Board of Directors

S C GUPTA
Chairman
(w.e.f. August 25, 2008)

B R TANEJA
Chief Executive Officer

V BALASUBRAMANIAN
Joint Managing Director
(upto April 30, 2008)

A K JAIN

VIRENDRA KAPOOR

J P SUREKA

NIRMAL CHANDRA
President
(Project & Product Development)

K D HODAVDEKAR
IDBI Nominee

SALIL TANEJA
Joint Managing Director
(w.e.f. April 30, 2008)

K K RAI
ICICI Nominee

O P KAKKAR
Managing Director

RAJIV GOEL
Chief Financial Officer

Company Secretary

Jayan Nair

Auditors

M/s. P G BHAGWAT
Chartered Accountants

J K SHAH & CO
Chartered Accountants

Financial Institutions & Banks

ICICI Bank Limited
IDBI Bank Limited
State Bank of India
IKB Deutsche Industriebank Aktiengesellschaft
Bank of Baroda
Bank of India
Bank of Maharashtra
Indian Overseas Bank

Registered Office

Lunkad Towers, Viman Nagar, Pune - 411 014

Transfer Agent

Sharepro Services (India) Pvt. Ltd.

Works

MIDC Industrial Area
Ahmednagar - 414 111

MIDC Industrial Area
Baramati - 413 133

Jejuri - Morgaon Road
Jejuri - 412 303

Structo Hydraulics AB
STORFORS, Sweden

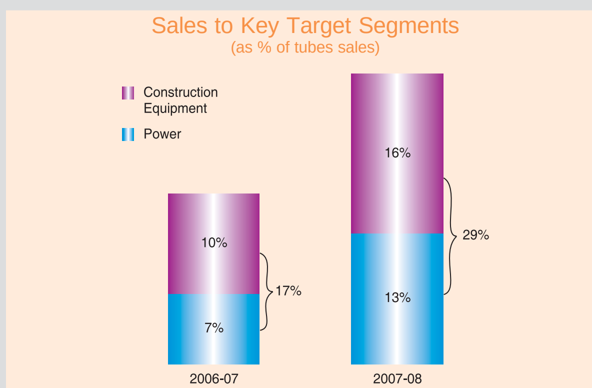
Annual General Meeting at Sun-N-Sand, Pune on September 29, 2008 at 11.00 a.m.

Physical Highlights

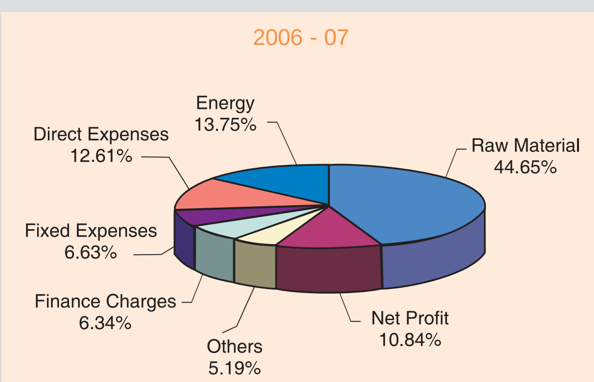
	2004-05		2005-06		2006-07		2007-08	
	Tube	Steel	Tube	Steel	Tube	Steel	Tube	Steel
Capacity (Tonnes Per Annum)	158000	250000	158000	250000	158000	250000	158000	250000
Production (Tonnes)	110184	213303	135635	234707	161181	247351	162276	237914
Capacity Utilisation (%)	69.7%	85.3%	85.8%	93.9%	102.0%	98.9%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

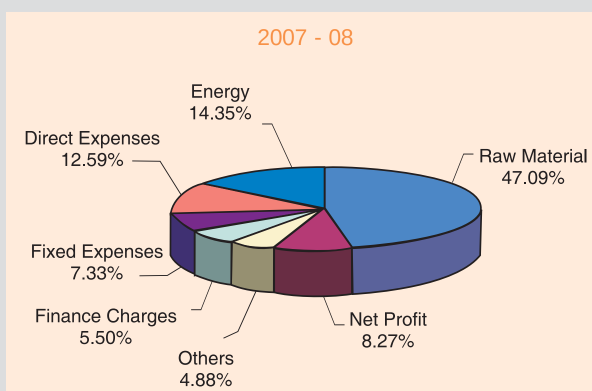
External Sales

(Rs. in Crore)



Revenue Breakdown

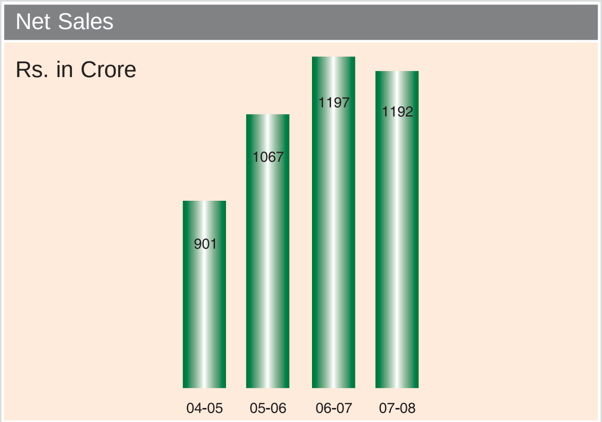


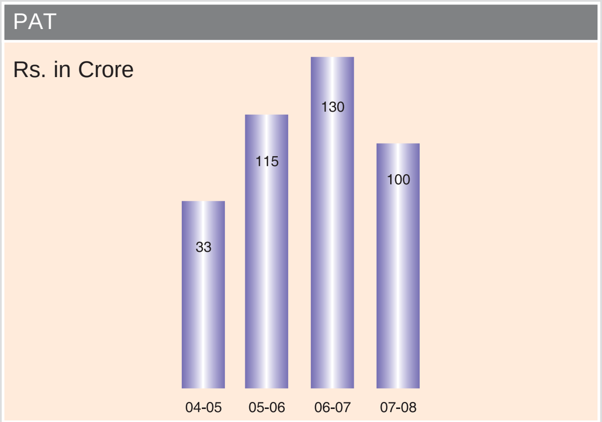


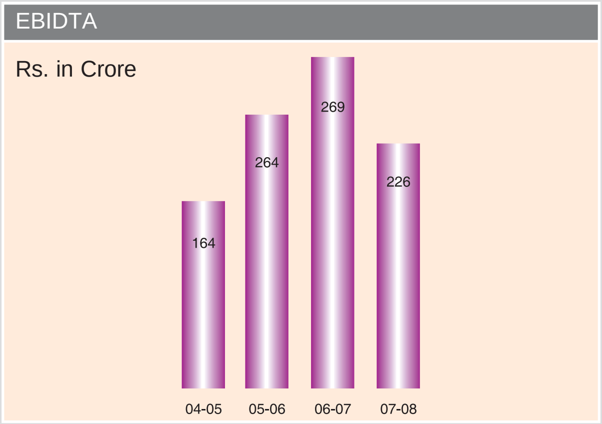
Key Parameters

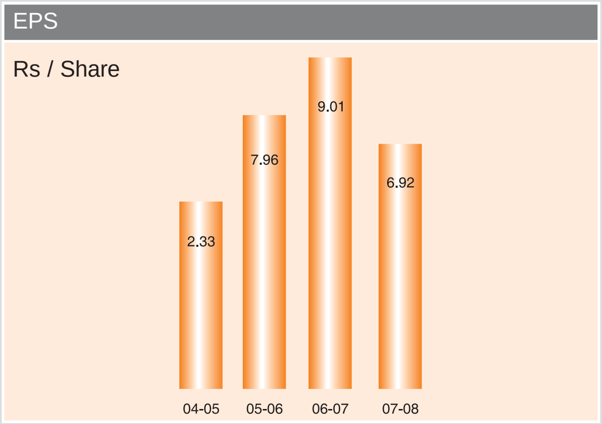
(Rs. in Crore)

		2004-05	2005-06	2006-07	2007-08
Operations :					
- Sales		900.73	1067.11	1197.14	1191.54
- Export Sales		160.62	216.62	232.22	258.42
- Raw Material (% of Sales)		51.3%	45.1%	44.8%	47.8%
- Energy Cost (% of Sales)		12.3%	12.9%	13.8%	14.6%
Profitability :					
- EBIDTA Margin		18.0%	24.3%	22.4%	18.6%
- Cash Profit Margin		8.7%	15.4%	14.9%	12.0%
- Net Profit Margin		3.6%	10.6%	10.8%	8.3%
- Return on Net worth		9.4%	27.3%	28.2%	18.8%
Finance :					
- Interest Cost (% of Sales)		10.2%	8.0%	6.4%	5.6%
General :					
- Average Market Capitalization		164.97	888.24	1154.48	1288.92
- Share Price during the year	- High (Rs)	41.90	112.45	124.90	140.00
	- Low (Rs)	3.05	27.00	62.00	49.00
- Earning Per Share (Rs)		2.33	7.96	9.01	6.92









Four Year Financial Summary

(Rs. in Crore)

	2004-05	2005-06	2006-07	2007-08
A) Profitability				
Gross Sales & Income from Operations	1450	1813	2056	2063
Net Sales & Other Income	910	1085	1201	1210
Raw Material	475	497	536	570
Energy Cost	111	137	165	174
Other Direct Expenses	101	120	151	152
Personnel Cost	42	52	63	73
Administrative Expenses	17	15	17	15
EBIDTA	164	264	269	226
Finance Cost	92	86	76	67
Depreciation & Amortization	44	51	60	55
Foreign Exchange (Gain) / Loss	2	2	(5)	(22)
Tax	(7)	10	8	26
Net Profit	33	115	130	100
Cash Profit	77	166	183	164
B) Balance Sheet				
Sources of Funds				
Share Capital	155	119	72	73
Convertible Warrants	—	—	—	5
Reserves and Surplus	202	310	398	463
Net Worth	357	429	470	542
Term Borrowings	558	533	476	608
Working Capital Borrowings	158	140	141	96
Unsecured Loans	83	111	217	204
Total	**1156**	**1213**	**1304**	**1451**
Application of Funds				
Net Fixed Assets & CWIP	858	823	810	1047
Investments	0	0	0	19
Current Assets	474	533	691	685
Current Liabilities	(273)	(242)	(257)	(313)
Net Current Assets	201	291	434	372
Deferred Tax & Miscellaneous Expenditure	97	99	60	13
Total	**1156**	**1213**	**1304**	**1451**

CEO's Statement

Last year has been a challenging one for ISMT. On the one hand we have been faced with relentlessly increasing input costs while on the other we have been grappling with a largely OEM customer base where prices tend to be sticky and where price increases come through only with a time lag. In this situation, I believe ISMT has done well to strike a balance between the need to maintain and build customer relationships and the need to continue to meet financial benchmarks.

Much more importantly, throughout this challenging period the Company has been able to keep sight of and pursue its long term objectives. Our Vision, as I have reiterated a number of times, is to establish ourselves as the most sought after, efficient, profitable and respected producer globally of precision seamless tubes and alloy steels.

I am happy to report that in this year, consistent with our Vision, we have made significant progress towards becoming an application orientated company. Through a process of re-organization, realignment and a renewed focus on training, technology development, and quality improvements ISMT has been able to make notable breakthroughs in a number of key industry sectors. As a result of these efforts, during this year, we have not only strengthened relationships with our existing customers but also developed a number of new ones. While many of these initiatives will take time to translate fully into financial results, we believe that they will clearly lead the Company towards its eventual goal.

On another very important front, we are now close to commissioning the expansion of our tube making capacity at Baramati - trials are already underway. As I have shared with you earlier, our total tube making capacity is increasing from 155,000 MT/annum to 475,000 MT/annum. This increase in scale is a vital part of our strategy to realize our corporate vision. In the last two years we have already been operating at full capacity. In order to project our capabilities and our leadership position globally it is imperative that we increase this capacity. With the PQF in operation we will meet this objective fully.

A few weeks ago we inaugurated the ISMT Centre of Excellence (ICE), a full scale, in-house, residential training center located on a 20 acre independent campus that will cater to the training needs of the entire company. Once again, we believe that this training institute will be central to the success of our growth plans.

The sectors that we are focused on and which will drive the company's growth are Energy, Construction, Oil & Natural Gas, Bearings, General Engineering and Mining. Fortunately all of these sectors are doing well and will, likely, continue to do so in spite of the general industrial slow down.

While on this positive note, I would like to take the opportunity to express my gratitude to our Customers, Banks, Financial Institutions, Business Associates, and Shareholders for their continued support.

Thank you

B. R. Taneja

Directors' Report

To the Members of ISMT LIMITED

Your Directors have the pleasure of presenting the Annual Report 2007-08 and Audited Accounts for the year ended March 31, 2008

Financial Highlights

(Rs. in Crore)

Particulars	Financial Year	
	2007-08	2006-07
Gross Sales	2063.07	2056.06
Profit before Finance Charges, Depreciation, Amortization &Tax (EBIDTA)	225.63	268.55
Gross Profit	181.39	197.41
Profit Before Tax	126.10	137.66
Taxation	26.06	7.54
Net Profit	100.04	130.12
Add : Balance brought forward from previous year	75.19	57.13
Add : Transferred from Debenture Redemption Reserve	—	43.31
Balance available for Appropriation	175.23	230.56
Appropriations		
Dividend (Interim+Proposed)	14.55	7.22
Tax on Dividend (Interim+Proposed)	2.47	1.23
Capital Redemption Reserve	—	46.92
General Reserve	100.00	100.00
Balance carried to Balance Sheet	58.21	**75.19**

Dividend

The Directors declared an Interim Dividend of Rs. 0.50 per Equity Share of Rs. 5/- each on October 29, 2007.

The Directors recommend a Final Dividend of Rs. 0.50 per Equity Share of Rs.5/- each subject to the approval of the Members at the ensuing Annual General Meeting.

Operations

Despite major dislocations arising out of the ongoing expansion project at Baramati, both Ahmednagar and Baramati operated at full capacity. The Steel plant also operated at near full capacity utilization in a rather difficult environment where both continual increases in cost as well as the availability of raw material were a challenge.

Market

The market for tubes continued to be buoyant through the year and while, given the capacity constraints, it was not possible to increase the overall sales volume, we still managed to align the product mix with future growth drivers. Thus sales of Boiler Tubes for the Power Sector and Hydraulic Cylinder Tubes for the construction sector went up by over 50 per cent. Both these sectors have huge long term potential and are expected to take up large part of the incremental capacity.

Expansion

Your Directors are pleased to report that the Tube expansion project at Baramati has been successfully completed and commissioning trials are underway. Baramati capacity will consequently go up from 90,000 tonnes p.a. to 4,00,000 tonnes p.a. apart from building significant technical and commercial strengths.

Implementation of the steel expansion to 350,000 tonnes p.a. is proceeding as per schedule and we expect to complete it by March 2009.

Finance

Over 75% of the Company's long term borrowings were converted into foreign currency (USD) which helped the Company lower its interest cost during the year. The Company allotted 57,50,000 Warrants to the Promoters on a preferential basis with an option to convert the Warrants into Equity Shares of Rs. 5/- each at a price of Rs. 91.80 per share at any time within 18 months from the date of allotment. On account of the exercise of conversion rights by Warrant Holders in terms of the Scheme of Arrangement, the Company allotted 21,08,627 fresh Equity Shares during the period under report.

Research & Development

There was a concerted effort in moving towards a more application orientated approach to both manufacturing as well as sales. Development of new grades of tubes for the Energy sector, mainly high alloy tubes meant for super critical boiler applications

Directors' Report (contd.)

continued to be a thrust area. In addition, the Company also made significant advances in the development of special application tubes for the Energy, Mining and OCTG sectors. The plants also managed to achieve substantial process improvements that resulted in lower rejections, rework and therefore in higher yields.

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. O P Kakkar, Mr. J.P. Sureka and

Mr Salil Taneja retire by rotation and being eligible, offer themselves for re-appointment.

As a result of his resignation at the Board Meeting held on April 30, 2008, Mr V Balasubramanian ceased to be a Director of the Company. The Board places on record its sincere appreciation of the services rendered by Mr. V Balasubramanian during his tenure.

Mr. S. C. Gupta was appointed as an Additional Director of the Company at the Board Meeting held on July 31, 2008. He will hold office up to the date of the ensuing Annual General Meeting (AGM) of the Company. Members' approval has been sought in the notice convening AGM for his appointment as a Director of the Company.

Mr. S C Gupta was appointed as Chairman of the Board on August 25, 2008.

Auditors

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

Subsidiaries

Your Company has the following Subsidiaries as on March 31, 2008.

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

The Company is awaiting approval from the Central Government, for seeking exemption from attaching the individual financial statements and related reports of its Subsidiary Companies for the year ended March 31, 2008.

However, a statement containing brief financial details of the subsidiaries of the Company for the year ended March 31, 2008 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 respective Subsidiary Companies and at the Registered Office of the Company.

In accordance with Accounting Standard - 21 on Consolidated Financial Statements, your Directors have pleasure in attaching the audited Consolidated Financial Statements, which form part of this Annual Report.

Fixed Deposits

There are no outstanding fixed deposits as on March 31, 2008 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 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;

Directors' Report (contd.)

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, 2008 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

S C Gupta
Chairman

Registered Office:
Lunkad Towers, Viman Nagar,
Pune - 411014

August 25, 2008

Management Discussion and Analysis

Overview

2007/2008 was a challenging year for your Company. On the one hand raw material prices continued to escalate throughout the year while realizations continued to lag behind cost increases by two to three months on average. Efforts and strategies to increase prices and thereby protect margins resulted in sales remaining flat as compared to the previous year and in operating margins declining moderately. However, on a positive note, throughout this period the market continued to absorb price increases in tubes and engineering steels albeit with a slight delay.

Through this period ISMT continued its thrust on commissioning the new PQF mill and on organisational restructuring to adjust to an 'Application based' sales approach targeted at becoming market leaders in key industry sectors such as Energy, Mining, Construction and Bearings. This year saw your company making an entry into many new market segments and new customers, both in India as well as abroad.

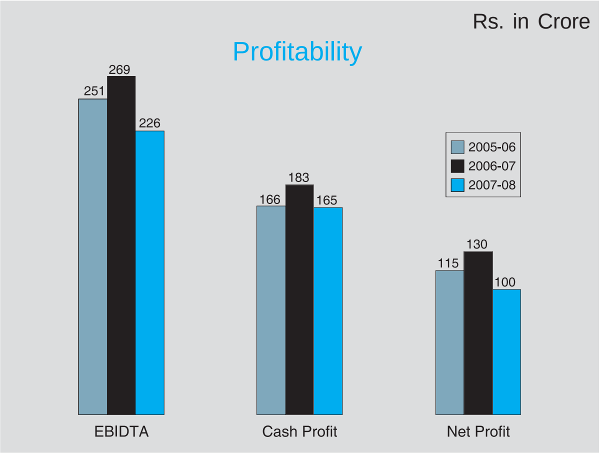
During this period the Company inaugurated the ISMT Centre of Excellence (ICE), its in-house residential training centre at Jejuri. The launch of this training centre was a key part of ISMT's overall HR strategy to enhance and institutionalize its knowledge base and to create leaders within the Company who would drive the Company's growth in the future.

There was a renewed focus on deriving more value from the existing ERP system both by extending its scope within the organization as well as by making it more suitable to a dynamic market environment in which previously static parameters have become extremely volatile. There was also an emphasis on using the ERP system for decision making at all levels rather than for transaction processing alone.

In the last quarter of the year ISMT commissioned a new Ladle Refining Furnace at its steel plant in Jejuri. As this furnace goes into operation it increases ISMT's steel making capacity from 250,000 MT/annum to 350,000 MT/annum

Structo Hydraulics AB, the company acquired by ISMT in Sweden stabilized operations during the year and production increased by 11% as compared to the previous year. As the leading manufacturer of hydraulic cylinder tubes and components in Europe Structo provides access not only to the established European market but also to the fast growing hydraulic cylinder (driven by the boom in Earth Moving and Construction machinery) market in India.

The Company's 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. Consistent with previous policy, the hedging strategy that the Company adopted was to balance expected inflows (through exports) in foreign currencies with borrowings in the same currency, rather than by covering each order received by the Company through a forward contract. As a result, through last year, export margins were impacted negatively due to the weakening of the dollar while dollar denominated liabilities reduced



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

Management Discussion and Analysis (contd.)

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.

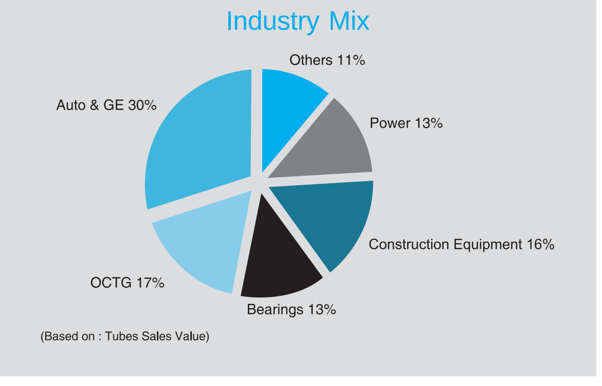
Market:

As outlined above, ISMT's focus markets include Mining, Construction, Bearings, Energy (Heat Exchangers & Boilers), Automotive, General Engineering, and OCTG. Almost all of these markets with the current exception, perhaps, of Automotive are witnessing high growth rates in India and in many cases globally.

The Energy market for seamless tubes is driven by the growth in the Power sector which requires Boilers and which in turn requires tubes. With the power sector slated to grow substantially in India as well as in South East Asia and China, we expect this market to form a cornerstone for ISMT's growth in the coming years.

The demand for construction equipment drives the demand for hydraulic cylinders which again require tubes as a primary input. With Structo in our fold, and with this sector growing rapidly in India as well as in China ISMT expects to consolidate its share of this market.

The mining industry uses tubes for drilling applications and this industry is growing as a result of the increase in mineral prices and the consequent increase in exploration activities globally. Similarly, the General Engineering industry which is related to the Capital Goods industry is also seeing continuous growth in India



With Oil prices remaining high throughout the year and with the number of drilling rigs in operation increasing there has been an upward pressure on the consumption as well as prices of tubes required for the OCTG sector. While the OCTG sector is not a primary focus for ISMT it remains a market that ISMT can easily leverage in times such as these. Additionally, the Company is focused on developing niche OCTG applications which we believe will enjoy a stable market and stable margins even through downturns in this sector.

Opportunities & Threats

Opportunities:

As outlined in other parts of this discussion there appear to be a number of opportunities on the horizon. In summary, these opportunities arise out of a growth in the markets that the Company services, new markets that the Company has tapped in the last one year and the commissioning of the new PQF mill which reduces the operating costs of the Company, increases the production capacity while simultaneously increasing the size of the 'economically' addressable market available to the Company.

Threats

At this time the most significant threat that the management perceives is the overall slowdown in the global economy. While such a slowdown would undoubtedly impact the entire seamless tube industry we believe that ISMT's emphasis on widening the customer/application base will mitigate the fallout of such an eventuality.

Another possible threat is a continuing increase in input prices through the year. While the Company retains the ability to pass on such cost increases to the customer there is a definite time lag which impacts the margins of the Company temporarily. It also affects the Company's ability to take part in fixed price tenders which in turn impacts sales volumes. The continuous effort to increase prices also erodes customer relationships which then need effort to repair - this too has a temporary impact on volumes.

In addition to the above there is a natural growth in competition at the commodity end of the market but this, we believe, is adequately offset by ISMT's commitment to continually move up the value chain.

Segment / Product Information

Seamless tube sales accounted for 70.4% of sales while Engineering Steel Sales accounted for 29.6% of Company's total of sales for the year.

Management Discussion and Analysis (contd.)

Approximately 60% of the Steel produced was consumed internally by the tube division.

Outlook

We believe that the outlook for the Company remains positive. The Company is at an advanced stage of commissioning the new PQF mill at Baramati. The commissioning of this mill would increase ISMT's tubes making capacity from 155,000 MT/annum to 475,000 MT/annum. In addition, the fact that the mill has been installed a relatively low cost (since it is a brown-field project) and that it widens the company's economic product size range, there is a sizeable increase in the addressable market available to the Company.

During the past year actions have been taken to commence seeding the markets that would now be targeted through the PQF mill. As a result we do not anticipate a significant ramp up time to enter new areas that will be targeted through the PQF mill.

The acquisition of Structo Hydraulics AB in Sweden provides access not only to the European market but also to the rapidly growing Indian market. With Structo using seamless tubes as input this provides the Company with a captive market of up to 40,000 tons/annum which we expect will grow substantially over the years.

As mentioned earlier, during the year in consideration ISMT has made breakthroughs in a number of new application segments. We expect that these new markets will provide the Company with ample growth opportunities in the coming years.

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.

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 year in question was marked by continuously increasing raw material prices, a trend that accelerated towards the end of the financial year. The delay in passing on the price increases to end customers combined with a sharp appreciation of the Indian Rupee against the US dollar and the Euro resulted in a 450 basis points drop in EBIDTA margins.

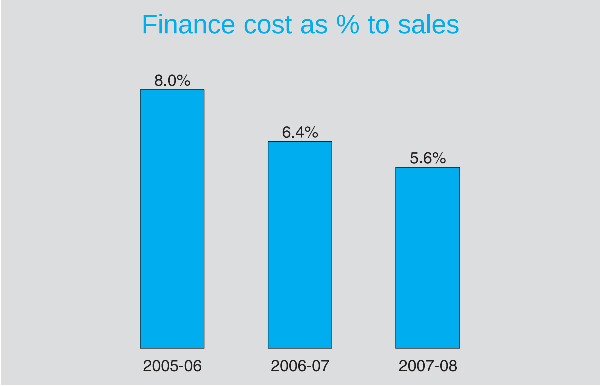
Key Financial Parameters

Rs. in Crore

Particulars	2005-06	2006-07	2007-08
Term Debt to Equity Ratio	1.26	1.03	1.03
Term Debt to EBIDTA (times)	2.12	1.77	2.44
Bank Borrowing (% to sales)	13.2%	11.8%	8.1%
Current Ratio	1.39	1.77	1.71

Finance

As compared to the previous year, the financial costs for the year remained largely flat. There was an exchange fluctuation gain of Rs. 22 Crore against a similar gain of Rs. 5 Crore in the previous year (arising out of a reduction in outstanding foreign currency liabilities as result of the strengthening of the Rupee). In operating terms however, this gain was largely offset by a commensurate reduction in export margins.

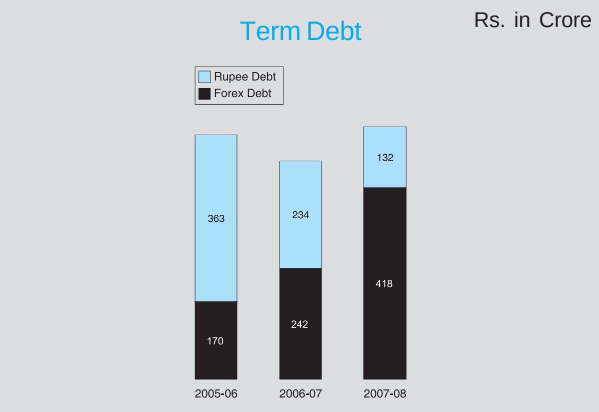


Finance Cost as percentage to sales has come down over last couple of years and now stands at 5.6 per cent of sales. Also bank borrowing as percentage of sales has come down over the years and now stands at 8.1 per cent.

With a debt to equity ratio of one and with sound cash accruals the companies financial position remains secure and the Company retains sufficient leverage to borrow additional debt for future expansion projects.

Management Discussion and Analysis (contd.)

Given the natural hedge that the Company enjoys as a result of its exports, the Company has continued with its policy of converting Rupee Loans into Foreign Currency Denominated Loans. As a result, Foreign Exchange debt accounted for 76% of the total outstanding term debt as on March 31, 2008 versus 50% as on March 31, 2007.



Working Capital

Better inventory & receivables management helped the Company to rationalise its working capital borrowings.

Rs. in Crore

Particulars	2006-07	2007-08
Working Capital Borrowing	141	96
Inventory	223	211
- no of months	3.14	2.82
Receivables	287	278
- no of months	2.87	2.80

Energy Cost

Apart from raw materials, Power continued to be the largest cost element for your Company. ISMT consumes nearly 245 million units annually. While this absolute amount will no doubt increase further on commissioning of the new PQF mill, we expect that specific consumption, i.e. consumption per ton of output will decrease.

	2006-07	2007-08
Power consumption (KWH/ Ton of Production)		
- Steel	711	747
- Tube	464	428
Avg. Electricity Rate per Unit (Rs. / KWH)	4.39	4.44

Human Resources Development and Industrial Relations

HR remained a key focus area for the Company through the year. The Company inaugurated the ISMT Centre of Excellence (ICE), an in-house residential training centre at Jejuri. The launch of this training centre is a key part of ISMT's overall HR strategy to enhance and institutionalize its knowledge base and to create leaders within the Company who would drive the Company's growth in the future. Other HR initiatives included a renewed emphasis on clarifying Key Result Area's (KRA's) throughout the organization and improving the new performance management system that was put in place in the previous year.

As a part of its social responsibility initiative, your Company has joined hands with an NGO called Prithvi to combat the HIV epidemic in India. ISMT is supporting Prithvi to develop basic infrastructure and programs to be implemented at ISMT's Plants as well as surrounding villages.

Industrial relations continued to remain peaceful throughout the year and, if anything, there was an increase in the level of co-operation between employees at all levels

Employee Related Information

(As on March 31, 2008)

	Factory Locations	Others	Total
Managers	139	58	197
Officers & Staff	496	118	614
Workmen	1394	Nil	1394
Total	2029	176	2205

Cautionary Statement

The report of the 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 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 a 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 the Stock Exchanges.

Board Of Directors

The Board consists of 11 Directors of which 4 Directors are Independent.

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 Directorships in other public companies and memberships in various committees across all public companies as on March 31, 2008 are as follows:

Name of the Director	Category	Financial year 2007-08 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	—	—	2	—	—
B R Taneja	Promoter, Executive Director	5	No	1	—	—
V Balasubramanian (Upto April 30, 2008)	Executive Director	6	Yes	—	—	—
Nirmal Chandra	Executive Director	6	Yes	—	—	—
Rajiv Goel	Executive Director	5	Yes	2	—	—
O P Kakkar	Executive Director	4	Yes	1	—	—
Salil Taneja	Promoter, Executive Director	2	Yes	2	—	—
A K Jain	Promoter, Non Executive Director	4	Yes	1	2	1
Virendra Kapoor	Independent Non Executive Director	6	Yes	—	—	—
J P Sureka	Promoter, Non Executive Director	6	Yes	3	2	1
K D Hodavdekar	Independent Non Executive Director, IDBI Nominee	4	Yes	—	—	—
K K Rai	Independent Non Executive Director, ICICI Nominee	4	Yes	4	—	—

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

Corporate Governance Report (contd.)

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

Sr. No.	Date of Meeting
1.	April 30, 2007
2.	June 5, 2007
3.	July 31, 2007
4.	October 29, 2007
5.	November 27, 2007
6.	January 31, 2008

- 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. O P Kakkar, Mr. J.P. Sureka and Mr. Salil Taneja retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-election.

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

Mr. O P Kakkar is a Mechanical Engineer and Post Graduate Diploma holder in Business Management. He has over 40 years of industrial experience in different capacities. He is associated with the Company right from the inception. Presently he is the Managing Director of the Company. He is also on the Board of Structo Hydraulics India Ltd and Structo Hydraulics AB, Sweden.

Mr. J.P. Sureka is an industrialist based in Kolkata. He has varied business interest in steel, chemicals, financial services and tea plantations. He is also on the Board of Shentracon Chemicals Ltd, Prismo (India) Ltd and Taneja Aerospace and Aviation Ltd.

Mr. Salil Taneja holds a B.Sc in Mechanical Engg. from Case Western Reserve University, Ohio, USA and Masters in Public and Private Management (MPPM) from Yale University, USA. He is currently the Chairman of Taneja Aerospace and Aviation Limited (TAAL). While being instrumental in developing the aviation business at TAAL, for the past several years, he has also been involved in other businesses of the group. He is also on the Board of Indian Seamless Inc., USA, Structo Hydraulics AB, Sweden, and Structo Hydraulics India Ltd.

Mr. S C Gupta is the former Chairman and Managing Director of Punjab National Bank and Indian Overseas Bank. He has, to his credit, a rich experience of 41 years in the field of banking. His areas of specialization include Corporate Planning, Manpower Management, and Credit and Treasury Operations. His association as Director of the Company will be of immense help in further consolidating and strengthening the business operations of the Company. He is on the Board of Emmsons International Limited and Jai Balaji Industries Limited.

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	4
Mr. K.D. Hodavdekar (Independent)	Member	4
Mr. J.P Sureka (w.e.f. October 28, 2007)	Member	2
Mr. K. K. Rai (Independent) (w.e.f. July 31, 2008)	Member	—

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

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

Sr. No.	Date of Meeting
1.	April 30, 2007
2.	July 31, 2007
3.	October 28, 2007
4.	January 31, 2008

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

The terms of reference of the Audit Commitee 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:

The meeting of the Remuneration Committee was held on July 31, 2007. The Remuneration Committee was reconstituted on November 1, 2007 with Mr. V Kapoor as the Chairman and

Corporate Governance Report (contd.)

Mr K D Hodavdekar and Mr. J P Sureka as its Members. 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 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 is paid by way of commission to any Non Executive Director.
- The Company pays Non Executive Directors a sitting fee of Rs. 10,000/- each for attending Board Meetings and Rs. 5,000/- each for attending Committee Meetings.
- There has been no change in the Remuneration Policy of the Company.

c. Remuneration to Directors

A Statement on the remuneration paid to the Whole Time Directors and sitting fees paid to Non-Executive Directors during the year 2007-08 is given below:

Name of the Director	Salary & Perquisites (Rs)	Commission (Rs)	Sitting fees (Rs)
* Mr. K Rustumji	NA	NA	25000/-
Mr. B R Taneja	71,12,466/-	2,64,34,420/-	NA
** Mr. V Balasubramanian	27,98,400/-	33,04,303/-	NA
Mr. Nirmal Chandra	34,59,600/-	33,04,303/-	NA
Mr. Rajiv Goel	42,36,779/-	33,04,303/-	NA
Mr. O P Kakkar	47,39,778/-	33,04,303/-	NA
Mr. Salil Taneja	36,21,400/-	33,04,303/-	NA
Mr. A K Jain	NA	NA	45000/-
Mr. Virendra Kapoor	NA	NA	105000/-
Mr. J P Sureka	NA	NA	70000/-
Mr. K D Hodavdekar	NA	NA	95000/-
Mr. K K Rai	NA	NA	40000/-
TOTAL	2,59,68,423/-	4,29,55,935/-	3,80,000/-

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

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

** Ceased to be Director w.e.f. April 30, 2008

Shareholders/ Investors Grievance Committee

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

Name of Director	Chairman or Member	No. of Meetings Attended
Mr. V. Kapoor	Chairman	4
Mr. K.D. Hodavdekar	Member	4
Mr. A.K. Jain	Member	1

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

Sr. No.	Date of Meeting
1.	April 30, 2007
2.	July 31, 2007
3.	October 28, 2007
4.	January 31, 2008

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, 2008.

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

Nature of complaints	No. of complaints received during the year 2007-08	No. of complaints redressed during the year 2007-08
Non receipt of redemption / Interest	0	0
Non receipt of shares after transfer	38	38
Non receipt of demat credit	39	39

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).

Corporate Governance Report (contd.)

Other Disclosures

- Details of related party transactions are furnished in Note No. 21 of Schedule 20 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 Agreements, the CEO and CFO have given their certificate to the Board.

Means of Communication

Quarterly and half yearly results: Published in Financial Express (English), Kesari, Loksatta (Marathi) and are put on the website of the Company (www.ismt.co.in) and on the BSE website (bseindia.com - scrip code 532479).

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:

Year	Type	Date	Venue	Time	No. of Special Resolutions passed
2006-07	AGM	27.11.07	Taj Blue Diamond, Koregaon Road, Pune 1	11:00 AM	7
2005-06	AGM	28.08.06	Taj Blue Diamond, Koregaon Road, Pune 1	11:00 AM	2
2004-05	AGM	31.12.05	Le Meridien, RBM Road, Pune 1	11:00 AM	12

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

Pursuant to the provisions of Section 192A of the Companies Act, 1956 no matter was dealt with by the Company which required passing of resolution by Postal Ballot.

General Shareholders Information

AGM Date and Time	Monday, September 29, 2008, at 11.00 AM
Venue	Sun-N-Sand, 262, Bund Garden Road, Pune 411 001
Financial Year	April 1, to March 31,
Date of Book Closure	September 22, 2008 to September 29, 2008
Dividend Payment Date	Within 30 days from the date of declaration of Dividend by the Members at the AGM
Listed on Stock Exchange	PSE, 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

Stock Market Data and Share Price Performance:

Bombay Stock Exchange:

(Rs)

	ISMT LIMITED		BSE 500 INDEX	
Month	High	Low	High	Low
April 2007	74.90	65.00	5390.53	4743.31
May 2007	91.00	66.00	5650.21	5294.03
June 2007	101.20	86.05	5781.37	5445.85
July 2007	118.00	88.30	6174.49	5801.90
August 2007	108.00	85.10	5987.59	5457.00
September 2007	107.80	86.15	6773.54	6013.97
October 2007	98.00	75.00	7785.22	6764.77
November 2007	104.00	76.90	7999.53	7467.75
December 2007	140.00	92.10	8592.43	7995.62
January 2008	138.50	71.50	8882.28	6737.12
February 2008	87.90	67.00	7537.81	6629.64
March 2008	72.25	49.00	6751.98	5837.37

Corporate Governance Report (contd.)

The Equity Shares of the Company have also been listed on the National Stock Exchange of India Limited (NSE) w.e.f. August 28, 2007. Monthly high and low quotations of shares traded on NSE during the eight monts ended on March 31, 2008 is as follows:

(Rs)

Month	High	Low
August 2007	96.90	84.30
September 2007	108.65	86.50
October 2007	99.00	72.25
November 2007	103.90	78.00
December 2007	140.00	95.00
January 2008	137.00	74.00
February 2008	87.90	65.00
March 2008	71.00	51.65

Source: BSE & NSE websites.

Dematerialisation of shares

Nearly 64.94 per cent of total Equity Capital is held in demat form with NSDL and CDSL as on March 31, 2008.

Share Transfer System

The Company's shares are traded compulsorily in Demat segment on the Stock Exchanges. Shares received for transfer in physical mode are processed and valid transfers 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 have been filed with the Stock Exchanges for due compliance of share transfer formalities by the Company. In terms of guidelines issued by SEBI, the Secretarial Audit Report for all the quarters have been filed with the Stock Exchanges, which inter-alia gives details about the reconciliation of Share Capital (both physical and demat).

Distribution of Shareholding of the Company as on March 31, 2008

Shareholding of nominal value of Rs		No.of Share Holder(s)	% to Total	No. of Shares	% to Total
Upto	5,000	136784	97.83	21565214	13.91
5,001	10,000	1522	1.08	2397104	1.54
10,001	20,000	694	0.49	2013122	1.29
20,001	30,000	315	0.22	1636516	1.05
30,001	40,000	87	0.06	633531	0.40
40,001	50,000	101	0.01	1186237	0.76
50,001	1,00,000	122	0.07	2046916	1.32
1,00,001	and above	182	0.13	123457251	79.68
		139807	100	154935891	100

Registrar & Share Transfer Agent

In accordance with the Securities and Exchange Board of India (SEBI) directive, the Company has appointed M/s Sharepro Services (I) Pvt Ltd as a common agent to deal with all investor related services, etc. Shareholders may contact Share Transfer Agent on the following address:

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

As regards to 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.

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 has offered and allotted 57,50,000 Warrants to the Promoters and Companies promoted by them (Promotor Group) on preferential basis with an

Corporate Governance Report (contd.)

option to convert into Equity Shares of Rs. 5/- each at a price of Rs. 91.80 per share at any time within 18 months from the date of allotment. The conversion date is any time on or before June 17, 2009 and upon option being excersided, the Equity Share Capital of the Company will get incresed to that extent.

The Company has allotted Zero Coupon Foreign Currency Convertible Bonds. (FCCB) aggregating to US $ 20 Million as detailed here under 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 & B would be convertible into one Equity Share of Rs. 5/- each fully paid any time until redemption. For details please refer Note No. 9 in Schedule 20 - Notes on Accounts.

For and on behalf of the Board of Directors

S C Gupta
Chairman

Pune, August 25, 2008

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 its Board Members and Senior Management of the Company. The Code is available on the Company's website.

I confirm that, with respect to the financial year ended March 31, 2008, the Company has received a declaration of compliance with the declared Code of Conduct as applicable to them from the senior management team of the Company and the Members of the Board.

For the purpose of this declaration, the Senior Management Team comprises of all employees in the Vice President and Executive Vice President cadres and the Chief Financial Officer of the Company as on March 31, 2008.

For ISMT Limited

B R Taneja
Chief Executive Officer

Pune, August 25, 2008

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, 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

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

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

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

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

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

Sandeep Rao
Partner
Membership No 47235

Pune
August 25, 2008

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

Sanjay Dhruva
Partner
Membership No 38480

Pune
August 25, 2008

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Auditors' Report

To

THE MEMBERS OF ISMT LIMITED

1. We have audited the attached Balance Sheet of ISMT Limited as at 31st March, 2008, 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, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2008 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, 2008;
      (ii) in the case of Profit and Loss account, of the Profit for the year ended on that date; and
      (iii) in the case of Cash Flow statement, of the cash flow for the year ended on the that date.

For **M/s P G BHAGWAT**
Chartered Accountants
Sandeep Rao
Partner
Membership No. 47235
Pune, August 25, 2008

For **J K SHAH & CO.**
Chartered Accountants
Sanjay Dhruva
Partner
Membership No. 38480
Pune, August 25, 2008

Annexure to the Auditors' Report

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

1) a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
   b) These fixed assets have been physically verified by the management at regular interval considering the size of the company and nature of asset. As informed to us, no material discrepancies have been noticed on such verification.
   c) No disposal of a substantial part of fixed assets of the company has taken place during the year.
2) a) As explained to us, the inventories including majority of the goods lying with third parties have been physically verified by the management at reasonable intervals during the year.
   b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
   c) In our opinion and according to the information and explanation given to us, the Company has maintained proper records of its inventories and the discrepancies noticed on such physical verification between physical stock and the book records were not material and have been properly dealt with in the books of account.
3) As per the records of the company, it has not granted any loans secured / unsecured to companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956.
4) As per the records of the Company, it has not taken any loans secured / unsecured from companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956.
5) In our opinion and according to the information and explanation given to us, there are adequate internal control systems commensurate with the size of the Company and nature of its business with regard to purchase of inventory and fixed assets and for sale of goods and services. During the course of audit, we have not observed any continuing failure to correct major weakness in internal control systems.
6) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion there were no contracts or arrangements whose particular are needed to be entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956.
7) The company has not accepted / nor there are any outstanding Fixed Deposit from the public.
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, 2008 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, 2008 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 Accountants

Sandeep Rao
Partner
Membership No. 47235
Pune, August 25, 2008

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

Sanjay Dhruva
Partner
Membership No. 38480
Pune, August 25, 2008

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	6.50	Tribunal
		0.43	Dy. DCST (Appeals)
Maharashtra Sales Tax Act, 1959	Sales Tax	3.05	Tribunal
		0.40	High Court
	Purchase Tax	2.92	Dy. DCST (Appeals)
	Turnover Tax	0.01	Tribunal
	penalty and interest	0.08	Dy. DSCT (Appeals)
Central Excise Act, 1944	Excise Duty	0.00	Appellate Commissioner
		8.38	CEGAT
		0.13	High Court, Bombay
		0.00	Commissioner (Appeal)
		3.43	Commissioner(Adjud.)
		0.10	Joint Commissioner
		0.01	Supreme Court
		0.65	Asst. Commissioner
		0.23	Jt. Commissioner
		0.06	Dy. Commissioner

Balance Sheet as at March 31, 2008

Rs. in Crore

	Schedule	As at 31st March, 2008		As at 31st March, 2007	
Sources of Funds					
Shareholders' Funds					
Share Capital	1	73.25		72.19	
Equity Share Warrants	2	5.29		—	
Reserves and Surplus	3	463.39		398.04	
			541.93		470.23
Loan Funds					
Secured Loans	4	704.33		616.88	
Unsecured Loans	5	204.28		216.87	
			908.61		833.75
			1,450.54		1,303.98
Application of Funds					
Fixed Assets					
Gross Block	6	1,002.10		985.26	
Less : Depreciation		251.91		198.87	
Net Block		750.19		786.39	
Capital Work-in-Progress		296.93		23.67	
			1,047.12		810.06
Investments	7		19.19		0.01
Deferred Tax Asset			4.18		50.78
Current Assets, Loans & Advances	8	685.05		690.74	
Less: Current Liabilities & Provisions	9	313.48		257.23	
Net Current Assets			371.57		433.51
Miscellaneous Expenditure	10		8.48		9.62
(To the extent not written off or adjusted)					
			1,450.54		1,303.98
Notes on Accounts	20				
Significant Accounting Policies	21				

As per our report of even date

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

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

B.R. Taneja
Chief Executive Officer

O.P. Kakkar
Managing Director

Rajiv Goel
Chief Financial Officer

Sandeep Rao
Partner
Membership No. 47235

Sanjay Dhruva
Partner
Membership No. 38480

Jayan Nair
Company Secretary

Pune, August 25, 2008

Pune, August 25, 2008

Pune, August 25, 2008

Profit & Loss Account for the year ended March 31, 2008

Rs. in Crore

	Schedule	2007-08		2006-07	
Income					
Gross Sales and Income from Operations		2,063.07		2,056.06	
Less : Inter Segment Transfers		637.36		632.52	
Inter Division Transfers		102.28		88.17	
Excise Duty		131.89		138.23	
Net Sales and Income from Operations			1,191.54		1197.14
Other Income	11		18.37		3.63
			1,209.91		1,200.77
Expenditure					
Materials Consumed	12	654.09		627.32	
Energy	13	173.64		165.08	
Direct Manufacturing	14	29.62		27.19	
Selling and Distribution	15	38.29		33.06	
Personnel	16	73.35		62.54	
Overheads	17	15.29		17.03	
			984.28		932.22
Profit Before Finance Charges, Depreciation, Amortisation, Foreign Exchange gain and Taxation			225.63		268.55
Finance Charges	18	66.50		76.16	
Depreciation and Amortisation	19	55.29		59.75	
			121.79		135.91
Profit Before Foreign Exchange gain and Taxation			103.84		132.64
Add : Foreign Exchange gain (Net)			22.26		5.02
Profit Before Taxation			126.10		137.66
Less : Provision for Taxation (Refer Note No. 15 of Schedule 20)			26.06		7.54
Profit After Taxation			100.04		130.12
Balance brought forward from Previous Year		75.19		57.13	
Add : Transferred from Debenture Redemption Reserve			—		43.31
Balance Available For Appropriations			175.23		230.56
Appropriations					
Interim Dividend			7.22		—
Proposed Final Dividend			7.33		7.22
Tax on Interim Dividend			1.23		—
Tax on proposed Dividend			1.24		1.23
Capital Redemption Reserve			—		46.92
General Reserve			100.00		100.00
Balance Carried To Balance Sheet			58.21		75.19
Earnings per share Rs. (Face Value of Rs. 5/- each) (Refer Note No. 26 of Schedule 20)			6.92		9.01
Notes On Accounts	20				
Significant Accounting Policies	21				

As per our report of even date

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

Sandeep Rao
Partner
Membership No. 47235
Pune, August 25, 2008

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

Sanjay Dhruva
Partner
Membership No. 38480
Pune, August 25, 2008

O.P. Kakkar
Managing Director

B.R. Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary
Pune, August 25, 2008

Cash Flow Statement for the year ended March 31, 2008

Rs. in Crore

		2007-08		2006-07
A. Cash Flow from Operating Activities				
Net Profit before Tax		126.10		137.66
Adjustments for:				
Depreciation	53.06		53.63	
Finance Charges	66.50		76.16	
Interest Income	(4.49)		(3.12)	
Exchange Fluctuation Gain	(17.48)		(6.24)	
Amortisation of Miscellaneous Expenditure	2.23		1.78	
Write offs	—		4.34	
Expenses charged to: Contingency Reserve	(0.01)		—	
Amalgamation Reserve	(1.51)		—	
Restructuring Reserve	(2.69)		—	
Income on Pre-payment of liability	(13.79)		—	
Loss/(Profit) on sale of Fixed Assets (Net)	0.01		0.08	
		81.83		126.63
Operating Cash Profit before Working Capital Changes		207.93		264.29
Adjustments for :				
Trade and Other Receivables	6.00		(110.12)	
Inventories (Increase) / Decrease	12.74		(38.69)	
Trade Payables	32.06	50.80	2.51	(146.30)
Taxes Paid		(17.56)		(12.08)
Net Cashflow from Operating Activities		241.17		105.91
B Cash Flow from Investing Activities				
Additions to Fixed Assets	(268.13)		(41.10)	
Sale of Fixed Assets	0.01		2.85	
Investment in Subsidiary	(19.18)		—	
Interest Received	4.09		3.33	
Net Cash used in Investing Activities		(283.21)		(34.92)
C Cash Flow from Financing Activities				
(Redemption)/ Proceeds from Right issue of Equity Share Warrants	1.06		(46.92)	
Proceeds from Equity Share Warrants	5.29		—	
Security Premium	8.96		—	
Expenditure on Foreign Currency Convertible Bonds	(1.25)		(1.66)	
Miscellaneous Expenditure	(1.10)		(3.87)	
Dividend Payments (including Tax thereon)	(16.27)		—	
Proceeds from /(Repayment of) Borrowings	105.73		56.27	
Finance Charges	(65.89)		(75.26)	
Net Cash from Financing Activities		36.53		(71.44)
Net Increase / (Decrease) in Cash and Cash Equivalents		(5.51)		(0.45)
Cash and Cash Equivalents at the beginning of the year (Refer Note No.1)		8.44		8.89
Cash and Cash Equivalents at the end of the year (Refer Note No.1)		2.93		8.44
Net Increase / (Decrease) in Cash & Cash Equivalents		(5.51)		(0.45)
Notes:				
1 The cash and cash equivalents in the cash flow statement comprise of the following Balance Sheet amounts:		As at March 31, 2008		As at March 31, 2007
(a) Cash on hand		0.06		0.02
(b) Current accounts with Bank		2.87		8.42
		2.93		8.44

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

B.R. Taneja
Chief Executive Officer

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Managing Director

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Pune, August 25, 2008

Sanjay Dhruva
Partner
Membership No. 38480
Pune, August 25, 2008

Jayan Nair
Company Secretary
Pune, August 25, 2008

Schedules to the Balance Sheet

Rs. in Crore

		As at March 31, 2008		As at March 31, 2007
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				
i) 14,65,01,383 (Previous Year 14,43,81,756) Equity Shares of Rs 5/- each fully paid		73.25		72.19
		73.25		72.19
Schedule – 2				
Equity Share Warrants				
Issued and subscribed :		5.29		—
57,50,000 (previous year Nil) Warrants of Rs. 91.80 each, Rs. 9.20 paid per warrant. (Refer Note No. 20 of Schedule 20)				
Schedule – 3				
Reserves And Surplus				
i) Capital Reserve		1.65		1.65
ii) Capital Redemption Reserve	80.60		33.68	
Add : Transferred from Profit & Loss Account	—	80.60	46.92	80.60
iii) Securities Premium				
As per last Balance Sheet	1.65		3.31	
Add : Additions during the year	8.96		—	
Less : Expenses related to FCCB issue	1.25		1.66	
		9.36		1.65
iv) Amalgamation Reserve				
As per last Balance Sheet	45.72		45.72	
Less : Debits related to Pre- Merger period	1.51		—	
		44.21		45.72
v) Reserve for Contingencies				
As per last Balance Sheet	3.73		3.73	
Less : Debits related to Pre- Merger period	0.01		—	
		3.72		3.73
vi) Restructuring Reserve				
As per last Balance Sheet	20.88		29.15	
Less : Debits as per the Scheme of Arrangement	2.69		8.27	
		18.19		20.88

Schedules to the Balance Sheet (contd.)

Rs. in Crore

		As at March 31, 2008		As at March 31, 2007
vii) General Reserve				
As per last Balance Sheet	168.62		92.34	
Add : Transfer from General Reserve	100.00		100.00	
Less : Transferred to Profit & Loss	21.17		23.72	
		247.45		168.62
viii) Debenture Redemption Reserve				
As per last Balance Sheet	—		43.31	
Less :Transferred to Profit & Loss Account	—		(43.31)	
		—		—
ix) Balance in Profit and Loss Account		58.21		75.19
		463.39		398.04
Schedule – 4				
Secured Loans				
I. Term Loans from Banks				
a) Rupee Loans	131.65		234.19	
b) Foreign Currency Loans	417.89		241.78	
		549.54		475.97
II. Working Capital Borrowings from Banks				
a) Rupee Loans	24.20		112.42	
b) Foreign Currency Loans	71.91	96.11	28.49	140.91
III. Buyer's Credit - Capital		58.68		—
(Refer Note No. 12 of Schedule 20)		704.33		616.88
Schedule – 5				
Unsecured Loans				
a) Foreign Currency Convertible Bonds (FCCB)*		79.94		87.46
b) Interest Free Incentive and Sales Tax Loan		124.15		129.04
c) Others		0.19		0.37
*(Refer Note No. 9 of Schedule 20)		204.28		216.87

Schedules to the Balance Sheet (contd.)

Schedule – 6

Fixed Assets

Rs. in Crore

Description	Gross Block				Depreciation				Net Block	
	As at April 01, 2007	Additions/ Transfers	Deletions/ Sales/ Transfers	As at March 31, 2008	As on April 01, 2007	For The Year	Deletions/ Sales/ Transfers	As on March 31, 2008	As at March 31, 2008	As at March 31, 2007
Leasehold Land	7.03	—	—	7.03	0.25	0.08	—	0.33	6.70	6.78
Freehold Land	1.23	0.51	—	1.74	—	—	—	—	1.74	1.23
Buildings	79.99	0.47	—	80.46	9.43	2.58	—	12.01	68.45	70.56
Plant & Machinery	871.67	14.51	—	886.18	181.99	46.73	—	228.72	657.46	689.68
Furniture & Fixtures	1.26	0.08	—	1.34	0.57	0.14	—	0.71	0.63	0.69
Office Equipments	8.60	0.50	—	9.10	4.12	1.30	—	5.42	3.68	4.48
Vehicles	2.07	0.42	0.03	2.46	0.80	0.39	0.02	1.17	1.29	1.27
Intangible Assets										
Technical Know-how	4.13	—	—	4.13	0.07	0.83	—	0.90	3.23	4.06
Software	2.32	0.38	—	2.70	0.04	0.48	—	0.52	2.18	2.28
Assets Taken On Lease										
Plant & Machinery	6.96	—	—	6.96	1.60	0.53	—	2.13	4.83	5.36
Total	985.26	16.87	0.03	1,002.10	198.87	53.06	0.02	251.91	750.19	786.39
Previous Year	956.66	36.59	7.99	985.26	150.29	53.63	5.06	198.87	786.39	806.37

Rs. in Crore

		As at March 31, 2008		As at March 31, 2007
Schedule – 7				
Investments (At Cost)				
Long Term				
I. Government Securities				
National Saving Certificate		0.01		0.01
(Pledged with Sales Tax Authorities)				
II. Shares (Unquoted and Trade)				
Subsidiary Company				
3,50,000 (Previous Year NIL) Equity shares of Euro 10 each fully paid of ISMT Enterprises SA, Luxambourg.		19.18		—
		19.19		0.01
Schedule – 8				
Current Assets,Loans & Advances				
I. Inventories				
(As taken, valued and certified by the Management)				
i) Raw Material	63.65		79.67	
ii) Work-in-process	45.44		56.84	
iii) Finished Goods	51.54		39.42	
iv) Stores, Spares and consumables	49.97		47.41	
		210.60		223.34

Schedules to the Balance Sheet (contd.)

Rs. in Crore

	As at March 31, 2008		As at March 31, 2007	
II. Receivables				
(Including bills discounted with Banks)				
Unsecured, considered good				
i) Outstanding for more than six months	13.08		13.55	
ii) Others	264.65		273.26	
		277.73		286.81
III. Export Entitlements		11.18		5.33
IV. Cash And Bank Balances				
i) Cash on hand	0.06		0.02	
ii) Current Accounts with Banks	2.87		8.42	
iii) Deposit with Scheduled Banks	37.96		60.43	
		40.89		68.87
(Refer Note No. 8 of Schedule 20)				
V. Loans And Advances				
(Unsecured, Considered Good)				
i) Advances recoverable in cash or in Kind or for value to be received				
a) Sundry Deposits	11.28		8.18	
b) Others	39.99		33.69	
ii) Balance With Customs, Excise, Sales Tax etc.	53.58		40.91	
iii) MAT Credit Entitlement	39.80		23.61	
		144.65		106.39
(Refer Note No.4, 5 and 22 of Schedule 20)		685.05		690.74

Schedule – 9

Current Liabilities & Provisions

	As at March 31, 2008		As at March 31, 2007	
I. Current Liabilities				
i) Acceptances	110.97		81.11	
ii) Sundry Creditors for				
a) Capital	24.90		2.95	
b) Others	118.50		116.52	
iii) Provision for Expenses	19.54		17.36	
iv) Advances from Customers	5.02		6.57	
v) Investor Education and Protection Fund	1.67		1.33	
(Refer Note No. 14 of Schedule 20)				
vi) Other Liabilities	12.65		14.50	
vii) Interest accrued but not due	1.72		0.31	
		294.97		240.65

Schedules to the Balance Sheet (contd.)

Rs. in Crore

		As at March 31, 2008		As at March 31, 2007
II. Provisions				
i) Proposed Dividend	7.33		7.22	
ii) Tax on Dividend	1.24		1.23	
iii) Leave Encashment	2.53		2.69	
iv) Gratuity and Superannuation	3.79		1.33	
v) Income Tax (net of advance payment)	3.62		4.11	
		18.51		16.58
		313.48		257.23
Schedule – 10				
Miscellaneous Expenditure				
i) Preliminary Expenses		0.44		0.56
ii) Merger Expenses		0.53		1.03
iii) Loan processing fees		7.51		8.03
		8.48		9.62

Schedules to Profit & Loss Account

		2007-08		2006-07
INCOME				
Schedule – 11				
Other Income				
i) Interest Received		4.49		3.12
(Tax deducted at source Rs. 0.76 crore				
Previous Year Rs. 0.38 crore)				
ii) Miscellaneous Income (Refer Note No. 24 Schedule 20)		13.88		0.51
		18.37		3.63
EXPNEDITURE				
Schedule – 12				
Materials Consumed				
i) Raw Material				
Opening Stock	79.67		49.16	
Add: Purchases	554.42		563.07	
Less: Closing Stock	63.65		79.67	
		570.44		532.56
ii) (Increase)/Decrease in Stocks				
Closing Stock				
Work-in-process	45.44		56.84	
Finished Goods	51.54		39.42	
	96.98		96.26	
Less : Opening Stock				
Work -in- process	56.84		30.99	
Finished Goods	39.42		69.09	
	96.26		100.08	
		(0.72)		3.82
iii) Stores, Spares and Consumables		86.02		94.74
iv) Excise Duty on Opening & Closing Stock of Finished Goods		(1.65)		(3.80)
		654.09		627.32

Schedules to Profit & Loss Account (contd.)

Rs. in Crore

		2007-08	2006-07
Schedule – 13			
Energy			
i)	Power	109.53	110.10
ii)	Fuel	47.04	41.79
iii)	Gases	17.07	13.19
		173.64	165.08
Schedule – 14			
Manufacturing			
i)	Processing Charges	12.07	11.76
ii)	Other Direct Expenses	13.01	9.87
iii)	Machine Lease Rentals	0.31	0.33
iv)	Repairs and Maintenance – Plant & Machinery	4.23	5.23
		29.62	27.19
Schedule – 15			
Selling And Distribution			
i)	Freight and Forwarding	34.38	26.07
ii)	Commission on Sales	1.98	4.03
iii)	Other Selling Expenses	1.93	2.96
		38.29	33.06
Schedule – 16			
Personnel			
i)	Salaries, Wages, Bonus and Allowances [including rent paid of Rs. 0.29 crore, recovery of Rs. 0.07 crore, (Previous Year Rs. 0.29 crore, Recovery of Rs. 0.03 crore)	62.54	55.42
ii)	Contribution to Provident and other Funds	7.38	3.99
iii)	Employee Welfare	3.43	3.13
		73.35	62.54
Schedule – 17			
Overheads			
i)	Rent	1.04	0.92
ii)	Travelling and Conveyance	3.67	3.96
iii)	Communication	1.11	1.35
iv)	Repairs and Maintenance – Others	0.80	0.75
v)	Insurance	0.65	1.29
vi)	Loss on Sale of Assets	0.01	0.12
vii)	Miscellaneous Expenses (Refer Note No. 27 of Schedule 20)	8.01	8.64
		15.29	17.03

Schedules to Profit & Loss Account (contd.)

Rs. in Crore

		2007-08		2006-07
Schedule – 18				
Finance Charges				
i) Interest				
a) Debentures	—		2.27	
b) Term Loans	43.84		50.02	
c) Working Capital and Others	15.66		15.02	
		59.50		67.31
ii) Cash Discount		0.68		1.32
iii) Other Finance Charges		6.32		7.53
		66.50		76.16
Schedule – 19				
Depreciation And Amortisation				
i) Depreciation		53.06		53.63
ii) Amortisation of Miscellaneous Expenditure		2.23		1.78
iii) Write offs		—		4.34
		55.29		59.75

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

Notes On Accounts

1) Contingent Liabilities not provided for in respect of

Rs. in Crore

	As on 31st Mach, 2008	As on 31st March, 2007
a) Counter Guarantees given to Banks		
i) Performance Guarantees	4.27	18.50
ii) Others	17.53	1.57
b) Claims against the Company not acknowledged as debt		
i) Sales Tax	13.39	13.34
ii) Income Tax - disputed by the company	0.20	0.99
- disputed by the Tax Dept.	—	1.69
iii) Excise Duty	13.92	17.18
iv) Others	3.60	3.35
c) Guarantees given to the lenders of third party	9.70	18.54
d) Assignment of Liabilities	99.39	98.59
e) Estimated amount of contracts remaining to be executed	121.86	176.77
on Capital Accounts (Net of advances)		

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

Rs. in Crore

	2007-08	2007-06
i) Sales	2.09	0.55
ii) Purchases	0.88	0.24
iii) Finance Charges (Shown seperately in Profit & Loss Account)	22.26	5.02

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

4) Loans and Advances include interest free advances given by the Company in earlier years to Employees Welfare Funds aggregating to Rs.4.85 Crore (previous year 5.50 Crore), for the benefit of designated employees pursuant to the proviso (b) to Section 77 (2) of the Companies Act, 1956.

5) Advances include loans to officers of the Company Rs.59,500/- (Previous Year Rs.72,100/-), (Maximum amount outstanding during the year Rs.72,100/-, Previous Year Rs.84,690/-).

6) Considering the uncertainty related to realisation, the following items are not considered to accrue till they are settled / sanctioned / received as the case may be : a)Insurance claims b) Interest on receivables.

7) The Company belongs to Engineering Segment being a Seamless Tube producer with captive Steel making facilities. Since the present steel production is in excess of the Steel required for Tube making, the surplus steel is sold to external customers. The Company has, thus, two reportable segments viz. "Tube and Steel".

   a) Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to enterprise as a whole and are not allocable to a segment on reasonable basis have been disclosed as unallocable.

   b) Segment assets and segment liabilities represent assets and liabilities in respective segments. Investments, tax related assets and other assets and liabilities that can not be allocated to a segment on a reasonable basis have been included under "Unallocable Assets / Liabilities".

Notes on Accounts (contd.)

Rs. in Crore

Particulars	2007 - 08				2006 - 07			
	Tube Segment	Steel Segment	Unall.	Total	Tube Segment	Steel Segment	Unall.	Total
I) Segment Revenue								
Total External Sales	914.08	409.35		1,323.43	965.57	369.80		1,335.37
Add : Inter Segment Transfers	36.49	600.87		637.36	37.27	595.25		632.52
Inter Division Transfers	102.28	—		102.28	88.17	—		88.17
	1,052.85	1010.22		2,063.07	1091.01	965.05		2,056.06
Less :Excise Duty	95.21	138.45		233.66	104.35	132.52		236.87
	957.64	871.77		1,829.41	986.66	832.53		1,819.19
Less :Inter Seg. Tran. (net)	31.39	518.51		549.90	32.57	514.04		546.61
Inter Div. Tran. (net)	87.97	—		87.97	75.44	—		75.44
Net Sales	838.28	353.26		1,191.54	878.65	318.49		1,197.14
II) Segment Result Before Finance Charges,								
Amortisation, Foreign Exchange Gain & Taxation	114.84	*53.14	4.59	172.57	133.58	* 77.71	3.63	214.92
Less : Finance Charges				66.50				76.16
Amortisation				2.23				6.12
Add : Foreign Exchange Gain (net)				22.26				5.02
Profit before Taxation				126.10				137.66
Less : Taxation				26.06				7.54
Profit after Taxation				100.04				130.12
III) Other Information								
Total Segment Assets	1114.91	506.53	110.73	1,732.17	894.36	513.50	92.92	1,500.78
Total Segment Liabilities	98.15	196.09	19.24	313.48	69.17	170.95	17.11	257.23
Total cost incurred for								
Acquiring Segment Assets	267.47	22.63		290.10	27.97	15.73		43.70
Segment Depreciation	28.52	24.54		53.06	31.81	21.82		53.63
IV) Total Unallocable Assets								
Investments				19.19				0.01
Deferred Tax Assets				4.18				50.78
Miscellaneous Expenditure				8.48				9.62
				31.85				60.41
V) Total Unallocable Liabilities								
Secured Loans				704.33				616.88
Unsecured Loans				204.28				216.87
				908.61				833.75

* Includes profit on steel captively consumed by Tube Segment.

8) a) Cash and Bank balances includes current account with Deogiri Nagari Sahakari Bank Ltd (Non- Scheduled Bank), Nil (Previous year Rs.27,635/-). (Maximum balance during the year Rs.27,635/-, Previous Year Rs.27,635/-).

b) Deposit with Scheduled Banks includes Rs.14.21 Crore towards margin money on capital accounts.

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.

Notes on Accounts (contd.)

Expenses incurred in connection with the above issue of FCCB have been adjusted against the Securities Premium Account. Out of the proceeds of the FCCB, the Company has utilised Rs.76.91 Crore towards the object of the issue and the balance Rs.9.84 Core are lying in the Fixed Deposit Accounts with Bankers.

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

		2007 - 08	2006 - 07
i)	Salaries	1.24	0.98
ii)	Contribution to Provident Fund and Superannuation Fund	0.35	0.26
iii)	Other Perquisites	1.00	0.90
iv)	Commission on profits	4.30	3.10
		6.89	5.24

a) 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.

	2007 - 08	2006 - 07
Profit before taxation as per Profit and Loss Account	126.10	137.66
Add : Depreciation provided in accounts	53.06	53.63
Remuneration paid as Director's	6.89	5.24
Loss (net)on Assests sold or discarded as per Profit & Loss A/c	0.01	0.08
Profit (net) on Assests sold as per Section 349 of Company's Act	—	0.45
	186.06	197.06
Less : Depreciation and loss on Assets sold computed in accordance with		
Section 350 of the Companies Act, 1956	48.53	49.49
Amount charged to Reserve	5.36	9.93
Profit as per Section 349 of the Companies Act, 1956	132.17	137.64
Maximum permissible remuneration to the Whole-time Directors under section 198	13.22	13.76
of the Companies Act, 1956 @ 10% of the profits computed above		
Commission provided as per terms of agreement	4.30	3.10
11) Expenditure incurred during construction period which have been capitalised		
during the year and credited to the respective heads are as under.		
Power	1.77	—
Gases	—	2.55
Other Direct Expenses	3.00	—
Personnel Cost	3.36	2.39
Overheads	1.27	1.45
Interest (incldues Rs. 1.25 Crore in foreign currency)	5.06	* 2.46
	14.46	8.85

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

12) Security and other particulars of Secured Loans

a) i) Term Loans of Rs. 241.66 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. 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 (iii) below.

ii) Term Loans of Rs. 227.97 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.

iii) 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.)

iv) The Term Loans of Rs. 62.87 Crore and Working Capital Loans of Rs. 7.32 Crore are further stipulated to be secured by Corporate Guarantee of M/s Indian Seamless Enterprises Limited and the Personal Guarantee of Mr. B.R.Taneja.

v) Foreign Currency Term Loan of Rs. 79.91 Crore availed during the financial year is stipulated to be secured by an exclusive charge on the equipment financed together with the land appurtenant there to.

vi) Out of the total borrowings against buyer's credit - capital of Rs. 58.68 Crore, Rs. 11.12 Crore is stipulated to be secured by exclusive charge on assets purchased out of the said facility, Rs. 40.78 Crore is stipulated to be secured by exclusive charge on assets purchased out of the said facility and is 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 (iii) above and by a corporate guarantee of M/s Indian Seamless Enterprises Limited, and the balance Rs. 6.78 Crore is secured as per clause (iii) above.

vii) Term Loan installments falling due within one year is Rs. 120.19 Crore (Previous Year Rs. 68.87 Crore).

b) Interest accured and due on the loans have been included under appropriate heads.

13) Additional information as required by Part - II of Schedule - VI to the Companies Act, 1956

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)	**1,62,276** (1,61,181)
ii) Components & Spares, Plugs & Dies Rolls & Mandrels	Nos.	**10,000 ***** (10,000)	**43,840** (41,902)
iii) Cold Rolled Rings	Nos.	**80,00,000** (80,00,000)	**45,73,318** (42,89,755)
iv) Steel Bars	Tonnes	**2,50,000** (2,50,000)	**2,37,914** (2,47,351)

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

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

** Captive consumption for the year 252 Tonnes.

*** For Captive consumption within division.

(figures in brackets pertain to the Previous Year).

b) Stock & Turnover of goods manufactured by the Company

I) Tube Segment	**Tonnes**	**2007 - 08 Rs. in Crore**	Tonnes	2006 - 07 Rs. in Crore
1) Seamless Hollows and Tubes				
i) Sales (Excluding Excise Duty)	**159,062**	**950.41**	163,315	972.59
Less : Inter Segment Transfers - Scarp	**—**	**31.39**	—	31.33
Conversion	**—**	**—**	876	1.24
Inter division Transfers	**19,150**	**102.28**	16,299	88.17
Net Sales	**139,912**	**816.74**	146,140	851.85
ii) Opening Stock	**3,794**	**20.09**	5,928	25.84
iii) Closing Stock	**6,756**	**37.56**	3,794	20.09
2) Cold Rolled Rings	**Nos.**	**Rs. in Crore**	Nos.	Rs. in Crore
i) Sales (Excluding Excise Duty)	**42,19,189**	**21.54**	45,60,355	26.80
ii) Opening Stock	**1,50, 332**	**0.39**	4,20,932	1.81
iii) Closing Stock	**5,04,461**	**1.71**	1,50,332	0.39
II) Steel Segment	**Tonnes**	**Rs. in Crore**	Tonnes	Rs. in Crore
Steel Bars				
i) Sales (Excluding Excise Duty)	**2,44,684**	**871.77**	2,45,096	832.53
Less : Inter Segment Transfers	**1,57,862**	**518.51**	1,60,985	514.04
Net Sales	**86,822**	**353.26**	84,111	318.49
ii) Opening Stock	**14,792**	**49.72**	12,537	41.44
iii) Closing stock	**8,022**	**31.91**	14,792	49.72

Notes on Accounts (contd.)

c) CIF Value of Imports — Rs. in Crore

	2007 - 08	2006 - 07
i) Capital Goods	145.63	3.98
ii) Consumables	12.11	10.58
iii Raw Materials	51.82	69.89

d) Raw Materials Consumed

	2007 - 08 Tonnes	2007 - 08 Rs. in Crore	2006 - 07 Tonnes	2006 - 07 Rs. in Crore
I) Tube Segment				
Steel Bars	1,72,296	554.31	1,72,777	548.79
Less : Inter Segment Transfers included in above	1,57,862	516.76	1,60,985	512.16
	14,434	37.55	11,792	36.63
II) Steel Segment				
i) Pig Iron, DRI/Sponge Iron and Steel Scrap	2,68,577	469.19	2,69,849	433.28
ii) Ferro Alloys	8,284	95.09	8,543	93.98
	2,76,861	564.28	2,78,392	527.26
Less : Inter Segment Transfers Included in above	18,008	31.39	17,515	31.33
	2,58,853	532.89	2,60,877	495.93
Total Raw Material Consumed	2,73,287	570.44	2,72,669	532.56

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

	2007 - 08 Rs. in Crore	2007 - 08 %	2006 - 07 Rs. in Crore	2006 - 07 %
Indigenous	496.61	87.06	453.86	85.22
Imported	73.83	12.94	78.70	14.78
	570.44	100.00	532.56	100.00

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

	2007 - 08 Rs. in Crore	2007 - 08 %	2006 - 07 Rs. in Crore	2006 - 07 %
Indigenous	73.48	85.42	83.77	88.42
Imported	12.54	14.58	10.97	11.58
	86.02	100.00	94.74	100.00

f) I) Earnings in Foreign Currency

	2007 - 08	2006 - 07
i) FOB Value of Exports	228.66	212.40
ii) Freight on Exports	18.47	13.65
II) Expenditure in Foreign Currency		
i) Interest	—	2.33
ii) Commission on Exports	0.91	2.74
iii) Travelling	0.59	0.45
iv) Professional Consultation Fees	1.08	1.00
v) Others	1.97	0.88

14) Investor Education and Protection Fund

shall be credited by the following amounts, when due.

	2007 - 08	2006 - 07
a) Unclaimed Matured Debentures	1.03	*1.32
b) Unpaid Dividend	0.62	—
c) Unclaimed Matured Deposits	0.01	0.01

* Includes Rs. 0.28 Crore due and outstanding to be credited to Investor Education and Protection Fund as at 31.03.2007 since paid.

Notes on Accounts (contd.)

Rs. in Crore

		2007 - 08			2006 - 07
15) Provision for Taxation					
a) i)	Provision for Income Tax / Wealth Tax		14.27		13.55
ii)	Provision for Income Tax earlier years		1.97		—
iii)	Provision for Fringe Benefit Tax		0.58		0.52
iv)	Deferred Tax - Debit / (Credit)	46.60		40.80	
	Less : Transferred from General Reserve	21.17		23.72	
			25.43		17.08
v)	MAT Credit for Current Year		(14.22)		(13.53)
vi)	MAT Credit for Earlier Years		(1.97)		(10.08)
			26.06		7.54

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

c) The Company (earlier Jejuri Steels & Alloys Ltd., before amalgamation of Indian Seamless Steels and Alloys Limited with it) had created " Deferred Tax Asset " in respect of unabsorbed losses, allowances, etc., of Indian Seamless Steels & Alloys Ltd., by corresponding credit to " General Reserve ", in the first year after amalgamation and reflected in its first Balance Sheet as on 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 account of dividend to non-resident Shareholders.

Rs. in Crore

	Number of Non-Resident Shareholders	Number of Equity Shares Held	Gross Amount of dividend 2007 - 08
Dividend for 2006 - 07	2891	1117904	0.06
Interim Dividend for 2007-08	2891	1117904	0.06

(For previous year figures are nil)

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.

		2007 - 08 Foreign Currency in Million	2007 - 08 Rs. in Crore	2006 - 07 Foreign Currency in Million	2006 - 07 Rs. in Crore
a) Secured Loans					
i)	US Dollars	118.90	475.25	61.32	268.13
ii)	Euros	8.54	54.08	0.37	2.14
b) Unsecured Loans					
i)	US Dollars	20.00	79.94	20.00	87.46
c) Receivables					
i)	US Dollars	5.66	22.56	7.49	32.99
ii)	Euros	7.41	43.45	6.08	35.02
iii)	Sterling Pounds	0.66	5.15	0.63	5.40
iv)	Australian Dollar	0.17	0.61	—	—
d) Deposits with Banks					
i)	US Dollars	2.48	9.85	9.16	39.54
e) Interest Receivable					
i)	US Dollars	0.17	0.69	0.01	0.06
f) Payables					
i)	US Dollars	2.41	9.65	0.11	0.47
ii)	Euros	2.03	12.79	0.29	1.66

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

	Rs. in Crore 2007-2008
Not later than one year	0.30
Later than one year and not later than five years	1.48
Later than five years	1.18

b) 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	0.12	0.07	0.17
PV	0.02	0.06	0.02	0.10

20) The Company has allotted 57,50,000 Optional Convertible Warrant by way of a preferential allotment to the promoters on the conversion terms of one equity share of Rs. 5/-each at 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 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) Relatetd party Disclosure as required by Accounting Standard 18 is as under : -

(a) Key Management Personnel
- (i) Mr. V. Balasubramanian, Joint Managing Director
- (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

(b) Subsidiary Company
- ISMT Enterprises SA, Luxembourg

(c) Indirect Subsidiary Companies
- (i) Structo Hydraulics AB, Sweden
- (ii) Structo Hydraulics India Ltd
- (iii) ISMT Europe AB, Sweden
- (iv) Structo (UK) Ltd

(d) Associate Companies
- (i) Indian Seamless Enterprises Ltd
- (ii) Taneja Aerospace and Aviation Ltd
- (iii) Indian Seamless Incorporated, USA

Notes on Accounts (contd.)

Rs. in Crore

Details of transaction	Key Management Personnel		Subsidiary and Indirect Subsidiary Companies		Associate Companies	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Remuneration	6.89	4.91	—	—	—	—
Rent	—	0.33	—	—	—	—
Professional services availed	—	—	—	—	—	0.88
Sale of Finished Goods	—	—	85.93	—	14.89	42.33
Lease rent	—	—	—	—	0.90	0.03
Inter Corporate Deposits received	—	—	—	—	27.00	32.00
Interest paid	—	—	—	—	0.82	0.69
Inter Corporate Deposits given	—	—	—	—	30.60	15.50
Interest received	—	—	—	—	0.97	0.32
Investment	—	—	19.18	—	—	—
Assignment of Liability	—	—	—	—	5.22	—
Dividend	—	—	—	—	4.98	—
Outstanding as at Balance Sheet date	—	—	—	—	—	—
Payables	—	—	0.59	—	—	—
Receivables	—	—	39.83	—	5.93	14.35
Loans & Advances	—	0.32	—	—	1.39	1.18
Inter-corporate Deposits given	—	—	—	—	3.00	—

II) Companies under same Management as per Section 371 (1B) of the Companies Act, 1956.
Receivables include due from Indian Seamless Incorporated, USA 3.65 11.78

22) 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	
	31.03.2008	31.03.2007	2007 - 08	2006 - 07
A) Loans and Advances in the nature of Loans				
Taneja Aerospace and Aviation Ltd.	3.00	—	10.60	3.50
Indian Seamless Enterprises Ltd.	—	—	11.35	5.00

B) Investment by the Loanee in the Equity Shares of the Company
Indian Seamless Enterprises Ltd., No, of Shares 49810660

C) Investment by the Loanee in the Equity Shares of the Subsidiary Company
ISMT Enterprises SA, Luxembourg No, of Shares 200000

Notes on Accounts (contd.)

23) 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.

a) 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
Employer's Contribution to Provident Fund & Family Pension Fund	2.99
Employer's Contribution to Superannuation Fund	1.55

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.

b) Defined Benefit Plan:

	Rs. in Crore Gratuity (Funded)
i) Changes in present value of Defined Benefit obligation:	
Defined Benefit obligation as at April 1, 2007	5.08
Current Service Cost	0.67
Interest Cost	0.41
Actuarial (gain)/loss	1.96
Benefits paid	(0.53)
Present value of obligation as at March 31, 2008	7.59
ii) Changes in fair value of Plan Assets.	
Fair value of plan assets as at April 1, 2007	4.33
Expected return on plan assets	0.38
Actuarial gain/(loss)	(0.05)
Employer Contribution	Nil
Benefits Paid	Nil
Fair value of plan assets as at March 31, 2008	4.66
iii) Actual Return on Plan Assets	
Expected return on plan assets	0.38
Actuarial gain/(loss) on plan assets	(0.05)
Actual return on plan assets	0.33

iv) Amounts recognized in the Balance Sheet in resepect of:

	Gratuity (Funded)	Leave Encashment (Non funded)
Fair value of assets as at March 31, 2008	4.66	Nil
Present value of obligation as at March 31, 2008	7.59	2.35
Net Liability	2.93	2.35

v) Expenses recognised during the year (under the head Personnel Cost -).

	Gratuity (Funded)	Leave Encashment (Non funded)
Current Service Cost	0.67	0.26
Interest Cost	0.41	0.19
Expected return on Plan Assets	(0.38)	Nil
Actuarial (gain)/loss	2.00	0.43
Expense Recognised in the Profit & Loss Account	2.70	0.88

Notes on Accounts (contd.)

vi) Percentage of each category of Plan Assets to total Fair Value of Plan Assets as at March 31, 2008.

a) Government of India Securities	59%
b) Corporate Bonds	4%
c) Special Deposit Scheme	8%
d) Insurer Managed Funds	29%
Total	100%

vii) Principal Actuarial Assumptions used as at the Balance Sheet date:

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

c) This being first year of implementation of AS-15 (Revised), Previous year figures have not been given.

Rs. in Crore

	2007 - 08	2006 - 07
24) Miscellaneous income include		
a) Recovery of bad debts	0.05	0.01
b) Profit on Sale of Assets	—	0.04
c) Income on prepayment of liability	13.79	—

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

Rs. in Crore

	As at 31st March 2008	As at 31st March 2007
a) Deferred Tax Assets		
i) Accumulated Tax Losses	—	29.33
ii) Unabsorbed Tax Depreciation	101.33	122.95
iii) Deduction eligible in future period in respect of expenses already debited to Profit & Loss A/c	3.46	0.99
	104.79	153.27
b) i) Depreciation	97.92	99.61
ii) Expenditure Deferred	2.69	2.88
	100.61	102.49
c) Net Deferred Tax Asset	4.18	50.78
26) Earnings per Share (annualised)		
a) Profit After Tax	100.04	130.12
b) Net profit for the year attributable to Equity Share Holders	100.04	130.12
c) Weighted Average number of Equity Shares	14,44,67,858	14,43,81,756
d) Earnings per share (Rs.) (Basic and Diluted)	6.92	9.01

Notes on Accounts (contd.)

Rs. in Crore

		2007 - 08		2006 - 07	
27)	Miscellaneous Expenses include				
	a) Rates & Taxes		0.18		0.16
	b) Repairs & Maintenance - Building		0.38		0.45
	c) Directors Sitting Fees		0.04		0.03
	d) Equipment Lease Rent		0.12		0.07
	e) Excise Duty Expenses		0.44		0.14
	f) Auditors Remuneration				
	i) Statutory Audit Fees	0.14		0.14	
	ii) Taxation Matters	0.05		0.02	
	iii) Other Services	—		0.01	
	iv) Out of Pocket Expenses	0.03	0.22	0.03	0.20

28) The Company has charged expenses incidental to the merger being compensation for loss of interest paid and merger expenses amounting to Rs. 1.51 Crore and Rs. 2.69 Crore respectively to Amalgamation Reserve and Restructuring Reserve in terms of the Scheme of Arrangement. No provision has been made for further compensation for loss of interest as the same is not ascertainable.

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

Schedules forming part of the Balance Sheet and Profit & Loss Account
Schedule - 21

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.

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

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 subsequently capitalised.

10) Inventories

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

B) Valuation

I) Steel Segment

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

b) Finished Goods are valued at lower of cost or net realisable value. Cost includes raw material, labour cost, manufacturing expenses, production overheads and depreciation.

c) Stores and Spares are valued at cost determined on FIFO basis, except for those which have a longer usable life, which are valued on the basis of their remaining useful life.

II) Tube Segment

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

b) Semi finished and finished goods are valued at lower of cost or net realisable value. The cost includes raw material, labour cost, manufacturing expenses, production overheads and depreciation.

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.

C) 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 or 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. Gain or losses upon settlement of the transaction during the year is recognised in the Profit & Loss account.

ii) Current Assets and Liabilities in foreign currency outstanding at the close of the year are expressed in Indian currency at the rate of exchange prevailing at the close of the year, except in cases where they are covered by forward contracts. Resultant gain or loss is accounted during the year.

iii) 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.

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.

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

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 loss 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.

As per our report of even date

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

Sandeep Rao
Partner
Membership No. 47235

Pune, August 25, 2008

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

Sanjay Dhruva
Partner
Membership No. 38480

Pune, August 25, 2008

B.R. Taneja
Chief Executive Officer

O.P. Kakkar
Managing Director

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary
Pune, August 25, 2008

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 2008 (Date Month Year)		

II. Capital Raised during the year

Public Issue	NIL	Rights Issue	10543
Bonus Issue	NIL	Private Issue	NIL

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

Total Liabilities	017640176	Total Assets	017640176
Sources of Funds			
Paid-up Capital	732507	Reserves & Surplus	4633960
Secured Loans	7043252	Unsecured Loans	2042787
Application of Funds			
Net Fixed Assets	10471143	Investment	191823
Deferred Tax Asset	41815		
Net Current Assets	3715758	Misc. Expenditure	84867

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

Turnover #	12099132	Total Expenditure	10838069
Profit Before Tax	1261063	Profit After Tax	1000426
Earning Per Share in Rs.	6.92	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

Sandeep Rao
Partner
Membership No. 47235

Pune, August 25, 2008

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

Sanjay Dhruva
Partner
Membership No. 38480

Pune, August 25, 2008

O.P. Kakkar
Managing Director

B.R. Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary
Pune, August 25, 2008

Disclosure 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	348685302	140700000	7974	670000	500000
Reserves	(3464158)	134000	593901	2868	—
Total Assets	77713702	1896745773	2251049	1370827	567840
Total Liabilities	71028098	1757132506	1649174	18178212	67840
Investments other than in Subsidiary Companies	—	—	—	—	—
Turnover & Other Income	220466	2442761336	5762654	3635	—
Profit / (Loss) before taxation	(3135245)	44169936	13532	3635	—
Provision for taxation	—	8185616	—	1011	—
Profit / (Loss) after taxation	(3135245)	35984320	13532	2624	—
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 Statements 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 Daily Average Rate
EURO to INR	Rs.63.042/EURO	Rs.57.0563/EURO
SEK to INR	Rs.6.70/SEK	Rs.6.13/SEK
GBP to INR	Rs.79.739/GBP	Rs.81.027/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, 2008 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 and have been prepared by the 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 statements of subsidiaries, whose financial statements reflect total assets of Rs. 197.86 crore as at March 31, 2008, total revenue of Rs. 244.87 crore and net cash out flow of Rs. 3.71 crore for the year ended March 31, 2008. 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, "Consolidated 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, 2008;
   (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 Chartered Accountants	For J.K. SHAH & CO. Chartered Accountants
Sandeep Rao Partner Membership No. 47235	Sanjay Dhruva Partner Membership No. 38480
Pune, August 25, 2008	Pune, August 25, 2008

Consolidated Balance Sheet as at March 31, 2008

Rs. in Crore

	Schedule		As at 31st March, 2008
Sources of Funds			
Shareholders' Funds			
Share Capital	1	73.25	
Equity Share Warrants	2	5.29	
Reserves and Surplus	3	463.15	
			541.69
Minority Interest			11.89
Loan Funds			
Secured Loans	4	781.59	
Unsecured Loans	5	204.28	
			985.87
			1,539.45
Application of Funds			
Fixed Assets			
Gross Block	6	1,145.50	
Less : Depreciation		366.52	
Net Block		778.98	
Capital Work-in-Progress		307.46	
			1,086.44
Goodwill on consolidation			23.50
Investments	7		0.01
Deferred Tax Asset			4.18
Current Assets, Loans & Advances	8	793.03	
Less: Current Liabilities & Provisions	9	377.96	
Net Current Assets			415.07
Miscellaneous Expenditure	10		10.25
(To the extent not written off or adjusted)			
			1,539.45
Notes on Accounts	20		
Significant Accounting Policies	21		

As per our report of even date

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

Sandeep Rao
Partner
Membership No. 47235

Pune, August 25, 2008

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

Sanjay Dhruva
Partner
Membership No. 38480

Pune, August 25, 2008

B.R. Taneja
Chief Executive Officer

O.P. Kakkar
Managing Director

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary

Pune, August 25, 2008

Consolidated Profit & Loss Account for the year ended March 31, 2008

Rs. in Crore

	Schedule		As at 31st March, 2008
Income			
Gross Sales and Income from Operations		2,306.69	
Less : Inter Segment Transfers		637.36	
Inter Division Transfers		102.28	
Sales to Subsidiary Company		82.81	
Excise Duty		131.89	
Net Sales and Income from Operations			1,352.35
Other Income	11		19.35
			1,371.70
Expenditure			
Materials Consumed	12	736.48	
Energy	13	179.67	
Direct Manufacturing	14	36.90	
Selling and Distribution	15	47.02	
Personnel	16	111.87	
Overheads	17	22.61	
			1,134.55
Profit before Finance Charges, Depreciation, Amortisation, Foreign Exchange gain and Taxation			237.15
Finance Charges	18	69.54	
Depreciation and Amortisation	19	61.28	
			130.82
Profit before Foreign Exchange gain & Taxation			106.33
Add : Foreign Exchange gain (Net)			22.26
Profit before Taxation			128.59
Less : Provision for Taxation			26.88
(Refer Note No. 5 of Schedule 20)			
Profit after Taxation			101.71
Less : Share of minority interest			1.21
Profit after Minority Interest			100.50
Balance brought forward from Previous Year			75.19
Balance available for appropriations			175.69
Appropriations			
Interim Dividend			7.22
Proposed Final Dividend			7.33
Tax on Interim Dividend			1.23
Tax on proposed Dividend			1.24
General Reserve			100.00
Balance carried to Balance Sheet			58.67
Earnings per share Rs. (Face Value of Rs. 5/- each)			6.96
(Refer Note No. 8 of Schedule 20)			
Notes on Accounts	20		
Significant Accounting Policies	21		

As per our report of even date

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

Sandeep Rao
Partner
Membership No. 47235
Pune, August 25, 2008

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

Sanjay Dhruva
Partner
Membership No. 38480
Pune, August 25, 2008

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Managing Director

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Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary
Pune, August 25, 2008

Consolidated Cash Flow Statement for the year ended March 31, 2008

Rs. in Crore

			2007-08
A.	Cash Flow from Operating Activities		
	Net Profit before Tax		128.59
	Adjustments for:		
	Depreciation	59.05	
	Finance Charges	69.54	
	Interest Income	(4.72)	
	Exchange Fluctuation Gain	(17.48)	
	Amortisation of Miscellaneous Expenditure	2.23	
	Expenses charged to: Contingency Reserve	(0.01)	
	Amalgamation Reserve	(1.51)	
	Restructuring Reserve	(2.69)	
	Income on Pre-payment of liability	(13.79)	
	Loss/(Profit) on sale of Fixed Assets (Net)	(0.04)	
	Foreign Currency Translation Reserve	3.36	
			93.94
	Operating Cash Profit before Working Capital Changes		222.53
	Adjustments for :		
	Trade and Other Receivables	26.28	
	Inventories (Increase) / Decrease	(0.21)	
	Trade Payables	4.93	31.00
	Taxes Paid		(18.96)
	Net Cashflow from Operating Activities		234.57
B	Cash Flow from Investing Activities		
	Additions to Fixed Assets	(278.19)	
	Sale of Fixed Assets	0.05	
	Acquisition of Subsidiary	(33.86)	
	Interest Received	4.33	
	Net Cash used in Investing Activities		(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 on Foreign Currency Convertible Bonds	(1.25)	
	Proceeds from issue of Shares to Minority Shareholders	12.80	
	Miscellaneous Expenditure	(2.86)	
	Dividend Payments (including Tax thereon)	(16.27)	
	Proceeds from /(Repayment of) Borrowings	130.60	
	Finance Charges	(68.95)	
	Net Cash from Financing Activities		69.38
	Net Increase / (Decrease) in Cash and Cash Equivalents		(3.72)
	Cash and Cash Equivalents at the beginning of the year (Refer Note No.2)		9.49
	Cash and Cash Equivalents at the end of the year (Refer Note No.1)		5.77
	Net Increase / (Decrease) in Cash & Cash Equivalents		(3.72)

Notes:

		As at March 31, 2008
1	The cash and cash equivalents in the cash flow statement comprise of the following Balance Sheet amounts:	
	(a) Cash on hand	0.06
	(b) Current Accounts with Banks	5.71
		5.77

2 Cash and Cash Equivalents at the beginning includes Cash and Bank Balance acquired on acquisition of Subsidiary Company amounting to Rs. 1.05 Crore.

As per our report of even date

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

Sandeep Rao
Partner
Membership No. 47235
Pune, August 25, 2008

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

Sanjay Dhruva
Partner
Membership No. 38480
Pune, August 25, 2008

O.P. Kakkar
Managing Director

B.R. Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary
Pune, August 25, 2008

Schedules forming part of the Consolidated Balance Sheet

Rs. in Crore

			As at March 31, 2008
Schedule - 1			
Share Capital			
Authorised			
i)	17,50,00,000 (Previous Year 17,50,00,000)		87.50
	Equity Shares of Rs.5/- each		
ii)	Unclassified Shares		71.00
			158.50
Issued, Subscribed and Paid up			
i)	14,65,01,383 (Previous Year 14,43,81,756)		73.25
	Equity Shares of Rs 5/- each fully paid		
			73.25
Schedule – 2			
Equity Share Warrants			
	Issued and subscribed :		5.29
	57,50,000 (previous year Nil) Warrants of		
	Rs. 91.80 each, Rs. 9.20 paid per warrant.		
Schedule – 3			
Reserves And Surplus			
i)	Capital Reserve		1.65
ii)	Capital Redemption Reserve		80.60
iii)	Securities Premium		
	As per last Balance Sheet	1.65	
	Add : Additions during the year	8.96	
	Less : Expenses related to FCCB issue	1.25	
			9.36
iv)	Amalgamation Reserve		
	As per last Balance Sheet	45.72	
	Less : Debits related to Pre- Merger period	1.51	
			44.21
v)	Reserve for Contingencies		
	As per last Balance Sheet	3.73	
	Less : Debits related to Pre- Merger period	0.01	
			3.72
vi)	Restructuring Reserve		
	As per last Balance Sheet	20.88	
	Less : Debits as per the Scheme of Arrangement	2.69	
			18.19
vii)	General Reserve		
	As per last Balance Sheet	168.62	
	Add : Transfer from General Reserve	100.00	
	Less : Transferred to Profit & Loss	21.17	
			247.45
viii)	Foreign Currency Translation Reserve		(0.70)
ix)	Balance in Profit and Loss Account		58.67
			463.15

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

Rs. in Crore

			As at March 31, 2008
Schedule – 4			
Secured Loans			
I.	Term Loans from Banks		
a)	Rupee Loans	131.65	
b)	Foreign Currency Loans	436.68	
			568.33
II.	Working Capital Borrowings from Banks		
a)	Rupee Loans	24.20	
b)	Foreign Currency Loans	130.38	154.58
III.	Buyer's Credit - Capital		58.68
	(Refer Note No. 2 of Schedule 20)		781.59
Schedule – 5			
	Unsecured Loans		
a)	Foreign Currency Convertible Bonds (FCCB)		79.94
b)	Interest Free Incentive and Sales Tax Loan		124.15
c)	Others		0.19
			204.28

Schedule – 6

Fixed Assets

Rs. in Crore

Description	Gross Block				Depreciation				Net Block
	As at April 01, 2007	Additions/ Transfers	Deletions/ Sales/ Transfers	As at March 31, 2008	As on April 01, 2007	For The Year	Deletions/ Sales/ Transfers	As on March 31, 2008	As at March 31, 2008
Leasehold Land	7.03	—	—	7.03	0.25	0.08	—	0.33	6.70
Freehold Land	1.23	0.51	—	1.74	—	—	—	—	1.74
Buildings	88.06	1.24	—	90.17	12.91	2.85	—	15.76	74.41
Plant & Machinery	970.32	16.29	0.69	985.92	264.20	51.42	0.69	314.93	670.99
Furniture & Fixtures	1.28	0.08	—	1.36	0.59	0.14	—	0.73	0.63
Office Equipments	8.74	0.50	—	9.24	4.18	1.30	—	5.48	3.76
Vehicles	2.07	0.42	0.03	2.46	0.80	0.39	0.02	1.17	1.29
Intangible Assets									
Goodwill	33.79	—	—	33.79	23.54	1.03	—	24.57	9.22
Technical Know-how	4.13	—	—	4.13	0.07	0.83	—	0.90	3.23
Software	2.32	0.38	—	2.70	0.04	0.48	—	0.52	2.18
Assets Taken On Lease									
Plant & Machinery	6.96	—	—	6.96	1.60	0.53	—	2.13	4.83
Total	1,126.80	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 March 31, 2008
Schedule – 7		
Investments (At Cost)		
Long Term		
I. Government Securities		
National Saving Certificate		0.01
(Pledged with Sales Tax Authorities)		
		0.01
Schedule – 8		
Current Assets, Loans & Advances		
I. Inventories		
(As taken, valued and certified by the Management)		
i) Raw Material	93.44	
ii) Work-in-process	59.29	
iii) Finished Goods	75.34	
iv) Stores, Spares and Consumables	49.97	
		278.04
II. Receivables		
(Including bills discounted with Banks)		
Unsecured, considered good		
i) Outstanding for more than six months	16.35	
ii) Others	283.43	
		299.78
III. Export Entitlements		11.18
IV. Cash And Bank Balances		
i) Cash on hand	0.06	
ii) Current Accounts with Banks	3.91	
iii) Remittance in Transit	1.80	
iv) Deposit with Scheduled Banks	37.96	
		43.73
V. Loans And Advances		
(Unsecured, Considered Good)		
i) Advances recoverable in cash or in Kind or for value		
to be received		
a) Sundry Deposits	11.28	
b) Others	53.81	
ii) Balance with Customs, Excise, Sales Tax etc.	55.41	
iii) MAT Credit Entitlement	39.80	
		160.30
		793.03

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

Rs. in Crore

		As at March 31, 2008
Schedule – 9		
Current Liabilities & Provisions		
I. Current Liabilities		
i) Acceptances	110.97	
ii) Sundry Creditors for		
a) Capital	24.90	
b) Others	158.31	
iii) Provision for Expenses	28.77	
iv) Advances from Customers	5.19	
v) Investor Education and Protection Fund	1.67	
vi) Other Liabilities	22.48	
vii) Interest accrued but not due	1.72	
		354.01
II. Provisions		
i) Proposed Dividend	7.33	
ii) Tax On Dividend	1.24	
iii) Leave Encashment	7.52	
iv) Gratuity And Superannuation	4.89	
v) Income Tax (net of advance payment)	2.97	
		23.95
		377.96
Schedule – 10		
Miscellaneous Expenditure		
i) Preliminary Expenses		0.45
ii) Preopertaive Expenses		1.76
iii) Merger Expenses		0.53
iv) Loan processing fees		7.51
		10.25

Schedules to the Consolidated Profit & Loss Account

	2007-08
INCOME	
Schedule – 11	
Other Income	
i) Interest Received	4.72
ii) Miscellaneous Income	14.63
	19.35

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

Rs. in Crore

			As at March 31, 2008
EXPNEDITURE			
Schedule – 12			
Materials Consumed			
i)	Raw Material		
	Opening Stock	106.05	
	Add: Purchases	640.98	
	Less: Closing Stock	93.44	
			653.59
ii)	(Increase)/Decrease in Stocks		
	Closing Stock		
	Work-in-process	59.29	
	Finished Goods	75.34	
		134.63	
	Less : Opening Stock		
	Work -in- process	66.83	
	Finished Goods	58.23	
		125.06	
			(9.57)
iii)	Stores, Spares and Consumables		94.11
iv)	Excise Duty on Opening & Closing Stock of Finished Goods		(1.65)
			736.48
Schedule – 13			
Energy			
i)	Power		112.75
ii)	Fuel		47.04
iii)	Gases		19.88
			179.67
Schedule – 14			
Manufacturing			
i)	Processing Charges		13.96
ii)	Other Direct Expenses		15.85
iii)	Machine Lease Rentals		1.41
iv)	Repairs and Maintenance – Plant & Machinery		5.68
			36.90
Schedule – 15			
Selling and Distribution			
i)	Freight and Forwarding		41.87
ii)	Commission on Sales		2.97
iii)	Other Selling Expenses		2.18
			47.02

Schedules to the Consolidated Profit & Loss Account (contd.)

Rs. in Crore

		2007-08
Schedule – 16		
Personnel		
i)	Salaries, Wages, Bonus and Allowances	98.79
ii)	Contribution to Provident and other Funds	8.19
iii)	Employee Welfare	4.89
		111.87
Schedule – 17		
Overheads		
i)	Rent	1.19
ii)	Travelling and Conveyance	4.74
iii)	Communication	1.42
iv)	Repairs and Maintenance – Others	1.05
v)	Insurance	1.37
vi)	Loss on Sale of Assets	0.01
vii)	Miscellaneous Expenses (Refer Note No. 12 of Schedule 20)	12.83
		22.61
Schedule – 18		
Finance Charges		
i)	Interest	
	a) Term Loans	43.84
	b) Working Capital & Others	18.60
ii)	Cash Discount	0.76
iii)	Other Finance Charges	6.34
		69.54
Schedule – 19		
Depreciation And Amortisation		
i)	Depreciation	59.05
ii)	Amortisation of Miscellaneous Expenditure	2.23
		61.28

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

Notes On Accounts

Notes which are necessary for presenting a true and fair view of the consolidated financial statements 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, 2008
a) Counter Guarantees given to Banks	
i) Performance Guarantees	4.27
ii) Others	17.53
b) Claims against the Company not acknowledged as debt	
i) Sales Tax	13.39
ii) Income Tax - disputed by the company	0.20
iii) Excise Duty	13.92
iv) Others	3.60
c) Guarantees given to the lenders of third party	9.70
d) Assignment of Liabilities	99.39
e) Estimated amount of contracts remaining to be executed	121.86
on Capital Accounts (Net of advances)	
Subsidiary Company	
f) In case of Structo Hydraulics AB,	
i) Relocation Grant	1.68

2) Security and other particulars of Secured Loans

Parent Company

a) i) Term Loans of Rs. 241.66 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. 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 (iii) below.

ii) Term Loans of Rs. 227.97 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.

iii) 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.

iv) The Term Loans of Rs. 62.87 Crore and Working Capital Loans of Rs. 7.32 Crore are further stipulated to be secured by Corporate Guarantee of M/s Indian Seamless Enterprises Limited and the Personal Guarantee of Mr. B.R.Taneja.

v) Foreign Currency Term Loan of Rs. 79.91 Crore availed during the financial year is stipulated to be secured by an exclusive charge on the equipment financed together with the land appurtenant there to.

vi) Out of the total borrowings against buyer's credit - capital of Rs. 58.68 Crore, Rs. 11.12 Crore is stipulated to be secured by exclusive charge on assets purchased out of the said facility, Rs. 40.78 Crore is stipulated to be secured by exclusive charge on assets purchased out of the said facility and is 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 (iii) above and by a corporate guarantee of M/s Indian Seamless Enterprises Limited, and the balance Rs. 6.78 Crore is secured as per clause (iii) above.

vii) Term Loan installments falling due within one year is Rs. 120.19 Crore.

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

Notes on Accounts (contd.)

Subsidiary Company

Term Loans of Rs. 18.80 Crore are secured by mortgage of Company's immovable Properties and Working capital loan of Rs. 58. 47 Crore is mortgaged against fixed and current assets of the company excluding immovable property.

Term loan installments falling due within one year is Rs. 5.03 Crore.

3) The Group belongs to Engineering Segment being a Seamless Tube producer with captive Steel making facilities. Since the present steel production is in excess of the Steel required for Tube making, the surplus steel is sold to external customers. The Group has, thus, two reportable segments viz. "Tube and Steel".

Rs. in Crore

	2007 - 08			
Particulars	Tube Segment	Steel Segment	Unallocable	Total
I) Segment Revenue				
Total External Sales	1,074.89	409.35		1,484.24
Add : Inter Segment Transfers	36.49	600.87		637.36
Inter Division Transfers	102.28	—		102.28
Sale to Subsidairy Company	82.81	—		82.81
	1,296.47	1010.22		2,306.69
Less : Excise Duty	95.21	138.45		233.66
	1,201.26	871.77		2,073.03
Less : Inter Segment Transfers (Net)	31.39	518.51		549.90
Inter Division Transfers (Net)	87.97	—		87.97
Sale to Subsidairy Company	82.81	—		82.81
Net Sales	999.09	353.26		1,352.35
II) Segment Result Before Finance Charges, Amortisation, Foreign Exchange Gain and Taxation	119.39	*53.14	5.57	178.10
Less : Finance Charges				69.54
Amortisation				2.23
Add : Foreign Exchange gain (Net)				22.26
Profit before Taxation				128.59
Less : Taxation				26.88
Profit after Taxation				101.71
Less : Share of Minority Interest				1.21
Profit after Minority Interest				100.50
III) Other Information				
Total Segment Assets	1,262.21	506.53	110.73	1,879.47
Total Segment Liabilities	162.63	196.09	19.24	377.96
Total cost incurred for				
Acquiring Segment Assets	278.05	22.63		300.68
Segment Depreciation	34.51	24.54		59.05
IV) Total Unallocable Assets				
Goodwill on Consolidation				23.50
Investments				0.01
Deferred Tax Assets				4.18
Miscellaneous Expenditure				10.25
				37.94
V) Total Unallocable Liabilities				
Secured Loans				781.59
Unsecured Loans				204.28
				985.87

* Includes profit on steel captively consumed by Tube Segment.

Notes on Accounts (contd.)

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

	Rs. in Crore 2007-08
Power	1.77
Other Direct Expenses	3.00
Personnel Cost	3.36
Overheads	1.27
Interest (incldues Rs. 1.25 crore in foreign currency)	5.06
	14.46

5) Provision for Taxation		
a) i) Provision for Income Tax / Wealth Tax		15.09
ii) Provision for Income Tax earlier years		1.97
iii) Provision for Fringe Benefit Tax		0.58
iv) Deferred Tax - Debit / (Credit)	46.60	
Less : Transferred from General Reserve	21.17	25.43
v) MAT Credit for Current Year		(14.22)
vi) MAT Credit for Earlier Years		(1.97)
		26.88

b) 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.

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

Rs. in Crore

Parent Company	2007-2008
Not later than one year	0.30
Later than one year and not later than five years	1.48
Later than five years	1.18

Subsidiary Company	
Not later than one year	3.80
Later than one year and not later than five years	10.95
Later than five years	1.47

b) 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	0.07	0.17
PV	0.02	0.06	0.02	0.10

7) 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.

2007 - 08

	Foreign Currency in Million	**Rs. in Crore**
Parent Company		
a) Secured Loans		
i) US Dollars	118.90	475.25
ii) Euros	8.54	54.08
b) Unsecured Loans		
i) US Dollars	20.00	79.94
c) Receivables		
i) US Dollars	5.66	22.56
ii) Euros	7.41	43.45
iii) Sterling Pounds	0.66	5.15
iv) Australian Dollar	0.17	0.61
d) Deposits with Banks		
i) US Dollars	2.48	9.85
e) Interest Receivable		
i) US Dollars	0.17	0.69
f) Payables		
i) US Dollars	2.41	9.65
ii) Euros	2.03	12.79
Subsidiary Company:		
a) Receivables		
i) US Dollars	0.06	0.23
ii) Euros	10.84	68.36
b) Payables		
i) US Dollars	0.33	1.30
ii) Euros	6.93	43.71
iii) GBP	0.42	3.36

8) Earnings per Share (annualised)

a) Profit After Tax	100.50
b) Net profit for the year attributable to Equity Share Holders	100.50
c) Weighted Average number of Equity Shares	14,44,67,858
d) Earnings per share (Rs.) (Basic and Diluted)	6.96

Notes on Accounts (contd.)

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

(a) Key Management Personnel

(i) Mr. V. Balasubramanian
Joint Managing Director

(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 (Structro Hydraulics AB, Sweden)

(b) Associate Companies

(i) Indian Seamless Enterprises Ltd.

(ii) Taneja Aerospace and Aviation Ltd.

(ii) Indian Seamless Incorporated, USA.

Rs. in Crore

Details of transaction	Key Management Personnel 2007-08	Associate Companies 2007-08
Remuneration	8.54	—
Sale of Finished Goods	—	14.89
Lease rent	—	0.90
Inter Corporate Deposits received	—	27.00
Interest paid	—	0.82
Inter Corporate Deposits given	—	30.60
Interest received	—	0.97
Assignment of Liability	—	5.22
Dividend	—	4.98
Outstanding as at Balance Sheet date		
Receivables	—	5.93
Loans & Advances	—	1.39
Inter-corporate Deposits given	—	3.00

II) Companies under same Management as per Section 371 (1B) of the Companies Act, 1956.
Receivables include due from Indian Seamless Incorporated, USA 3.65

10) 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.

a) 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

Employer's Contribution to Provident Fund & Family Pension Fund	2.99
Employer's Contribution to Superannuation Fund	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.

			Rs. in Crore Gratuity (Funded)
b)	Defined Benefit Plan		
i)	Changes in present value of Defined Benefit obligation.		
	Defined Benefit obligation as at 1st April, 2007		5.08
	Current Service Cost		0.67
	Interest Cost		0.41
	Actuarial (gain)/loss		1.96
	Benefits paid		(0.53)
	Present value of obligation as at 31st March, 2008		7.59
			Rs. in Crore
ii)	Changes in fair value of Plan Assets.		
	Fair value of plan assets as at April 1, 2007		4.33
	Expected return on plan assets		0.38
	Actuarial gain/(loss)		(0.05)
	Employer Contribution		Nil
	Benefits Paid		Nil
	Fair value of plan assets as at March 31, 2008		4.66
iii)	Actual Return on Plan Assets		
	Expected return on plan assets		0.38
	Actuarial gain/(loss) on plan assets		(0.05)
	Actual return on plan assets		0.33
iv)	Amounts recognized in the Balance Sheet in resepect of:		
		Gratuity (Funded)	Leave Encashment (Non funded)
	Fair value of assets as at March 31, 2008	4.66	Nil
	Present value of obligation as at March 31, 2008	7.59	2.35
	Net Liability	2.93	2.35
v)	Expenses recognised during the year (under the head Personnel Cost -).		
		Gratuity (Funded)	Leave Encashment (Non funded)
	Current Service Cost	0.67	0.26
	Interest Cost	0.41	0.19
	Expected return on Plan Assets	(0.38)	Nil
	Actuarial (gain)/loss	2.00	0.43
	Expense Recognised in the Profit and Loss Account	2.70	0.88
vi)	Percentage of each category of Plan Assets to total Fair Value of Plan Assets as at 31st March, 2008.		
	a) Government of India Securities		59%
	b) Corporate Bonds		4%
	c) Special Deposit Scheme		8%
	d) Insurer Managed Funds		29%
	Total		100%

Notes on Accounts (contd.)

vii) Principal Actuarial Assumptions used as at the Balance Sheet date:

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

Subsidiary Company

Defined Contribution Plan :

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

	Rs. in Crore
Social Security contribution	3.70

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

			Rs. in Crore
Parent Company			As at 31st March, 2008
a)	Deferred Tax Assets		
	i)	Unabsorbed Tax Depreciation	101.33
	ii)	Deduction eligible in future period in respect of expenses already debited to Profit & Loss A/c	3.46
			104.79
b)	i)	Depreciation	97.92
	ii)	Expenditure Deferred	2.69
			100.61
c)	Net Deferred Tax Asset		4.18

				Rs. in Crore
12)	Miscellaneous Expenses include			2007 - 08
a)	Rates & Taxes			0.27
b)	Repairs & Maintenance - Building			0.38
c)	Directors Sitting Fees			0.04
d)	Equipment Lease Rent			0.27
e)	Excise Duty Expenses			0.44
f)	Auditors Remuneration			
	i)	Statutory Audit Fees	0.27	
	ii)	Taxation Matters	0.05	
	iii)	Other Services	0.08	
	iv)	Out of Pocket Expenses	0.03	0.43

13) The Company has charged expenses incidental to the merger being compensation for loss of interest paid and merger expenses amounting to Rs. 1.51 Crore and Rs. 2.69 Crore respectively to Amalgamation Reserve and Restructuring Reserve in terms of the Scheme of Arrangement. No provision has been made for further compensation for loss of interest as the same is not ascertainable.

14) Being first year of presenting consolidated financial statements, Previous year figures have not been compiled.

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

Schedule – 21

Significant Accounting Policies

1) Basis of Consolidation

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

A) Basis of Accounting

i) 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, 2008.

ii) 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.

iii) Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

B) Principles of Consolidation

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

i) 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.

ii) 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.

iii) 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.

iv) 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.

v) 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.

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

Sr. no.	Name of Company	Country of Incorporation	Proportion of Ownership Interest	Reporting date
A	Subsidiary			
**1	**ISMT Enterprises SA** (Incorporated on 25th May, 2007)	Luxembourg	63.64%	31st March, 2008
B	Indirect Subsidiary (Subsidiary of ISMT Enterprieses SA)			
*1	**Structo Hydraulics AB** (Acquired on 5th June 2007)	Sweden	100%	31st March, 2008
C	Indirect Subsidiaries (Subsidiaries of Structo Hydraulics AB)			
*1	**Structo Hydraulics India Limited**	India	100%	31st March, 2008
*2	**ISMT Europe AB**	Sweden	100%	31st March, 2008
**3	**Structo (UK) Limited**	UK	100%	31st March, 2008

* 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.

Schedules forming part of the Consolidated Balance Sheet and Profit & Loss (contd.)

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 Hydralics 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 :

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.

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 Hydralics 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 subsequently capitalised.

9) Inventories

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

B) Valuation

I) Steel Segment

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

b) Finished Goods are valued at lower of cost or net realisable value. Cost includes raw material, labour cost, manufacturing expenses, production overheads and depreciation.

c) Stores and Spares are valued at cost determined on FIFO basis, except for those which have a longer usable life, which are valued on the basis of their remaining useful life.

II) Tube Segment

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

b) Semi finished and finished goods are valued at lower of cost or net realisable value. The cost includes raw material, labour cost, manufacturing expenses, production overheads and depreciation.

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.

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

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

Schedules forming part of the Consolidated Balance Sheet and Profit & Loss (contd.)

recognised immediately in the statement of the Profit and Loss Account as income or 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 Company:

The Company makes defined contributaion to the Government authority as a social security benefit, which is recognised 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

i) All transactions in foreign currency are recorded by applying the exchange rate prevailing at the time of the transaction. Gain or losses upon settlement of the transaction during the year is recognised in the Profit & Loss account.

ii) Current Assets and Liabilities in foreign currency outstanding at the close of the year are expressed in Indian currency at the rate of exchange prevailing at the close of the year, except in cases where they are covered by forward contracts. Resultant gain or loss is accounted during the year.

iii) 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 recognised as income or expenses.

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 loss 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.

As per our report of even date

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

Sandeep Rao
Partner
Membership No. 47235

Pune, August 25, 2008

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

Sanjay Dhruva
Partner
Membership No. 38480

Pune, August 25, 2008

O.P. Kakkar
Managing Director

B.R. Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary

Pune, August 25, 2008

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 10th Annual General Meeting of the Company to be held on Monday, September 29, 2008 at Sun-N-Sand, Pune at 11.00 AM and at any adjournment thereof. In witness thereof I/We put my / our hand this .... day of September, 2008

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

10th 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 10th Annual General Meeting of the Company held on Monday, September 29, 2008 at Sun-N-Sand, Pune at 11:00AM.

....

Member's/ Proxy's Signature