi	-	w. e. f. April 1, 2009
Gourishankar V	-	IDBI Nominee - w. e. f. September 29, 2008
K D Hodavdekar	-	IDBI Nominee - up to September 29, 2008
K K Rai	-	ICICI Nominee - up to March 26, 2009

Company Secretary

Jayan Nair

Auditors

M/s. P G Bhagwat
Chartered Accountants

J K Shah & Co
Chartered Accountants

Advocates & Solicitors

Amarchand & Mangaldas & Suresh A. Shroff & Co.
India Law Alliance
Vinge KB - Sweden

Banks

Andhra Bank	Bank of Baroda
Bank of India	Bank of Maharashtra
ICICI Bank Limited	IDBI Bank Limited
State Bank of India	Indian Overseas Bank
IKB Deutsche Industriebank AG	Handelsbanken - Sweden

Registered Office

Lunkad Towers, Viman Nagar, Pune - 411014

Registrar & Transfer Agent

Sharepro Services (India) Pvt. Ltd

Works

MIDC Industrial Area	MIDC Industrial Area	Jejuri Morgaon Road	Structo Hydraulics AB
Ahmednagar - 414111	Baramati - 413133	Jejuri - 412303	STORFORS, Sweden

Annual General Meeting at Hotel Le Meridien, Pune on September 30, 2009 at 11.00 a.m.

Performance Highlights

	2004-05		2005-06		2006-07		2007-08		2008-09	
	Tube	**Steel**	**Tube**	**Steel**	**Tube**	**Steel**	**Tube**	**Steel**	**Tube**	**Steel**
Capacity (Tonnes Per Annum)	158000	250000	158000	250000	158000	250000	158000	250000	**158000**	**250000**
Production (Tonnes)	110184	213303	135635	234707	161181	247351	162276	237914	**145429**	**202392**
Capacity Utilisation (%)	69.7%	85.3%	85.8%	93.9%	102.0%	98.9%	102.7%	95.2%	**92.0%**	**81.0%**
Sales (Tonnes)	110526	214399	132794	228078	163315	245096	159062	244684	**144242**	**201601**
Captive	11621	109091	17068	131968	17175	160985	19150	157862	**16025**	**145394**
External of Which	98905	105308	115726	96110	146140	84111	139912	86822	**128217**	**56207**
- Domestic	74878	102961	82481	95263	112833	83510	101208	86320	**86422**	**55865**
- Exports	24027	2347	33245	847	33307	601	38704	502	**41795**	**342**
Revenue (Rs. In Crore)										
Domestic	367.59	372.52	486.84	363.65	648.85	316.07	581.95	351.17	**628.55**	**301.90**
Exports	150.98	9.64	213.08	3.54	229.80	2.42	256.33	2.09	**367.41**	**2.39**
Total	518.57	382.16	699.92	367.19	878.65	318.49	838.28	353.26	**995.96**	**304.29**

Key Parameters

(Rs. in Crore)

	2004-05	2005-06	2006-07	2007-08	2008-09
Operations :					
- Sales	900.73	1067.11	1197.14	1191.54	**1300.25**
- Export Sales	160.62	216.62	232.22	258.42	**369.80**
- Raw Material (% of Sales)	51.3%	45.1%	44.8%	47.8%	**49.5%**
- Energy Cost (% of Sales)	12.3%	12.9%	13.8%	14.6%	**13.1%**
Profitability :					
- EBIDTA Margin	18.0%	24.3%	22.4%	18.6%	**19.1%**
- Net Profit Margin	3.6%	10.6%	10.8%	8.3%	**4.3%**
- Return on Net worth	9.4%	27.3%	28.2%	18.8%	**10.6%**
- Return on Avg. Capital Employed	15.9%	19.9%	18.5%	16.4%	**11.7%**
Finance :					
- Interest Cost (% of Sales)	10.2%	8.0%	6.4%	5.6%	**6.3%**
General :					
- Average Market Capitalization	164.97	888.24	1154.48	1288.92	**466.90**
- Share Price during the year - High (Rs)	41.90	112.45	124.90	140.00	**68.10**
- Low (Rs)	3.05	27.00	62.00	49.00	**14.10**
- Book Value (Rs. Per Share)	33.24	29.20	31.90	36.41	**36.11**
- Earning Per Share (Rs)	2.33	7.96	9.01	6.92	**3.84**

Five Year Financial Summary

(Rs. in Crore)

	2004-05	2005-06	2006-07	2007-08	2008-09
A) Profitability					
Gross Sales	1450	1813	2056	2063	**2324**
Net Sales & Other Income	910	1085	1201	1210	**1314**
Raw Material	475	497	536	570	**644**
Energy Cost	111	137	165	174	**171**
Other Direct Expenses	101	120	151	152	**157**
Personnel Cost	42	52	63	73	**77**
Administrative Expenses	17	15	17	15	**14**
EBIDTA	164	264	269	226	**251**
Finance Cost	92	86	76	67	**82**
Depreciation & Amortization	44	51	60	55	**56**
Foreign Exchange (Gain) / Loss	2	2	(5)	(22)	**57**
Tax	(7)	10	8	26	**0**
Net Profit	33	115	130	100	**56**
Dividend - Rs. Per Share	-	-	0.50	1.00	**1.00**
B) Balance Sheet					
Sources of Funds					
Net Worth	357	429	470	542	**532**
Term Borrowings	558	533	476	550	**693**
Working Capital Borrowings	158	140	141	120	**247**
Unsecured Loans	83	111	217	204	**219**
Deferred Tax Liability	-	-	-	-	**15**
Total	1156	1213	1304	1416	**1706**
Application of Funds					
Net Block & Capital Work-in-Progress	858	823	810	1021	**1148**
Investments	0	0	0	19	**26**
FC Translation Reserve	-	-	-	-	**40**
Current Assets	474	533	691	689	**803**
Current Liabilities	(273)	(242)	(257)	(327)	**(314)**
Net Current Assets	201	291	434	362	**489**
Deferred Tax Asset & Misc Expenditure	97	99	60	13	**3**
Total	1156	1213	1304	1416	**1706**

CEO's Statement

Last year can best be described as a tumultous year for ISMT, as I am sure it was for many other companies. The first half of the year saw an unprecedented surge in the demand for tubes. Unfortunately, we were unable to capitalize on this opportunity since we were already running at near full capacity. On the other hand our margins continued to be squeezed due to spiralling input costs. In the second half, while margins improved due to a fall in input prices, we could not recover the 'lost contribution' from the first half since volumes fell concurrently.

On the positive side, our persistent efforts to become application oriented and thereby broaden our product as well as customer base started yielding encouraging results. We added a very large number of new customers, developed a number of new products and were registered as an approved source by a number of new customers. We expect that these successes will translate into increasing and sustainable sales volumes over the coming years. Already, during the beginning of this new financial year the order inflows from this new customer base are not only compensating for the drop in overall demand from previous customers but also leading to an increase in sales volumes and profitability.

The PQF mill upon commissioning will provide a substantial boost to overall marketing efforts. As I had mentioned last time, this mill will not only increase capacity but also increase the size of our addressable market by reducing our productions costs. Based on the trials that have been conducted so far we are confident of achieving these savings in productions costs. I am also happy to add that the pre-sales efforts to market PQF tubes has proceeded very satisfactorily. A number of new companies, particularly in the Energy and OCTG sectors, have approved the new mill for the supply of tubes. We therefore expect a steady ramp up in volumes from these sources.

To protect against a potential rise in energy costs ISMT is setting up a 40 MW captive power plant near Nagpur. This project is proceeding as per schedule and we expect to start generating power in the next 10-12 months. Once fully operational, we expect a fairly substantial savings, about Rs. 35 to 40 Crore per annum, to accrue to our company. The power plant will be operated on a turnkey basis by the suppliers of the equipment.

On the human resources front, our in house training facility, the ISMT Centre of Excellence (ICE), has passed out its first batch of Graduate Trainees. These new graduates have been succesfully inducted into mainstream functions and the feedback received from their peers is very positive. The second batch of trainees have now joined ICE. In addition, this institute is now focussed on developing a central repository of manufacturing knowledge and using this knowledge to conduct refresher training for executives.

The outlook for the Company remains very positive. The fact that we have been able to pass through these troubled times fairly unscathed speaks well about the resilience of our business strategy. The future of our company lies in finding new customers, in developing new products, and in doing so quickly and relentlessly. In order to do so we need to build a company that is technology oriented, that is nimble on its feet, and outward looking. I believe we have taken appropriate actions and put in place the processes to achieve these organizational objectives. Last year's experience gives me confidence that we are fully capable of realizing the vision that we have set for ourselves.

I would like to take this opportunity to express my gratitude to our customers, banks, business associates, and shareholders for their continued support and for the trust they have reposed in us.

Thank you

Salil Taneja

Directors' Report

To The Members of ISMT LIMITED

Your Directors have the pleasure of presenting the Annual Report 2008-09 and Audited Accounts for the year ended March 31, 2009

FINANCIAL HIGHLIGHTS

(Rs. in Crore)

Particulars	Financial Year	
	2008 - 09	2007- 08
Gross Sales	**2324.14**	2063.07
Profit before Finance Charges, Depreciation, Amortization & Tax (EBIDTA)	**251.21**	225.63
Profit Before Foreign Exchange (Gain)/Loss & Tax	**112.93**	103.84
Profit Before Tax	**55.98**	126.10
Taxation	**(0.25)**	26.06
Net Profit	**56.23**	100.04
Add : Balance brought forward from previous year	**58.21**	75.19
Balance available for Appropriation	**114.44**	175.23
Appropriations		
Dividend	**14.66**	14.55
Tax on Dividend	**2.48**	2.47
General Reserve	**50.00**	100.00
Balance carried to Balance Sheet	**47.30**	58.21

DIVIDEND

The Directors declared an Interim Dividend of Rs. 0.50 per Equity Share of Rs. 5/- each fully paid on March 30, 2009.

The Directors have recommended a final Dividend of Rs. 0.50 per Equity Share of Rs. 5/- each fully paid subject to the approval of the shareholders at the ensuing Annual General Meeting.

Your Directors being optimistic about the future prospects of the Company recommend maintaining 20% Dividend for the full year despite lower profits.

OPERATIONS

During the first half of the year both the tube plants as well as the steel plant continued to run at full capacity. In the second half the downturn in the global economy began to take a toll on sale volumes which declined during the second half.

The PQF mill, which marks a substantial increase in tube making capacity for ISMT, ran in the trial phase through last few months of the year. The objective of the trial phase was to test the mill technically for the entire design size range, for all usable grades of steel, for stability in dimensional parameters and for production costs viz-a-viz a guarantees provided by equipment suppliers.

MARKET

The overall market for seamless tubes was buoyant in the first half of the year; Subsequently, it was hit by the global recession and started slowing down in the second half. While prices remained firm in the first half, margins continued to be squeezed by a steady increase in the cost of inputs which could only be passed on to customers with a time lag of two to three months. Although operating margins recovered in the second half, the loss of 'contribution' in the first half could not be entirely recovered due to a drop in volumes.

FINANCE

During the year the Company raised additional Term Loans of Rs. 173 Crore largely towards the funding its ongoing expansion projects. ISMT follows a policy of availing long term Loans in foreign currency denomination to the extent that the servicing of these loans are hedged by future forex receivables. As on March 31, 2009 the foreign currency denominated Term loans accounted for 65%.

On the accounting front, the Company exercised its option under the Accounting Standard (AS 11) to recognize the valuation difference on long term monitory items arising out of changes in Foreign Exchange rates.

RESEARCH & DEVELOPMENT

As part of ISMT's overall strategy, throughout the year the company remained focused on developing value added products for all its market segments including the Energy, OCTG, Bearing, Auto and Mining sectors. R&D activities also focused on process cost reductions through an increase in yields.

Directors' Report (contd.)

Details of 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 Nirmal Chandra and Mr A K Jain retire by rotation and being eligible offer themselves for re-appointment.

Mr V Kapoor who also retires by rotation has not offered himself for re-appointment.

Mr B R Taneja ceased to be the Chief Executive Officer and Whole Time Director on March 31, 2009. The benefit of Mr. Taneja's advice and guidance will continue to be available to the Company as Non Executive Director.

Mr O P Kakkar ceased to be the Managing Director and Director of the Company w. e. f. March 31, 2009 on completion of his term of office.

The Board places on record its sincere appreciation of the services rendered by Mr O P Kakkar and Mr V Kapoor during their long association with the Indian Seamless group.

Mr Salil Taneja has been re-designated as the Chief Executive Officer of the Company w. e. f., April 1, 2009.

Mr Vinod Sethi was appointed as an Additional Director of the Company w. e. f. April 01, 2009. He will hold office up to the date of the ensuing Annual General Meeting (AGM) of the Company. Member's approval has been sought in the notice convening the AGM for his appointment as a Director of the Company liable to retire by rotation.

AUDITORS

J K Shah & Co and M/s P G Bhagwat, Joint Statutory Auditors of the Company retire at the conclusion of the forthcoming Annual General Meeting and being eligible offered themselves for re-appointment.

SUBSIDIARIES

Your Company has the following Subsidiaries as on March 31, 2009.

Sr.	Name of Subsidiary Company
1.	ISMT Enterprises S A (Luxembourg)
2.	Structo Hydraulics A B (Sweden)
3.	Structo (UK) Limited (United Kingdom)
4.	Structo Hydraulics India Limited (India)
5.	ISMT Europe A B (Sweden)

The Company has received exemption from the Central Government from attaching the individual financial statements and related reports of its subsidiary companies for the year ended March 31, 2009. However, a statement containing brief financial details of the subsidiaries of the Company for the year ended March 31, 2009 is included in the Annual Report. The Annual Accounts of the said subsidiaries will be made available to the Members for inspection at the Registered Office of the respective subsidiary companies and at the Registered Office of the Company

In accordance with Accounting Standard - 21 the audited Consolidated Financial Statements, of the Company forming part of report are attached.

FIXED DEPOSITS

There are no outstanding fixed deposits as on March 31, 2009 except the unclaimed Deposits of the erstwhile The Indian Seamless Metal Tubes Limited.

CORPORATE GOVERNANCE REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance Report and Management Discussion and Analysis together with a Certificate from the Company's Auditors on compliance, forming part of the Directors' Report is attached to this report.

DISCLOSURE PARTICULARS

The Particulars in respect of energy conservation, technology absorption and foreign exchange earnings outgo, etc as required under Section 217(1) (e) of the Companies Act, 1956 are given in Annexure - I to 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 along with proper explanation relating to material departures

ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates, that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year March 31, 2009 and of the Profit of the Company for that period.

iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) that the Directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

The Board expresses its sincere gratitude for the continued support and guidance received by the Company from the Government of India, Government of Maharashtra, the Reserve Bank of India, Stock Exchanges and other regulatory agencies. The Board would like to acknowledge the continued support of its bankers, vendors, clients and investors. The Directors also wish to place on record their gratitude and appreciation of the employees' hard work, dedication, team work and professionalism which made the substantial growth possible year after year.

For and on behalf of the Board of Directors

Mumbai
August 26, 2009

S C Gupta
Chairman

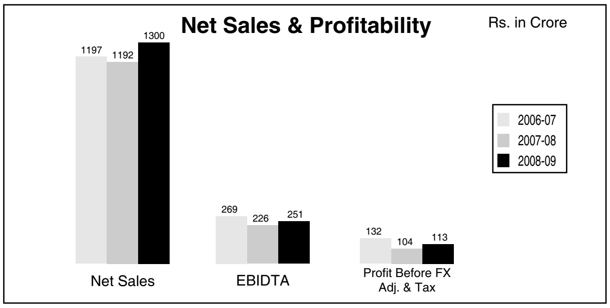
Management Discussion and Analysis

OVERVIEW

As for most companies, 2008/2009 was a fairly tumultuous year for ISMT. The year started with a very strong demand for tubes accompanied by spiraling input prices. Subsequently, there was a sharp drop in demand as a result of the global recession. The year also saw the Rupee depreciate quite substantially.

In the first half of the year, even though the demand for tubes was strong, the margins of the Company continued to be squeezed as a result of spiraling input prices. While the Company was able to pass on these cost increases (with a lag of two to three months), and margins recovered in the second half, the 'Contribution' lost during the first half could not be recovered during the second half since volumes declined concurrently. In addition, the Company registered a Forex loss of Rs. 56.95 Crore on account of Dollar denominated loans.

The Company ended the year with Sales of Rs. 1300.25 Crore while Net Profit & Earning Per Share stood at Rs. 56.23 Crore and Rs. 3.84 per share respectively. Lower Net Profit as compared to the previous year was entirely on account of the Forex loss.



The commissioning of the newly installed PQF mill was high on the agenda during the year. The objective of the trial phase was to test the mill technically through the entire design size range, for all usable grades of steel, for stability in dimensional parameters and for production costs viz-a-viz guarantees provided by equipment suppliers. The commissioning of the new mill will not only increase the tube-making capacity of the Company but will also allow us to enter new markets as result of our reduced production costs.

As part of our declared growth strategy, targeted at becoming market leaders in key industry sectors such as Energy, Mining, Construction and Bearings, throughout the year the Company remained focused on expanding the customer and product base. A new Customer Relationship Management (CRM) system was deployed during the year to streamline and structure these development efforts. A Technology Process Group was created to tie together the efforts of the marketing teams and the operations groups in developing new products. As evidence of the success of these efforts, a large number of customers and products were added during the year.

As part of the efforts to bring the newly added PQF capacity to market, ISMT appointed new agents for tubes sales in many parts of the world. Notable amongst these was the addition of Thyssen Krupp Mannex to sell OCTG products in North America, parts of the Middle East and North Africa. ISMT also obtained approvals from a host of new customers in the OCTG and Energy sectors. We expect that these approvals will pave the way for incremental sales in the coming years.

To hedge against increases in power costs, which after raw materials is the most expensive production input, ISMT has decided to set up a captive power plant of 40MW. The project being set up at a cost of Rs. 190 Crore near Nagpur will start generating power in the next 10 - 12 months.

The overall slowdown in the European auto and construction equipment industry has affected sales of ISMT's Swedish subsidiary, Structo Hydraulics AB. In turn, this has resulted in lower tube sales from ISMT to Structo during the year. The Company has made additional investments in its subsidiary amounting to Rs. 7.3 Crore during the year. Given the continuing recession in Europe our efforts are now directed at cutting costs aggressively and also increasing capacity utilization at Structo Hydraulics AB.

Our approach to Treasury continued to remain conservative and to focus on hedging the overall foreign exchange exposure without placing bets on any particular view of market movements. Like in previous years, the hedging strategy that the Company adopted was to balance expected inflows (through continuing exports) in foreign currencies with borrowings in the same currency, rather than by covering each order received by the Company through a forward contract. Unfortunately, as a direct consequence of this policy the Company suffered a fairly substantial accounting loss on the Forex front.

INDUSTRY STRUCTURE AND DEVELOPMENTS

Very broadly speaking, the global Seamless Tube players are divided into two categories, the OCTG & Pressure tube manufacturers dominated by Vallourec, Tenaris, Sumitomo and a number of East European and relatively recent Chinese manufacturers and the Specialized seamless tube manufacturers which would include Benteler, Ovako, Timken and ourselves. While ISMT does produce tubes for the OCTG industry its focus remains on the specialized engineering sectors such as Mining, Construction (Hydraulic Cylinders), Bearings, General Engineering and Automotive. Within this specialized seamless tube sector ISMT is a very substantial player and is focusing its strategies on establishing leadership position in selected applications. The addition of the PQF mill will play a key roll in unfolding this business plan and allowing ISMT to extend the leadership position that it already enjoys in the domestic market to other parts of the world.

It is, perhaps, important to note that unlike many other peer industries the customer and application base of a specialized seamless tube player such as ISMT is extremely broad and varied. No individual customer or market segment dominates the purchases from the Company.

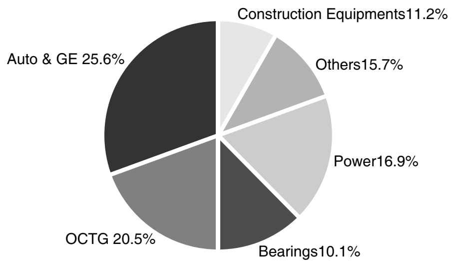
The current recession has clearly exposed the dangers of being exposed to narrow segments of the economy. Your Company's strategy to constantly broaden its product horizons and its customer base will help to ameliorate the adverse impact of the recession.

MARKET

As mentioned above, ISMT's target markets include Mining, Construction, Bearings, Energy, Automotive, General Engineering and OCTG. Of these, the Automotive and OCTG markets have been most severely impacted by the recession while the Energy sector has seen the lowest drop in sales. While demand growth in OCTG tubes will be directly related to oil prices we expect a recovery in all the other markets. For ISMT, the recovery (in other words, an increase in sales to these sectors), is expected to result from a combination of an industry wide recovery and from new product developments that increase the size of our addressable market.

During the year under review export Sales increased by over 43% to Rs. 370 Crore. The U.S.A. & Europe continued to remain the dominant export revenue earners for the Company. USD & Euro denominated sales accounted for nearly 59% and 32% of total Export sales respectively.

Industry Mix



(Based on : Tubes Sales Value)

OPPORTUNITIES & THREATS

Opportunities

Inspite of the recent recession the nature of the opportunity presented to ISMT remains unchanged from what was outlined last year. The commissioning of the PQF mill increases the size of the 'economically' addressable market available to the Company. As a result of substantially reduced production costs ISMT can now target the Energy sector as well as specific segments of the OCTG, Bearing and Automotive sectors that were outside its grasp in previous years.

In addition to the above, the development of new products, which has seen substantial progress last year, has opened up new and sizeable markets to the Company within each industry segment. The exploitation of these markets presents a great opportunity to ISMT in the coming years.

As further elaborated below, the U.S.A and Europe have initiated Anti-dumping proceedings against the Chinese. Should these actions fructify into real levies, as is expected to happen, there will be increased demand from these markets for our tubes. Perhaps, this incremental demand could offset the general demand reduction as a result of the economic slowdown in these countries.

Threats

The most significant threat faced by any seamless tube manufacturer today is the threat of Chinese dumping.

Management Discussion and Analysis (contd.)

Both the U.S.A and Europe have initiated anti-dumping proceedings against Chinese made seamless tubes. This is both an opportunity (as mentioned above) and a threat. Should the anti-dumping levies materialize in these countries the Chinese will probably resort to dumping tubes in the Middle East, South East Asia and in India. Such an action, will impact the commodity end of the tube market in these regions.

Your Company is actively lobbying the Indian Government to take similar action to protect the domestic market from Chinese dumping. ISMT believes that there is a very strong and just cause for the levy of anti-dumping duty on Chinese seamless tubes coming into India.

Structo Hydraulics AB continues to bear the brunt of reduced sales to its customers in Europe. Should the slowdown persist or worsen it will lower capacity utilization at Structo and hence increase costs. Structo is, of course, taking action to cut costs aggressively and brace itself for such an eventuality.

SEGMENT / PRODUCT INFORMATION

Your Company is engaged in manufacturing Seamless Tubes and Engineering Steels. Seamless Tube accounted for 76.6% of ISMT's total external sales while Steel accounted for 23.4%. 68% of the steel produced was used to make tubes while 32% was sold to the external market.

OUTLOOK

The overall outlook for the Company remains positive. ISMT's strategy was, and is, to fill up the incremental capacity created by the addition of the PQF mill with commodity products and then, over time, move the product mix from commodity products towards higher value added products. Clearly, in the current market situation the likelihood of filling up capacity at short notice with commodity tubes has diminished. Therefore our strategy has to adapt to moving, even more quickly than we had earlier envisaged, into higher value added tubes. Fortunately, as elaborated elsewhere in this note, your Company has made good progress on this front and we expect that the profitability slack will be taken care of by the sale of such higher value products.

RISKS & CONCERNS

Apart from the risk associated with the volatility in raw material prices ISMT is also exposed to other general risks related to volatility in Foreign Exchange rates, changes in taxation structures, increases in interest rates, natural/man-made disasters, and political risks. With power cost accounting for a significant portion of the Company's variable costs the upward trend in power costs is also a source of concern for ISMT. It is in order to mitigate this risk that ISMT has launched efforts to set up a captive Power plant of 40 MW capacity.

INTERNAL CONTROL SYSTEMS

We believe that ISMT has adequately robust internal control systems in place. These are supported by an active internal Audit function that conducts an internal check on a regular basis and also reviews business processes and accounting methodologies to improve the control systems.

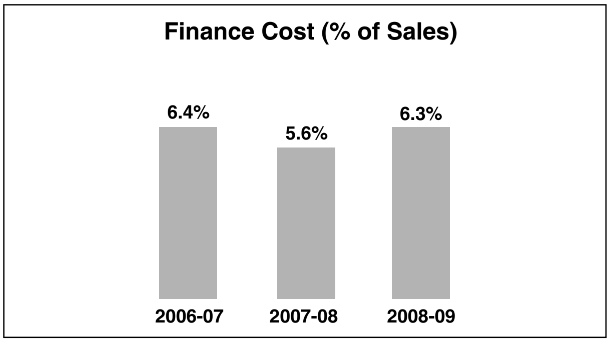
FINANCIAL PERFORMANCE

The highly volatile raw material prices in the first half of current financial year and the time lag in passing on the same to end customers has led to volatile Quarterly margins. Average EBIDTA margins for the year increased by 50 basis points. While on one hand the depreciating Rupee helped in increasing exports, the mark-to-market valuations of Forex liabilities led to a Foreign exchange loss of Rs. 56 Crore against a gain of Rs. 22 Crore in the previous year. Some of the key financial parameters are as under:

PARTICULARS	2005-06	2006-07	2007-08	2008-09
Debt Equity Ratio	1.26	1.03	1.03	1.31
Term Debt to EBIDTA (times)	2.12	1.77	2.44	2.76
Bank Borrowings (% to Sales)	13.2	11.8	10.1	19.0
Current Ratio	1.39	1.77	1.54	1.43

FINANCE COST

The Finance cost for the year was higher on account of higher working capital funding requirements resulting from an increase in input prices as well as the need to stock more raw material as a hedge against price volatility. The increase in interest rates both for Rupee as well as foreign currency debt added to the increase in finance costs for the year.



Finance Costs stood at 6.3 per cent of sales while bank borrowings stood at 19 per cent of sales.

ISMT's financial gearing remains comfortable at 1.31 in spite of additional term debt borrowing to finance the expansion project assets.

Given the natural forex hedge enjoyed through large and steady exports, the Company has continued with its policy of availing foreign currency denominated loans. Foreign currency term loans accounted for 65% of the Company's outstanding term debt as on March 31, 2009 against 76% as on March 31, 2008.

WORKING CAPITAL

Both raw material prices as well as selling prices were at historical highs during the year. This in turn necessitated higher Bank Borrowings for financing increased values of inventories and receivables.

Rs. In Crore

PARTICULARS	2007-08	2008-09
Working Capital Borrowing	120	247
Inventory	211	279
- no. of months	2.82	3.44
Receivables	281	259
- no. of months	2.83	2.39

ENERGY COST

As an integrated manufacturer of Steel and Seamless Tubes your Company has higher energy costs than a stand-alone seamless tube manufacturer. Energy costs account for 13% of the Company's revenues.

The year witnessed unprecedented increases in Fuel prices. This was partially, but not entirely, offset by increased efficiencies.

	2007-08	2008-09	%age change
Power consumption (KWH/ Ton of Production)			
- Steel Division	747	818	9%
- Tube Division	429	446	4%
Avg. Electricity Rate per Unit (Rs. / KWH)	4.44	4.41	1%

HUMAN RESOURCES DEVELOPMENT AND INDUSTRIAL RELATIONS

Industrial relations continued to remain peaceful throughout the year and there was a satisfactory degree of co-operation between the management and the workers in working towards the overall objectives of the Company.

The ISMT Center of Excellence (ICE), an in house residential training center that was established last year, passed out its first batch of Graduate Engineer trainees. These trainees have been successfully inducted into the work environment. ICE is also fully involved in Executive retraining and in Leadership development.

As part of its Social Responsibility initiative, your Company continued extending its support to Prithvi, an NGO that is working to combat the HIV epidemic in India, particularly in the areas surrounding the ISMT plants.

EMPLOYEE RELATED INFORMATION

(As on March 31, 2009)

	Factory Locations	Others	Total
Managers	159	70	229
Officers & Staff	544	116	660
Workmen	1390	Nil	1390
Total	**2093**	**186**	**2279**

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 and by maintaining a 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 Stock Exchanges.

BOARD OF DIRECTORS

The Board consists of 10 Directors of which 3 Directors are Independent as on March 31, 2009. Additional Independent Director was appointed w. e. f. April 1, 2009.

The composition of the Board of Directors, their attendance at Board Meetings held during the year and at the last Annual General Meeting, as also the number of other Directorships in other public companies and memberships in various committees across all public companies as on March 31, 2009 are as follows:

Name of the Director	Category	Financial year 2008-09 Attendance at		As on Date		
		Board Meetings	Last AGM	# No. of Directorships in other public companies	* Committee positions in other public companies	
					Member	Chairman
S C Gupta (w. e. f. July 31, 2008)	Independent Non Executive Director	4	Yes	10	-	1
B R Taneja	Promoter, Non Executive Director	5	Yes	1	-	-
Salil Taneja	Promoter, Executive Director	6	Yes	2	-	-
V Balasubramanian (Up to April 30, 2008)	Executive Director	1	No	-	-	-
Nirmal Chandra	Executive Director	5	Yes	1	-	-
Rajiv Goel	Executive Director	6	Yes	2		
O P Kakkar**	Executive Director	5	Yes	1	-	-
A K Jain	Promoter, Non- Executive Director	4	Yes	1	1	1
Virendra Kapoor	Independent Non- Executive Director	4	Yes	-	-	-
Vinod Sethi $	Independent Non- Executive Director	-	NA	11	7	-
J P Sureka	Promoter, Non-Executive Director	6	Yes	3	2	-
V Gouri Shankar @	Independent Non-Executive Director IDBI Nominee	3	No	-	-	-
K D Hodavdekar $$	Independent Non-Executive Director IDBI Nominee	2	No	-	-	-
K K Rai ***	Independent Non-Executive Director ICICI Nominee	5	Yes	5	4	-

\# This does not include directorships in Private Limited Companies, Foreign Companies and Companies under Section 25 of the Companies Act, 1956

* Committee positions include Chairmanship/membership held only in Audit and Investors' Grievance Committees

** Ceased to be Managing Director and Director w. e. f. from March 31, 2009

$ Appointed as Director w. e. f. April 01, 2009

@ Appointed as Nominee Director by IDBI Bank Limited w. e. f. September 29, 2008

$$ Nomination withdrawn by IDBI Bank Limited w. e. f. September 29, 2008

*** Nomination withdrawn by ICICI Bank Limited w. e. f. March 26, 2009

During the year under review, six Board Meetings were held as under:

Sr. No.	Date of Meeting
1.	April 30, 2008
2.	July 31, 2008
3.	August 25, 2008
4.	October 31, 2008
5.	January 20, 2009
6.	March 30, 2009

- The composition of the Board as on date is in conformity with the stipulations in Clause 49 of the Listing Agreement.
- The Board has complete access to all the relevant information available within 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 Nirmal Chandra and Mr A K Jain retire by rotation; at the ensuing Annual General Meeting and being eligible offer themselves for re-election. Mr V Kapoor is also retiring by rotation, however he has not offered himself for re-election.

Brief resume of the Directors proposed to be elected/ re-elected is given below:

Mr Nirmal Chandra, has been associated with the Indian Seamless Group right from its inception. He is a Graduate in Mechanical Engineering. He has nearly four decades of rich experience to his credit in Steel and Tube industry in various functional areas such as marketing, purchase, administration, production, planning and presently he is the President (Project & Product Development) of the Company. He is also on the Board of Global Tube and Steel Solutions Limited. He holds 9514 Equity Shares in the Company as of March 31, 2009.

Mr A K Jain is an industrialist with business interests in financial services, mining and mineral processing of iron ore, China clay, graphite and other minerals in Jharkhand and Orissa. He is a promoter of ISMT Limited and is also on the Board of Taneja Aerospace And Aviation Limited, Misrilall Dharamchand Private Limited, Misrilall Mines Private Limited, R.McDill and Company Private Limited, Tulika Estate and Holding Private Limited, Tulika Films Private Limited and The Jain China Clay Mines (P) Limited. He holds 1702006 Equity Shares in the Company as of March 31, 2009.

Mr Vinod Sethi is B-Tech in Chemical Engineering from IIT Mumbai. He also holds Masters Degree in Business Administration- Finance from New York University. He is a Graduate Honors- Beta Gamma Sigma from New York, USA. He was the Managing Director of Morgan Stanley Investment Management, Inc. New York from December 1995 to February 2001. He founded India Business for Morgan Stanley and was its Chief Investment Officer for 12 years from 1989. He pioneered international investing in India and is currently running his own Investment Firm. He is on the Board of several Indian Companies viz. Geodesic Limited, GTL Limited, Mount Everest Mineral Water Limited, United Phosporus Limited, Advanta India Limited, Itz Cash Card Limited, GG Dandekar Machine Works Limited, Orbis Financial Corporation Limited, Axsys Healthtech Limited, KCP Sugar and Industries Limited, Subex Limited, Durgamba Investments Private Limited and Sethi Funds Management Private Limited. He holds 2,11,636 Equity Shares in the Company as on April 01, 2009.

AUDIT COMMITTEE

The composition of Audit Committee and attendance of each member is indicated alongside their names:

Name of Director	Chairman or Member	No. of Meetings Attended
Mr V Kapoor (Independent)	Chairman	3
Mr S C Gupta (w. e. f March 30, 2009) (Independent)	Member	NA
Mr K D Hodavdekar (up to September 29, 2008) (Independent)	Member	3
Mr K K Rai (up to March 26, 2009) (Independent)	Member	4
Mr J P Sureka	Member	5

Corporate Governance Report (contd.)

Two members of the Committee are Independent Directors. Mr V Kapoor Independent Director is the Chairman of the Committee.

During the period under review, five meetings of Audit Committee were held as under:

Sr. No.	Date of Meeting
1.	April 30, 2008
2.	July 31, 2008
3.	August 25, 2008
4.	October 31, 2008
5.	January 20, 2009

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

The terms of reference of the Audit Committee are in conformity with the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

MANAGERIAL REMUNERATION

a. Remuneration Committee

- Mr. V Kapoor and Mr. J P Sureka were the members of the Remuneration Committee. The meeting of the Remuneration Committee were held on October 31, 2008 and March 30, 2009 and both the members were present.
- The Remuneration Committee is empowered to fix, review and recommend the remuneration payable to the Whole Time Directors.

b. Remuneration Policy

- Based on the recommendations of the Remuneration Committee, the remuneration of the Whole-Time Directors is decided by the Board of Directors, which, inter-alia, is based on the criteria such as industry benchmarks, financial performance of the Company, performance of the Whole-Time Directors, etc.
- The Company pays remuneration by way of salary, perquisites, allowance and commission to its Whole-Time Directors.
- No remuneration has been paid by way of commission to any Non Executive Director during the period under review.
- The Company pays sitting fees to Non-Executive Directors of Rs. 10,000 each for attending Board Meeting and Rs 5,000 each for attending Committee Meeting.
- There has been no change in the Remuneration Policy of the Company.

c. Remuneration to Directors

A Statement detailing the remuneration paid to the Whole Time Directors and sitting fees paid to Non-Executive Directors during the year 2008-09 is given below:

Name of the Director	Salary & Perquisites (Rs)	Commission (Rs)	Sitting fees (Rs)
S C Gupta	NA	NA	40,000
B R Taneja	99,85,250	1,05,49,060	NA
V Balasubramaniam	2,33,200	1,09,886	NA
Nirmal Chandra	35,52,000	13,18,633	NA
Rajiv Goel	40,28,110	13,18,633	NA
O P Kakkar	49,49,371	13,18,633	NA
Salil Taneja	36,98,800	13,18,633	NA
A K Jain	NA	NA	50,000
Virendra Kapoor	NA	NA	75,000
J P Sureka	NA	NA	95,000
K D Hodavdekar	NA	NA	35,000
K K Rai	NA	NA	70,000
Gourishankar Venkatachalapathy	NA	NA	30,000
TOTAL	2,64,46,731	1,59,33,478	3,95,000

Note: Salary and perquisites include other allowances, contribution to Provident, Superannuation Funds, Leave Travel Allowance, Medical reimbursement and accommodation provided, etc.

SHAREHOLDERS/ INVESTORS GRIEVANCE COMMITTEE

The composition of Investors' Grievance Committee and attendance at the Committee Meetings is as under:

Name of Director's	Chairman or Member	No. of Meetings Attended
Mr A K Jain	Chairman	2
Mr K.D. Hodavdekar (upto September 29, 2008)	Member	2
Mr V. Kapoor	Member	2
Mr Vinod Sethi (w.e.f April 1, 2009)	Member	-

During the period under review the Committee has held three meetings as under:

Sr. No.	Date of Meeting
1.	April 30, 2008
2.	July 31, 2008
3.	January 20, 2009

During the period under review all the complaints / grievances that were received from the shareholders/ investors, have been attended to and satisfactorily resolved. No valid transfer/ transmission of shares were pending as on March 31, 2009.

The information about complaints received and their disposal is tabulated hereunder:

Nature of Complaint	No. of Complaints received during the year 2008-09	No. of Complaints redressed during the year 2008-09
Non receipt of shares after transfer	9	9
Non receipt of demat credit	2	2
Non receipt of Annual Report	2	2
Non receipt of Dividend	17	17
Non receipt of New Physical Share Certificates in Exchange of Old Share Certificates	11	11
Total	41	41

The Equity Shares of the Company have been voluntarily delisted from the Pune Stock Exchange Limited w. e. f. December 1, 2008.

The Company has paid listing fees for the financial year 2009 - 10 to the Stock Exchanges where the shares of the Company are listed.

COMPLIANCE OFFICER

Mr Jayan Nair, Executive Vice President & Company Secretary acts as Compliance Officer of the Company for ensuring compliance with the requirements of the Listing Agreement with the Stock Exchange and under SEBI (Prohibition of Insider Trading), Regulations 1992 as amended from time to time.

CODE OF CONDUCT

The Board has laid down a code of conduct for all Board members and Senior Management Personnel of the Company. The code of conduct is posted on the website of the Company (www.ismt.co.in).

OTHER DISCLOSURES

- Details of related party transaction are furnished in Note No 22 of Schedule 21 under Notes on Accounts.
- There were no instances of material non-compliances and no strictures or penalties imposed on the Company either by SEBI, Stock Exchanges or any Statutory authorities on any matter related to capital markets during the last three years.

CEO/ CFO CERTIFICATION

In accordance with Clause 49(V) of the Listing Agreement, the CEO and CFO have given their certificate to the Board.

MEANS OF COMMUNICATION

The Quarterly results are Published in one English daily newspaper and one Vernacular (Marathi) daily newspaper. The Quarterly results are also displayed on the Company's website: "www.ismt.com".

No presentations were made to Institutional Investors or to the Analysts during the period under review.

DESIGNATED EXCLUSIVE EMAIL ID OF THE COMPANY

The Company has designated the following E-mail ID exclusively for investor servicing. (secretarial@ismt.co.in)

GENERAL BODY MEETINGS

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

Corporate Governance Report (contd.)

Year	Type	Date	Venue	Time	No. of Special Resolutions passed
2007-08	AGM	29.09.08	Sun-N-Sand, 262 Bund Garden Road, Pune 411001	11:00 AM	1
2006-07	AGM	27.11.07	Taj Blue Diamond, Koregaon Road, Pune 411001	11:00 AM	7
2005-06	AGM	28.08.06	Taj Blue Diamond, Koregaon Road, Pune 411001	11:00 AM	2

All Special resolutions moved at the Annual General Meetings were passed unanimously by show of hands.

No resolution was passed by postal ballot during the year under review. However, approval of the members was sought through postal ballot vide Notice dated March 30, 2009 for payment of remuneration to Mr B R Taneja, Non Executive Director under Section 198, 309(4)(a), 314, 349 and 350. The Special Resolution as set out in the Notice was approved by the Members with the requisite majority.

GENERAL SHAREHOLDERS INFORMATION

AGM Date and Time	September 30, 2009, 11.00 AM
Venue	Le Meridien, Pune 411001.
Financial Year	April 01 to March 31
Date of Book Closure	September 22, 2009 to September 30,2009
Dividend Payment date	Within 30 days from the date of declaration of dividend by the members at the AGM
Listed on Stock Exchange	BSE and NSE
Security Code (BSE)	532479
Security Code (NSE)	ISMTLTD
ISIN No. Allotted to equity shares	INE732F01019
Registered Office	Lunkad Towers, Viman Nagar Pune 411 014.
Address for Correspondence	Lunkad Towers, Viman Nagar Pune 411 014.
Plant locations	1. Ahmednagar 2. Baramati 3. Jejuri 4. Sweden (Subsidiary)

STOCK MARKET DATA AND SHARE PRICE PERFORMANCE DURING THE FINANCIAL YEAR UNDER REVIEW

Bombay Stock Exchange

(Rs)

Month	ISMT LIMITED		BSE 500 INDEX	
	High	Low	High	Low
April 2008	68.10	52.00	6908.87	6045.14
May 2008	64.90	48.25	6990.13	6457.04
June 2008	52.30	38.50	6323.07	5215.37
July 2008	46.50	34.50	5692.25	4895.05
August 2008	46.80	36.80	5964.99	5454.16
September 2008	39.90	31.20	5792.51	4810.03
October 2008	36.15	24.00	4953.62	3162.35
November 2008	29.60	20.50	3879.58	3143.13
December 2008	23.90	18.85	3714.08	3190.30
January 2009	26.30	17.50	3838.58	3204.48
February 2009	19.70	16.55	3508.97	3211.52
March 2009	22.35	14.10	3605.81	2983.02

National Stock Exchange Limited (NSE)

(Rs)

Month	ISMT LIMITED	
	High	Low
April 2008	68.40	52.00
May 2008	65.85	48.30
June 2008	53.00	38.50
July 2008	46.50	35.05
August 2008	47.10	36.30
September 2008	39.60	30.00
October 2008	36.25	24.00
November 2008	26.90	20.10
December 2008	24.65	17.60
January 2009	28.00	17.50
February 2009	22.00	16.55
March 2009	21.50	15.00

Source: BSE & NSE websites.

Dematerialisation of shares

66.60% of total Equity Capital is held in demat form with NSDL and CDSL as on March 31, 2009.

Share Transfer System

The Equity Shares of the Company are traded compulsorily in Demat segment on the Stock Exchanges. Shares received for transfer in physical mode are processed and valid share transfer applications are approved within prescribed time limit. Duly transferred share certificates are generally dispatched within 30 days from the date of receipt.

Pursuant to Clause 47 (C) of the Listing Agreement with the Stock Exchanges, certificate on half yearly basis has 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, 2009

Shareholding of nominal value of Rs		No. of Share Holder(s)	% to Total	No. of Shares	% to Total
Upto	5,000	135292	97.657	20948563	14.299
5,001	10,000	1645	1.187	2466074	1.683
10,001	20,000	759	0.548	2188424	1.494
20,001	30,000	310	0.224	1556707	1.063
30,001	40,000	99	0.071	692030	0.472
40,001	50,000	99	0.071	926871	0.633
50,001	1,00,000	143	0.103	2016885	1.377
1,00,001	and above	191	0.138	115705829	78.979
		138538	100.00	146501383	100.00

REGISTRAR AND SHARE TRANSFER AGENT

Shareholders may contact Share Transfer Agent on the following address:

M/s Sharepro Services (India) Pvt Ltd 13, AB Samhita Wear Housing Complex 2nd Floor, Saki Naka Telephone Exchange Lane, Off. Andheri Kurla Road, Saki Naka, Andheri East, Mumbai - 400 072. Tel.:- 91 - 022 - 67720300 / 400 Fax.- 022 - 28591568	M/s Sharepro Services (India) Pvt Ltd 3, Chintamani Apartments, Lane No 13, Off V G Kale Path 824/D, Bhandarkar Road Pune 411004 Tel. +91-20-25662855 Email: sharepropune@vsnl.net

As regards to the shareholding in electronic form shareholders are requested to write to their respective Depository Participant and provide Bank Mandate details, ECS particulars, etc so as to facilitate expeditious payment of Corporate Action, if any.

Corporate Filing and Dissemination System:

The CDFS portal jointly owned, managed and maintained by BSE and NSE is a single source to view information filed by listed companies. All the disclosures and communications to BSE and NSE are filed electronically through the CDFS portal. Hard copies of the said disclosures and correspondence are also filed with the Exchanges.

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

In accordance with the approval of the shareholders at the Annual General Meeting held on November 27, 2007, the Company had offered and allotted 57,50,000 Warrants to the Promoters and Companies Promoted by them (Promoter Group) on preferential basis with an option to convert into Equity Shares of Rs. 5/- at a price of Rs 91.80 at any time within 18 months from the date of allotment. The Allottees did not exercise their option to convert warrants in to equity shares within the time prescribed as per SEBI DIP Guidelines 2000, and consequently the offer lapsed on June 17, 2009.

For and on behalf of the Board of Directors

Mumbai **S C Gupta**
August 26, 2009 Chairman

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT, PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

As required by Clause 49 (D) (ii) of the Listing Agreement, this is to confirm that the Company has adopted a Code of Conduct for all Board Members and Senior Management of the Company. The Code is available on the Company's web site.

Corporate Governance Report (contd.)

I confirm that the Company has in respect of financial year March 31, 2009, received from the Senior Management Team of the Company and the Members of the Board, a declaration of compliance with Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Team comprises of employees in the President and Executive Vice President Cadre as on March 31, 2009 and Chief Financial Officer of the Company.

For and on behalf of the Board of Directors

Mumbai **Salil Taneja**
August 26, 2009 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, 2009, 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	**For J K Shah & Co.**
Chartered Accountants	Chartered Accountants
Sandeep Rao	**Sanjay Dhruva**
Partner	Partner
Membership No 47235	Membership No 38480
Mumbai	Mumbai
August 26, 2009	August 26, 2009

AUDITORS' REPORT

To
THE MEMBERS OF ISMT LIMITED

1. We have audited the attached Balance Sheet of ISMT Limited as at 31st March, 2009, 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 (Auditor's 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 31st March, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 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 31st March, 2009;
      (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**	For **J.K. SHAH & CO.**
Chartered Accountant	Chartered Accountants
Sandeep Rao	**Sanjay Dhruva**
Partner	Partner
Membership No. 47235	Membership No. 38480
Mumbai, August 26, 2009	Mumbai, August 26, 2009

ANNEXURE TO THE AUDITOR'S 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.
8) The company has an internal audit department 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.

10) a) According to the records of the company, the company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth 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 31st March, 2009 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 31st March, 2009 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) The company did not have any outstanding debentures during the year.

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 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 Accountant

Sandeep Rao
Partner
Membership No. 47235

Mumbai, August 26, 2009

For **J.K. SHAH & CO.**
Chartered Accountants

Sanjay Dhruva
Partner
Membership No. 38480

Mumbai, August 26, 2009

Annexure I

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

Rs. in Crore

Name of statue	Nature of Dues	Amount disputed	Forum where dispute is pending
Central Sales Tax Act, 1956	Sales Tax	0.11	Tribunal
		7.29	Deputy Commissioner of sales Tax (Appeals)
Maharashtra Sales Tax Act, 1959	Sales Tax	0.05	Tribunal
		0.40	High Court
		5.98	Deputy Commissioner of sales Tax (Appeals)
	Purchase Tax	0.01	Tribunal
	Turnover Tax, penalty and interest	0.08	High Court Mumbai (Appeals)
Central Excise Act, 1944	Excise Duty	10.19	CEGAT
		0.13	High Court, Bombay
		0.59	Commissioner (Appeal)
		0.01	Supreme Court
		0.60	Asst. Commissioner
		0.07	Joint Commissioner
		0.01	Dy. Commissioner
		0.60	Additional Commissioner
		3.43	Commissioner, Mumbai
Income Tax Act, 1961	Income Tax	0.09	CIT (Appeal)
		0.79	High Court Mumbai
		0.20	Income Tax Appellate Tribunal

Balance Sheet as at March 31, 2009

Rs. in Crore

	Schedule	As at 31st March, 2009		As at 31st March, 2008	
Sources of Funds					
Shareholders' Funds					
Share Capital	1	73.25		73.25	
Equity Share Warrants		5.29		5.29	
Reserves and Surplus	2	453.11		463.39	
			531.65		541.93
Loan Funds					
Secured Loans	3	940.52		669.87	
Unsecured Loans	4	218.78		204.28	
			1,159.30		874.15
Deferred Tax Liability			15.29		-
			1,706.24		1,416.08
Application Of Funds					
Fixed Assets					
Gross Block	5	1,022.48		1,002.10	
Less : Depreciation		305.94		251.91	
Net Block		716.54		750.19	
Capital Work-in-Progress		431.13		271.28	
			1,147.67		1,021.47
Investments	6		26.49		19.19
Foreign Currency Monetary Item Translation Difference Account	7		40.18		-
Deferred Tax Asset			-		4.18
Current Assets, Loans & Advances	8				
i) Inventories		278.54		210.60	
ii) Sundry Debtors		229.71		256.37	
iii) Cash and Bank Balances		64.05		40.89	
iv) Other Current Assets		41.04		28.64	
v) Loans and Advances		189.77		152.83	
		803.11		689.33	
Less: Current Liabilities & Provisions	9				
i) Current Liabilities		287.02		308.06	
ii) Provisions		26.87		18.51	
		313.89		326.57	
Net Current Assets			489.22		362.76
Miscellaneous Expenditure (To the extent not written off or adjusted)	10		2.68		8.48
			1,706.24		1,416.08
Significant Accounting Policies	20				
Notes to Accounts	21				

As per our report of even date

For **M/s P.G. Bhagwat**
Chartered Accountants

Sandeep Rao
Partner
M. No.47235

Mumbai, August 26, 2009

For **J. K. Shah & Co.**
Chartered Accountants

Sanjay Dhruva
Partner
M.No. 38480

Mumbai, August 26, 2009

Salil Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary
Mumbai, August 26, 2009

Profit & Loss Account for the year ended March 31, 2009

Rs. in Crore

	Schedule	2008 - 09		2007 - 08	
Income					
Gross Sales & Income from Operations		**2,324.14**		2,063.07	
Less : Inter Segment Transfers		**799.57**		637.36	
Inter Division Transfers		**103.36**		102.28	
Excise Duty		**120.96**		131.89	
Net Sales			**1300.25**		1191.54
Other Income	11		**14.13**		18.37
			1,314.38		1,209.91
Expenditure					
Materials Consumed	12	**723.06**		654.09	
Energy	13	**170.53**		173.64	
Direct Manufacturing	14	**34.40**		29.62	
Selling and Distribution	15	**43.22**		38.29	
Personnel	16	**77.48**		73.35	
Overheads	17	**14.48**		15.29	
			1,063.17		984.28
Profit Before Finance Charges, Foreign Exchange (Gain)/Loss, Depreciation, Amortisation and Taxation			**251.21**		225.63
Finance Charges	18	**82.46**		66.50	
Depreciation and Amortisation	19	**55.82**		55.29	
			138.28		121.79
Profit Before Foreign Exchange (Gain)/ Loss and Taxation			**112.93**		103.84
Less : Foreign Exchange (Gain)/Loss			**56.95**		(22.26)
Profit Before Taxation			**55.98**		126.10
Less : Provision for Taxation (Refer Note No. 15 of Schedule 21)			**(0.25)**		26.06
Profit After Taxation			**56.23**		100.04
Balance brought forward from Previous Year			**58.21**		75.19
Balance Available For Appropriations			**114.44**		175.23
Appropriations					
Interim Dividend			**7.33**		7.22
Proposed Final Dividend			**7.33**		7.33
Tax on Interim Dividend			**1.24**		1.23
Tax on proposed Dividend			**1.24**		1.24
General Reserve			**50.00**		100.00
Balance Carried To Balance Sheet			**47.30**		58.21
Earnings per share Rs. (Face Value of Rs. 5/- each) (Refer Note No. 27 of Schedule 21)			**3.84**		6.92
Significant Accounting Policies	**20**				
Notes to Accounts	**21**				

As per our report of even date

For **M/s P.G. Bhagwat**
Chartered Accountants

For **J. K. Shah & Co.**
Chartered Accountants

Sandeep Rao
Partner
M. No.47235
Mumbai, August 26, 2009

Sanjay Dhruva
Partner
M.No. 38480
Mumbai, August 26, 2009

Salil Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary
Mumbai, August 26, 2009

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

Rs. in Crore

	2008 - 09		2007 - 08	
A. Cash Flow from Operating Activities :				
Net Profit before Tax		**55.98**		126.10
Adjustments for :				
Depreciation	**54.13**		53.06	
Finance Charges	**82.46**		66.50	
Interest Income	**(7.89)**		(4.49)	
Exchange Fluctuation (Gain)/Loss	**16.17**		(17.48)	
Amortisation of Miscellaneous Expenditure	**1.69**		2.23	
Expenses Charged to Reserves	**(4.60)**		(4.21)	
Income on Pre-payment of liability	**(5.46)**		(13.79)	
Loss/(Profit) on sale of Fixed Assets (Net)	**(0.01)**		0.01	
		136.49		81.83
Operating Cash Profit before Working Capital Changes		**192.47**		207.93
Adjustments for :				
Trade and Other Receivables	**(17.76)**		1.72	
Inventories (Increase) / Decrease	**(67.94)**		12.73	
Trade Payables	**(17.36)**	**(103.06)**	45.15	59.60
Taxes Paid		**(11.20)**		(17.56)
Net Cash Flow from Operating Activities		**78.21**		249.97
B Cash Flow from Investing Activities :				
Additions to Fixed Assets	**(134.18)**		(242.48)	
Sale of Fixed Assets	**0.24**		0.01	
Investment in Subsidiary Company	**(7.30)**		(19.18)	
Interest Received	**5.99**		4.09	
Net Cash used in Investing Activities		**(135.25)**		(257.56)
C Cash Flow from Financing Activities :				
(Redemption)/Proceeds from Right issue of Equity Share Warrants	**-**		1.06	
Proceeds from Equity Share Warrants	**-**		5.29	
Security Premium	**-**		8.96	
Expenditure incurred on Foreign Currency Convertible Bonds	**-**		(1.25)	
Miscellaneous Expenditure	**(0.35)**		(1.10)	
Dividend Payments (including Tax thereon)	**(8.33)**		(16.27)	
Proceeds from /(Repayment of) Borrowings	**159.56**		71.28	
Finance Charges Paid	**(81.99)**		(65.89)	
Net Cash from Financing Activities		**68.89**		2.08
Net Increase / (Decrease) in Cash and Cash Equivalents		**11.85**		(5.51)
Cash and Cash Equivalents at the beginning of the year (Refer Note No.1)		**2.93**		8.44
Cash and Cash Equivalents at the end of the year (Refer Note No.1)		**14.78**		2.93
Net Increase / (Decrease) in Cash & Cash Equivalents		**11.85**		(5.51)
Notes: 1 The cash and cash equivalents in the cash flow statement comprise of the following Balance Sheet amounts:		**As at March 31, 2009**		As at March 31, 2008
(a) Cash on hand		**0.05**		0.06
(b) Current Accounts with Banks		**14.73**		2.87
		14.78		2.93
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

Sandeep Rao
Partner
M. No.47235
Mumbai, August 26, 2009

Sanjay Dhruva
Partner
M.No. 38480
Mumbai, August 26, 2009

Salil Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary
Mumbai, August 26, 2009

Schedules forming part of the Balance Sheet

Rs. in Crore

		As at 31st March, 2009		As at 31st March, 2008
Schedule - 1				
Share Capital				
Authorised				
i) 17,50,00,000 (Previous Year 17,50,00,000) Equity Shares of Rs.5/- each		**87.50**		87.50
ii) Unclassified Shares		**71.00**		71.00
		158.50		158.50
Issued, Subscribed and Paid up:				
14,65,01,383 (Previous Year 14,65,01,383) Equity Shares of Rs 5/- each fully paid		**73.25**		73.25
Schedule – 2				
Reserves And Surplus				
i) Capital Reserve		**1.65**		1.65
ii) Capital Redemption Reserve		**80.60**		80.60
iii) Securities Premium				
As per last Balance Sheet	**9.36**		1.65	
Add : Received during the year on allotment	**-**		8.96	
Less : Debits related to FCCB issue expenses	**-**		1.25	
		9.36		9.36
iv) Amalgamation Reserve				
As per last Balance Sheet	**44.21**		45.72	
Less : Debits related to Pre- Merger period	**3.81**		1.51	
		40.40		44.21
v) Reserve for Contingencies				
As per last Balance Sheet	**3.72**		3.73	
Less : Debits related to Pre- Merger period	**-**		0.01	
		3.72		3.72
vi) Restructuring Reserve				
As per last Balance Sheet	**18.19**		20.88	
Less : Debits related to Pre- Merger period	**5.26**		2.69	
		12.93		18.19

Schedules forming part of the Balance Sheet (contd.)

Rs. in Crore

	As at 31st March, 2009		As at 31st March, 2008	
vii) General Reserve				
As per last Balance Sheet	247.45		168.62	
Add : Transfer from Profit & Loss Account	50.00		100.00	
Less : Exchange differences (Gain) adjusted to the cost of Capital Assets	1.73		-	
Less : Exchange differences (Gain) transferred to FCMITDA (Refer Note No. 21of Schedule 21)	19.10		-	
Less : Transferred to Profit & Loss Account	19.47		21.17	
		257.15		247.45
viii) Balance in Profit and Loss Account		47.30		58.21
		453.11		463.39
Schedule – 3				
Secured Loans				
i) Term Loans from Banks				
a) Rupee Loans	239.80		131.65	
b) Foreign Currency Loans	453.58		417.89	
		693.38		549.54
ii) Working Capital Borrowings from Banks				
a) Rupee Loans	77.50		7.18	
b) Foreign Currency Loans	169.64	247.14	113.15	120.33
		940.52		669.87
Schedule – 4				
Unsecured Loans				
Others				
i) Foreign Currency Convertible Bonds (FCCB)*		101.90		79.94
ii) Interest Free Incentive and sales Tax Loan		116.88		124.15
iii) Others		-		0.19
*(Refer Note No. 9 of Schedule 21)				
		218.78		204.28

Schedules forming part of the Balance Sheet (contd.)

Schedule 5 :

Fixed Assets **Rs. in Crore**

Description	Gross Block				Depreciation				Net Block	
	As at April 01, 2008	Additions	Deletions/ Sales	**As at March 31, 2009**	As on April 01, 2008	For the Year	Deletions/ Sales	**As on March 31, 2009**	**As at March 31, 2009**	As at March 31, 2008
Leasehold Land	7.03	-	-	**7.03**	0.33	0.08	-	**0.41**	**6.62**	6.70
Freehold Land	1.74	-	-	**1.74**	-	-	-	**-**	**1.74**	1.74
Buildings	80.46	2.44	-	**82.90**	12.01	2.62	-	**14.63**	**68.27**	68.45
Plant & Machinery	886.18	13.74	0.24	**899.68**	228.72	47.71	0.05	**276.38**	**623.30**	657.46
Furniture & Fixtures	1.34	1.99	-	**3.33**	0.71	0.35	-	**1.06**	**2.27**	0.63
Office Equipments	9.10	1.54	0.02	**10.62**	5.42	1.10	0.01	**6.51**	**4.11**	3.68
Vehicles	2.46	0.12	0.06	**2.52**	1.17	0.34	0.04	**1.47**	**1.05**	1.29
Intangible Assets										
Technical Know-how	4.13	-	-	**4.13**	0.90	0.83	-	**1.73**	**2.40**	3.23
Software Development	2.70	0.87	-	**3.57**	0.52	0.57	-	**1.09**	**2.48**	2.18
Assets Taken on Lease										
Plant & Machinery	6.96	-	-	**6.96**	2.13	0.53	-	**2.66**	**4.30**	4.83
TOTAL	1,002.10	20.70	0.32	**1,022.48**	251.91	54.13	0.10	**305.94**	**716.54**	750.19
Previous Year	985.26	16.87	0.03	**1,002.10**	198.87	53.06	0.02	**251.91**	**750.19**	786.39

Rs. in Crore

	As at 31st March, 2009	As at 31st March, 2008
Schedule – 6		
Investments (At Cost)		
Long Term (Unquoted and Trade)		
I. Government Securities		
National Saving Certificate (Pledged with Sales Tax Authorities)	**0.01**	0.01
II. Shares (Unquoted and Trade)		
ISMT Enterprises S.A., Luxembourg 4,56,757 (Previous year 3,50,000) Equity Shares of Euro 10 each fully paid.	**26.48**	19.18
	26.49	19.19
Schedule – 7		
Foreign Currency Monetary Item Translation Difference Account (FCMITDA)		
Exchange Differences Relating to Long Term Monetary Items		
Transferred from General Reserve	**(19.10)**	-
Add : Exchange Differences arising during the year	**66.83**	-
Less :Exchange Differences amortised during the year	**7.55**	-
(Refer Note No. 21 of Schedule 21)	**40.18**	-

Schedules forming part of the Balance Sheet (contd.)

Rs. in Crore

	As at 31st March, 2009		As at 31st March, 2008	
Schedule – 8				
Current Assets, Loans & Advances				
I. Inventories				
(As taken, valued and certified by the Management)				
i) Raw Material	**61.63**		63.65	
ii) Work-in-process	**77.10**		45.44	
iii) Finished Goods	**44.04**		51.54	
iv) Stores,Spares and Consumables	**95.77**		49.97	
		278.54		210.60
II. Receivables				
(Net of bills discounted with Banks)				
Unsecured, Considered Good				
i) Outstanding for more than six months Considered Good	**32.46**		13.08	
ii) Others Considered Good	**197.25**		243.29	
		229.71		256.37
III. Cash and Bank Balances				
i) Cash on hand	**0.05**		0.06	
ii) Current Accounts with Scheduled Banks	**7.09**		2.87	
iii) Money in transit	**7.64**		-	
iv) Deposit with Scheduled Banks	**49.27**		37.96	
(Refer Note No. 8 of Schedule 21)		**64.05**		40.89
IV. Other Current Assets				
i) Export Entitlement	**29.64**		24.95	
ii) Others	**11.40**	**41.04**	3.69	28.64
V. Loans and Advances				
(Unsecured, Considered Good)				
i) Advances recoverable in cash or in kind or for value to be received				
a) Sundry Deposits	**13.77**		11.28	
b) Others	**81.18**		61.94	
ii) Balance with Customs, Excise, Sales Tax etc.	**46.94**		39.81	
iii) Advance Income Tax (net of provisions)	**3.02**		-	
iv) MAT Credit Receivable	**44.86**		39.80	
		189.77		152.83
(Refer Note No. 4, 5 and 23 of Schedule 21)		**803.11**		689.33

Schedules forming part of the Balance Sheet (contd.)

Rs. in Crore

	As at 31st March, 2009		As at 31st March, 2008	
Schedule – 9				
Current Liabilities & Provisions				
I. Current Liabilities				
i) Acceptances				
a) Capital	**25.47**		13.09	
b) Others	**75.04**		110.97	
ii) Sundry Creditors				
a) Capital	**21.12**		24.90	
b) Others	**130.68**		118.50	
iii) Provision for Expenses	**13.67**		19.54	
iv) Advances from Customers	**4.06**		5.02	
v) Investor Education and Protection Fund (Refer Note No. 14 of Schedule 21)	**1.83**		1.67	
vi) Other Liabilities	**12.81**		12.65	
vii) Interest accrued but not due	**2.34**		1.72	
		287.02		308.06
II. Provisions				
i) Proposed Dividend	**14.66**		7.33	
ii) Tax on Dividend	**2.48**		1.24	
iii) Leave Encashment	**3.44**		2.53	
iv) Gratuity and Superannuation	**6.29**		3.79	
v) Income Tax (net of advance payment)	**-**		3.62	
		26.87		18.51
		313.89		326.57
Schedule – 10				
Miscellaneous Expenditure				
i) Preliminary Expenses		**0.33**		0.44
ii) Merger Expenses		**0.03**		0.53
iii) Loan Processing Fees		**2.32**		7.51
		2.68		8.48

Schedules forming part of the Profit & Loss Account

Rs. in Crore

	2008 - 09		2007 - 08	
INCOME				
Schedule – 11				
Other Income				
i) Interest Received (Tax deducted at source Rs. 1.52 Crore Previous Year Rs. 0.76 Crore)		**7.89**		4.49
ii) Miscellaneous Income (Refer Note No. 25 of Schedule 21)		**6.24**		13.88
		14.13		18.37
EXPENDITURE				
Schedule – 12				
Materials Consumed				
i) Raw Material				
Opening Stock	**63.65**		79.67	
Add: Purchases	**656.80**		554.42	
Less: Closing Stock	**61.63**		63.65	
		658.82		570.44
ii) (Increase)/Decrease in Stocks				
Closing Stock				
Work-in-process	**71.34**		45.44	
Finished Goods	**40.47**		51.54	
	111.81		96.98	
Less : Opening Stock -				
Work-in-process	**45.44**		56.84	
Finished Goods	**51.54**		39.42	
	96.98		96.26	
		(14.83)		(0.72)
iii) Stores,Spares and Consumables		**80.41**		86.02
iv) Excise Duty on Opening & Closing Stock of Finished Goods		**(1.34)**		(1.65)
		723.06		654.09
Schedule – 13				
Energy				
i) Power		**101.55**		109.53
ii) Fuel		**52.53**		47.04
iii) Gases		**16.45**		17.07
		170.53		173.64
Schedule – 14				
Direct Manufacturing				
i) Processing Charges		**12.67**		12.07
ii) Other Direct Expenses		**16.17**		13.01
iii) Machine Lease Rentals		**0.37**		0.31
iv) Repairs and Maintenance – Plant & Machinery		**5.19**		4.23
		34.40		29.62
Schedule – 15				
Selling and Distribution				
i) Freight & Forwarding		**38.76**		34.38
ii) Commission on Sales		**2.44**		1.98
iii) Other Selling Expenses		**2.02**		1.93
		43.22		38.29

Schedules forming part of the Profit & Loss Account (contd.)

Rs. in Crore

		2008 - 09		2007 - 08
Schedule – 16				
Personnel				
i) Salaries, Wages, Bonus and Allowances (including rent paid of Rs.0.10 Crore, recovery of Rs. 0.02 Crore, (Previous year Rs. 0.29 Crore, recovery of Rs. 0.07 Crore.)		**65.26**		62.54
ii) Contribution to Provident and other Funds		**7.56**		7.38
iii) Staff Welfare Expenses		**4.66**		3.43
		77.48		73.35
Schedule – 17				
Overheads				
i) Rent		**1.22**		1.04
ii) Travelling and Conveyance		**4.52**		3.67
iii) Communication		**1.47**		1.11
iv) Repairs and Maintenance – Others		**0.90**		0.80
v) Insurance		**0.50**		0.65
vi) Loss on Sale of Assets		**0.02**		0.01
vii) Miscellaneous Expenses (Refer Note No. 28 of Schedule 21)		**5.85**		8.01
		14.48		15.29
Schedule – 18				
Finance Charges				
i) Interest				
a) Term Loans	**42.01**		43.84	
b) Working Capital & Others	**24.97**		15.66	
		66.98		59.50
ii) Cash Discount		**0.57**		0.68
iii) Other Finance Charges		**14.91**		6.32
		82.46		66.50
Schedule – 19				
Depreciation and Amortisation				
i) Depreciation		**54.13**		53.06
ii) Amortisation of Miscellaneous Expenditure		**1.69**		2.23
		55.82		55.29

Schedules 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) Import Entitlement

The Company is entitled to import duty free raw material under Advance Licences issued to the Company under the Duty Exemption Scheme or Claim duty drawbacks on Exports of the goods manufactured by it. In respect of Export Sales made by the Company or goods produced exclusively for export, pending receipt of imported duty-free raw materials, the higher cost of domestic raw materials actually consumed for the purpose of such export/production is adjusting by accruing the value of company's entitlement to import duty-free raw materials.

5) Fixed Assets

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 refundable taxes.

6) 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) Deprecation 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.

7) Intangibles

Intangible assets are stated at costs less accumulated amortisation.

The cost relating to intangible assets are capitalised and amortised over the period of 5 years which is based on their estimated useful life.

8) 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.

9) 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 are capitalised.

10) Inventories

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

ii) Valuation

a) Raw Materials are valued at lower of cost or net realisable value. Cost is determined on weighted average basis.

b) Semi finished and 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 weighted average basis, except for those which have a longer usable life, which are valued on the basis of their remaining useful life.

iii) Inventories include goods in transit under the appropriate heads.

11) Employee Benefits

(i) Defined Contribution Plan

The Company makes defined contribution to Provident Fund and Superannuation Schemes, which are recognized in the Profit and Loss Account on accrual basis.

(ii) Defined Benefit Plan

The Company's liabilities under Payment of Gratuity Act (funded), long term compensated absences are determined on the basis of actuarial valuation made at the end of each financial year using the projected unit credit method except for short term compensated absences, which are provided on actual basis. Actuarial gain and losses are recognised immediately in the statement of the Profit and Loss Account as income of expense. Obligations is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

12) 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.

13) 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.

14) Foreign Currency Transactions

i) All transactions in foreign currency are recorded by applying the exchange rate prevailing at the time of the transaction.

ii) Monetary foreign currency assets and liabilities (monetary items) are reported at the exchange rate prevailing on the balance sheet date. Pursuant to the notification of the Companies (Accounting Standards) Amendment Rules 2006 on 31st March 2009, which amended Accounting Standard 11 on The Effects of Changes in Foreign Exchange Rates, exchange differences relating to long term monetary items are dealt with in the following manner:

a) Exchange differences relating to long term monetary items, arising during the year, in so far as they relate to the acquisition of capital asset are add to / deducted from the cost of the asset.

b) In Other cases such differences are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortized to the profit and loss account over balance life of the long term monetary item, however that the period of amortization does not extend beyond March 31, 2011.

iii) All other exchange differences are dealt with in the profit and loss account.

iv) 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. Gains or losses on cancellation or renewal of forward exchange contracts are recognized as income or expenses.

v) Non-monetary items such as investments are carried at historical cost using the exchange rate on the date of transaction.

15) Miscellaneous Expenditure

i) Preliminary expenses, public issue expenses and expenses in respect of increase in authorised capital are amortised over a period of ten years.

ii) Financial restructuring expenses are amortised over the period of restructuring.

iii) Merger expenses are amortised over a period of five years.

iv) Loan processing fees are amortised over the Loan period.

16) 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.

17) Income Tax

i) Tax expenses comprise of current, deferred and fringe benefit tax.

ii) 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.

iii) 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 certainly that sufficient future taxable income will be available against which such deferred tax assets can be realised.

iv) 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.

18) 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.

19) Contingent Liabilities

Contingent Liabilities are not provided and are disclosed in notes on accounts. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Schedules Forming Part of The Balance Sheet And Profit & Loss Account

Schedule : 21

Notes on Accounts **Rs. in Crore**

	As on 31st March, 2009	**As on 31st March, 2008**
1) Contingent Liabilities not provided for in respect of		
i) Counter Guarantees given to Banks		
a) Performance Guarantees	**6.45**	4.27
b) Others	**6.67**	17.53
ii) Claims against the Company not acknowledged as debt		
a) Sales Tax	**3.32**	-
b) Excise Duty	**15.61**	13.92
c) Quality Claims by the Customers (Subsidiary Company)	**6.14**	3.54
d) Others	**4.41**	3.60
iii) Billls Discounted on behalf of the third party	**53.04**	21.36
iv) Corporate Guarantees	**14.76**	9.70
v) Estimated amount of contracts remaining to be executed on Capital Accounts (Net of advances)	**208.36**	121.86

2) Exchange rate difference Net Gain / (Loss) arising during the year has been dealt in the Profit & Loss Account under the appropriate account heads as follows:

Rs. in Crore

	2008 - 09	2007 - 08
i) Sales	**7.13**	2.09
ii) Purchases	**(8.96)**	0.88
iii) Finance Charges (Shown Separately in Profit & Loss Account)	**(56.95)**	22.26

3) Gross sales include Conversion Charges of Rs. 0.01 Crore, Tax Deducted at Source Nil (Previous Year Rs. 0.03 Crore, Tax Deducted at Source Rs. Nil).

4) Loans and Advances include interest free advances given by the Company in earlier years to Employees Welfare Funds aggregating to Rs. 4.53 Crore (previous year 4.85 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. 30,025/- (Previous Year Rs. 59,500/-), (Maximum amount outstanding during the year Rs. 59,500/-, Previous Year Rs. 72,100/-).

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 c) Electricity Refund (Regulatory Liability Charges).

7) The Company belongs to Engineering Segment being a Seamless Tube producer with captive Steel making facilities and the surplus steel is sold to external customers. The Company has, thus, two reportable segments viz. “ Tube and Steel “.

i) 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.

ii) 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 “.

NOTES ON ACCOUNTS (contd.)

Rs. in Crore

	2008 - 09				2007 - 08			
Particulars	**Tube Segment**	**Steel Segment**	**Unallocable**	**Total**	Tube Segment	Steel Segment	Unallocable	Total
a) Segment Revenue								
Total External Sales	**1,073.36**	**347.85**		**1,421.21**	914.08	409.35		1,323.43
Add :Inter Segment Transfers	**54.47**	**745.10**		**799.57**	36.49	600.87		637.36
Inter Division Transfers	**103.36**	**-**		**103.36**	102.28	-		102.28
	1,231.19	**1,092.95**		**2,324.14**	1052.85	1010.22		2,063.07
Less : Excise Duty	**96.05**	**133.97**		**230.02**	95.21	138.45		233.66
	1,135.14	**958.98**		**2,094.12**	957.64	871.77		1,829.41
Less : Inter Segment Transfers (net)	**47.94**	**654.69**		**702.63**	31.39	518.51		549.90
Inter Division Transfers (net)	**91.24**	**-**		**91.24**	87.97	-		87.97
Net Sales	**995.96**	**304.29**		**1,300.25**	838.28	353.26		1,191.54
b) Segment Result Before Finance Charges, Amortisation, Foreign Exchange (Gain)/Loss and Taxation	**153.66**	*** 34.75**	**8.67**	**197.08**	114.84	*53.14	4.59	172.57
Less : Finance Charges				**82.46**				66.50
Amortisation				**1.69**				2.23
Foreign Exchange (Gain)/Loss				**56.95**				(22.26)
Profit Before Taxation				**55.98**				126.10
Less : Taxation				**(0.25)**				26.06
Profit After Taxation				**56.23**				100.04
c) Other Information								
Total Segment Assets	**1304.07**	**471.22**	**175.49**	**1950.78**	1097.26	502.81	110.73	1,710.80
Total Segment Liabilities	**110.41**	**178.21**	**25.27**	**313.89**	109.82	197.50	19.24	326.56
Total cost incurred for Acquiring Segment Assets	**168.59**	**11.65**		**180.24**	243.43	21.02		264.45
Segment Depreciation	**28.95**	**25.18**		**54.13**	28.52	24.54		53.06
d) Total Unallocable Assets								
Investments				**26.49**				19.19
FCMITDA				**40.18**				-
Deferred Tax Asset				**-**				4.18
Miscellaneous expenditure				**2.68**				8.48
				69.35				31.85
e) Total Unallocable Liabilities								
Secured Loans				**940.52**				669.87
Unsecured Loans				**218.78**				204.28
Deferred Tax Liability				**15.29**				-
				1,174.59				874.15

*Includes profit on steel captively consumed by Tube Segment.

8) Cash and Bank balances includes Deposit with Scheduled Banks of Rs. 6.50 Crore (Previous year Rs. 14.21 Crore) towards margin money on capital account

9) The Company had issued 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.

Out of the proceeds of the FCCB, the Company has utilised Rs. 76.91 Crore towards the object of the issue and the balance Rs.13.25 Crore are lying in the Fixed Deposit Accounts with Bankers, including interest and exchange difference.

NOTES ON ACCOUNTS (contd.)

	Rs. in Crore	
	2008 - 09	2007 - 08
10) Break-up of Managerial Remuneration included under Personnel Cost.		
i) Salaries	**1.31**	1.24
ii) Contribution to Provident Fund and Superannuation Fund	**0.35**	0.35
iii) Other Perquisites	**0.99**	1.00
iv) Commission on profits	**1.59**	4.30
	4.24	6.89

The above figures do not include contribution to gratuity fund and provision for leave encashment 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	
Profit Before Taxation as per Profit and Loss Account	**55.98**	126.10
Add : Depreciation provided in accounts	**54.13**	53.06
Remuneration paid as Director's	**4.24**	6.89
Loss (net) on Assets sold or discarded as per Profit & Loss A/c	**0.01**	0.01
	114.36	186.06
Less : Depreciation and loss on Assets sold computed in accordance with Section 350 of the Companies Act, 1956	**49.75**	48.53
Amount charged to Reserves	**9.07**	5.36
Loss (net) on Assets sold or discarded as per Section 350 of the Companies Act, 1956	**0.01**	-
Profit as per Section 349 of the Companies Act, 1956	**55.53**	132.17
Maximum permissible remuneration to the Whole-time Directors under Section 198 of the Companies Act, 1956 @ 10% of the profits computed above	**5.55**	13.22
Commission provided as per terms of agreement	**1.59**	4.30

11) Expenses incurred during trial runs consisting of Raw material Rs.36.53 Crore, Power Charges Rs. 3.75 Crore and other Direct Expenses Rs. 8.85 have been capitalised after deducting Sales proceeds of Rs. 21.42 Crore and Stocks of Work -In-Process of Rs.5.76 Crore & Finished Goods of Rs. 3.57 Crore arising out of trial runs.

Further, the expenses incurred during construction period consisting of Personnel cost Rs. 3.31 Crore (Previous Year Rs. 3.36 Crore), Overheads Rs. 1.05 Crore (Previous Year Rs. 1.27 Crore) and Interest Rs. 6.87 Crore (Previous Year Rs. 6.87 Crore) have also been capitalised.

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

i) a) Term Loans of Rs. 243.11 Crore are stipulated to be 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, excluding term loan lenders where exclusive charge on moveable fixed assets as mentioned in clause no. (d) & (g) has been stipulated. These loans are further stipulated to be 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 (c) below.

b) Term Loans of Rs. 214.57 Crore are stipulated to be 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, excluding term loans where exclusive charge on moveable fixed assets as mentioned in clause no. (d) has been stipulated.

c) Working Capital borrowings from the Consortium Banks are stipulated to be 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.

NOTES ON ACCOUNTS (contd.)

d) Foreign Currency Term Loans of Rs. 172.45 Crore are stipulated to be secured by an exclusive charge on the equipment financed. Out of the above, term loan of Rs. 103.23 Crore is further stipulated to be secured with the land appurtenant thereto.

e) Foreign Currency Term Loan of Rs. 63.25 Crores is stipulated to be secured by first charge on the entire moveable fixed assets ranking pari passu with other term lenders, excluding term loan lenders where exclusive charge on moveable fixed assets as mentioned in clause no. (d) has been stipulated.

f) The Term Loans of Rs. 67.47 Crore is further stipulated to be secured by Corporate Guarantee of M/s. Indian Seamless Enterprises Limited and the Personal Guarantee of Mr. B. R. Taneja.

g) Out of the total borrowings against buyer's credit-capital of Rs. 1.64 Crore, Rs. 0.97 Crore is stipulated to be secured by exclusive charge on assets purchased out of the said facility and further stipulated to be secured by 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 no. (c) above and by a Corporate Guarantee of M/s. Indian Seamless Enterprises Limited, and the balance Rs. 0.67 Crore is secured as per clause no. (c) above.

ii) Term Loan installments falling due within one year is Rs. 122.92 Crore (Previous Year Rs. 120.19 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 Capacity*	Production Quantity
i) Seamless Hollows & Tubes	Tonnes	**1,58,000**** (1,58,000)	**1,45,429** (1,62,276)
ii) Components & Spares, Plugs & Dies Rolls & Mandrels	Nos.	**10,000***** (10,000)	**30,869** (43,840)
iii) Cold Rolled Rings	Nos.	**80,00,000** (80,00,000)	**41,38,495** (45,73,318)
iv) Steel Bars	Tonnes	**2,50,000** (2,50,000)	**2,02,392** (2,37,914)

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/ Trial run for the year 3,499 Tonnes (previous year 252 Tonnes).
*** For Captive consumption within division.

b) **Stock & Turnover of goods manufactured by the Company** **Rs. in Crore**

I) Tube Segment	**Tonnes**	**2008 - 09**	Tonnes	2007 - 08
1) Seamless Hollows and Tubes				
i) Sales (Excluding Excise Duty)	**144,242**	**1, 114.06**	159,062	950.41
Less : Inter Segment				
Transfers Scarp	**-**	**47.94**	-	31.39
Inter division Transfers	**16,025**	**103.36**	19,150	102.28
Net Sales	**128,217**	**962.76**	139,912	816.74
ii) Opening Stock	**6,756**	**37.56**	3,794	20.09
iii) Closing Stock	4,**444**	**30.07**	6,756	37.56
2) Cold Rolled Rings	**Nos.**	**Rs. in Crore**	Nos.	Rs. in Crore
i) Sales (Excluding Excise Duty)	**43,34,770**	**33.20**	42,19,189	21.54
ii) Opening Stock	**5,04, 461**	**1.71**	1,50,332	0.39
iii) Closing Stock	**3,08,186**	**1.26**	5,04,461	1.71

NOTES ON ACCOUNTS (contd.)

	Tonnes	Rs. in Crore 2008 - 09	Tonnes	2007 - 08
II) Steel Segment				
Steel Bars				
i) Sales (Excluding Excise Duty)	**2,01,601**	**958.98**	2,44,684	871.77
Less : Inter Segment Transfers	**1,45,394**	**654.69**	1,57,862	518.51
Net Sales	**56,207**	**304.29**	86,822	353.26
ii) Opening Stock	**8,022**	**31.91**	14,792	49.72
iii) Closing stock	**8,813**	**40.88**	8,022	31.91

c) CIF Value of Imports	**Rs. in Crore**	Rs. in Crore
i) Capital Goods	**45.01**	145.63
ii) Stores Spares & Consumables	**22.95**	12.11
iii) Raw Materials	**179.75**	51.82

d) Raw Materials Consumed	**Tonnes**	**2008 - 09**	Tonnes	2007 - 08
I) Tube Segment				
Steel Bars	**1,49,246**	**663.92**	1,72,296	554.31
Less : Inter Segment Transfers included in above	**1,45,394**	**653.23**	1,57,862	516.76
	3,852	**10.69**	14,434	37.55
II) Steel Segment				
i) Pig & Sponge Iron, DRI and Steel Scrap	**2,29,443**	**606.21**	2,68,577	469.19
ii) Ferro Alloys	**6,247**	**89.86**	8,284	95.09
	2,35,690	**696.07**	2,76,861	564.28
Less : Inter Segment Transfers Included in above	**18,024**	**47.94**	18,008	31.39
	2,17,666	**648.13**	2,58,853	532.89
Total Raw Material Consumed	**2,21,518**	**658.82**	2,73,287	570.44

e) I) Particulars in respect of Consumption of Raw Materials

Particulars	**Rs. in Crore**	**%**	Rs. in Crore	%
Indigenous	**479.94**	**72.84**	522.72	91.63
Imported	**178.88**	**27.16**	47.72	8.37
	658.82	**100.00**	570.44	100.00

II) Particulars in respect of Consumption of Stores and Spares, consumables

Particulars	**Rs. in Crore**	**%**	Rs. in Crore	%
Indigenous	**64.54**	**80.26**	73.49	85.42
Imported	**15.87**	**19.74**	12.53	14.58
	80.41	**100.00**	86.02	100.00

	Rs. in Crore 2008 - 09	Rs. in Crore 2007 - 08
f) I) Earnings in Foreign Currency		
i) FOB Value of Exports	**322.70**	228.66
ii) Freight on Exports	**24.77**	18.47
II) Expenditure in Foreign Currency		
i) Interest	**32.33**	24.94
ii) Commission on Exports	**0.79**	0.91
iii) Travelling	**0.58**	0.59
iv) Professional Consultation Fees	**1.72**	1.08
v) Others	**1.09**	1.97

14) **Investor Education and Protection Fund** shall be credited by the following amounts, when due.

i) Unclaimed Matured Debentures	**0.96**	1.04
ii) Unpaid Dividend	**0.86**	0.62
iii) Unclaimed Matured Deposits	**0.01**	0.01

NOTES ON ACCOUNTS (contd.)

			2008 - 09		2007 - 08
15) **Provision for Taxation**					
i)	a) Provision for Income Tax / Wealth Tax		**5.11**		14.27
	b) Provision for Income Tax earlier years		**-**		1.97
	c) Provision for Fringe Benefit Tax		**0.87**		0.58
	d) Provision for Fringe Benefit Tax earlier year		**0.02**		-
	e) Deferred Tax Debit / (Credit)	**19.47**		46.60	-
	Less : Transferred from General Reserve	**19.47**		21.17	-
			-		25.43
	f) MAT Credit for Current Year		**(5.06)**		(14.22)
	g) MAT credit for earlier years		**-**		(1.97)
	h) Excess Provision of Income Tax of earlier year		**(1.19)**		-
			(0.25)		26.06

ii) Provision of Income Tax is made based on the provisions of Section 115 JB of the Income Tax Act, 1961.

iii) 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 30th 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) Remittance in foreign currency on acocunt of dividend to non-resident Shareholders.

	Number of Shareholders	Number of Equity Shares Held	Gross Amount of dividend Rs. in Crore
Final Dividend for 2007 - 08	8597	3991672	0.20

17) Disclosure regarding exposure of the Company in respect of outstanding foreign currency transactions as on the date of Balance Sheet and which are not hedged by a derivative instruments or otherwise.

	2008 - 09		2007 - 08	
	Foreign Currency in Million	**Rs. In Crore**	Foreign Currency in Million	Rs. In Crore
i) Secured Loans				
a) US Dollars	**121.87**	**620.91**	118.90	475.25
b) Euros	**0.21**	**1.44**	8.54	54.07
ii) Unsecured Loans				
US Dollars	**20.00**	**101.90**	20.00	79.94
iii) Receivables				
a) US Dollars	**6.78**	**34.16**	5.66	22.56
b) Euros	**9.90**	**65.05**	7.41	43.45
c) Sterling Pounds	**0.29**	**2.07**	0.66	5.15
d) Australian Dollar	**0.51**	**1.78**	1.17	0.61
iv) Deposits with Banks				
US Dollars	**2.60**	**13.25**	2.48	9.85
v) Interest Receivable				
US Dollars	**0.04**	**0.23**	0.08	0.31
vi) Payables				
a) US Dollars	**8.05**	**41.01**	1.70	6.80
b) Euros	**0.13**	**0.91**	0.13	0.77
vii) Interest Payable				
US Dollars	**0.61**	**3.09**	0.17	0.69

NOTES ON ACCOUNTS (contd.)

18) 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.

19) i) Assets taken on operating lease : - The details of future rental payable on non-cancellable operating lease are given below.

Rs. in Crore

	2008 - 09	2007 - 08
Not later than one year	**2.82**	2.76
Later than one year and not later than five years	**11.22**	11.28
Later than five years	**7.79**	12.35

ii) Assets taken on finance lease : - The period of lease is 10 years. The agreements provide for renewal of the lease at the end of the lease period. 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	0.10	0.05	0.17
(Previous Year)	(0.02)	(0.12)	(0.07)	(0.21)
PV	0.02	0.05	0.02	0.09
(Previous Year)	(0.02)	(0.06)	(0.02)	(0.10)

20) The Company has allotted 57,50,000 Optional Convertible Warrant in the year 2007-08 by way of a preferential allotment to the promoters on the conversion terms of one equity share of Rs. 5/- each at a premium of Rs. 86.80 per Equity Share. The option to exercise the right for conversion shall be available to the holder not later than 18 months from the date of allotment. As per the terms of warrants, 10% of the total issue price of Rs. 9.20 per warrant amounting to Rs. 5.29 Crore are received from the allottees. None of the allottees have exercised the option till the date of Balance Sheet. The amount of Rs. 5.29 Crore has been used for the object of the issue.

21) i) In terms of the notification dated 31st March 2009 by The Ministry of Corporate Affairs amending AS-11 "The effects of changes in Foreign Exchange Rates", the Company has exercised the option to recognize the exchange difference on long term monetary items retrospectively from the accounting period 1st April 2007. Such exchange differences so far as they related to the acquisition of capital assets are adjusted to the cost of capital and would be depreciated over the balance life of the asset and in other cases accumulated in "Foreign Currency monetary Item Translation Difference Account" and amortized over the balance period of respective long term monetary item but not beyond 31st March, 2011.

ii) Accordingly, exchange difference on long term monetary items recognized in profit and loss account in year 2007-08 amounting to Rs 1.73 Crore (Gain) has been adjusted to the cost of capital asset and in other cases amounting to Rs.19.10 Crore (Gain) has been transferred to "Foreign Currency Monetary Item Translation Difference Account" by taking corresponding debit to General Reserve, being a net gain.

iii) Out of the total Exchange difference on long term monetary items for the year 2008-09, Rs. 51.88 Crore (Loss) relating to acquisition of capital asset has been adjusted to the respective capital cost and the balance exchange difference of Rs.66.83 Crore (Loss) has been transferred to "Foreign Currency Monetary Item Translation Difference Account" The Exchange Difference amortized during the year pertaining to year 2007-08 is Rs. 10.46 Crore (Gain) and that for the year 2008-09 is Rs.18.01 Crore (Loss).

iv) Had this change not been effected, the profit for the year would have been lower by Rs.111.16 Crore, Fixed assets by Rs 50.15 Crore and consequently the Reserves and Surplus by Rs. 90.33 Crore.

22) (I) Related party Disclosure as required by Accounting Standard 18 is as under : -

(a) Key Management Personnel

(i) Mr. V. Balasubramanian
Joint Managing Director (upto 30th April, 2008)

(ii) Mr. Nirmal Chandra
President (Projects & Product Development)

(iii) Mr. Rajiv Goel
Chief Financial Officer

(iv) Mr. O.P. Kakkar
Managing Director

(v) Mr. B.R. Taneja
Chief Executive Officer

(vi) Mr. Salil Taneja
Joint Managing Director

NOTES ON ACCOUNTS (contd.)

(b) Subsidiary Companies	i)	ISMT Enterprises SA, Luxembourg
(c) Indirect Subsidiary Companies	i)	Structo Hydraulics AB (Sweden)
	ii)	Structo (UK) Limited (United Kingdom)
	iii)	Structo Hydraulics India Limited (India)
	iv)	ISMT Europe AB (Sweden)
(d) Associate Companies	i)	Indian Seamless Enterprises Limited
	ii)	Taneja Aerospace and Aviation Limited
	iii)	Indian Seamless Incorporated, USA.

Rs. in Crore

Details of Transaction	Key Management Personnel and their Relatives		Subsidiary and Indirect Subsidiary Companies		Associate Companies	
	2008-09	2007-08	**2008-09**	2007-08	**2008-09**	2007-08
Remuneration Paid	**4.24**	6.89	**-**	-	**-**	-
Rent Paid	**-**	-	**-**	-	**-**	-
Professional services availed					**-**	-
Sale of Finished Goods	**-**	-	**99.32**	85.93	**21.71**	14.89
Lease rent	**-**	-	**-**	-	**2.70**	0.90
Inter Corporate Deposits received	**-**	-	**-**	-	**-**	27.00
Interest paid	**-**	-	**-**	-	**-**	0.82
Charges Recoverable	**-**	-	**-**	-	**3.00**	-
Inter Corporate Deposits given	**-**	-	**-**	-	**18.51**	30.60
Interest received	**-**	-	**-**	-	**1.14**	0.97
Investment	**-**	-	**7.30**	19.18	**-**	-
Assignment of Liability	**-**	-	**-**	-	**-**	5.22
Dividend paid	**-**	-	**-**	-	**2.75**	4.98
Outstanding as at Balance Sheet date						
Payables -	**-**	-	**-**	0.59	-	-
Receivables	**-**	-	**60.97**	39.83	**13.04**	5.93
Other Current Assets	**-**	-	**-**	-	**3.00**	-
Loans & Advances	**-**	-	**-**	-	**1.52**	1.39
Inter-corporate Deposits given	**-**	-	**-**	-	**4.86**	3.00

II) Companies under same Management as per Section 370 (1B) of the Companies Act, 1956.
Receivables include due from Indian Seamless Incorporated, USA 0.99 3.65

23) Particulars in respect of Loans and Advances in the nature of loans as required by the Listing Agreement

Name of the Associate Company	Outstanding Balance as at		Maximum outstanding during the year	
	31.03.2009	31.03.2008	**2008 - 2009**	2007 - 2008
Loans and Advances in the nature of Loans				
Taneja Aerospace and Aviation Limited	**4.86**	3.00	**15.14**	10.60
Indian Seamless Enterprises Limited	**-**	-	**-**	11.35

24) The Accounting Standard 15 (Revised 2005) on " Employee Benefits " has been adopted by the Company effective from April 1, 2007.
During the year, Company has recognised the following amounts in the financial statements :

i) Defined Contribution Plan :

The Company has recognized the following amounts as an expense and included under the head " Personnel Cost" contribution to Provident and other Fund :

Rs. in Crore

	2008-09	2007-08
Employer's Contribution to Provident Fund & Family Pension Fund	**3.17**	2.99
Employer's Contribution to Superannuation Fund	**1.28**	1.55

NOTES ON ACCOUNTS (contd.)

In respect of Provident fund trust set up by the Company, there is no deficit of interest shortfall as on the date of Balance Sheet. With regards to future obligation arising due to interest shortfall (i.e. government interest to be paid on the Provident Fund Scheme exceeding rate of interest earned on investment), pending issuance of the Guidance Note from Actuarial Society of India, the actuarial liability against the same cannot be reliably measured and quantified.

ii) Defined Benefit Plan :

a) Changes in present value of Defined Benefit obligations :

	Gratuity (Funded)	
	Rs. in Crore	
	2008-09	2007-08
Present value of obligation as at 1st April, 2008	**7.59**	5.08
Current Service Cost	**0.91**	0.67
Interest Cost	**0.59**	0.41
Actuarial (gain)/loss	**1.97**	1.96
Benefits paid	**(0.44)**	(0.53)
Present value of obligation as at 31st March, 2009	**10.62**	7.59

b) Changes in fair value of plan Assets :

	2008-09	2007-08
Fair value of plan Assets as at 1st April, 2008	**4.66**	4.33
Expected return on plan Assets	**0.41**	0.38
Actuarial gain/(loss)	**0.07**	(0.05)
Employer Contribution	**Nil**	Nil
Benefits Paid	**Nil**	Nil
Fair value of plan Assets as at 31st March, 2009	**5.14**	4.66

c) Actual Return on Plan Assets :

	2008-09	2007-08
Expected return on plan Assets	**0.41**	0.38
Actuarial gain/(loss) on plan Assets	**0.07**	(0.05)
Actual return on plan Assets	**0.48**	0.33

d) Amounts recognized in the Balance Sheet in respect of :

	Gratuity (Funded)	**Leave Encashment (Non funded)**	Gratuity (Funded)	Leave Encashment (Non Funded)
	2008-09		2007-08	
Fair value of Plan Assets as at 31st March, 2008	**5.14**	**Nil**	4.66	Nil
Present value of obligation as at 31st March, 2009	**10.62**	**3.06**	7.59	2.35
Net Liability	**5.48**	**3.06**	2.93	2.35

e) Expenses recognised in the Profit & Loss Account (under the head "Personnel Cost" - Refer Schedule No. 16).

	Gratuity (Funded)	**Leave Encashment (Non funded)**	Gratuity (Funded)	Leave Encashment (Non Funded)
Current Service Cost	**0.91**	**0.34**	0.67	0.26
Interest Cost	**0.59**	**0.15**	0.41	0.19
Expected return on Plan Assets	**(0.41)**	**Nil**	(0.38)	Nil
Actuarial (gain)/loss	**1.91**	**1.27**	2.00	0.43
Expense Recognised in the Profit and Loss Account	**3.00**	**1.76**	2.70	0.88

f) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets as at 31st March, 2009.

	2008-09	2007-08
i) Government of India Securities	**22.55%**	24.50%
ii) Corporate Bonds	**23.24%**	25.24%
iii) Special Deposit Scheme	**12.43%**	7.24%
iv) Insurer Managed Funds	**26.99%**	26.96%
v) Others	**14.79%**	16.06%
Total	**100.00%**	100.00%

NOTES ON ACCOUNTS (contd.)

g) Principal Actuarial Assumptions used as at the balance sheet date :

Particulars	**Gratuity (Funded)**	**Leave Encashment (Non Funded)**	Gratuity (Funded)	Leave Encashment (Non Funded)
Discount Rate	**7.50%**	**7.50%**	8.00%	8.00%
Expected Rate of Return on Plan Assets	**8.75%**	**-**	8.75%	-
Salary Escalation Rate	**5.00%**	**5.00%**	5.00%	5.00%

Rs. in Crore

	2008 - 09	2007 - 08
25) **Miscellaneous income include**		
i) Recovery of bad debts	**-**	0.05
ii) Profit on Sale of Assets	**0.03**	-
iii) Income on prepayment/ assignment of liability	**5.46**	13.79

26) **The break-up of Deferred Tax Assets and liabilities into major components at the year end is as follows :**

	As at 31st March, 2009	As at 31st March, 2008
i) Deferred Tax Assets		
a) Accumulated Tax Losses	**-**	-
b) Unabsorbed Tax Depreciation	**94.03**	101.33
c) Deduction eligible in future period in respect of expenses already debited to Profit & Loss Account	**3.56**	3.46
	97.59	104.79
ii) Deferred Tax Liabilities		
a) Depreciation	**95.44**	97.92
b) Expenditure Deferred	**17.44**	2.69
	112.88	100.61
iii) Net Deferred Tax Asset/ (Liability)	**(15.29)**	4.18
27) **Earnings per Share**		
i) Profit After Tax	**56.23**	100.04
ii) Net profit for the year attributable to Equity Share Holders	**56.23**	100.04
iii) Weighted Average number of Equity Shares	**14,65,01,383**	14,44,67,858
iv) Earnings per share (Rs.) (Basic and Diluted)	**3.84**	6.92

28) **Miscellaneous Expenses include**

i) Rates & Taxes		**0.20**		0.18
ii) Repairs & Maintenance Building		**0.29**		0.38
iii) Directors' Sitting Fees		**0.04**		0.04
iv) Equipment Lease Rent		**0.21**		0.12
v) Excise Duty Expenses		**0.01**		0.44
vi) Auditors Remuneration				
a) Statutory Audit Fees	**0.17**		0.14	
b) Taxation Matters	**0.05**		0.05	
c) Out of Pocket Expenses	**0.01**	**0.23**	0.03	0.22

29) The Company has charged expenses prior to and incidental to the merger and interest difference and balance unamortised restructuring expenses aggregating Rs. 3.81 Crore and Rs. 5.26 Crore respectively to Amalgamation Reserve and Restructing Reserve in terms of the Scheme of Arrangement.

30) Previous year figures have been regrouped and reclassified wherever necessary to conform to the 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

Sandeep Rao
Partner
M. No.47235
Mumbai, August 26, 2009

Sanjay Dhruva
Partner
M.No. 38480
Mumbai, August 26, 2009

Salil Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary
Mumbai, August 26, 2009

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.	25-16417	State Code	11
Balance Sheet Date	31 03 2009 (Date Month Year)		

II. Capital Raised during the year

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Issue	NIL

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	20201255	Total Assets	20201255
Sources of Funds			
Paid-up Capital	732507	Reserves & Surplus	4531147
Secured Loans	9405210	Unsecured Loans	2187840
		Deferred Tax Liability	152935
Application of Funds			
Net Fixed Assets	11476712	Investment	264823
FCMITDA	401809		
Net Current Assets	4892392	Misc. Expenditure	26803

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover #	13143850	Total Expenditure	12584000
Profit Before Tax	559850	Profit After Tax	562310
Earning Per Share in Rs.	3.84	Dividend Rate %	20.00

including other income

V. Generic Names of Three Principal Products of Company

7214 HOT ROLLED BARS AND RODS OF NON ALLOY STEEL

72247 CAST ROUNDS/HOT ROLLED

7228 BARS&RODS OF ALLOY STEEL

7304 SEAMLESS TUBES & HOLLOWS

As per our report of even date

For **M/s P.G. Bhagwat** Chartered Accountants	For **J. K. Shah & Co.** Chartered Accountants		
Sandeep Rao Partner M. No.47235	**Sanjay Dhruva** Partner M.No. 38480	**Salil Taneja** Chief Executive Officer	**Rajiv Goel** Chief Financial Officer
		Jayan Nair Company Secretary	
Mumbai, August 26, 2009	Mumbai, August 26, 2009	Mumbai, August 26, 2009	

Discclosure of information relating to subsidiary and indirect subsidiary companies as required by the Central Government under Section 212 (8) of the Companies Act, 1956.

Rupees

Particulars	ISMT Enterprises SA, Luxembourg	Structo Hydraulics AB, Sweden	Structo (UK) Limited	ISMT Europe AB, Sweden	Structo Hydraulics (India) Ltd.
Capital	445014159	129402000	7271	31426200	500000
Reserves	(4682238)	(86999491)	560334	(13121889)	-
Total Assets	78385222	(1801404392)	1997454	101700098	525500
Total Liabilities	211470	(1525357896)	1429848	83395787	25500
Investments other than in Subsidiary Companies	-	-	-	-	-
Turnover & Other Income	205818	2335037888	10655558	110303576	-
Profit / (Loss) before taxation	(907407)	(90742241)	19622	(13669785)	-
Provision for taxation	34481	-	-	-	-
Profit / (Loss) after taxation	(941888)	(90742241)	19622	(13669785)	-
Proposed Dividend	-	-	-	-	-

Notes:

1. The accounts of subsidiaries have been re-stated in line with Indian GAAP and as required by Accounting Standard 21 issued by The Institute of Chartered Accountants of India, wherever applicable.
2. The Financial Statement of the subsidiaries whose reporting currency are other than INR are converted into Indian Rupees on the basis of following exchange rates

Particulars	For Assets and Liabilities at Closing Exchange Rate	For Profit and Loss items at Dialy Average Rate
EURO to INR	Rs. 67.441/EURO	Rs. 65.058/EURO
SEK to INR	Rs. 6.162/SEK	Rs. 6.418/SEK
GBP to INR	Rs. 72.714/GBP	Rs. 76.053/GBP

Auditors Report on Consolidated Financial Statements

To,

The Board of Directors of ISMT Limited

1. We have audited the attached consolidated balance sheet of ISMT Limited and its subsidiaries (together referred to as "the Group", as described in Note No. 1 (C) of Schedule 21) as at March 31, 2009 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's management on the basis of separate financial statements and also the financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statement of subsidiaries, whose financial statements reflect total assets of Rs. 198.40 Crore as at March 31, 2009, total revenue of Rs. 245.62 Crore for the year ended March 31, 2009. These financial statements and other financial information have been audited / compiled by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard – 21, " Cnsolidated Financial Statements" notified by the Companies (Accounting Standards) Rules, 2006.

5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2009.

   (b) in the case of the consolidated profit and loss account, of the profit of the Group for the year ended on that date;

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

For and on behalf of

For M/s P.G BHAGWAT	For J.K SHAH & CO.
Chartered Accountants	Chartered Accountants
Sandeep Rao	Sanjay Dhruva
Partner	Partner
Membership No. 47235	Membership No. 38480
Mumbai, August 26, 2009	Mumbai, August 26, 2009

Consolidated Balance Sheet as at March 31, 2009

Rs. in Crore

	Schedule	As at 31st March,09		As at 31st March,08	
Sources of Funds					
Shareholders' Fund					
Share Capital	1	73.25		73.25	
Equity Share Warrants		5.29		5.29	
Reserves and Surplus	2	452.27		463.15	
			530.81		541.69
Minority Interest			11.83		11.89
Loan Funds					
Secured Loans	3	1,012.28		747.14	
Unsecured Loans	4	218.78		204.28	
			1,231.06		951.42
Deferred Tax Liability			15.29		-
			1,788.99		1,505.00
Application of Funds					
Fixed Assets					
Gross Block	5	1,192.98		1,145.50	
Less : Depreciation		421.30		366.52	
Net Block		771.68		778.98	
Capital Work-in-Progress		432.36		281.81	
			1,204.04		1,060.79
Goodwill on consolidation			25.09		23.50
Investments	6		0.01		0.01
Foreign Currency Monetary Item Translation Difference Account	7		40.18		-
Deferred Tax Asset			-		4.18
Current Assets , Loans and Advances	8				
i) Inventories		361.63		278.04	
ii) Sundry Debtors		210.62		278.42	
iii) Cash and Bank Balances		65.33		43.73	
iv) Other Current Assets		41.04		28.64	
v) Loans and Advances		197.29		168.49	
		875.91		797.32	
Less: Current Liabilities & Provisions	9				
i) Current Liabilities		326.49		367.10	
ii) Provisions		32.45		23.95	
		358.94		391.05	
Net Current Assets			516.97		406.27
Miscellaneous Expenditure (To the extent not written off or adjusted)	10		2.70		10.25
			1,788.99		1,505.00
Significant Accounting Policies	20				
Notes to Accounts	21				

As per our report of even date

For **M/s P.G. Bhagwat**
Chartered Accountants

Sandeep Rao
Partner
M. No.47235

Mumbai August 26, 2009

For **J. K. Shah & Co.**
Chartered Accountants

Sanjay Dhruva
Partner
M.No. 38480

Mumbai August 26, 2009

Salil Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary
Mumbai August 26, 2009

Consolidated Profit & Loss Account for the year ended March 31, 2009

Rs. in Crore

	Schedule	2008 - 09		2007 - 08	
Income					
Gross Sales		**2,560.89**		2,306.69	
Less : Inter Segment Transfers		**799.57**		637.36	
Inter Division Transfers		**103.36**		102.28	
Sales to Subsidiary Company		**99.66**		82.81	
Excise Duty		**120.96**		131.89	
Net Sales			**1437.34**		1352.35
Other Income	11		**22.00**		19.35
			1,459.34		1,371.70
Expenditure					
Materials Consumed	12	**767.55**		736.48	
Energy	13	**178.15**		179.67	
Direct Manufacturing	14	**55.50**		36.90	
Selling and Distribution	15	**52.40**		47.02	
Personnel	16	**129.67**		111.87	
Overheads	17	**25.73**		22.61	
			1,209.00		1,134.55
Profit before Finance Charges,Exchange (Gain)/ Loss. Depreciation, Amortisation and Taxation			**250.34**		237.15
Finance Charges	18	**87.27**		69.54	
Depreciation and Amortisation	19	**58.34**		61.28	
			145.61		130.82
Profit before Foreign Exchange (Gain)/Loss and Taxation			**104.73**		106.33
Less : Foreign Exchange (Gain)/Loss			**57.23**		(22.26)
Profit before Taxation			**47.50**		128.59
Less : Provision for Taxation (Refer Note No. 6 of Schedule 21)			**(0.25)**		26.88
Profit after Taxation			**47.75**		101.71
Less: Share of Minority interest			**(2.30)**		1.21
Profit After Minority interest			**50.05**		100.50
Balance brought forward from Previous Year			**58.67**		75.19
Less: Pre-acquisition Profit adjusted against cost of investment			**0.21**		-
Balance available for appropriations			**108.51**		175.69
Appropriations					
Interim Dividend			**7.33**		7.22
Proposed Final Dividend			**7.33**		7.33
Tax on Interim Dividend			**1.24**		1.23
Tax on proposed Dividend			**1.24**		1.24
General Reserve			**50.00**		100.00
Balance carried to Balance Sheet			**41.37**		58.67
Earnings per share Rs. (Face Value of Rs. 5/- each) (Refer Note No. 9 of Schedule 21)			**3.42**		6.96
Significant Accounting Policies	**20**				
Notes to Accounts	**21**				

As per our report of even date

For **M/s P.G. Bhagwat**
Chartered Accountants

For **J. K. Shah & Co.**
Chartered Accountants

Sandeep Rao
Partner
M. No.47235
Mumbai, August 26, 2009

Sanjay Dhruva
Partner
M.No. 38480
Mumbai, August 26, 2009

Salil Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary
Mumbai, August 26, 2009

Consolidated Cash Flow Statement for the year ended March 31, 2009

Rs. in Crore

	2008 - 09		2007 - 08	
A. Cash Flow from Operating Activities :				
Net Profit before Tax		**47.50**		128.59
Adjustments for :				
Depreciation	**56.65**		59.05	
Finance Charges	**87.27**		69.54	
Interest Income	**(8.03)**		(4.72)	
Exchange Fluctuation (Gain)/Loss	**16.17**		(17.48)	
Amortisation of Miscellaneous Expenditure	**1.69**		2.23	
Expenses Charged to Reserves	**(4.60)**		(4.21)	
Income on Pre-payment of liability	**(5.46)**		(13.79)	
Loss/(Profit) on sale of Fixed Assets (Net)	**0.29**		(0.04)	
Foreign Currency Translation Reserve	**3.34**		3.36	
		147.32		93.94
Operating Cash Profit before Working Capital Changes		**194.82**		222.53
Adjustments for :				
Trade and Other Receivables	**(1.24)**		26.28	
Inventories (Increase) / Decrease	**(85.18)**		(0.21)	
Trade Payables	**(0.24)**	**(86.66)**	4.93	31.00
Taxes Paid		**(11.05)**		(18.96)
Net Cash Flow from Operating Activities		**97.11**		234.57
B Cash Flow from Investing Activities :				
Additions to Fixed Assets	**(158.10)**		(278.19)	
Sale of Fixed Assets	**0.25**		0.05	
Investment in Subsidiary Company	**-**		(33.86)	
Interest Received	**6.13**		4.33	
Net Cash used in Investing Activities		**(151.72)**		(307.67)
C Cash Flow from Financing Activities :				
(Redemption)/Proceeds from Right issue of Equity Share Warrants	**-**		1.06	
Proceeds from Equity Share Warrants	**-**		5.29	
Security Premium	**-**		8.96	
Expenditure incurred on Foreign Currency Convertible Bonds	**-**		(1.25)	
Proceeds from issue of Shares to Minority Share Holders	**-**		12.80	
Miscellaneous Expenditure	**(0.35)**		(2.86)	
Dividend Payments (including Tax thereon)	**(8.33)**		(16.27)	
Proceeds from /(Repayment of) Borrowings	**160.37**		130.60	
Finance Charges Paid	**(86.80)**		(68.95)	
Net Cash from Financing Activities		**64.89**		69.38
Net Increase / (Decrease) in Cash and Cash Equivalents		**10.28**		(3.72)
Cash and Cash Equivalents at the beginning of the year (Refer Note No.1)		**5.77**		9.49
Cash and Cash Equivalents at the end of the year (Refer Note No.1)		**16.05**		5.77
Net Increase / (Decrease) in Cash & Cash Equivalents		**10.28**		(3.72)
Notes: 1 The cash and cash equivalents in the cash flow statement comprise of the following Balance Sheet amounts:		**As at March 31, 2009**		As at March 31, 2008
(a) Cash on hand		**0.05**		0.06
(b) Current Accounts with Banks		**16.00**		5.71
		16.05		5.77

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

Sandeep Rao
Partner
M. No.47235

Mumbai, August 26, 2009

For **J. K. Shah & Co.**
Chartered Accountants

Sanjay Dhruva
Partner
M.No. 38480

Mumbai, August 26, 2009

Salil Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary
Mumbai, August 26, 2009

Schedules forming part of the Consolidated Balance Sheet

Rs. in Crore

		As at 31st March, 2009		As at 31st March, 2008
Schedule - 1				
Share Capital				
Authorised				
i) 17,50,00,000 (Previous Year 17,50,00,000) Equity Shares of Rs.5/- each		**87.50**		87.50
ii) Unclassified Shares		**71.00**		71.00
		158.50		158.50
Issued, Subscribed and Paid up:				
14,65,01,383 (Previous Year 14,65,01,383) Equity Shares of Rs 5/- each fully paid		**73.25**		73.25
Schedule – 2				
Reserves And Surplus				
i) Capital Reserve		**1.65**		1.65
ii) Capital Redemption Reserve		**80.60**		80.60
iii) Securities Premium				
As per last Balance Sheet	**9.36**		1.65	
Add : Received during the year on allotment	**-**		8.96	
Less : Debits related to FCCB issue expenses	**-**		1.25	
		9.36		9.36
iv) Amalgamation Reserve				
As per last Balance Sheet	**44.21**		45.72	
Less : Debits related to Pre- Merger period	**3.81**		1.51	
		40.40		44.21
v) Reserve for Contingencies				
As per last Balance Sheet	**3.72**		3.73	
Less : Debits related to Pre- Merger period	**-**		0.01	
		3.72		3.72
vi) Restructuring Reserve				
As per last Balance Sheet	**18.19**		20.88	
Less : Debits related to Pre- Merger period	**5.26**		2.69	
		12.93		18.19
vii) General Reserve				
As per last Balance Sheet	**247.45**		168.62	
Add : Transfer from Profit & Loss Account	**50.00**		100.00	
Less : Exchange differences (Gain) adjusted to the cost of Capital Assets	**1.73**		-	
Less : Exchange differences(Gain) transferred to FCMITDA (Refer Note No. 2 of Schedule 21)	**19.10**		-	
Less : Transferred to Profit & Loss Account	**19.47**		21.17	
		257.15		247.45
viii) Foreign Currency Translation Reserve		**5.09**		(0.70)
ix) Balance in Profit and Loss Account		**41.37**		58.67
		452.27		463.15

Schedules forming part of the Consolidated Balance Sheet (contd.)

Rs. in Crore

	As at 31st March, 2009		As at 31st March, 2008	
Schedule – 3				
Secured Loans				
i) Term Loans from Banks				
a) Rupee Loans	**239.80**		131.65	
b) Foreign Currency Loans	**470.97**		436.68	
		710.77		568.33
ii) Working Capital Borrowings from Banks				
a) Rupee Loans	**77.50**		7.18	
b) Foreign Currency Loans	**224.01**		171.63	
		301.51		178.81
		1,012.28		747.14
Schedule – 4				
Unsecured Loans :				
i) Foreign Currency Convertible Bonds (FCCB)		**101.90**		79.94
ii) Interest Free Incentive and sales Tax Loan		**116.88**		124.15
iii) Others		**-**		0.19
		218.78		204.28

Schedule 5

Fixed Assets

Rs. in Crore

Description	Gross Block				Depreciation				Net Block	
	As at April 01, 2008	Additions	Deletions/ Sales	**As at March 31, 2009**	As on April 01, 2008	For the Year	Deletions/ Sales/ Adjustments	**As on March 31, 2009**	**As at March 31, 2009**	As at March 31, 2008
Leasehold Land	7.03	-	-	**7.03**	0.33	0.08	-	**0.41**	**6.62**	6.70
Freehold Land	1.74	-	-	**1.74**	-	-	-	**-**	**1.74**	1.74
Buildings	90.17	2.56	-	**92.73**	15.76	2.97	-	**18.73**	**74.00**	74.41
Plant & Machinery	985.92	42.40	2.32	**1026.00**	314.93	53.01	6.29	**361.65**	**664.35**	670.99
Furniture & Fixtures	1.36	1.99	-	**3.35**	0.73	0.35	-	**1.08**	**2.27**	0.63
Office Equipments	9.24	1.94	0.02	**11.16**	5.48	1.14	0.01	**6.61**	**4.55**	3.76
Vehicles	2.46	0.12	0.06	**2.52**	1.17	0.34	0.04	**1.47**	**1.05**	1.29
Intangible Assets										
Goodwill	33.79	-	-	**33.79**	24.57	1.30	-	**25.87**	**7.92**	9.22
Technical Know-how	4.13	-	-	**4.13**	0.90	0.83	-	**1.73**	**2.40**	3.23
Software Development	2.70	0.87	-	**3.57**	0.52	0.57	-	**1.09**	**2.48**	2.18
Assets Taken on Lease										
Plant & Machinery	6.96	-	-	**6.96**	2.13	0.53	-	**2.66**	**4.30**	4.83
TOTAL	1,145.50	49.88	2.40	**1,192.98**	366.52	61.12	6.34	**421.30**	**771.68**	778.98
Previous Year	1126.80	19.42	0.72	**1,145.50**	308.18	59.05	0.71	**366.52**	**778.98**	-

Schedules forming part of the Consolidated Balance Sheet (contd.)

Rs. in Crore

		As at 31st March, 2009		As at 31st March, 2008
Schedule – 6				
Investments (At Cost)				
Long Term (Unquoted and Trade)				
Government Securities				
National Saving Certificate (Pledged with Sales Tax Authorities)		**0.01**		0.01
		0.01		0.01
Schedule – 7				
Foreign Currency Monetary Item Translation Difference Account (FCMITDA)				
Exchange Differences Relating to Long Term Monetary Items				
Transferred from General Reserve		**(19.10)**		-
Add : Exchange Differences arising during the year		**66.83**		-
Less :Exchange Differences amortised during the year		**7.55**		-
(Refer Note No. 2 of Schedule 21)		**40.18**		-
Schedule – 8				
Current Assets, Loans & Advances				
I. Inventories				
(As taken, valued and certified by the Management)				
i) Raw Material	**105.10**		93.44	
ii) Work-in-process	**80.20**		59.29	
iii) Finished Goods	**80.56**		75.34	
iv) Stores,Spares and Consumables	**95.77**		49.97	
		361.63		278.04
II. Receivables				
(Net of bills discounted with Banks) Unsecured, considered good				
i) Outstanding for more than six months Considered Good	**33.43**		16.35	
ii) Others Considered Good	**177.19**		262.07	
		210.62		278.42
III. Cash and Bank Balances				
i) Cash on hand	**0.05**		0.06	
ii) Current Accounts with Scheduled Banks	**7.67**		3.91	
iii) Money in transit	**8.34**		1.80	
iv) Deposit with Scheduled Banks	**49.27**		37.96	
		65.33		43.73
IV. Other Current Assets				
i) Export Entitlement	**29.64**		24.95	
ii) Others	**11.40**		3.69	
		41.04		28.64

Schedules forming part of the Consolidated Balance Sheet (contd.)

Rs. in Crore

	As at 31st March, 2009		As at 31st March, 2008	
V. Loans And Advances				
(Unsecured, Considered Good)				
i) Advances recoverable in cash or in kind or for value to be received				
a) Sundry Deposits	**13.77**		11.28	
b) Others	**88.07**		75.77	
ii) Balance with Customs,Excise , Sales Tax etc.	**47.03**		41.64	
iii) Advance Income Tax (net of provisions)	**3.56**		-	
iv) MAT Credit Receivable	**44.86**		39.80	
		197.29		168.49
		875.91		797.32

Schedule – 9

Current Liabilities & Provisions

	As at 31st March, 2009		As at 31st March, 2008	
I. Current Liabilities				
i) Acceptances				
a) Capital	**25.99**		13.09	
b) Others	**75.04**		110.97	
ii) Sundry Creditors				
a) Capital	**21.12**		24.90	
b) Others	**160.38**		158.31	
iii) Provision for Expenses	**13.69**		28.77	
iv) Advances from Customers	**4.25**		5.19	
v) Investor Education and Protection Fund	**1.83**		1.67	
vi) Other Liabilities	**21.85**		22.48	
vii) Interest accrued but not due	**2.34**		1.72	
		326.49		367.10
II. Provisions				
i) Proposed Dividend	**14.66**		7.33	
ii) Tax on Dividend	**2.48**		1.24	
iii) Leave Encashment	**8.27**		7.52	
iv) Gratuity and Superannuation	**7.04**		4.89	
v) Income Tax (net of advance payment)	**-**		2.97	
		32.45		23.95
		358.94		391.05

Schedule – 10

Miscellaneous Expenditure

	As at 31st March, 2009		As at 31st March, 2008	
i) Preliminary Expenses		**0.33**		0.45
ii) Preoperative Expenses		**-**		1.76
ii) Merger Expenses		**0.05**		0.53
iii) Loan Processing Fees		**2.32**		7.51
		2.70		10.25

Schedules forming part of the Consolidated Profit & Loss Account

Rs. in Crore

	2008 - 09		2007 - 08	
INCOME				
Schedule – 11				
Other Income				
i) Interest Received (Tax deducted at source Rs. 1.52 Crore Previous Year Rs. 0.76 Crore)		**8.03**		4.72
ii) Miscellaneous Income		**13.97**		14.63
		22.00		19.35
EXPENDITURE				
Schedule – 12				
Materials Consumed				
i) Raw Material				
Opening Stock	**93.44**		106.05	
Add: Purchases	**713.17**		640.98	
Less: Closing Stock	**105.10**		93.44	
		701.51		653.59
ii) (Increase)/Decrease in Stocks				
Closing Stock				
Work-in-process	**74.44**		59.29	
Finished Goods	**76.99**		75.34	
	151.43		134.63	
Less : Opening Stock				
Work -in- process	**59.29**		66.83	
Finished Goods	**75.34**		58.23	
	134.63		125.06	
		(16.80)		(9.57)
iii) Stores,Spares and Consumables		**84.18**		94.11
iv) Excise Duty on Opening & Closing Stock of Finished Goods		**(1.34)**		(1.65)
		767.55		736.48
Schedule – 13				
Energy				
i) Power		**105.24**		112.75
ii) Fuel		**52.53**		47.04
iii) Gases		**20.38**		19.88
		178.15		179.67
Schedule – 14				
Direct Manufacturing				
i) Processing Charges		**14.73**		13.96
ii) Other Direct Expenses		**31.05**		15.85
iii) Machine Lease Rentals		**2.12**		1.41
iv) Repairs and Maintenance – Plant & Machinery		**7.60**		5.68
		55.50		36.90
Schedule – 15				
Selling And Distribution				
i) Freight & Forwarding		**46.65**		41.87
ii) Commission on Sales		**3.21**		2.97
iii) Other Selling Expenses		**2.54**		2.18
		52.40		47.02

Schedules forming part of the Consolidated Profit & Loss Account (contd.)

Rs. in Crore

		2008 - 09		2007 - 08
Schedule – 16				
Personnel				
i) Salaries, Wages, Bonus and Allowances (including rent paid of Rs.0.10 Crore, recovery of Rs. 0.02 Crore, (Previous year Rs. 0.29 Crore, recovery of Rs. 0.07 Crore.)		**114.07**		98.79
ii) Contribution to Provident and other Funds		**9.30**		8.19
iii) Workmen and Staff Welfare		**6.30**		4.89
		129.67		111.87
Schedule – 17				
Overheads				
i) Rent		**1.51**		1.19
ii) Travelling and Conveyance		**7.08**		4.74
iii) Communication Expenses		**1.90**		1.42
iv) Repairs and Maintenance – Others		**1.38**		1.05
v) Insurance		**1.46**		1.37
vi) Loss on Sale of Assets		**0.32**		0.01
vii) Miscellaneous Expenses (Refer Note No. 13 of Schedule 21)		**12.08**		12.83
		25.73		22.61
Schedule – 18				
Finance Charges				
i) Interest				
a) Term Loans	**42.01**		43.84	
b) Working Capital & Others	**29.68**		18.60	
		71.69		62.44
ii) Cash Discount		**0.66**		0.76
iii) Other Finance Charges		**14.92**		6.34
		87.27		69.54
Schedule – 19				
Depreciation and Amortisation				
i) Depreciation of the year	**61.12**		59.05	
Less : Earlier year's depreciation written back	**4.47**		-	
		56.65		59.05
ii) Amortisation of Miscellaneous Expenditure		**1.69**		2.23
		58.34		61.28

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

SCHEDULE : 20

SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF CONSOLIDATION

The consolidated financial statements relate to ISMT Limited ("the Company) and its subsidiaries. The Company and its subsidiaries constitute the Group.

i) Basis of Accounting

a. The Financial Statements of the subsidiary companies used in consolidation are drawn upto the same reporting date as of the Company i.e. year ended March 31, 2009.

b. The Financial Statements of the Group have been prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India and as notified under the Companies (Accounting Standards) Rules, 2006 and other generally accepted accounting principles in India.

ii) Principles of Consolidation

The consolidated financial statements have been prepared in accordance with Accounting Standard 21 on "Consolidated Financial Statements" on the following principles:-

a) The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.

b) In case of foreign subsidiaries, being non-integral foreign operations, revenue items are consolidated at the average exchange rate prevailing during the year. All assets and liabilities are converted at closing exchange rates prevailing at the end of the year. All resulting exchange differences arising on consolidation is accumulated in foreign currency translation reserve until the disposal of net investment.

c) The excess of cost to the Company of its investments in the subsidiary companies over its share of equity of the subsidiary companies, at the date on which the investments in the subsidiary companies are made, is recognised as 'Goodwill' being an asset in the consolidated financial statements. Alternatively, where the share of equity in the subsidiary companies as on the date of investment is in excess of cost of investment of the Company, it is recognised as 'Capital Reserve' and shown under the head 'Reserves and Surplus', in the consolidated financial statements.

d) Minority interest in the net income of consolidated subsidiaries for the reporting period has been identified and adjusted against the income of the group in order to arrive at net income attributable to the group. Minority interest in the net assets of the consolidated subsidiaries have been identified and presented in the consolidated Balance Sheet separately from liabilities and the equity of parent.

e) The Consolidated Financial statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's separate financial statements except otherwise stated elsewhere in this schedule.

iii) The consolidated Financial Statements present the consolidated accounts of ISMT Ltd with its subsidiary and indirect subsidiary companies.

Sr. no.	Name of Company	Country of Incorporation	Proportion of Ownership Interest	Reporting date of subsidiaries
A	Direct Subsidiary			
**1	ISMT Enterprises SA	Luxembourg	69.22%	31st March, 2009
B	Indirect Subsidiaries (Subsidiaries of ISMT Enterprieses SA)			
*1	Structo Hydraulics AB	Sweden	100%	31st March, 2009
C	Indirect Subsidiaries (Subsidiaries of Structo Hydraulics AB)			
*1	Structo Hydraulics India Limited	India	100%	31st March, 2009
*2	ISMT Europe	Sweden	100%	31st March, 2009
**3	Structo (UK) Limited	UK	100%	31st March, 2009

* Audited by other Auditors

** Compiled by other Auditors

OTHER ACCOUNTING POLICIES:

1) Revenue Recognition

Expenses and income are accounted for on accrual basis.

2) 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.

3) Import Entitlement

The Company is entitled to import duty free raw material under Advance Licences issued to the Company under the Duty Exemption Scheme or Claim duty drawbacks on Exports of the goods manufactured by it. In respect of Export Sales made by the Company or goods produced exclusively for export, pending receipt of imported duty-free raw materials, the higher cost of domestic raw materials actually consumed for the purpose of such export/production is adjusting by accruing the value of company's entitlement to import duty-free raw materials.

4) Fixed Assets

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 refundable taxes and duties.

5) Depreciation

Parent Company

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) Deprecation 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.

Subsidiary Company

Structo Hydraulics AB, Sweden:

Depreciation according to plan is based on the original purchase value and estimated economic life. A write-down is made in case of permanent decrease in value.

The following depreciation periods are applied :

Tangilble Assets : -

Buildings	45 years
Computer hardware and software	3-5 years
Plant & machinery and equipment	3- 15 years

Structo (UK) Limited:

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Computer Equipment – 33% on reducing balance.

ISMT Europe AB, Sweden:

Depreciation according to plan is based on the original purchase value and estimated economic life. A write-down is made in case of permanent decrease in value.

Tangilble Assets : -

Computer Hardware and Software	5 years
Equipment	5 years

6) Intangibles

Parent Company

Intangible assets are stated at costs less accumulated amortisation.

The cost relating to intangible assets are capitalised and amortised over the period of 5 years which is based on their estimated useful life.

Subsidiary Company

Structo Hydraulics AB Sweden:

Goodwill is amortised over a period of 10 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 are capitalised.

9) Inventories

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

ii) Valuation

a) Raw Materials are valued at lower of cost or net realisable value. Cost is determined on weighted average basis.

b) Semi finished and 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 weighted average basis, except for those which have a longer usable life, which are valued on the basis of their remaining useful life.

iii) Inventories include goods in transit under the appropriate heads.

Subsidiary Companies

Inventory is valued at the lower of original cost on a first in first out principle and market value respectively. Obsolescence risk have been considered. The purchase cost regarding the company's own manufacturing semi-finished and finished products consists of direct manufacturing costs and reasonable overheads for indirect manufacturing costs.

10) Employee Benefits

Parent Company

(i) Defined Contribution Plan

The Company makes defined contribution to Provident Fund and Superannuation Schemes, which are recognized in the Profit and Loss Account on accrual basis.

(ii) Defined Benefit Plan

The Company's liabilities under Payment of Gratuity Act (funded), long term compensated absences are determined on the basis of actuarial valuation made at the end of each financial year using the projected unit credit method except for short term compensated absences, which are provided on actual basis. Actuarial gain and losses are recognised immediately in the statement of the Profit and Loss Account as income of expense. Obligations is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

Subsidiary Companies

The Company makes defined contribution to the Government authority as a social security benefit, which is recognized in the Profit & Loss Account on accrual basis.

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

Parent Company

i) All transactions in foreign currency are recorded by applying the exchange rate prevailing at the time of the transaction.

ii) Monetary foreign currency assets and liabilities (monetary items) are reported at the exchange rate prevailing on the balance sheet date. Pursuant to the notification of the Companies (Accounting Standards) Amendment Rules 2006 on 31st March 2009, which amended Accounting Standard 11 on The Effects of Changes in Foreign Exchange Rates, exchange differences relating to long term monetary items are dealt with in the following manner:

a) Exchange differences relating to long term monetary items, arising during the year, in so far as they relate to the acquisition of capital asset are add to / deducted from the cost of the asset.

b) In Other cases such differences are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortized to the profit and loss account over balance life of the long term monetary item, however that the period of amortization does not extend beyond March 31, 2011.

iii) All other exchange differences are dealt with in the profit and loss account.

iv) 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. Gains or losses on cancellation or renewal of forward exchange contracts are recognized as income or expenses.

v) Non-monetary items such as investments are carried at historical cost using the exchange rate on the date of transaction.

Subsidiary Companies

Receivables and Payables in foreign currency have been converted using the rate of the balance sheet date .Exchange rate differences on current receivables and payables are included in the operating result.

14) Miscellaneous Expenditure

i) Preliminary expenses, public issue expenses and expenses in respect of increase in authorised capital are amortised over a period of ten years.

ii) Financial restructuring expenses are amortised over the period of restructuring.

iii) Merger expenses are amortised over a period of five years.

iv) Loan processing fees are amortised over the Loan period.

v) In case of subsidiary company, Pre-operative expenses are amortised over a period of five years.

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

Parent Company:

i) Tax expenses comprise of current, deferred and fringe benefit tax.

ii) 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.

iii) 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 certainly that sufficient future taxable income will be available against which such deferred tax assets can be realised.

iv) 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.

Subsidiary Company:

Tax expenses have been accounted for on the basis of tax laws prevailing in respective countries.

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. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

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

Schedule : 21

Notes on Accounts

Notes which are necessary for presenting a true and fair view of the consolidated financial statement are included as an integral part of the Consolidated Accounts.

1) Contingent Liabilities not provided for in respect of **Rs. In Crore**

Parent Company	**As on 31st Mach, 2009**	As on 31st March, 2008
i) Counter Guarantees given to Banks		
a) Performance Guarantees	**6.45**	4.27
b) Others	**6.67**	17.53
ii) Claims against the Company not acknowledged as debt		
a) Sales Tax	**0.32**	-
b) Excise Duty	**15.61**	13.92
c) Quality Claims by the Customers (Subsidiary Company)	**6.14**	3.54
d) Others	**4.41**	3.60
iii) Billls Discounted on behalf of the third party	**53.04**	21.36
iv) Corporate Guarantees	**14.76**	9.70

NOTES ON ACCOUNTS (contd.) **Rs. in Crore**

	As on 31st Mach, 2009	As on 31st March, 2008
v) Estimated amount of contracts remaining to be executed on Capital Accounts (Net of advances)	**208.36**	121.86
Subsidiary Company		
vi) In case of Structo Hydraulics AB, Relocation Grant	**0.06**	1.68

2) i) In terms of the notification dated 31st March 2009 by The Ministry of Corporate Affairs amending AS-11 "The effects of changes in Foreign Exchange Rates", the parent Company has exercised the option to recognize the exchange difference on long term monetary items retrospectively from the accounting period 1st April 2007. Such exchange differences so far as they related to the acquisition of capital assets are adjusted to the cost of capital and would be depreciated over the balance life of the asset and in other cases accumulated in "Foreign Currency monetary Item Translation Difference Account" and amortized over the balance period of respective long term monetary item but not beyond 31st March, 2011.

ii) Accordingly, exchange difference on long term monetary items recognized in profit and loss account in year 2007-08 amounting to Rs 1.73 Crore (Gain) has been adjusted to the cost of capital asset and in other cases amounting to Rs.19.10 Crore (Gain) has been transferred to "Foreign Currency Monetary Item Translation Difference Account" by taking corresponding debit to General Reserve, being a net gain.

iii) Out of the total Exchange difference on long term monetary items for the year 2008-09, Rs.51.88 Crore (Loss) relating to acquisition of capital asset has been adjusted to the respective capital cost and the balance exchange difference of Rs.66.83 Crore (Loss) has been transferred to "Foreign Currency Monetary Item Translation Difference Account" The Exchange Difference amortized during the year pertaining to year 2007-08 is Rs.10.46 Crore (Gain) and that for the year 2008-09 is Rs.18.01 Crore (Loss).

iv) Had this change not been effected, the profit for the year would have been lower by Rs. 111.16 Crore, Fixed assets by Rs. 50.15 Crore and consequently the Reserves and Surplus by Rs.90.33 Crore.

3) Security and other particulars of Secured Loans

Parent Company

i) a) Term Loans of Rs. 243.11 Crore are stipulated to be 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, excluding term loan lenders where exclusive charge on moveable fixed assets as mentioned in clause no. (d) & (e) has been stipulated. These loans are further stipulated to be 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 (c) below.

b) Term Loans of Rs. 214.57 Crore are stipulated to be 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, excluding term loans where exclusive charge on moveable fixed assets as mentioned in clause no. (d) has been stipulated.

c) Working Capital borrowings from the Consortium Banks are stipulated to be 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.

d) Foreign Currency Term Loans of Rs. 172.45 Crore are stipulated to be secured by an exclusive charge on the equipment financed. Out of the above, term loan of Rs. 103.23 Crore is further stipulated to be secured with the land appurtenant thereto.

e) Foreign Currency Term Loan of Rs. 63.25 Crore is stipulated to be secured by first charge on the entire moveable fixed assets ranking pari passu with other term lenders, excluding term loan lenders where exclusive charge on moveable fixed assets as mentioned in clause no. (d) has been stipulated.

f) The Term Loans of Rs. 67.47 Crore is further stipulated to be secured by Corporate Guarantee of M/s. Indian Seamless Enterprises Limited and the Personal Guarantee of Mr. B. R. Taneja.

g) Out of the total borrowings against buyer's credit-capital of Rs. 1.64 Crore, Rs. 0.97 Crore is stipulated to be secured by exclusive charge on assets purchased out of the said facility and further stipulated to be secured by 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 no. (c) above and by a Corporate Guarantee of M/s. Indian Seamless Enterprises Limited, and the balance Rs. 0.67 Crore is secured as per clause no. (c) above.

NOTES ON ACCOUNTS (contd.)

h) Term Loan installments falling due within one year is Rs. 122.92 Crore (Previous Year Rs. 120.19 Crore).

ii) Interest accrued and due on the loans have been included under appropriate heads.

Subsidiary Company

Term Loans of Rs. 17.41 Crore are secured by mortgage of Company's immovable Properties and Working Capital Loan of Rs. 54.34 Crore is mortgaged against fixed and current assets of the Company excluding immovable property.

Term Loan installments falling due within one year is Rs. 4.62 Crore (Previous Year Rs. 5.03 Crore).

4) The Company belongs to Engineering Segment being a Seamless Tube producer with captive Steel making facilities and the surplus steel is sold to external customers. The Company has, thus, two reportable segments viz. " Tube and Steel ".

Rs. in Crore

Particulars	**2008 - 09**				**2007 - 08**			
	Tube Segment	**Steel Segment**	**Unallocable**	**Total**	Tube Segment	Steel Segment	Unallocable	Total
I) Segment Revenue								
Total External Sales	**1,210.44**	**347.85**		**1,558.29**	1,074.89	409.35		1,484.24
Add : Inter Segment Transfers	**54.47**	**745.10**		**799.57**	36.49	600.87		637.36
Inter Division Transfers	**103.36**	**-**		**103.36**	102.28	-		102.28
Sale to Subsidiary Company	**99.66**	**-**		**99.66**	82.81	-		82.81
	1,467.94	**1,092.95**		**2,560.89**	1,296.47	1010.22		2,306.69
Less : Excise Duty	**96.04**	**133.97**		**230.01**	95.21	138.45		233.66
	1,371.89	**958.98**		**2,330.87**	1,201.26	871.77		2,073.03
Less :Inter Seg. Tran. (net)	**47.94**	**654.69**		**702.63**	31.39	518.51		549.90
Inter Div. Tran. (net)	**91.24**	**-**		**91.24**	87.97	-		87.97
Sale to Subsidiary Company	**99.66**	**-**		**99.66**	82.81	-		82.81
Net Sales	**1,133.05**	**304.29**		**1,437.34**	999.09	353.26		1,352.35
II) Segment Result Before Finance Charges, Amortisation, Foreign Exchange (Gain)/Loss & Taxation	**150.27**	*** 34.75**	**8.67**	**193.69**	119.39	*53.14	5.57	178.10
Less : Finance Charges				**87.27**				69.54
Amortisation				**1.69**				2.23
Foreign Exchange(Gain) /Loss				**57.23**				(22.26)
Profit Before Taxation				**47.50**				128.59
Less : Taxation				**(0.25)**				26.88
Profit After Taxation				**47.75**				101.71
Less : Share of Minority Interest				**(2.30)**				1.21
Profit after Minority Interest				**50.05**				100.50
III) Other Information								
Total Segment Assets	**1,433.24**	**471.22**	**175.49**	**2,079.95**	1,240.85	506.53	110.73	1,858.11
Total Segment Liabilities	**155.46**	**178.21**	**25.27**	**358.94**	175.72	196.09	19.24	391.05
Total cost incurred for Acquiring Segment Assets	**186.39**	**11.65**		**198.04**	278.05	22.63		300.68
Segment Depreciation	**31.47**	**25.18**		**56.65**	34.51	24.54		59.05
IV) Total Unallocable Assets								
Goodwill on Consolidation				**25.09**				23.50
Investment				**0.01**				0.01
FCMITDA				**40.18**				-
Deferred Tax Assets				**-**				4.18
Miscellaneous Expenditure				**2.70**				10.25
				67.98				37.94
V) Total Unallocable Liabilities								
Secured Loans				**1012.28**				747.14
Unsecured Loans				**218.78**				204.28
Deferred Tax Liabilities				**15.29**				-
				1,246.35				951.42

*Includes profit on steel captively consumed by Tube Segment.

NOTES ON ACCOUNTS (contd.)

5) Expenses incurred during trial runs consisting of Raw material Rs.36.53 Crore, Power Charges Rs. 3.75 Crore and other Direct Expenses Rs. 8.85 have been capitalised after deducting Sales proceeds of Rs. 21.42 Crore and Stocks of Work -In-Process of Rs.5.76 Crore & Finished Goods of Rs. 3.57 Crore arising out of trial runs.

Further, the expenses incurred during construction period consisting of Personnel cost Rs. 3.31 Crore (Previous Year Rs. 3.36 Crore), Overheads Rs. 1.05 Crore (Previous Year Rs. 1.27 Crore) and Interest Rs. 6.87 Crore (Previous Year Rs. 6.87 Crore) have also been capitalised.

				Rs. in Crore	
6)	Provision for Taxation		**2008-09**		2007-08
i)	a) Provision for Income Tax / Wealth Tax		**5.11**		15.09
	b) Provision for Income Tax earlier years		**-**		1.97
	c) Provision for Fringe Benefit Tax		**0.87**		0.58
	d) Provision for Fringe Benefit Tax earlier year		**0.02**		-
	e) Deferred Tax – Debit / (Credit)	**19.47**		46.60	
	Less : Transferred from General Reserve	**19.47**		21.17	
			-		25.43
	f) MAT Credit for Current Year		**(5.06)**		(14.22)
	g) MAT Credit for earlier years		-		(1.97)
	h) Excess Provision of Income Tax of earlier year		**(1.19)**		-
			(0.25)		26.88

ii) 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 30th 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.

7) i) Assets taken on operating lease

The details of future rental payable on non-cancellable operating lease are given below. **Rs. in Crore**

	2008-09	2007-08
Parent Company		
Not later than one year	**2.82**	2.76
Later than one year and not later than five years	**11.22**	11.28
Later than five years	**7.79**	12.35
Subsidiary Companies		
Not later than one year	**4.04**	3.80
Later than one year and not later than five years	**9.37**	10.95
Later than five years	**3.94**	1.47

ii) Assets taken on finance lease : - The period of lease is 10 years. The agreements provide for renewal of the lease at the end of the lease period. 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 :

NOTES ON ACCOUNTS (contd.)

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	0.05	0.17
	(0.02)	(0.12)	(0.07)	(0.21)
PV	0.02	0.06	0.02	0.10
	(0.02)	(0.06)	(0.02)	(0.10)

(figures in bracket are for previous year)

8) Disclosure regarding exposure of the Company in respect of outstanding foreign currency transactions as on the date of Balance Sheet and which are not hedged by a derivative instruments or otherwise.

	2008 - 09		2007 - 08	
	Foreign Currency in Million	**Rs. In Crore**	Foreign Currency in Million	Rs. In Crore
Parent Company				
i) Secured Loans				
a) US Dollars	**121.87**	**620.91**	118.90	475.25
b) Euros	**0.21**	**1.44**	8.54	54.08
ii) Unsecured Loans				
US Dollars	**20.00**	**101.90**	20.00	79.94
iii) Receivables				
a) US Dollars	**6.78**	**34.16**	5.66	22.56
b) Euros	**9.90**	**65.05**	7.41	43.45
c) Sterling Pounds	**0.29**	**2.07**	0.66	5.15
d) Australian Dollar	**0.51**	**1.78**	1.17	0.61
iv) Deposits with Banks				
US Dollars	**2.60**	**13.25**	2.48	9.85
v) Interest Receivable				
i) US Dollars	**0.14**	**0.23**	0.08	0.31
vi) Payables				
a) US Dollars	**8.05**	**41.01**	1.70	6.80
b) Euros	**0.13**	**0.91**	0.13	0.77
vii) Interest Payable				
US Dollars	**0.61**	**3.09**	0.17	0.69
Subsidiary Companies				
i) Receivables				
a) US Dollars	**021**	**1.07**	0.06	0.23
b) Euros	**5.38**	**36.26**	10.84	68.36
c) Sterling Pounds	**0.33**	**2.42**	-	-
ii) Payables				
a) US Dollars	**0.02**	**0.08**	0.33	1.30
b) Euros	**1034**	**69.77**	6.93	43.71
c) Sterling Pounds	**0.01**	**0.10**	0.42	3.36

9) Earnings per Share

Rs. in Crore

	2008-09	2007-08
i) Profit After Tax	**50.05**	100.50
ii) Net profit for the year attributable to Equity Share Holders	**50.05**	100.50
iii) Weighted Average number of Equity Shares	**14,65,01,383**	14,44,67,858
iv) Earnings per share (Rs.) (Basic and Diluted)	**3.42**	6.96

NOTES ON ACCOUNTS (contd.)

10) (I) Related party Disclosure as required by Accounting Standard 18 is as under : -

(a) Key Management Personnel
- (i) Mr. V. Balasubramanian
  Jiont Managing Director (upto 30th April, 2008)
- (ii) Mr. Nirmal Chandra
  President (Projects & Product Development)
- (iii) Mr. Rajiv Goel
  Chief Financial Officer
- (iv) Mr. O.P. Kakkar
  Managing Director
- (v) Mr. B.R. Taneja
  Chief Executive Officer
- (vi) Mr. Salil Taneja
  Joint Managing Director
- (vii) Mr. Kaj Hagman
  Managing Director (Structo Hydraulics AB, Sweden, upto 28th Feb, 2009)
- (viii) Mr. Kishore Bharambe
  Managing Director (Structo Hydraulics AB, Sweden , with effective from 1st March, 2009)
- (ix) Mr. Lars H Weslin
  Managing Director (ISMT Europe AB, Sweden. with effective from 14th Oct, 2008)
- (x) Mr. Peter Corby
  Managing Director (Structo (UK) Limited, UK.)

(b) Associate Companies
- i) Indian Seamless Enterprises Limited
- ii) Taneja Aerospace and Aviation Limited
- iii) Indian Seamless Incorporated, USA.

Rs. in Crore

Details of Transaction	Key Management Personnel and their Relatives		Associate Companies	
	2008-09	2007-08	**2008-09**	2007-08
Remuneration Paid	**6.94**	8.54	**-**	-
Sale of Finished Goods	**-**	-	**21.71**	14.89
Lease rent	**-**	-	**2.70**	0.90
Inter Corporate Deposits received	**-**	-	**-**	27.00
Charges Recoverable	**-**	-	**3.00**	-
Interest paid	**-**	-	**-**	0.82
Inter Corporate Deposits given	**-**	-	**18.51**	30.60
Interest received	**-**	-	**1.14**	0.97
Assignment of Liability	**-**	-	**-**	5.22
Dividend paid	**-**	-	**2.75**	4.98
Outstanding as at Balance Sheet date				
Receivables	**-**	-	**13.04**	5.93
Other Current Assets	**-**	-	**3.00**	-
Loans & Advances	**-**	-	**1.52**	1.39
Inter-corporate Deposits given	**-**	-	**4.86**	3.00

II) Companies under same Management as per Section 370 (1B) of the Companies Act, 1956.
Receivables include due from Indian Seamless Incorporated, USA 0.99 3.65

11) Employee Benefits

Parent Company

The Accounting Standard 15 (Revised 2005) on " Employee Benefits " has been adopted by the Company effective from April 1, 2007.

During the year, Company has recognised the following amounts in the financial statements :

i) Defined Contribution Plan:

The Company has recognized the following amounts as an expense and included under the head " Personnel Cost" contribution to Provident and other Fund :

Rs. in Crore

	2008-09	2007-08
Employer's Contribution to Provident Fund & Family Pension Fund	**3.17**	2.99
Employer's Contribution to Superannuation Fund	**1.28**	1.55

NOTES ON ACCOUNTS (contd.)

In respect of Provident fund trust set up by the Company, there is no deficit of interest shortfall as on the date of Balance sheet. With regards to future obligation arising due to interest shortfall (i.e. government interest to be paid on the Provident Fund Scheme exceeding rate of interest earned on investment), pending issuance of the Guidance Note from Actuarial Society of India, the actuarial liability against the same cannot be reliably measured and quantified.

ii) Defined Benefit Plan :

Gratuity (Funded)

a) Changes in present value of Defined Benefit obligations :

	Rs. in Crore	
	2008-09	2007-08
Present value of obligation as at 1st April, 2008	**7.59**	5.08
Current Service Cost	**0.91**	0.67
Interest Cost	**0.59**	0.41
Actuarial (gain)/loss	**1.97**	1.96
Benefits paid	**(0.44)**	(0.53)
Present value of obligation as at 31st March, 2009	**10.62**	7.59

b) Changes in fair value of plan Assets :

Fair value of plan Assets as at 1st April, 2008	**4.66**	4.33
Expected return on plan Assets	**0.41**	0.38
Actuarial gain/(loss)	**0.07**	(0.05)
Employer Contribution	**Nil**	Nil
Benefits Paid	**Nil**	Nil
Fair value of plan Assets as at 31st March, 2009	**5.14**	4.66

c) Actual Return on Plan Assets :

Expected return on plan Assets	**0.41**	0.38
Actuarial gain/(loss) on plan Assets	**0.07**	(0.05)
Actual return on plan Assets	**0.48**	0.33

d) Amounts recognized in the Balance Sheet in respect of :

	Gratuity (Funded)	**Leave Encashment (Non funded)**	Gratuity (Funded)	Leave Encashment (Non Funded)
		2008-09		2007-08
Fair value of Plan Assets as at 31st March, 2008	**5.17**	**Nil**	4.66	Nil
Present value of obligation as at 31st March, 2009	**10.62**	**3.06**	7.59	2.35
Net Liability	**5.45**	**3.06**	2.93	2.35

e) Expenses recognised in the Profit & Loss Account (under the head "Personnel Cost" - Refer Schedule No. 16).

	Gratuity (Funded)	**Leave Encashment (Non funded)**	Gratuity (Funded)	Leave Encashment (Non funded)
	2008-09		2007-08	
Current Service Cost	**0.91**	**0.34**	0.67	0.26
Interest Cost	**0.59**	**0.15**	0.41	0.19
Expected return on Plan Assets	**(0.41)**	**Nil**	(0.38)	Nil
Actuarial (gain)/loss	**1.91**	**1.27**	2.00	0.43
Expense Recognised in the Profit and Loss Account	**3.00**	**1.76**	2.70	0.88

f) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets as at 31st March, 2009.

	2008-09	2007-08
i) Government of India Securities	**22.55%**	24.50%
ii) Corporate Bonds	**23.24%**	25.24%
iii) Special Deposit Scheme	**12.43%**	7.24%
iv) Insurer Managed Funds	**26.99%**	26.96%
v) Others	**14.79%**	16.06%
Total :	**100.00%**	100.00%

NOTES ON ACCOUNTS (contd.)

g) Principal Actuarial Assumptions used as at the balance sheet date :

Particulars	**Gratuity (Funded)**	**Leave Encashment (Non Funded)**	Gratuity (Funded)	Leave Encashment (Non Funded)
Discount Rate	**7.50%**	**7.50%**	8.00%	8.00%
Expected Rate of Return on Plan Assets	**8.75%**	**-**	8.75%	-
Salary Escalation Rate	**5.00%**	**5.00%**	5.00%	5.00%

Subsidiary Companies

Defined Contribution Plan :

The Company has recognized the following amounts as an expense and included under the head Personnel Cost.

Rs. in Crore

	2008-09	2007-08
Social Security contribution	**5.88**	3.70

12) The break-up of Deferred Tax Assets and liabilities into major components at the year end is as follows :

	As at 31st March 2009	As at 31st March 2008
i) Deferred Tax Assets		
a) Unabsorbed Tax Depreciation	**94.03**	101.33
b) Deduction eligible in future period in respect of expenses already debited to Profit & Loss Account	**3.56**	3.46
	97.59	104.79
ii) Deferred Tax Liabilities		
a) Depreciation	**95.44**	97.92
b) Expenditure Deferred	**17.44**	2.69
	112.88	100.61
iii) Net Deferred Tax Asset/ (Liability)	**(15.29)**	4.18

13) **Miscellaneous Expenses include**

i) Rates & Taxes		**0.25**		0.27
ii) Repairs & Maintenance – Building		**0.30**		0.38
iii) Directors Sitting Fees		**0.04**		0.04
iv) Equipment Lease Rent		**0.32**		0.27
v) Excise Duty Expenses		**0.44**		0.44
vi) Auditors Remuneration				
a) Statutory Audit Fees	**0.35**		0.27	
b) Taxation Matters	**0.05**		0.05	
c) Other Services	**0.07**		0.08	
d) Out of Pocket Expenses	**0.01**		0.03	
		0.48		0.43

14) The Company has charged expenses prior to and incidental to the merger and interest difference and balance unamortised restructuring expenses aggregating Rs. 3.81 Crore and Rs. 5.26 Crore respectively to Amalgamation Reserve and Restructing Reserve in terms of the Scheme of Arrangement.

15) Previous year figures have been regrouped and reclassified wherever necessary to conform to the 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

Sandeep Rao
Partner
M. No.47235
Mumbai, August 26, 2009

Sanjay Dhruva
Partner
M.No. 38480
Mumbai, August 26, 2009

Salil Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary
Mumbai, August 26, 2009

ISMT LIMITED

Registered Office: Lunkad Towers, Viman Nagar, Pune - 411 014

PROXY

I/We, ... of .... in the State of.. being a member / members of ISMT Limited hereby appoint .... of .... or failing him/her .... of .... or failing him / her .... as my / our proxy to attend and vote for me / us and on my / our behalf, at the 11th Annual General Meeting of the Company to be held on Wednesday, September 30, 2009 at Le Meridien, Pune at 11.00 AM and at any adjournment thereof. In witness thereof I/We put my / our hand this .... day of September, 2009

L.F. No. / DP ID / Client ID / ....

No. of Shares held ....

Date ....

Please affix 15 Ps. Revenue Stamp

Note: The proxy must be deposited with the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting.A proxy need not be a Member. The Proxy Form should be signed across the Revenue Stamp as per specimen signature(s) registered with the Company.

ISMT LIMITED

Registered Office: Lunkad Towers, Viman Nagar, Pune - 411 014

ATTENDANCE SLIP

11th Annual General Meeting

L.F. No./DP ID/ Client ID/ ....

Mr./Mrs./Miss ....

I/We certify that I/ We am a registered Shareholder/ Proxy for the registered Shareholder of the Company.

I hereby record my/our presence at the 11th Annual General Meeting of the Company held on Wednesday, September 30, 2009 at Le Meridien, Pune at 11:00AM.

....

Member's/ Proxy's Signature