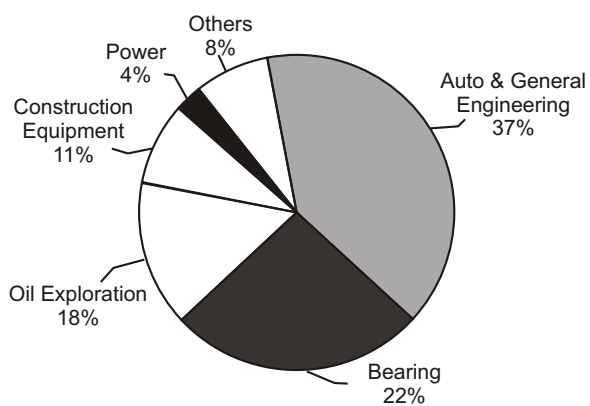
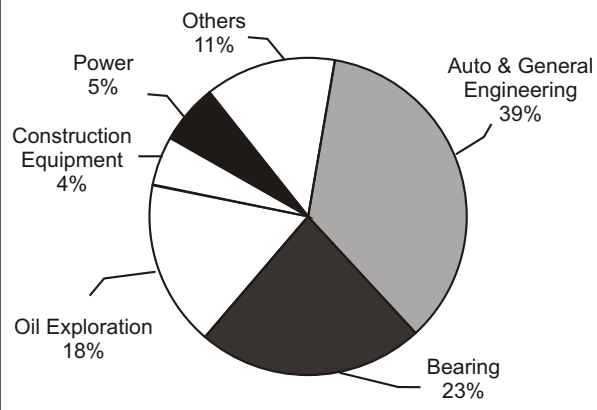
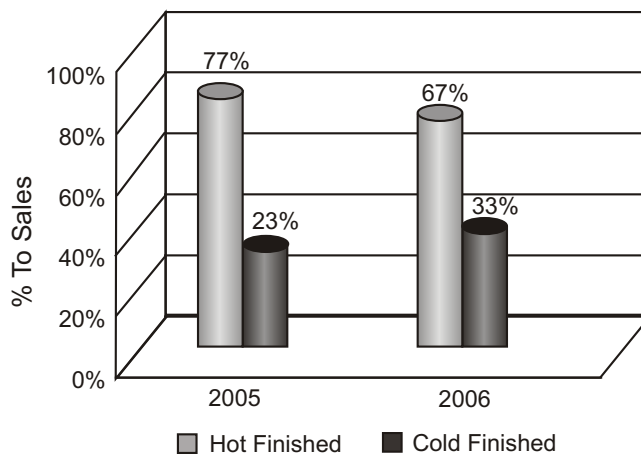
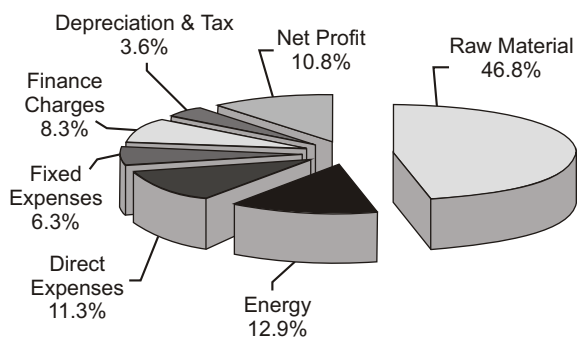
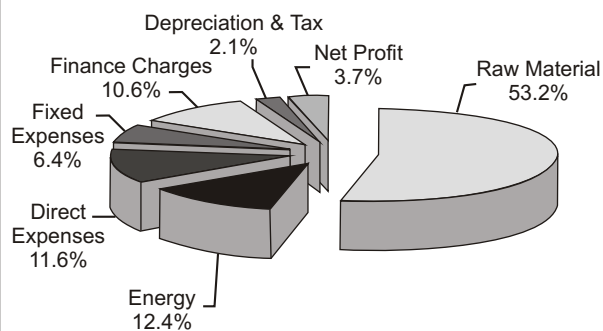


8th Annual Report 2005-06

ISMT LIMITED



Automotive Bearings Construction Equipment General Engineering Oil Exploration Power

Industry Mix - 2006

Industry Mix - 2005

Categorywise Tube Sales

Revenue Breakdown - 2006

Revenue Breakdown - 2005


BOARD OF DIRECTORS

KHUSHROO RUSTUMJI Chairman	B R TANEJA Chief Executive Officer
V BALASUBRAMANIAN Executive Director (Operations)	A K JAIN
NIRMAL CHANDRA President (International Business & Product Development)	VIRENDRA KAPOOR
SALIL TANEJA President (Corporate Strategy & Development)	J P SUREKA
O P KAKKAR Managing Director	K D HODAVDEKAR - IDBI Nominee
	N D PINGE - ICICI Nominee
	RAJIV GOEL Chief Financial Officer

COMPANY SECRETARY

Jayan Nair

AUDITORS

M/s P G BHAGWAT Chartered Accountants	J K SHAH & CO. Chartered Accountants
--	---

SOLICITORS & ADVOCATES

Dave & Girish & Co.	Mulla & Mulla & Craigie Blunt & Caroe
---------------------	---------------------------------------

FINANCIAL INSTITUTIONS & BANKS

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

REGISTERED OFFICE

Lunkad Towers, Viman Nagar, Pune 411 014

TRANSFER AGENT

Sharepro Services (India) Pvt Ltd

WORKS

MIDC Industrial Area Ahmednagar 414 111	MIDC Industrial Area Baramati 413 133	Jejuri-Morgaon Road Jejuri 413 133
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Annual General Meeting at Taj Blue Diamond, Pune on Monday, August 28, 2006 at 11.00 a.m.

HIGHLIGHTS			Rs. in Crore	
	2006		2005	
	Tube	Steel	Tube	Steel
Capacity (Tonnes Per Annum)	158000	250000	158000	250000
Production (Tonnes)	135635	234707	110184	213303
Capacity Utilisation (%)	85.8%	93.9%	69.7%	85.3%
Sales (Tonnes)	132794	228078	110526	214399
Captive	17068	131968	11621	109091
External of which	115726	96110	98905	105308
Domestic	82481	95263	74878	102961
Exports	33245	847	24027	2347
Revenue				
Domestic	486.84	363.65	367.59	372.52
Exports	207.13	3.43	142.83	9.31
	<u>693.97</u>	<u>367.08</u>	<u>510.42</u>	<u>381.83</u>
Earning before Interest Tax & Amortization	86.66	109.81	23.36	88.89

	2006	2005	% Increase
Key parameters			
■ Sales	1061.05	892.25	19%
■ Export sales	210.56	152.14	38%
■ Raw material (% to sales)	46.8%	53.2%	-12%
■ Energy Cost (% to sales)	12.9%	12.4%	4%
■ EBIDTA	251.19	158.67	58%
Profitability Ratios			
■ Operating Profit margin	23.7%	17.8%	33%
■ Cash Profit margin	15.6%	8.6%	82%
■ Net Profit margin	10.8%	3.7%	192%
■ Return on Networth	27.3%	9.4%	191%
Finance			
■ Forex debt	170.11	73.94	130%
■ Forex Debt as a % to term debt	31.9%	13.2%	141%
■ Interest cost (% of sales)	8.3%	10.6%	-22%
■ Repayment of Term Debt	75.55	-ve	--
General			
■ Market Capitalisation (year end)	1631	450	263%
■ Share price during the year			
High (Rs.)	112.45	41.90	--
Low (Rs.)	27.00	3.05	--
■ Earning per Share (Rs.)	7.96	2.33	242%

CEO's STATEMENT

Dear Shareholders,

I must start by saying that we have come a long way during the year and the performance of the Company bears testimony to that.

During the year ISMT Ltd brought together and consolidated the capabilities both in terms of processes and people - that existed in the erstwhile The Indian Seamless Metal Tubes Ltd. and Indian Seamless Steels & Alloys Ltd. We were able to reposition ourselves as an integrated precision seamless tube manufacturer and further improve our services to the specialized seamless tube as well as alloy steel customers.

Our growth driver is international business. Our exports increased by 40 percent in the year to approximately USD 45 million and it is expected to further grow by about 40 percent in the year 2006-07. It is planned that in the next five years about 50 percent of our tube production would be exported to some of the most discerning markets of the world.

We have embarked upon an expansion plan and this would result in our capacity for seamless tubes increasing from the current level of 155,000 to 475,000 MTPA and the investment required for this would be about Rs 250 Crore. To support this level of seamless tube production, the steel capacity would also be increased incrementally from the existing 250,000 to 500,000 MTPA. The increase in the capacity of seamless tubes should be in place by the last quarter of FY 2007-08. The drivers for this increase in capacity is the anticipated growth in demand from the power, bearing and automobile sectors in the domestic market.

All the pre-implementation activities for the project have been completed and work at the Baramati Unit, the place where the new finishing mill would be commissioned will start soon. The expansion is expected to improve our competitiveness through improved material utilization and reduced process cost. We expect to reach the optimal level of utilization within three years of the commissioning of the new mill.

To become one of the leading specialized seamless tube manufacturers in the world we have to move faster than global competitors and this can happen only if we scaleup our capacities and continuously improve our efficiencies in all our business processes. We also have to imbibe an operating culture where we are on a constant lookout for better ideas, are willing to experiment and take risks and where we value our commitments to both internal and external customers.

I must mention here that our knowledge capital is absolutely unparalleled it is this knowledge capital along with our commitment to teamwork that would take us to our next milestone — ***to be one of the largest integrated specialized seamless tube manufacturing companies in the world.***

I am glad to mention that your Company increased its turnover by 19 percent to Rs 1061 Crore and exports accounted for 20 percent of the turnover. The Net Profit has reached the healthy level of 11 percent of turnover (Rs 115 Crore). Given the fact that the macro-economic parameters are likely to remain robust, the market for our products should continue to grow and the Company should further improve its operating performance and increase profits in the years to come.

Your Company is targeting aggressive growth based on increased international exposure as well as higher penetration in the domestic market. A comprehensive strategic package has been developed to make this happen and the management is confident that we should get very close to realizing the vision that we have set for ourselves ***“to be the most sought after, efficient, profitable and respected producer globally of seamless tubes and alloy steels”.***

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

Thank you.


B.R. Taneja

Pune, 4th May, 2006

DIRECTORS' REPORT

To the Members

The Directors present their 8th Annual Report and Audited Accounts for year ended 31st March, 2006.

FINANCIAL RESULTS

	<i>Rs in Crore</i>	
	2005-06	2004-05
Gross Sales	1807.08	1442.01
Less : Inter Segment & Division Transfers	618.10	448.14
Excise Duty	127.93	101.62
Net Sales	1061.05	892.25
Other Income	24.22	17.64
Total Income	1085.27	909.89
Operating Expenditure	821.16	745.68
Finance Charges	87.80	94.48
Depreciation and Amortisation	50.92	43.88
Provision for Taxation	10.35	(7.04)
Profit After Tax	115.04	32.89
Add: Balance brought forward	8.24	(8.54)
Less: Transferred to Profit & Loss A/c	6.21	--
Balance available for Appropriation	117.07	24.35
Appropriations		
Debenture Redemption Reserve	14.76	16.11
Capital Redemption Reserve	33.68	--
General Reserve	11.50	--
Balance carried to Balance Sheet	57.13	8.24

DIVIDEND

In view of the proposed expansion and the impending Repayments, your Directors in the interest of the Shareholders would like to conserve the resources and hence do not recommend any Dividend.

OPERATIONS

There has been a marked improvement in performance of Tube segment while the Steel segment has consolidated its position. Conscious cost reduction, improving product mix and better utilisation saw the Operating margin improve from 17.8% to 23.7% of Sales.

MARKET

Strong growth in each of the major markets for the Company's products viz Automobile, Bearing, Construction

Equipments, Oil exploration and Power have pushed up the domestic Tube sales by 32% to Rs. 487 Crore. Exports maintained its growth momentum and went up by 40% to Rs. 211 Crore. Europe has now emerged as a major market accounting for about 40% of Exports.

FINANCE

During the year the Company has converted Rs. 105 Crore of Rupee Loans into Foreign Currency Loans to reduce its interest cost. The Company has also repaid Term Loans of Rs. 75 Crore. Accordingly, the interest cost during the year has come down by about 20% and is now lower at 8.3% of sales as against 10.6% last year. The Company has initiated the process of refinancing the existing CDR debt by fresh Term Loans at lower cost to reduce the interest burden. Further the Company is also exploring various options for raising finance for its future plans and to further reduce the finance cost.

EXPANSION

The Company has embarked upon expansion of its capacity at Baramati Unit from 90,000 tonnes per annum to 4,00,000 tonnes per annum which together with Ahmednagar Unit will take the total tube manufacturing capacity to 4,75,000 tonnes per annum. The expansion is estimated to cost Rs. 250 Crore. Further the project will help reduce the cost of production significantly and make the Company highly competitive. The project is expected to be commissioned by December 2007.

RESEARCH AND DEVELOPMENT

The development of new products and processes is an integral part of the production culture. These developments either help to reduce the cost or improve the quality and thereby strengthen the competitive position of the Company. The activities of R & D are described 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. V Balasubramanian, Mr. Nirmal Chandra and Mr. O P Kakkar retire by rotation and being eligible offer themselves for re-appointment.

Mr. Khushroo Rustumji was appointed as Chairman of the Company at the Board Meeting held on 21st January, 2006.

AUDITORS

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

FIXED DEPOSITS

There are no outstanding fixed deposits as on 31st March 2006 except the unclaimed Deposits of erstwhile The Indian Seamless Metal Tubes Limited.

CORPORATE GOVERNANCE REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

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

SUBSIDIARY COMPANY

During the year, Indian Seamless Power limited a wholly owned Subsidiary ceased to be a Subsidiary Company.

STATUTORY PARTICULARS

The particulars in respect of energy conservation, technology absorption 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

The Company is in compliance with various accounting and financial reporting requirements in respect of the financial

statements for the period under review. Pursuant to Section 217 (2AA) of the Companies Act, 1956 ("the Act") and based on the representations received from the operating management, the Directors hereby confirm that:

- i. in the preparation of the annual accounts for the year ended 31st March, 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii. that such accounting policies as mentioned in Schedule 22 to the Accounts have been selected and applied consistently and judgements and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2006 and of the profit or loss account of the Company for the year ended on that day;
- iii. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. the annual accounts have been prepared on a "going concern basis".

ACKNOWLEDGEMENTS

The Directors take this opportunity to thank the Company's Shareholders, Customers, Suppliers, Bankers, Financial Institutions, Government and Other Authorities for their continued support. The Directors also wish to place on record their sincere appreciation of employees at all levels for their hard work, dedication and commitment.

On behalf of the Board of Directors

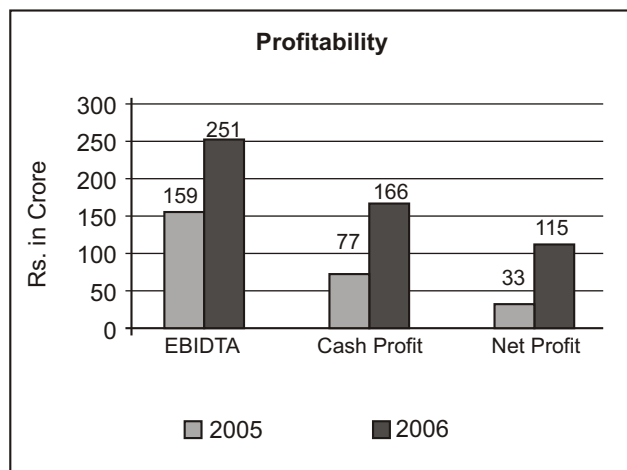
Registered Office :

Lunkad Towers, Viman Nagar,
Pune - 411 014.
4th May, 2006

Khushroo Rustumji
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS**INDUSTRY STRUCTURE AND DEVELOPMENTS**

The sustained economic growth led to robust demand for seamless tubes in the country which together with the export growth resulted in 35% growth in Tube Sales. The performance for the year was thus considerably better as under :



The improvement in performance during 2005-06 can be attributed to the following major initiatives:

- 1) Baramati Unit which turned around last year was the largest contributor to revenue and profit growth among the three units.
- 2) Continued growth in exports with emphasis on extending the reach in terms of customer, products and geographic segments.
- 3) Increasing shift in product mix towards high value items.
- 4) Increase in Tube sales as percentage of total sales.
- 5) Cost efficiencies arising from improved utilisation as also conscious cost reduction measures undertaken by the Company.

OPPORTUNITIES AND THREATS

Seamless Tubes consumption is aligned to economic growth and 7% growth recorded by the economy for 3 consecutive years has meant accelerating demand for tubes. In particular, the investments under way in both Construction and Power sector has created a large market for seamless tubes. On the international front, increasing customers base, buoyancy in U.S. Economy and under exploited European market present a large pool of opportunity. Your Company, with its global competitive strengths, is suitably placed to exploit this opportunity.

The Company's focus on continuous improvement in quality and delivery, large range of product offering, and the widespread geographical spread not only insulates it against 'competitor aggression' but also makes it possible to improve its penetration on a sustained basis. The expansion in capacity would result in improved economies of scale & further bring down the cost of production. This would enable the Company to retain and improve market share even under suppressed and price competitive market conditions.

SEGMENT / PRODUCT INFORMATION

The external steel sales came down from 53% to 47% of total steel sales.

Particulars	Rs. in Crore		
	2005-06	2004-05	% increase
Sales - Steel	784.08	719.81	9%
- Captive	417.00	337.98	23%
- External	367.08	381.83	-4%

Consequently Share of Tube Sales went up to 2/3rd of the total sales against 57% Previous Year. Accordingly margin from Tube segment dramatically went up by 271% and accounted for 44% of total margin as against only 21% Previous Year.

Particulars	Rs. in Crore		
	2005-06	2004-05	% increase
Sales	1061.04	892.25	19%
- Tube	693.96	510.42	36%
- Steel	367.08	381.83	-4%

Cold finished tube being high end seamless tubes in terms of price and margins was a thrust area and the sales of such tubes went up to 33% of total tubes sales against 23% of sales during Previous Year.

OUTLOOK

Given the strong market, the Company has reason to be optimistic about its prospects during 2006-07. Going forward, the expansion project will drive and transform the business of the Company. The prices of inputs continue to be volatile and the Company pursues the strategy of either linking the sale price to international scrap prices or entering into shorter delivery orders.

RISKS AND CONCERNS

The improved financial position has considerably reduced risks in respect of liquidity and leverage. Foreign exchange, input cost volatility, taxation, interest rates, natural and man made disasters and political risks are some of the general risks to which your Company is also exposed.

INTERNAL CONTROL SYSTEMS

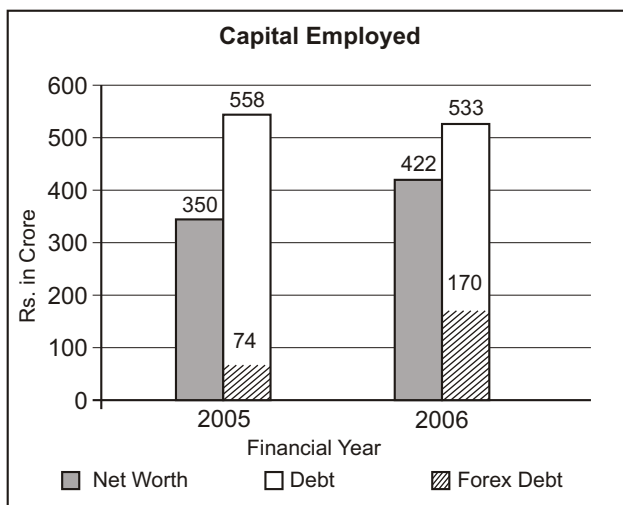
The Company has established a strong Internal Audit system which is supported by controls at various operating levels. Internal Audit carries out ongoing examination of the efficacy of internal control systems.

FINANCIAL PERFORMANCE

The year was notable for the fact that the Company has for the first time crossed turnover of Rs.1000 Crore and profit of Rs.100 Crore. This has led to the Company emerging as a strong financial entity.

Particulars	2005-06	Rs. in Crore 2004-05
Debt Equity Ratio	1.26	1.59
Term Debt to EBITDA (times)	2.12	3.52
Bank Borrowing (% to sales)	13.2%	17.7%
Current Ratio	1.40	1.10

While the Company has brought down total debt, it has also increased the forex debt as a proportion of total debt to reduce interest cost.



The Working Capital requirement of the Company did go up in order to meet the increasing production requirements and the same was met by internal resources.

Particulars	2005-06	Rs. in Crore 2004-05
Working Capital Borrowing	140.37	157.82
Inventory	184.65	127.30
- no of months	2.94	2.22
Receivables	247.12	194.87
- no of months	2.79	2.62

HUMAN RESOURCES DEVELOPMENT AND INDUSTRIAL RELATIONS

The Company has a rich pool of technical and managerial skills. Efforts are underway to document and store all the knowledge that is available within the Company, which is the core strength of the Company. Programmes on manufacturing and maintenance related skill development, team building and knowledge creation are carried out on an on-going basis.

EMPLOYEE RELATED INFORMATION

as of 31st March, 2006

	Factory Locations	Others	Total
Managers	135	61	196
Officers and Staff	506	111	617
Workmen	1321	NIL	1321
Total	1962	172	2134

CAUTIONARY STATEMENT

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

CORPORATE GOVERNANCE REPORT**COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

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

BOARD OF DIRECTORS

The composition of the Board, attendance at Board Meetings held during the year and at the last Annual General Meeting, number of Directorships in other public companies and committees across various public companies of which the Director is a Member / Chairman are given below:

		Financial year 2005-06 Attendance at		As on Date		
Name of the Director	Category	Board Meetings	Last AGM	No. of Directorships in other public companies	Committee positions	
					Member	Chairman
Khushroo Rustumji Chairman w.e.f 21.01.06	Non Executive Independent	3	Yes	1	2	—
V Balasubramanian	Executive	8	Yes	Nil	1**	—
Nirmal Chandra [§]	Executive	3	No	Nil	—	—
Rajiv Goel [§]	Executive	3	Yes	1	—	—
O P Kakkar	Executive	7	Yes	Nil	1**	—
B R Taneja [§]	Executive	3	Yes	1	—	—
Salil Taneja [§]	Executive	2	No	1	—	—
A K Jain [§]	Non-Executive	3	Yes	1	1**	—
Virendra Kapoor [§]	Non-executive, Independent	3	Yes	1	—	3
G S Sambhi+	Non Executive, Independent	5	No	Nil	2**	—
J P Sureka [§]	Non Executive	3	Yes	3	1**	—
Rear Adml. D V Taneja (Retd.)*	Non Executive, Independent	5	No	Nil	—	3**
K D Hodavdekar	Independent – IDBI Nominee	5	No	Nil	2	—
N D Pinge [§]	Independent – ICICI Nominee	3	No	3	3	—

+ Ceased to be Director w.e.f 29.11.2005

* Retired by rotation at the AGM held on 31.12.05

** Committee members upto 29.11.05

§ Appointed w.e.f. 29.11.05

The Company has a Non Executive Chairman and the number of independent Directors are as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges.

During the year under review 8 Board Meetings were held i. e., on 16th April 2005, 18th July 2005, 24th October 2005, 31st October 2005 29th November 2005 (2 meetings), 21st January 2006 and 22nd March 2006.

Brief resume of the Directors proposed to be appointed / re-appointed.

Mr V Balasubramanian is a graduate in metallurgy from

Indian Institute of Technology, Madras. He has extensive working experience in various areas of operations in steel plants of Steel Authority of India Limited (SAIL). He joined the Company in the year 2000 and presently he is the Executive Director (Operations) of the Company.

Mr Nirmal Chandra, is associated with the Indian Seamless Group right from inception. He is a Graduate in Mechanical Engineering. He is having more than 37 years experience in Steel/ Tube industry in various functional areas such as marketing, purchase, administration, production and planning and presently he is the President (International Business & Product Development) of the Company.

Mr O P Kakkar is a Mechanical Engineer and a Post Graduate Diploma holder in Business Management. He has over 39 years of industrial experience in different capacities. He is associated with the Company right from inception. Presently he is the Managing Director of the Company.

AUDIT COMMITTEE

The Audit Committee of the Board of Directors comprised of M/s Rear Adml. D V Taneja (Retd.), G S Sambhi and K D Hodavdekar upto 29th November 2005.

Subsequent to the merger of The Indian Seamless Metal Tubes Limited with the Company, the Audit Committee of the Board of Directors was reconstituted, comprising of Mr. Virendra Kapoor as Chairman and Mr. Khushroo Rustumji, Mr. K. D. Hodavdekar, as Members. Mr N D Pinge was inducted into the Audit Committee w.e.f 21st January 2006. The Company complies with the provisions of Section 292A of the Companies Act, 1956 and the duties and functions generally indicated in Clause 49 of the Listing Agreement with the Stock Exchanges.

During the year under review, 6 Audit Committee Meetings were held i.e on 16th April 2005, 18th July 2005, 24th October 2005, 29th November 2005, 31st December 2005 and 21st January 2006 The Audit Committee attendance is given below:

	Meeting Attended
Virendra Kapoor	3
K. D. Hodavdekar	4
N D Pinge	—
Khushroo Rustumji	3
G S Sambhi	3
Rear Adml. D V Taneja(Retd.)	3

MANAGERIAL REMUNERATION

a. Remuneration Committee:

The Remuneration Committee of the Board of Directors comprised of M/s Rear Adml. D V Taneja (Retd.), Mr G S Sambhi and K D Hodavdekar upto 29th November 2005.

Subsequent to the merger of The Indian Seamless Metal Tubes Limited with the Company the Remuneration Committee of the Board of Directors of the Company was reconstituted comprising of Mr Virendra Kapoor, Chairman, Mr Khushroo Rustumji and Mr N D Pinge. The Remuneration Committee is empowered to fix, review, approve and recommend the remuneration payable to Whole Time Directors.

During the year, 3 Remuneration Committee Meetings were held on 18th July 2005, 24th October 2005 and 29th November 2005 which recommended the remuneration/ annual increments, perquisites and commission payable to Mr V Balasubramanian, Mr Nirmal Chandra, Mr Rajiv Goel, Mr O P Kakkar, Mr B R Taneja and Mr Salil Taneja respectively.

The Remuneration Committee attendance is given below :

	Meetings attended
Virendra Kapoor	1
K D Hodavdekar	1
N D Pinge	—
Khushroo Rustumji	1
G S Sambhi	2
Rear Adml. D V Taneja (Retd.)	2

b. Remuneration Policy :

The remuneration of the Whole Time Directors is decided by the Board of Directors based on the recommendations of the Remuneration Committee Meeting, which interalia is based on the criteria such as industry benchmarks, Company's performance, performance of the Whole Time Directors. 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 sitting fees for Board and Committee of Rs. 2000/- each were revised w.e.f 29.11.05 to Rs. 10,000/- for Board Meeting and Rs 5,000/-for Committee Meetings attended by Non Executive Directors.

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 2005-06 is given below:

Note: Salary and perquisites include other allowances, contribution to Provident Fund and Superannuation, leave travel allowance, medical reimbursement and accommodation provided.

Name of the Director	Salary & Perquisites Rs.	Commission Rs.	Sitting fees Rs.
Khushroo Rustumji	—	—	50,000
V Balasubramanian	14,36,900	6,45,000	—
Nirmal Chandra	27,08,496	17,45,000	—
Rajiv Goel	28,19,141	18,20,000	—
O P Kakkar	34,96,950	19,81,000	—
B R Taneja	50,15,310	54,00,000	—
Salil Taneja	9,76,800	10,00,000	—
A K Jain	—	—	30,000
Virendra Kapoor	—	—	55,000
G S Sambhi	—	—	20,000
J P Sureka	—	—	30,000
Rear Adml D V Taneja (Retd.)	—	—	40,000
K D Hodavdekar	—	—	51,000
N D Pinge	—	—	35,000

SHAREHOLDERS/ INVESTORS GRIEVANCE COMMITTEE

The Investors' Grievance Committee of the Board of Directors comprised of M/s Rear Adml. D V Taneja (Retd.), O P Kakkar and V Balasubramanian upto 29.11.2005.

Subsequent to the merger of The Indian Seamless Metal Tubes Limited with the Company, the Investors' Grievance Committee of the Board of Directors was reconstituted, comprising of Mr Virendra Kapoor, Chairman, Mr. K. D. Hodavdekar and Mr N D Pinge as Members.

During the year, 12 Committee Meetings were held on 16th April 2005, 7th May 2005, 27th May 2005, 17th June 2005, 11th July 2005, 2nd August 2005, 23rd August 2005, 13th September 2005, 3rd October 2005, 20th October 2005, 15th November 2005 and 21st January 2006.

Nature of Complaints	No. of complaints received during the year 2005-06	No. of complaints redressed during the year 2005-06
Non receipt of redemption/ interest	286	286
Non receipt of shares after transfer	555	555
Non receipt of demat credit	68	68

The Company has paid listing fees for the financial year 2006-07 to The Bombay Stock Exchange Ltd.

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

OTHER DISCLOSURES

Details of related party transaction are furnished in Note No. 22 of Schedule 21 under Notes on Accounts. There have been no instances of non-compliance on any matter relating to the capital market during the last three years.

MEANS OF COMMUNICATION

Quarterly and half yearly results : Published in Economic Times (English) and Maharashtra Times (Marathi)

GENERAL MEETINGS

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

Year	Type	Date	Venue	Time	No. of Special Resolutions Passed
2004-05	AGM	31.12.05	Le Meriden, RBM Road Pune 411 001	11:00 a.m	12

2003-04	AGM	27.09.04	Hotel Taj Blue Diamond, Koregaon Road, Pune 411 001	10:00 a.m.	5
2002-03	AGM	19.09.03	Hotel Taj Blue Diamond, Koregaon Road, Pune 411 001	10:30 a.m.	3

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

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

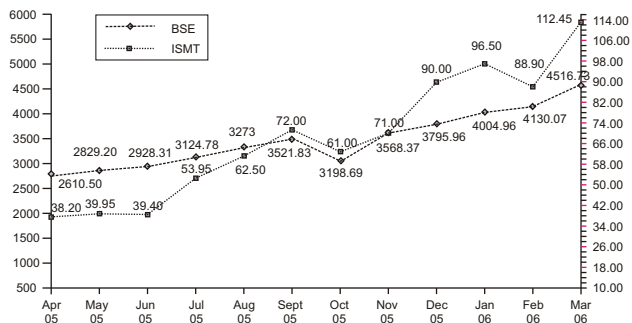
GENERAL SHAREHOLDERS INFORMATION

AGM Date and Time	28th August 2006 at 11:00 am.
Venue	Taj Blue Diamond, Pune
Financial Year	1.4.2005 to 31.3.2006
Date of Book Closure	21st August 2006 to 28th August 2006
Listed on Stock Exchange	Pune and Mumbai
Security Code (BSE)	532479
ISIN No. Allotted to equity shares	INE732F01019
Registered Office	Lunkad Towers, Viman-Nagar, Pune 411014.
Address for Correspondence	Lunkad Towers, Viman-Nagar, Pune 411014.
Plant locations	1. Ahmednagar 2. Baramati 3. Jejuri

MARKET PRICE DATA

Quotation at The Bombay Stock Exchange Ltd.

Month	High	Low
April 2005	38.20	29.00
May 2005	39.95	27.00
June 2005	39.40	33.80
July 2005	53.95	34.50
August 2005	62.50	43.85
September 2005	72.00	55.05
October 2005	61.00	50.80
November 2005	71.00	54.00
December 2005	90.00	70.00
January 2006	96.50	80.50
February 2006	88.90	80.05
March 2006	112.45	80.15

ISMT Share Value Vis-a-Vis BSE - 500 Sensex**Dematerialisation of shares**

Nearly 45% of total Equity Capital is held in demat form with NSDL and CDSL

Share Transfer System

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

Pursuant to Clause 47 (C) of the Listing Agreement with the Stock Exchanges, certificates 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).

Distributions of Share holding of the Company as on 31.03.06

Share holding of nominal value of Rs.	Shares Holder(s)	%to Total	No. of Shares	% to Total
Upto 5,000	147007	99.457	28302266	19.691
5,001 10,000	408	0.278	2945277	2.038
10,001 20,000	176	0.120	2539114	1.757
20,001 30,000	56	0.038	1336641	0.925
30,001 40,000	17	0.012	586652	0.406
40,001 50,000	25	0.017	1164687	0.806
50,001 1,00,000	43	0.029	3027095	2.094
1,00,001 and above	72	0.049	104480024	72.284
Total	147804	100.000	144381756	100.00

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 for all investor services, viz., processing of transfers, consolidation and for rendering demat services such as dematerialisation and rematerialisation of shares, etc. Shareholders may correspond with our Transfer Agent, M/s. Sharepro Services (I) Pvt. Ltd., whose address is as under:

M/s. Sharepro Services (I) Pvt. Ltd. M/s. Sharepro Services (I) Pvt. Ltd.
Satam Estate, 3rd Floor, 3, Chintamani Apartments
Above Bank of Baroda Off Bhandarkar Road
Cardinal Gracious Road, 824/D.V.G. Kale Path
Chakala, Andheri (E) Pune 411 004
Mumbai 400 099. Tel.: + 91-20-25662855/56
Tel. + 91-22-28348218 Email: sharepropune@vsnl.net
Fax: + 91-22-28375646

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

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

In terms of the Scheme of Arrangement approved by the Hon'ble High Court, Bombay, the Company has allotted 27,02,222 warrants and warrant holders are having rights to apply for one equity share of Rs. 5 each in the Company for every Warrant.

On behalf of the Board of Directors

Pune, 4th May, 2006

Khushroo Rustumji
Chairman

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 31st March, 2006 as stipulated in Clause 49 of the Listing Agreement of the said Company with the 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 the 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 is pending for a period exceeding one month against the Company.

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

For M/s P. G. BHAGWAT
Chartered Accountants

For J. K. SHAH & CO.
Chartered Accountants

Sandeep Rao
Partner
Membership No. 47235
Pune, 4th May, 2006

J. K. Shah
Partner
Membership No. 3662
Pune, 4th May, 2006

AUDITORS' REPORT

TO,
THE MEMBERS OF ISMT LIMITED

1. We have audited the attached Balance Sheet of **ISMT Limited** as at 31st March, 2006, 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 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 explanations 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 explanations, 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, 2006 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March, 2006 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 explanations 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 the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;
 - (ii) in the case of the 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 flows for the year ended on that date.

For M/s P. G. BHAGWAT
Chartered Accountants

Sandeep Rao
Partner
Membership No. 47235
Pune, 4th May, 2006

For J. K. SHAH & CO.
Chartered Accountants

J. K. Shah
Partner
Membership No. 3662
Pune, 4th May, 2006

ANNEXURE TO THE AUDITOR'S REPORT

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

- 1) a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
b) These fixed assets have been physically verified by the management at regular intervals considering the size of the company and nature of assets. 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 for 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 explanations 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 our 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 particulars 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 set up an Internal audit department and has also appointed a firm of Chartered Accountants to carry out its internal audit function. In our opinion, the internal audit system is commensurate with the size of the Company and nature of its business.
- 9) We have broadly reviewed the books of account maintained by the Company, pursuant to the rules made by the Central Government for the maintenance of cost records, under Section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have generally been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete. We have been informed that the Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 in respect of Tooling and Cold Rolled Rings in Tube Segment of the company.
- 10) a) According to the records of the company, the company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities. According to the information and explanation given to us, there are no undisputed amounts payable in respect of such statutory dues which have remained outstanding as at 31st March, 2006 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, 2006 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 rescheduled 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, debentures, 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 utilized for the purpose for which the said loans were obtained.
- 18) According to the Cash Flow Statement and other records examined by us and on the basis of information and explanation given to us, on an overall basis, funds raised on Short Term basis have, prima facie, not been used during the year for Long Term investment.
- 19) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- 20) According to the information and explanation given to us, the company has created security for debentures issued.
- 21) The company has not made any Public Issue during the year to raise money. Accordingly the provision of clause 4(xx) of the Companies (Auditor Report) Order, 2003 is not applicable.
- 22) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the course of our audit that causes the financial statement to be materially misstated.

For M/s P. G. BHAGWAT
Chartered Accountants

For J. K. SHAH & CO.
Chartered Accountants

Sandeep Rao
Partner
Membership No. 47235
Pune, 4th May, 2006

J. K. Shah
Partner
Membership No. 3662
Pune, 4th May, 2006

Annexure – I

Particulars of dues not deposited on account of disputes:

Rs. in lacs			
Name of statute	Nature of Dues	Amounts disputed	Forum where disputes are pending
Central Sales Tax Act, 1956	Sales Tax	653.22 12.03	Tribunal Dy. DCST (Appeals)
Maharashtra Sales Tax Act, 1959	Sales Tax Sales Tax Purchase Tax Turnover Tax, penalty & interest	280.76 267.16 1.04 10.61	Tribunal Dy. DCST (Appeals) Tribunal Dy. DCST (Appeals)
Central Excise Act, 1944	Excise Duty	96.46 363.95 308.38 8.60 394.94 150.85 5.27	Appellate Commissioner CEGAT Commissioner Adjudication High Court, Bombay Commissioner (Appeals) Dy. Commissioner DC (Technical)
Customs Act, 1962	Custom Duty	5.65	Dy. Commissioner
Income Tax Act, 1961	Income Tax	248.30	Commissioner (Appeals)

BALANCE SHEET AS AT 31st MARCH, 2006

	Schedule	As at 31 st March, 2006	Rs. in lacs As at 31 st March, 2005
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	11,910.58	10,736.58
Share Suspense	2	—	4,720.25
Reserves and Surplus	3	31,002.26	20,189.08
		42,912.84	35,645.91
LOAN FUNDS			
Secured Loans	4	67,335.02	71,631.87
Unsecured Loans	5	11,073.16	8,339.38
		78,408.18	79,971.25
		1,21,321.02	1,15,617.16
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	6	95,666.54	94,082.20
Less : Depreciation		15,029.34	9,483.44
Net Block		80,637.20	84,598.76
Capital Work-in-Progress		1,486.36	1,218.27
		82,123.56	85,817.03
INVESTMENTS	7	0.60	6.66
DEFERRED TAX ASSET		9,158.00	9,097.00
CURRENT ASSETS, LOANS & ADVANCES	8	53,513.62	47,374.19
Less: CURRENT LIABILITIES & PROVISIONS	9	24,227.75	27,303.90
NET CURRENT ASSETS		29,285.87	20,070.29
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	10	752.99	626.18
		1,21,321.02	1,15,617.16
NOTES ON ACCOUNTS	21		
SIGNIFICANT ACCOUNTING POLICIES	22		

As per our report of even date

For M/s P. G. BHAGWAT
Chartered AccountantsFor J. K. SHAH & Co.
Chartered AccountantsB. R. Taneja
Chief Executive OfficerO. P. Kakkar
Managing DirectorRajiv Goel
Chief Financial OfficerSandeep Rao
Partner
Membership No. 47235
Pune, 4th May, 2006J. K. Shah
Partner
Membership No. 3662
Pune, 4th May, 2006Jayan Nair
Company Secretary
Pune, 4th May, 2006

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2006

Rs. in lacs

	Schedule	2005-06	2004-05
INCOME			
Net Sales	11	1,06,104.59	89,225.00
Other Income	12	2,422.44	1,763.77
		<u>1,08,527.03</u>	<u>90,988.77</u>
EXPENDITURE			
Materials Consumed	13	56,483.28	53,062.85
Energy	14	13,727.98	11,059.44
Manufacturing	15	2,360.43	2,685.07
Selling and Distribution	16	2,850.83	2,050.19
Personnel	17	5,146.38	4,209.27
Overheads	18	1,546.70	1,501.47
		<u>82,115.60</u>	<u>74,568.29</u>
Profit Before Finance Charges , Depreciation, Amortisation and Taxation		26,411.43	16,420.48
Finance Charges	19	8,779.52	9,448.29
Depreciation and Amortisation	20	5,092.30	4,387.78
		<u>13,871.82</u>	<u>13,836.07</u>
PROFIT BEFORE TAXATION		12,539.61	2,584.41
Less : Provision for Taxation (Refer Note No. 19 of Schedule 21)		1,035.46	(704.41)
PROFIT AFTER TAXATION		11,504.15	3,288.82
Balance brought forward from Previous Year		824.20	(854.00)
Add : Excess Provision of Tax for earlier year		–	0.71
Less : Transferred to Profit and Loss Account (Refer Note No. 4 of Schedule 21)		620.96	–
BALANCE AVAILABLE FOR APPROPRIATIONS		11,707.39	2,435.53
Appropriations			
Debenture Redemption Reserve		1,476.40	1,611.33
Capital Redemption Reserve		3,367.83	–
General Reserve		1,150.00	–
BALANCE CARRIED TO BALANCE SHEET		5,713.16	824.20
Earnings per share Rs. (Face Value of Rs. 5/- each) (Refer Note No. 27 of Schedule 21)		7.96	2.33
NOTES ON ACCOUNTS	21		
SIGNIFICANT ACCOUNTING POLICIES	22		

As per our report of even date

For M/s P. G. BHAGWAT
Chartered AccountantsFor J. K. SHAH & Co.
Chartered AccountantsB. R. Taneja
Chief Executive OfficerO. P. Kakkar
Managing DirectorRajiv Goel
Chief Financial OfficerSandeep Rao
Partner
Membership No. 47235
Pune, 4th May, 2006J. K. Shah
Partner
Membership No. 3662
Pune, 4th May, 2006Jayan Nair
Company Secretary
Pune, 4th May, 2006

Cash Flow Statement for the Year Ended 31st March 2006
Rs. in lacs

	2005-06	2004-05
A CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit Before Tax	12,539.61	2,584.41
Adjustment for :		
Expenses adjusted against Contingency Reserve	(298.83)	—
Expenses adjusted against Restructuring Reserve	(85.19)	—
Financial Restructuring Benefit	(1,292.45)	(553.61)
Loss / (Profit) on sale of Fixed Assets (Net)	2.81	0.91
Depreciation	4,947.93	4,274.01
Finance Charges	8,779.52	9,448.29
Interest Income	(167.53)	(242.82)
Dividend Received	(0.13)	(0.13)
Loss on Exchange Fluctuation	56.72	(65.48)
Amortisation of Miscellaneous Expenditure	144.37	117.20
Bad Debts /Advances written off	—	33.28
Provision for Leave Encashment	16.43	27.47
	12,103.65	13,039.12
Operating Cash Profit before Working Capital Changes	24,643.26	15,623.53
Adjustments for :		
Trade and Other Receivables	(1,813.54)	(3,878.82)
Inventories (Increase) / Decrease	(5,734.84)	(2,546.28)
Trade Payables	(3,173.08)	(1,982.95)
Taxes Paid	(1,032.63)	(131.94)
Net Cashflow from Operating Activities	12,889.17	7,083.54
B CASH FLOW FROM INVESTING ACTIVITIES :		
Additions to Fixed Assets	(2,381.41)	(1,793.58)
Sale of Fixed Assets	532.03	2.79
Investments	6.06	—
Interest Received	195.31	452.43
Dividend Received	0.13	0.13
Net Cash used in Investing Activities	(1,647.88)	(1,338.23)
C CASH FLOW FROM FINANCING ACTIVITIES :		
Redemption / Proceeds from Issue of Share Capital	(3,232.24)	603.60
Miscellaneous Expenditure	(271.18)	(363.71)
Proceeds from /(Repayment of) Borrowings	20.46	5,499.41
Finance Charges Paid	(9,145.25)	(10,459.84)
Net Cash from Financing Activities	(12,669.13)	(4,720.54)
Net Increase / (Decrease) in Cash and Cash Equivalents	(1,427.84)	1,024.77
Cash and Cash Equivalents at the beginning of the year (Refer Note No.1)	2,317.14	177.33
Transferred pursuant to the Scheme	—	1,115.04
	2,317.14	1,292.37
Cash and Cash Equivalents at the end of the year (Refer Note No.1)	889.30	2,317.14
Net Increase / (Decrease) in Cash and Cash Equivalents	(1,427.84)	1,024.77

Notes:

1 The Cash and Cash Equivalents in the Cash Flow Statement comprise of the following Balance Sheet amounts:

	As at 31st March 2006	As at 31st March 2005
(a) Cash on hand	3.73	4.57
(b) Current Accounts with Banks	885.57	2,312.57
	889.30	2,317.14

2 Consequential non-cash effects of the Scheme of Arrangement have been excluded.

3 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

Sandeep Rao
Partner
Membership No. 47235
Pune, 4th May, 2006

J. K. Shah
Partner
Membership No. 3662
Pune, 4th May, 2006

O. P. Kakkar
Managing Director

Rajiv Goel
Chief Financial Officer
Jayan Nair
Company Secretary
Pune, 4th May, 2006

SCHEDULES TO THE BALANCE SHEET

Rs. in lacs

As at
31st March, 2006

As at
31st March, 2005

SCHEDULE - 1**SHARE CAPITAL****Authorised**

i)	15,50,00,000 (Previous Year 14,00,00,000) Equity Shares of Rs.5/- each	7,750.00	7,000.00
ii)	80,08,000 (Previous Year 55,00,000) 10% Non Cumulative Redeemable Preference Shares of Rs.100/- each	8,008.00	5,500.00
iii)	92,000 (Previous Year NIL) 10 % Cumulative Redeemable Preference Shares of Rs.100/- each	92.00	—
		<u>15,850.00</u>	<u>12,500.00</u>

Issued, Subscribed and Paid up:

i)	14,43,81,756 (Previous Year 10,53,45,365) Equity Shares of Rs 5/- each fully paid	7,219.09	5,267.27
ii)	46,01,485 (Previous Year 54,69,315) 10 % Non Cumulative Redeemable Preference Shares of Rs.100/- each fully paid	4,601.49	5,469.31
iii)	90,000 (Previous Year NIL) 10 % Cumulative Redeemable Preference Shares of Rs.100/- each fully paid (Refer Note No. 15 of Schedule 21)	90.00	—
		<u>11,910.58</u>	<u>10,736.58</u>

SCHEDULE - 2**SHARE SUSPENSE**

—	4,720.25
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SCHEDULE - 3**RESERVES AND SURPLUS**

i)	Capital Reserve As per last Balance Sheet	30.00	30.00
	Additions during the year	135.06	—
		165.06	30.00
ii)	Capital Redemption Reserve Add : Transferred from Profit & Loss Account	— 3,367.83	—
		3,367.83	—
iii)	Securities Premium As per last Balance Sheet	152.50	—
	Additions during the year	178.95	152.50
		331.45	152.50
iv)	Amalgamation Reserve	4,572.33	4,572.33
v)	Reserve for Contingencies As per last Balance Sheet	672.22	672.22
	Less : Debits related to Pre- Merger period	298.83	—
		373.39	672.22

SCHEDULES TO THE BALANCE SHEET (continued)**Rs. in lacs**

	As at 31st March, 2006	As at 31st March, 2005
vi) Restructuring Reserve		
As per last Balance Sheet	3,000.00	—
Add : Transferred pursuant to the Scheme	—	3,000.00
Less : Debits related to Pre- Merger period	85.19	—
	2,914.81	3,000.00
vii) General Reserve		
As per last Balance Sheet	8,083.61	8,083.61
Add : Transferred from Profit and Loss Account	1,150.00	—
	9,233.61	8,083.61
viii) Debenture Redemption Reserve		
As per last Balance Sheet	2,854.22	—
Add : Transferred pursuant to the Scheme	—	1,242.89
Transferred from Profit and Loss Account	1,476.40	1,611.33
	4,330.62	2,854.22
ix) Balance in Profit and Loss Account	5,713.16	824.20
	31,002.26	20,189.08

SCHEDULE – 4**SECURED LOANS**

(Interest accrued and due included under the appropriate heads)

I. DEBENTURES	4,107.82	8,091.06
II. TERM LOANS		
i) Financial Institutions		
a) Rupee Loans	18,508.66	25,013.47
b) Foreign Currency Loans	11,579.86	7,393.82
ii) Banks		
a) Rupee Loans	8,670.10	15,351.30
b) Foreign Currency Loans	5,431.61	—
	48,298.05	55,849.65
Availed during the year		
Banks - Rupee Loans	5,000.00	—
	53,298.05	55,849.65
III. WORKING CAPITAL BORROWINGS FROM BANKS		
a) Rupee Loans	11,250.49	13,657.85
b) Foreign Currency Loans	2,786.48	2,124.37
	14,036.97	15,782.22
(Refer Note No. 14 of Schedule 21)	67,335.02	71,631.87

SCHEDULE – 5**UNSECURED LOANS :**

(Interest accrued and due included under the appropriate heads)

I. BANKS		
Debentures	226.08	272.50
(Refer Note No.16 of Schedule 21)		
II. OTHERS	10,847.08	8,066.88
	11,073.16	8,339.38

SCHEDULES TO THE BALANCE SHEET (continued)

Rs. in lacs

SCHEDULE - 6**FIXED ASSETS**

	Gross Block				Depreciation				Net Block	
	As At 01-Apr-2005	Additions/ Transfers	Deletions/ Sales/ Transfers	As at 31-March 2006	As on 31-Mar- 2005	For the Year	Deletions/ Sales/ Transfers	As on 31-March 2006	As at 31-March 2006	As at 31-Mar- 2005
Leasehold Land	702.88	—	—	702.88	8.29	8.29	—	16.58	686.30	694.59
Freehold Land	122.88	—	—	122.88	—	—	—	—	122.88	122.88
Buildings	8,421.39	117.25	489.79	8,048.85	506.69	276.22	7.98	774.93	7,273.92	7,914.69
Plant & Machinery	82,825.46	1,697.34	—	84,522.80	8,664.38	*5,028.26	—	13,692.64	70,830.16	74,161.08
Furniture & Fixture	156.67	4.23	54.94	105.96	38.58	14.20	9.94	42.84	63.12	118.09
Office Equipments	542.62	210.29	2.47	750.44	135.79	108.28	0.60	243.47	506.97	406.83
Vehicles	96.74	113.06	10.63	199.17	21.74	25.67	4.47	42.94	156.23	75.01
Plant & Machinery - taken on lease	1,213.56	—	—	1,213.56	107.97	107.97	—	215.94	997.62	1,105.59
TOTAL	94,082.20	2,142.17	557.83	95,666.54	9,483.44	5,568.89	22.99	15,029.34	80,637.20	84,598.76
Previous Year	40,352.68	53,743.95	14.43	94,082.20	3,405.25	6,079.74	1.55	9,483.44	84,598.76	36,947.43

* Includes provision for depreciation in respect of Previous Year (Refer Note No. 4 of Schedule 21).

SCHEDULE – 7As at
31st March, 2006As at
31st March, 2005**INVESTMENTS (At Cost)****LONG TERM (Unquoted and Trade)****I. GOVERNMENT SECURITIES**National Saving Certificate
(Pledged with Sales Tax Authorities)

0.60

0.60

II. SHARES

(Refer Note No. 10 of Schedule 21)

—

6.06

0.606.66**SCHEDULE - 8****CURRENT ASSETS, LOANS & ADVANCES****I. INVENTORIES**

(As taken, valued and certified by the Management)

i) Stores and Spares

3,540.66

2,842.55

ii) Work-in-process

3,099.33

1,719.19

iii) Finished Goods

6,908.72

3,550.38

iv) Raw Material

4,916.34

4,618.09

18,465.0512,730.21**II. RECEIVABLES**

(Including bills discounted with Banks)

Unsecured, Considered Good

i) Outstanding for more than six months

945.66

571.79

ii) Others

23,765.89

18,914.93

24,711.5519,486.72**III. EXPORT ENTITLEMENTS**

348.96

474.27

SCHEDULES TO THE BALANCE SHEET (continued)**Rs. in lacs****CURRENT ASSETS, LOANS & ADVANCES (continued)****As at****As at****31st March, 2006****31st March, 2005****IV. CASH AND BANK BALANCES**

i)	Cash on hand	3.73		4.57
ii)	Current Accounts with Scheduled Banks	885.42		2,312.54
iii)	Current Accounts with Non -Scheduled Banks (Refer Note No. 11 of Schedule 21)	0.15		0.03
iv)	Deposit with Scheduled Banks			
	a) Margin Money			
	(towards Letter of Credits & Bank Guarantees)	898.46		4,390.91
	b) Others	424.39		1,223.76
		2,212.15		7,931.81

V. LOANS AND ADVANCES

(Unsecured, considered good)

i)	Loans and Advances to wholly owned Subsidiary Company	–		76.93.
ii)	Advances recoverable in cash or in kind or for value to be received			
	a) Sundry Deposits	840.59		1,194.59
	b) Others*	3,777.90		4,371.82
	*(Includes Capital Advances of Rs. 167.13 lacs, Previous Year Rs. 87.94 lacs)			
iii)	Balance with Customs, Excise and Sales Tax etc. (Refer Note Nos. 5 & 6 of Schedule 21)	3,157.42		1,107.84
		7,775.91		6,751.18
		53,513.62		47,374.19

SCHEDULE – 9**CURRENT LIABILITIES & PROVISIONS****I. CURRENT LIABILITIES**

i)	Acceptances			
	a) Erstwhile ISMT	–		6,772.57
	b) Others	10,981.65		9,360.50
ii)	Sundry Creditors			
	a) Small Scale Industrial Undertakings	810.82		680.18
	b) Others	8,399.80		6,507.32
iii)	Provision for Expenses	1,031.99		1,671.14
iv)	Advances from Customers	811.65		578.77
v)	Investor Education and Protection Fund (Refer Note No. 18 of Schedule 21)	143.14		184.38
vi)	Other Liabilities	1,411.66		1,036.31
vii)	Interest accrued but not due	123.00		111.87
		23,713.71		26,903.04

II. PROVISIONS

i)	Leave Encashment	211.19		194.76
ii)	Gratuity and Superannuation	91.08		58.16
iii)	Income Tax (net of advance payment)	211.77		147.94
		514.04		400.86
		24,227.75		27,303.90

SCHEDULE – 10**MISCELLANEOUS EXPENDITURE**

i)	Preliminary Expenses	67.91		56.15
ii)	Merger Expenses	153.14		186.42
iii)	Financial Restructuring Expenses	531.94		383.61
		752.99		626.18

SCHEDULES TO PROFIT & LOSS ACCOUNT**Rs. in lacs**

INCOME	2005-06	2004-05
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SCHEDULE – 11**INCOME FROM OPERATIONS**

Gross Sales	1,80,707.95	1,44,201.03
Less : Inter Segment Transfers	52,085.16	40,049.76
Inter Division Transfers	9,725.24	4,763.80
Excise Duty	12,792.96	10,162.47
Net Sales	<u>1,06,104.59</u>	<u>89,225.00</u>

SCHEDULE – 12**OTHER INCOME**

i) Export Incentives	606.20	848.19
ii) Interest Received (Tax deducted at source Rs. 20.50 lacs, Previous Year Rs. 43.43 lacs)	167.53	242.82
iii) Miscellaneous Income (Refer Note No. 25 of Schedule 21)	356.26	119.15
vi) Financial Restructuring Benefit	1,292.45	553.61
	<u>2,422.44</u>	<u>1,763.77</u>

EXPENDITURE**SCHEDULE – 13****MATERIALS CONSUMED**

i) Raw Material			
Opening Stock	4,618.09	2,250.24	
Add: Purchases	54,702.54	49,708.03	
Less: Closing Stock	4,916.34	4,618.09	
	<u>54,404.29</u>		47,340.18
ii) (Increase)/Decrease in Stocks			
Closing Stock			
Work-in-process	3,099.33	1,719.19	
Finished Goods	6,908.72	3,550.38	
	<u>10,008.05</u>	<u>5,269.57</u>	
Less :Opening Stock			
Work -in- process	1,719.19	1,840.60	
Finished Goods	3,550.38	3,556.05	
	<u>5,269.57</u>	<u>5,396.65</u>	
	(4,738.48)		127.08
iii) Stores and Spares	6,354.77		5,506.36
iv) Excise Duty on Stocks	462.70		89.23
	<u>56,483.28</u>		<u>53,062.85</u>

SCHEDULE – 14**ENERGY**

i) Power	8,670.37	7,983.62
ii) Fuel	3,979.91	2,397.01
lii) Gases	1,077.70	678.81
	<u>13,727.98</u>	<u>11,059.44</u>

SCHEDULE – 15**MANUFACTURING**

i) Processing Charges	1,145.57	1,684.95
ii) Other Direct Expenses	743.62	642.21
iii) Machine Lease Rentals	72.00	72.05
iv) Repairs and Maintenance – Plant & Machinery	399.24	285.86
	<u>2,360.43</u>	<u>2,685.07</u>

SCHEDULES TO PROFIT & LOSS ACCOUNT (continued)**Rs. in lacs****2005-06****2004-05****SCHEDULE – 16****SELLING AND DISTRIBUTION**

i) Freight & Forwarding	2,171.97	1,477.54
ii) Commission on Sales	174.32	302.86
iii) Other Selling Expenses	504.54	269.79
	<u>2,850.83</u>	<u>2,050.19</u>

SCHEDULE – 17**PERSONNEL**

i) Salaries, Wages, Bonus and Allowances [including rent paid of Rs. 82.92 lacs, recovery of Rs. 24.12 lacs, (Previous Year Rs. 72.45 lacs, Recovery of Rs. 16.73 lacs)]	4,474.14	3,620.13
ii) Contribution to Provident and other Funds	406.20	340.38
iii) Workmen and Staff Welfare	266.04	248.76
	<u>5,146.38</u>	<u>4,209.27</u>

SCHEDULE – 18**OVERHEADS**

i) Rent	96.01	73.29
ii) Travelling and Conveyance	297.19	283.43
iii) Communication Expenses	186.86	170.22
iv) Repairs and Maintenance – Others	64.33	60.16
v) Insurance	165.27	153.46
vi) Loss on Sale of Assets	2.81	1.43
vii) Miscellaneous Expenses (Refer Note No.28 of Schedule 21)	734.23	759.48
	<u>1,546.70</u>	<u>1,501.47</u>

SCHEDULE – 19**FINANCE CHARGES**

i) Interest			
a) Debentures	538.00	1,022.21	
b) Term Loans	4,668.29	4,290.17	
	<u>5,206.29</u>		5,312.38
c) Working Capital and Others	2,430.51		2,961.26
ii) Cash Discount	218.70		208.09
iii) Other Finance Charges	924.02		966.56
	<u>8,779.52</u>		<u>9,448.29</u>

SCHEDULE – 20**DEPRECIATION AND AMORTISATION**

i) Depreciation for the year	5,568.89	4,274.01	
Less: Capitalised	–	3.43	
Transferred from Profit and Loss Appropriation (Refer Note No.4 of Schedule 21)	620.96	–	
	<u>4,947.93</u>		4,270.58
ii) Amortisation of Miscellaneous Expenditure	144.37		117.20
	<u>5,092.30</u>		<u>4,387.78</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT**SCHEDULE : 21****NOTES ON ACCOUNTS**

		Rs. In lacs	
1) Contingent Liabilities not provided for in respect of		As on	As on
Particulars	31st March, 2006	31st March, 2005	
a) Counter Guarantees given to Banks			
i) Performance Guarantees	2,021.86	1,798.50	
ii) Others	60.05	34.15	
b) Claims against the Company, not acknowledged as debt			
i) Sales Tax	1,224.82	994.70	
ii) Income Tax	248.30	6.05	
iii) Excise duty	1,334.10	982.47	
iv) Employees State Insurance Corporation	26.20	25.20	
v) Others	246.09	218.75	
c) Guarantees given in respect of Employees housing loans	160.00	160.00	
d) Guarantees given to Banks and Financial Institutions against credit facilities to third parties	1,849.01	2,261.91	
e) Assignment of Liabilities	10,559.83	10,567.19	
f) Estimated amount of contracts remaining to be executed on Capital Accounts (Net of advances)	720.23	941.74	
2) Exchange rate difference arising during the year has been dealt under the appropriate accounts heads having impact as under :-		Rs. in lacs	
	2005-06	2004-05	
Revenue Account - Loss / (Gain)	(31.07)	298.52	
Capital Account - Loss / (Gain)	28.76	47.25	
3) Gross Sales include Conversion Charges of Rs.839.28 lacs, tax deducted at source Rs. 16.90 lacs (Previous Year Rs.704.77 lacs, tax deducted at source Rs. 16.41 lacs)			
4) The Company has changed the policy of providing depreciation in respect of Plant and Machinery of Tube Segment, on which depreciation hitherto was charged on useful estimated life, by re-computing the depreciation with effect from 1st April, 2004 as per the rates provided in Schedule XIV to the Companies Act, 1956 under straight line method.			
Consequent to this change there is an additional charge of Rs.1,241.92 lacs, out of which Rs. 620.96 lacs relates to the previous year and Rs. 620.96 lacs relates to current year. An amount of Rs. 620.96 relating to previous year has been transferred from Profit and Loss Appropriation and is credited to Profit and Loss Account.			
Had there been no change in the policy of providing depreciation, the charge for the year would have been lower by Rs. 620.96 lacs. Consequently, the Net Block of Fixed Assets is lower by Rs. 1,241.92 lacs and Reserves and Surplus is lower by Rs. 1,137.41 lacs (Net of Tax).			
5) Loans and Advances include interest free advances given by the Company to Employees Welfare Funds aggregating to Rs. 549.55 lacs (Previous Year Rs. 549.55 lacs), for the benefit of designated employees pursuant to the proviso (b) to Section 77(2) of the Companies Act, 1956.			
6) Advances include loans to officers of the Company Rs. 0.85 lacs (Previous Year Rs.0.61 lacs), (Maximum amount outstanding during the year Rs.0.96 lacs, Previous Year Rs.0.72 lacs)			
7) a) In the opinion of the Board of Directors, the Current Assets, Loans and Advances are approximately of the value stated, if realised in the ordinary course of business and the provision for depreciation and other known liabilities is adequate.			
b) Balances of advances are subject to confirmation and reconciliation.			
8) 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.			
9) 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".			

NOTES ON ACCOUNTS (continued)

- 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 cannot be allocated to a segment on a reasonable basis have been included under "Unallocable Assets / Liabilities".

Segment Information**Rs. in lacs**

Particulars	2005-06				2004-05			
	Tube Segment	Steel Segment	Unallocable	Total	Tube Segment	Steel Segment	Unallocable	Total
I) Segment Revenue								
Total External Sales	76,180.96	42,716.59		1,18,897.55	56,782.63	42,604.84		99,387.47
Add : Inter Segment Transfers	3,756.16	48,329.00		52,085.16	2,271.87	37,777.89		40,049.76
Inter Division Transfers	9,725.24	-		9,725.24	4,763.80	-		4,763.80
	89,662.36	91,045.59		1,80,707.95	63,818.30	80,382.73		1,44,201.03
Less : Excise Duty	8,587.03	12,637.32		21,224.35	6,609.71	8,401.43		15,011.14
	81,075.33	78,408.27		1,59,483.60	57,208.59	71,981.30		1,29,189.89
Less: Inter Segment Transfers (net)	3,318.01	41,699.96		45,017.97	2,068.13	33,798.56		35,866.69
Inter Division Transfers (net)	8,361.04	-		8,361.04	4,098.20	-		4,098.20
Net Sales	69,396.28	36,708.31		1,06,104.59	51,042.26	38,182.74		89,225.00
II) Segment Result Before Finance Charges								
Exceptional items & Taxes	8,665.65	10,981.61	1,816.24	21,463.50	2,335.93	8,889.11	924.86	12,149.90
Less : Finance Charges				8,779.52				9,448.29
Amortisation				144.37				117.20
Profit Before Taxes				12,539.61				2,584.41
III) Other Information								
Total Segment Assets	91,252.14	41,819.58	2,565.46	1,35,637.18	76,265.94	49,902.09	7,023.19	1,33,191.22
Total Segment Liabilities	5,810.97	17,848.86	567.92	24,227.75	12,067.41	14,555.66	680.83	27,303.90
Total cost incurred for Acquiring Segment Assets	894.70	1,515.56		2,410.26	852.95	961.12		1,814.07
Segment Depreciation	2,760.02	2,187.91		4,947.93	2,127.88	2,142.70		4,270.58
iv) Total Unallocable Assets								
Investments				0.60				6.66
Deferred Tax Assets				9,158.00				9,097.00
Miscellaneous Expenditure				752.99				626.18
				9,911.59				9,729.84
v) Total Unallocable Liabilities								
Secured Loans				67,335.02				71,631.87
Unsecured Loans				11,073.16				8,339.38
				78,408.18				79,971.25

Rs. in lacs

10) Investments (At cost)	2005-06	2004-05
Shares		
a) In wholly owned Subsidiary Company		
Nil (Previous Year 50,070) Equity Shares of Rs.10/- each, fully paid of Indian Seamless Power Ltd.	-	5.00
b) Others		
i) Nil (Previous Year 25) Equity Shares of Rs. 25/- each fully paid of The Shamrao Vithal Co-op Bank Ltd.	-	0.01
ii) Nil (Previous Year 4,200) Equity Shares of Rs.25/- each fully paid of Deogiri Nagari Sahakari Bank Ltd.	-	1.05
	-	6.06

- 11) Cash and Bank balances includes current account with Deogiri Nagari Sahakari Bank Ltd (Non-Scheduled Bank), Maximum balance during the year Rs. 0.15 lacs (Previous Year Rs. 46.25 lacs)

NOTES ON ACCOUNTS (continued)

	Rs. in lacs	
	2005-06	2004-05
12) Break-up of Managerial Remuneration included under Personnel Cost.		
i) Salaries	73.31	62.53
ii) Contribution to Provident Fund and Superannuation Fund	19.80	16.05
iii) Other Perquisites	71.43	51.30
iv) Commission	125.91	—
	290.45	129.89

Includes Rs. 67.35 lacs (Previous Year Rs. 93.14 lacs) remuneration paid to the whole-time Directors of erstwhile The Indian Seamless Metal Tube Limited.

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 Chief Executive Officer and Other Wholetime Directors

	Rs. in lacs
Profit before taxation as per Profit and Loss Account	12,539.61
Add : Depreciation provided in accounts	4,947.93
Remuneration paid as Director's	223.10
	17,710.64
Less : Depreciation and loss on Assets sold computed in accordance with Section 350 of the Companies Act, 1956	5,254.29
Amount charged to Reserve	384.02
Excess of expenditure over income in the earlier year under Section 349 (4) (1)	94.56
Profit as per Section 349 of the Companies Act, 1956	11,977.77
Permissible Commission to Chief Executive Officer and Wholetime Directors	246.01
Commission provided	125.91

13) Expenditure incurred during construction period which have been capitalised during the year and credited to the respective heads are as under	Rs. in lacs	
Raw Materials	—	54.98
Stores and Spares	20.40	161.93
Power	18.66	7.49
Fuel	15.02	—
Gases	250.92	272.40
Direct Expenses	1.37	1.84
Personnel Expenses	64.68	55.98
Depreciation	—	3.43
	371.05	558.05
Less : Scrap Sales	—	16.67
	371.05	541.38

14) Security and other particulars of Secured Loans

- i) Unit Trust of India's outstanding Debentures of Rs. 412.22 lacs are redeemable in 3 monthly installments from April 2006 to June 2006 and are secured by way of a first mortgage on all the Company's immovable properties situated at Ahmednagar and Jejuri and a first charge by way of hypothecation of all the movable properties, both present and future subject to prior charges created / to be created in favor of the Consortium Banks in terms of Clause (iv) below.
- ii) LIC Mutual Fund's outstanding Debentures of Rs. 135.39 lacs are redeemable in 10 monthly installments from April, 2006 to January 2007 and are secured by way of a first mortgage on all the Company's immovable properties situated at Ahmednagar and a first charge by way of hypothecation of all the movable properties, both present and future subject to prior charges created / to be created in favor of the Consortium Banks in terms of Clause (iv) below.
- iii) Outstanding Debentures of Industrial Development Bank of India Limited and Life Insurance Corporation of India aggregating to Rs. 3,560.21 lacs are redeemable in 144 monthly instalments from April, 2006 to March, 2018. These Debentures together with Rupee term loans of Rs. 14,054.62 lacs, Working Capital term loans amounting to Rs. 8,377.91 lacs, Foreign Currency term loans amounting to Rs. 17,011.47 lacs and Funded Interest term

NOTES ON ACCOUNTS (continued)

loans amounting to Rs. 4,746.23 lacs are secured and to be secured by way of first mortgage and charge on all the Company's immovable properties at Ahmednagar, Baramati and Jejuri and are further secured by way of hypothecation of all the movable properties of the Company situated at Ahmednagar, Baramati and Jejuri, both present and future subject to prior charges created / to be created in favour of the Consortium Banks in terms of Clause (iv) below.

- iv) Working Capital borrowings from the Consortium Banks are secured / proposed to be secured by way of hypothecation of raw materials, stores, finished goods, work in process, book debts and is further secured / proposed to be secured by a second charge on all the Company's immovable properties at Ahmednagar, Baramati and Jejuri.
 - v) The above said Debentures, Term Loans and Working Capital facility are further secured by Corporate Guarantee of Indian Seamless Enterprises Ltd. and the Personal Guarantee of Mr. B. R. Taneja.
 - vi) Term loan availed during the year of Rs. 5,000.00 lacs from Bank is proposed to be secured by way of first mortgage and charge on all the Company's immovable properties at Ahmednagar, Baramati and Jejuri and are further secured by way of hypothecation of all the movable properties of the Company situated at Ahmednagar, Baramati and Jejuri both present and further subject to prior charges created / to be created in favor of the Consortium Banks in terms of Clause (iv) above.
 - vii) Debenture and term loan installments falling due within one year is Rs. 3,675.01 lacs (Previous Year Rs. 5,863.28 lacs)
- 15) a) 10% Redeemable Non-Cumulative Preference Shares** are redeemable in three annual installments commencing from 2016-17.
- b) 10% Redeemable Cumulative Preference Shares** are redeemable in three annual installments commencing from 2006-07 (Accumulated dividend Rs. 51.31 lacs from 30th April, 2001).

16) Debentures (Unsecured)

- a) 16% Non-convertible Debentures balance outstanding at 31st March, 2006 of Rs.82.81 lacs are redeemable in 5 installments ending on March, 2007.
- b) 13% Non-convertible Debentures of Rs. 140 lacs are redeemable in three annual equal installments commencing from 30th April, 2006 and carries interest at the rate of 11% p.a.

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

a) Particulars in respect of goods manufactured

Class of goods		Unit	Installed Capacity *	Production Quantity
i)	Seamless Hollows & Tubes	Tonnes	1,58,000 (1,58,000)	**1,35,635 (1,10,184)
ii)	Components & Spares ,Plugs & Dies ,Rolls & Mandrels	Nos.	10,000 (10,000)	***32,646 (16,172)
iii)	Cold Rolled Rings	Nos.	80,00,000 (80,00,000)	49,15,702 (51,84,421)
iv)	Steel	Tonnes	2,50,000 (2,50,000)	2,34,707 (2,13,303)

Licensed capacities are not given, as the resepective 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 52 Tonnes (Previous Year 921 tonnes).

*** For Captive consumption within division.

NOTES ON ACCOUNTS (continued)

b) Stock & Turnover of goods manufactured by the Company

I) Tube Segment	Tonnes	2005-06 Rs. in lacs	Tonnes	2004-05 Rs. in lacs
1) Seamless Hollows and Tubes				
i) Sales (Excluding Excise Duty)	132,794	79,377.99	110,526	54,500.69
Less : Inter segment Transfers - Scrap	—	2,857.67	—	1,722.80
- Conversion	2,448	460.34	1,653	345.33
Inter division Transfers	14,620	9,725.24	9,968	4,763.80
Net Sales	1,15,726	66,334.74	98,905	47,668.76
ii) Opening Stock	3,139	1,337.93	4,402	1,837.14
iii) Closing Stock	5,928	2,583.71	3,139	1,337.93
2) Cold Rolled Rings				
	Nos.	Rs. in lacs	Nos.	Rs. in lacs
i) Sales (Excluding Excise Duty)	49,00,384	3,061.54	52,28,537	3,373.50
ii) Opening Stock	4,05,614	199.64	4,49,730	146.90
iii) Closing Stock	4,20,932	181.22	4,05,614	199.64

II) Steel Segment	Tonnes	Rs. in lacs	Tonnes	Rs. in lacs
Steel Bars				
i) Sales (Excluding Excise Duty)	2,28,078	78,408.27	2,14,399	71,981.30
Less : Inter segment Transfers - Steel Bars	1,31,968	41,630.76	109,091	33,783.36
- Conversion		69.25		15.20
Net Sales	96,110	36,708.31	105,308	38,182.74
ii) Opening Stock	5,908	2,012.81	7,004	1,646.82
iii) Closing Stock	12,537	4,143.80	5,908	2,012.81

c) CIF Value of Imports	Rs. in lacs	Rs. in lacs
i) Capital Goods	95.59	18.91
ii) Consumables	1,024.30	861.41
iii) Raw Materials	8,437.02	8,066.32

d) Raw Material Consumed	Tonnes	Rs. in lacs	Tonnes	Rs. in lacs
I) Tube Segment				
Steel Bars	1,54,067	48,407.94	1,19,867	36,087.88
Less : Inter Segment Transfers included in above	1,31,968	41,468.32	1,09,091	33,783.36
	22,099	6,939.62	10,776	2,304.52
II) Steel Segment				
i) Pig & Sponge Iron, DRI and Steel Scrap	2,66,765	39,812.16	2,42,319	37,895.31
ii) Ferro Alloys	8,393	8,988.67	7,452	7,606.16
iii) Other Materials	—	1,521.51	—	1,256.99
	2,75,158	50,322.34	2,49,771	46,758.46
Less : Inter Segment Transfers included in above	17,393	2,857.67	12,594	1,722.80
	2,57,765	47,464.67	2,37,177	45,035.66
Total Raw Material Consumed	2,79,864	54,404.29	2,47,953	47,340.18

NOTES ON ACCOUNTS (continued)**e) i) Particulars in respect of Consumption of Raw Materials**

Particulars	Rs. in lacs	%	Rs. in lacs	%
Indigenous	42,534.23	78.18	38,354.21	81.02
Imported	11,870.06	21.82	8,985.97	18.98
	<u>54,404.29</u>	<u>100.00</u>	<u>47,340.18</u>	<u>100.00</u>

ii) Particulars in respect of Consumption of Stores and Spares

Particulars	Rs. in lacs	%	Rs. in lacs	%
Indigenous	5,027.02	79.11	4,450.57	80.83
Imported	1,327.75	20.89	1,055.79	19.17
	<u>6,354.77</u>	<u>100.00</u>	<u>5,506.36</u>	<u>100.00</u>

		2005-06	Rs. in lacs 2004-05
f) I) Earnings in Foreign Currency			
i) FOB Value of Exports		19,361.10	14,236.68
ii) Freight on Exports		1,360.64	894.92
II) Expenditure in Foreign Currency			
i) Interest		195.92	181.18
ii) Commission on Exports.		78.05	58.14
iii) Travelling		38.30	26.93
iv) Professional Consultation Fees		81.23	8.69
v) Others		63.29	135.98

18) Investor Education and Protection Fund

shall be credited by the following amounts, when due.

a) Unclaimed Debentures	139.05	177.38
b) Unclaimed Dividends	1.13	3.30
c) Unclaimed Matured Deposits	2.95	3.69
d) Unclaimed Application Money	0.01	0.01
	<u>143.14</u>	<u>184.38</u>

19) Provision for Taxation

a) Provision for Income Tax / Wealth Tax	1,010.09	280.59
b) Provision for Fringe Benefit	86.37	—
c) Deferred Tax - Credit	(61.00)	(985.00)
Provision for Taxation	<u>1,035.46</u>	<u>(704.41)</u>

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

	Foreign Currency	Rs. in lacs
A) Payables		
i) US Dollars (\$)	15,840.00	7.21
ii) Euros (€)	1,71,219.00	90.14
B) Secured Loans		
i) US Dollars (\$)	4,41,62,295.77	19,793.54
C) Receivable		
i) US Dollars (\$)	43,11,126.54	1,919.98
ii) Euros (€)	28,04,094.43	1,490.36
iii) Sterling Pounds (£)	2,48,480.08	191.30

NOTES ON ACCOUNTS (continued)

- 21) The names of Small Scale Industrial Undertakings to whom the Company owes sums, which are outstanding for more than 30 Days are given below. This disclosure is on the basis of information available with the Company.

Aishwarya Engineers, Ajay Syscon (P) Ltd., Agarwal Heat Systmes, Autoplus Engineering, Amol Enterprises, Aurangabad Metal Products, Arora Refractories Pvt.Ltd., Arsons Engineers, B.B.Electrotechnic, B.Y.Industries, Best Engineers, Craftman Enterprises, CaleoEngineering Co., Controll Engineers, Chaney & Co., Chaitanya Enterprises, Colour Tech Paints, Delta Flexibles, Dynex Filters, Dee Tee Industries, Dee-kay Gears, Emco Lenze Pvt. Ltd., Essential Power, Transmission Pvt. Ltd., Europak Engineers, Fairtech Engineers, Fitwell Engg. Co., Flotech Solutions, Geeta Gloves, H.C.& Company, Ishwar Engg Co., Hi-Tech Corporation, Joglekar Refractories, Kandi Engineering Pvt. Ltd., Lechler (India) Pvt. Ltd., Lectroteck Systems (Pune) Pvt. Ltd., Monika Enterprises, Max Flow Controls India Pvt. Ltd., Master Fab Engineers, Mahati Electronics Pvt. Ltd., M.G.Industries, Mech Spares Rubber Products, Metaequip Engineers, Metropolitan Equip. & Const. Pvt. Ltd., Midfield steels Pvt. Ltd., Nandadeep Engineers, Precision Engg.Products, PatconAgencies Pvt. Ltd., Panchal Engineering, Pandit Gears, Protochem Industries Pvt. Ltd., Parikh Industries, Rajdeep Engg. Industries, RM Applied Engineers, R.K. Controls Instruments Pvt. Ltd., Reliable Steels Distributers, Quality Engg. Reclaimers, Suraj Enterprises, Shrinath Enterprises, Spare Age India Pvt. Ltd., Sini Engineering Works, Shree Prakash Industrieis, Steel Age Industries, Shanti Industries, S.K.Enterprises, Spin-N-Cast, Seal Jet Seals, Samartha Engineers, Swastik Castings, Swirl Systems, TLT Engineering India, Vako Seals, Vin Engineers, Vision Hydraulics, Vaibhav Engineers, Versatile Paint Industries, P. M. Tokekar, Protochem Industries Pvt. Ltd., Vijaya Fabricators, Floraa, Laxmi Packing Industries, Malhotra Engineerings, Power Build Ltd., Shanai Engineerings, Sanghi Gases, Star Engineering Co, Suprabha Protective Products Pvt Ltd., Techno Trak Engineerings, Trans Power Equipments, Vim Sun Gears Pvt Ltd., Jagjeevan Rubber Industries, Chati Thermal Systems & Services, Spark – on Engineerings, Saraswati Manufacturing Works, Shashi Dhawal Hydraulics Pvt Ltd., Valency Compounds Services, Himalaya Paints, Durga Industries, Mould Tech Pvt Ltd., Krish Enterprises, The Asiatic Oxygen & Acetylene Co, Shubham Engineerings, Saras Plastices, Maya Engineering Works Ratna Industries, Anupama Enterprises, Baker Gauges India Ltd., Gagangiri Alloys Pvt Ltd., Kelvin Industries, Konark Plastics, Maruti Industries, Orient Wire Ropes, Prashant Engineers, Shree Parshwanath Industries, Suvam Udyog, Swastik Industries, Techno-Aid Enterprises, Vijay Engineering Works, Yelmesh Engineering Works, Classic Engineering Works, New Shree Springs, Tashkent Oil Company Pvt Ltd., Plastipeel Chemical & Plastics Pvt Ltd., Kalika Industries, Navjeevan Rubber Products, Ahmednagar Industrial Gases Pvt Ltd., Kalyani Box Works, S P Corporation, Fine Tools, Central and Western India Chemicals, Siddhartha Leather Works, Abhitech Energycon Services Pvt Ltd., Maharashtra Box Mfg Co, Cubic Cartons, Kentee Oils Pvt Ltd., Bhairavnath Industries, Kishore Wind Well, Abhinav Alloys pvt.Ltd., Abhishek Engineering, Aggarwal Plastic, Annapurna Engg. Works, Bhagyalaxmi Enterprises, Bharat Roll Industry pvt.Ltd., C. H. Eng. Works, Carol Petroleum pvt. Ltd., Coalition Engineers, Corochem, Dash heavy Engineering co. pvt. Ltd., Deeplaxmi Eng. Co., Dewas Tools pvt. Ltd., Dies & Tools Ltd., Everest Traders, Fine Eng Instruments, Fomas India Ltd., G G R Enterprises, Galaxy Bearings Ltd., Ganesh Trading Corporation, General Instruments (Pneumatic), Graphic Charts Ltd., Grind Master Machines pvt. Ltd., Indian Cable Corporation, Industrial Graphites, International Electicals, Jain Chemicals & Gases pvt. Ltd., Kamal Forgings pvt. Ltd., Maruti Industries, Mudrik Enterprises, Padma Engineering, Pravilla Automation Pvt. Ltd., Rohidas Gangaram Raskar, Rohit Engineering Works Baramati, S.K.Gupta Pvt. Ltd., S R Engineering Works, Sar Automation, Shah Traders, Shilpa Enterprises, Shubham Conveyors & Engineering. Pvt. Ltd., S P M Tools, Standard Engineering works, Steelman Engineering & Forgings, Tru – Cut Tools (I) Pvt. Ltd., Thruput Technologies (I) Pvt. Ltd., Vyankatesh Enterprises, Well – Flow Engineering Co., Wiperdrive Engineering, Corrogard Chemicals, N N Enterprises, Venture Steels, Precision Toolings, Applied Engineering Seviceis, Garware Wallropes Ltd., Seal Jet Seals Petroleums pvt. Ltd., J S L Refractories Ltd., Success Enterprises, Sudha Industries, Precimac Automation, New Sai Engineering works, Nagpur Pollution Control, Kedarlink Enterprises, Cubix Corporation, Rohan Packaging Industries, Mahakali Gases, Kalptaru Packaging, Jayashree Encoders Pvt. Ltd., Heat N Blast, Apar Castings, Auto Steel & Rubber Industries.

- 22) The Company has taken certain assets on finance lease. The lease rentals are payable monthly / quarterly in advance. The period of lease (including supplementary lease) ranges from 5 to 10 years. The agreements provide for renewal of the lease at the end of the lease period. With regard to assets acquired on finance leases, the details of Minimum Lease Payments (MLP) and their Present Values (PV) arrived by discounting the MLPs at the appropriate discounting rates are as under

Asset Classification	Rs. in lacs			
	Not later than 1 year	Later than 1 year But not later than 5 years	Later than 5 Years	Total
Plant & Machinery				
MLP	11.42	47.24	–	58.66
PV	9.61	29.82	–	39.43

NOTES ON ACCOUNTS (continued)**23) Disclosure of Related parties and Companies under same Management as per Section 370 (1B) of The Companies Act 1956****I) Related Parties****a) Names of related parties and description of relationship.**

- | | |
|--|---|
| (i) Related parties where control exists | a) M/s Indian Seamless Enterprises Ltd.
b) M/s Indian Seamless Incorporated
c) Taneja Aerospace and Aviation Ltd. |
| (ii) Key Management Personnel | a) Mr. B. R. Taneja
Chief Executive Officer
b) Mr. O.P. Kakkar
Managing Director
c) Mr. Rajiv Goel
Chief Financial Officer
d) Mr. Nirmal Chandra
President (International Business & Product Development)
e) Mr. Salil Taneja
President (Corporate Strategy & Development)
f) Mr. V.Balasubramanian,
Executive Director (Operations) |
| (iii) Relative of key Management Personnel with whom Company has transacted. | a) Mrs. Usha Kakkar, W/o Mr. O. P. Kakkar
b) Mrs. Beena Goel, W/o Mr. Rajiv Goel
c) Mrs. Aneeta Chandra W/o Mr. Nirmal Chandra |

b) Details of Transaction

	Rs. in lacs	
	2005-06	2004-05
i) Companies where control exists		
Transactions		
a) Professional services availed	48.88	83.84
b) Reimbursement Export Promotional Expenses	29.06	—
c) Sale of Finished Goods	7,199.36	3,042.28
d) Inter Corporate Deposits (ICD)	2,000.00	—
e) Interest on ICD's	61.01	—
Outstanding as at Balance Sheet date		
a) Payables	59.47	Nil
b) Receivables	3,206.90	3,353.91
c) Loans & Advances	Nil	26.21
d) Inter Corporate Deposit	Nil	Nil
ii) Key Management Personnel and their Relatives		
a) Remuneration	262.69	109.87
b) Rent Paid	27.76	20.82
Outstanding as at Balance Sheet date		
Loans & Advances	26.64	8.87
iii) With effect from 29th December, 2005 Indian Seamless Power Limited has ceased to be wholly owned subsidiary of the Company. There were no transactions with the Company during the year upto the date of cessation.		

II) Companies under same Management

Receivables include due from M/s. Indian Seamless Incorporated Rs. 2,949.91 lacs (Previous Year Rs. 2,218.51 lacs).

24) Provision for income tax is made based on the provisions of Section 115 JB of the Income tax Act, 1961.

NOTES ON ACCOUNTS (continued)

		Rs. in lacs	
		2005-06	2004-05
25) Miscellaneous income include			
a) Recovery of bad debts		16.76	91.77
b) Dividend on Trade Investments		0.13	0.13
c) Profit on Sale of Assets		—	0.52
26)	The Management is of the opinion that the accumulated tax losses and unabsorbed depreciation would get adjusted against the taxable profit arising in such future period till which such amounts are allowed to be carried and adjusted under the tax laws.		
	Accordingly the Company has recognised the deferred tax credit of Rs. 61.00 lacs in the Profit and Loss Account.		
	Net Deferred Tax Asset as on 31 st March, 2006, comprises of		
		Rs. in lacs	
		As at 31 st March, 2006	As at 31 st March, 2005
a) Deferred Tax Assets			
i) Accumulated Tax Losses		7,195.27	8,096.15
ii) Unabsorbed Tax Depreciation		12,387.19	13,104.93
iii) Deduction eligible in future period in respect of expenses already debited to Profit & Loss A/c		1,635.20	741.08
		<u>21,217.66</u>	<u>21,942.16</u>
b) Deferred Tax Liabilities			
i) Depreciation		11,824.66	12,716.04
ii) Expenditure Deferred		235.00	129.12
		<u>12,059.66</u>	<u>12,845.16</u>
c) Net Deferred Tax Asset		<u>9,158.00</u>	<u>9,097.00</u>
27) Earnings per Share (annualised)			
a) Profit After Tax		11,504.15	3,289.53
Less : Dividend on Redeemable Cumulative Preference Shares (including tax)		10.26	—
b) Net Profit available for Equity Share Holders		11,493.89	3,289.53
c) Weighted Average number of Equity Shares		14,43,81,756	14,14,25,270
d) Earnings per share (Rs.) (Basic and Diluted)		7.96	2.33
e) Corporate Debt Restructuring (CDR) Scheme inter alia provides conversion of loans into equity, in the event of default in repayment of loans to the lenders. The Company has been repaying the loans as per schedule and has initiated the process of exit from the CDR Scheme. Therefore the effect of conversion clause in the CDR Scheme has not been considered while calculating the diluted EPS.			
28) Miscellaneous Expenses include			
a) Rates & Taxes		16.50	13.00
b) Repairs & Maintenance – Building		21.80	10.52
c) Directors Sitting Fees		3.11	1.12
d) Bad Debts / Advances written off		—	33.28
e) Equipment Lease Rent		14.53	55.61
f) Excise Duty Expenses		11.46	64.70
g) Auditors Remuneration			
i) Statutory Audit Fees	9.00	6.75	
ii) Taxation Matters	1.16	1.50	
iii) Other Services	6.08	6.68	
iv) Out of Pocket Expenses	1.17	0.75	
		<u>17.41</u>	<u>15.68</u>
h) Cost Audit Fees		—	1.50
29)	The previous year figures have been regrouped and reclassified wherever necessary to conform to the current year's classification.		
30)	Figures have been rounded-off to the nearest thousand of rupees.		

SCHEDULE FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT**SCHEDULE - 22****SIGNIFICANT ACCOUNTING POLICIES****1) General**

- i) These accounts are prepared under the historical cost convention on accrual basis and comply with Accounting Standards issued by The Institute of Chartered Accountants of India.
- ii) Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

2) Revenue Recognition

Expenses and income are accounted for on accrual basis.

3) Sales

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

4) Fixed Assets

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

5) Depreciation

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

6) 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.

7) 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.

8) 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 is 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 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.

SIGNIFICANT ACCOUNTING POLICIES (continued)**9) Provision for Retirement Benefits**

- i) Leave encashment is provided based on actuarial valuation.
- ii) Gratuity
 - a) Steel Segment
There is a group gratuity policy from Life Insurance Corporation of India (LIC). The difference between the gratuity paid and the reimbursement from LIC along with the premium contribution is charged to Profit & Loss Account.
 - b) Tube Segment
The contribution to the approved gratuity fund is made based on actuarial valuation.

10) Research & Development

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

11) 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.

12) 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) Foreign Currency Loans for financing fixed assets and outstanding at the close of the year are expressed in Indian currency at the rate of exchange prevailing at the close of the year, except in cases where the loans are covered by forward contracts. Net gain or loss due to increase/ decrease in rupee liability is adjusted to the cost of assets acquired through these loans.
- iii) 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.
- iv) In respect of forward exchange contracts, the difference between the forward rate and the spot rate is recognised as income or expense over the contract period.

13) 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.

14) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition or construction 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.

15) Income Tax

Provision for current tax is made on the basis of relevant provisions of the Income Tax Act, 1961. The deferred tax resulting from timing difference between book and taxable profit is accounted for using tax rates and tax laws that have been enacted or substantively enacted as at the Balance Sheet date. The deferred tax asset is recognised and carried forward only to the extent there is a reasonable certainty that the asset will be realised in the future.

16) 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.

17) Contingent Liabilities

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

As per our report of even date

For M/s P. G. BHAGWAT
Chartered Accountants

For J. K. SHAH & Co.
Chartered Accountants

B. R. Taneja
Chief Executive Officer

Sandeep Rao
Partner
Membership No. 47235
Pune, 4th May, 2006

J. K. Shah
Partner
Membership No. 3662
Pune, 4th May, 2006

O. P. Kakkar
Managing Director

Rajiv Goel
Chief Financial Officer
Jayan Nair
Company Secretary
Pune, 4th May, 2006

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

Registration No.

2 5 - 1 6 4 1 7

State Code

1 1

Balance Sheet Date

3 1 0 3 2 0 0 6

II. Capital Raised during the year

Public Issue

N I L

Right Issue

N I L

Bonus Issue

N I L

Private Issue

N I L

III. Position of Mobilisation and Deployment of Funds

Total Liabilities

1 4 5 5 4 8 7 7

Total Assets

1 4 5 5 4 8 7 7

Source of Funds

Paid up Capital*

1 1 9 1 0 5 8

Reserve & Surplus

3 1 0 0 2 2 6

* includes shares issued pursuant to the Scheme of Arrangement between The Indian Seamless Metal Tubes Ltd. and the Company.

Secured Loans

6 7 3 3 5 0 2

Unsecured Loans

1 1 0 7 3 1 6

Application of Funds

Net Fixed Assets

8 2 1 2 3 5 6

Investments

6 0

Deferred Tax Asset

9 1 5 8 0 0

Net Current Assets

2 9 2 8 5 8 7

Misc. Expenditure

7 5 2 9 9

IV. Performance of Company

Turnover #

1 0 8 5 2 7 0 3

Amt. In Rs. Thousands

Profit Before Tax

1 2 5 3 9 6 1

Total Expenditure

9 5 9 8 7 4 2

Earnings per Share (Rs.)

7 . 9 6

Profit After Tax

1 1 5 0 4 1 5

Dividend Rate

N I L

#including other income.

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

Item Code No. (ITC Code)

Product Description

7 2 1 4

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

O F N O N A L L O Y S T E E L

7 2 2 4 /

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

7 2 2 8

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

7 3 0 4

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

B. R. Taneja
Chief Executive Officer
Pune, 4th May, 2006O. P. Kakkar
Managing DirectorRajiv Goel
Chief Financial OfficerJayan Nair
Company Secretary

ISMT Limited

Lunkad Towers, Viman Nagar, Pune - 411 014.

PROXY

I/We _____ of _____ in the
 State of _____ being a member/members of the ISMT Ltd, hereby
 appoint _____ of
 _____ or failing
 him/her _____ of _____ as my/our proxy
 to vote for me/us and on my/our behalf, at the 8th Annual General Meeting of the Company to be held on
 Monday, August 28, 2006 at Taj Blue Diamond, Pune 411 001 at 11.00 a.m. and at any adjournment thereof. In Witness thereof
 I/We put my/our hand/hands this _____ day of _____ 2006.

Please
 affix
 Rupee One
 Revenue
 Stamp here

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

No. of Shares held _____

Date _____

Signature _____

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.

**ISMT Limited**

Lunkad Towers, Viman Nagar, Pune - 411 014.

Attendance Slip
 8th Annual General Meeting

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

Mr./Mrs./Miss _____

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

I hereby record my presence at the 8th Annual General Meeting of the Company held on Monday, August 28, 2006 at
 Taj Blue Diamond, Pune 411 001 at 11.00 a.m.

 Member's / Proxy's Signature

NOTICE

NOTICE is hereby given that the Eighth Annual General Meeting of the Members of ISMT Limited will be held on Monday, 28th August, 2006 at 11.00 a.m. at Taj Blue Diamond, 11 Koregaon Road, Pune 411 001 to transact the following business

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006, the Profit & Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr V Balasubramanian who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr N Chandra who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr O P Kakkar who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s P.G. Bhagwat, Chartered Accountants and J. K. Shah & Co., Chartered Accountants, as Joint Auditors of the company and to fix their remuneration.

Special Business:

6. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution :

"RESOLVED THAT in accordance with the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") including any modification thereto or re-enactment thereof for the time being in force, the Authorised Share Capital of the Company of Rs 158,50,00,000 (Rupees one hundred fifty eight crore fifty lacs only) divided into 15,50,00,000 Equity Shares of Rs. 5 each aggregating to Rs.77,50,00,000 (Rupees seventy seven crore fifty lacs only), 80,08,000 Redeemable Non Cumulative Preference Shares of Rs.100 each aggregating to Rs.80,08,00,000 (Rupees eighty crore eight lacs only) and 92,000 Redeemable Cumulative Preference Shares of Rs.100 each aggregating to Rs.92,00,000 (Rupees ninety-two lacs only) be and is hereby reclassified as 17,50,00,000 Equity Shares of Rs.5 each aggregating to Rs.87,50,00,000 (Rupees eighty seven crore fifty lacs only), and Unclassified Shares having aggregate value of Rs.71,00,00,000 (Rupees seventy one crore only) and accordingly, the existing Clause V of the Memorandum of Association of the company relating to Share Capital be and is hereby deleted and the following Clause V substituted in place thereof :

- V. The Authorised Capital of the Company is Rs 158,50,00,000 (Rupees one hundred fifty eight crore fifty lacs only) divided into 17,50,00,000 Equity Shares of Rs.5 each aggregating to

Rs.87,50,00,000 (Rupees eighty seven crore fifty lacs only), and Unclassified Shares having aggregate value of Rs.71,00,00,000 (Rupees seventy one crore only) with the rights, privileges and conditions attaching thereto as are provided by the Articles of Association of the Company with right to the Board of Directors of the Company ("the Board") to reclassify the share capital into any class including equity, preference or any other type of security permissible under the Companies Act, 1956 ("the Act") and/or of any denomination and to attach thereto respectively such preferential, deferred, specified, qualified or special rights, privileges or conditions from time to time as may be determined by or in accordance with the Articles of Association of the Company, and to vary, modify, enlarge or abrogate such rights, privileges or conditions in such manner as may be permitted by the Act or as may for the time being be provided for by the Articles of Association of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, desirable, expedient or fit by the Board to give effect to the aforesaid resolution."

7. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution :

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 including any modification thereto or re-enactment thereof for the time being in force, the existing Article 3 of the Articles of Association of the Company be and is hereby deleted and substituted by the following Article 3.

3. The Authorised Capital of the Company is Rs 158,50,00,000 (Rupees one hundred fifty eight crore fifty lacs only) divided into 17,50,00,000 Equity Shares of Rs.5 each aggregating to Rs.87,50,00,000 (Rupees eighty seven crore fifty lacs only), and Unclassified Shares having aggregate value of Rs.71,00,00,000 (Rupees seventy one crore only) with the rights, privileges and conditions attaching thereto as are provided by the Articles of Association of the Company with right to the Board of Directors of the Company ("the Board") to reclassify the share capital into any class including equity, preference or any other type of security permissible under the Companies Act, 1956 ("the Act") and/or of any denomination and to attach thereto respectively such preferential, deferred, specified, qualified or special rights, privileges or conditions from time to time as may be determined by or in accordance with the Articles of Association of the Company, and to vary, modify, enlarge or abrogate such rights, privileges or conditions in such manner as may

be permitted by the Act or as may for the time being be provided for by the Articles of Association of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, desirable, expedient or fit by the Board to give effect to the aforesaid resolution."

8. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

RESOLVED THAT pursuant to Section 81 (1A) and other applicable provisions of the Companies Act, 1956 or any statutory modifications, or re-enactment thereof and in accordance with the applicable regulations and guidelines of the Securities & Exchange Board of India (SEBI) and the provisions of the Memorandum and Articles of Association of the Company and subject to such approvals, consents, permissions and sanctions and as may be agreed to by the Board of Directors of the Company (hereinafter referred to as the Board which term shall include any Committee(s) thereof authorized for the purpose by the Board) the consent of the Company be and is hereby accorded to the Board to issue, offer and allot in the course of domestic and / or international offering(s), at any time or from time to time, in one or more tranches, from the unissued capital of the Company, further capital upto the amount not exceeding US \$ 75 million (US Dollars seventy five million only) or Rupee equivalent thereof or equivalent thereof in any other currency, in aggregate, including premium, by way of wholly or partly or by combination of the Equity / Preference Shares or Warrants with a right exercisable by the warrant holders to convert or subscribe to the Equity / Preference Shares convertible or otherwise, or partly or fully convertible debentures / bonds, including foreign currency convertible bonds (FCCBs), or non convertible debentures / bonds with warrants with a right exercisable by the warrant holders to convert or subscribe to Equity / Preference Shares convertible or otherwise or any other Equity or Quasi Equity Financial Instruments (hereinafter referred to as the said shares or instruments), on such terms and conditions as the Board may think proper at the appropriate time including premium on issue or conversion, by way of rights issue to the shareholders or public issue or private placement or Qualified Institutional Placement under Chapter XIII A of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 (SEBI DIP Guidelines) as amended from time to time or by issue of Global Depository Receipts (GDRs) / American Depository Receipts (ADRs) or Foreign Currency Convertible Bonds (FCCBs) under the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 as amended from time to time or

otherwise to any Bodies Corporate, Financial Institutions, Banks, Mutual Funds, Insurance Companies, Qualified Institutional Buyers, Non Resident Indians, Foreign Institutional Investors, or any other foreign / domestic investor, or any other person(s), whether member(s) of the Company or not, in consultation with the Lead Managers, Merchant Bankers, Underwriters, Advisors, Issue Managers, Bankers, Market Makers and other concerned agencies / intermediaries.

RESOLVED FURTHER THAT the pricing of the securities to be issued in pursuance of this resolution shall be determined by the Board in accordance with the SEBI DIP Guidelines as amended from time to time or under the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 as amended from time to time and/or any other applicable laws and regulations in respect thereof

RESOLVED FURTHER THAT such of the said shares or instruments to be issued, as are not subscribed to, may be disposed of by the Board to such persons and in such manner and on such terms and conditions as the Board in its absolute discretion may deem fit.

RESOLVED FURTHER THAT the Company may enter into any arrangement with any agency or body authorized by it for the issue of said shares / instruments in registered or bearer form with such features and attributes as are prevalent in capital markets for instruments of this nature and to provide for any tradability or free transferability thereof as per the domestic and / or international practice and regulations and under the norms and practices prevalent in the securities markets.

RESOLVED FURTHER THAT the said shares / instruments issued in foreign markets shall be deemed to have been made abroad and / or in the market and / or at the place of issue of shares / instruments in the international market and may be governed by the applicable laws.

RESOLVED FURTHER THAT the Board be and is hereby authorized to settle any questions, difficulties or doubts that may arise in the matter of the above said issue, offer and allotment of the said shares / instruments and to give such directions and / or instructions, including for listing of said shares / instruments at any Stock / Securities Exchange(s) in India or abroad, as the Board may consider necessary or expedient in the interests of the Company without requiring any further approval or consent of the members or otherwise and do all such acts, deeds, matters and things in connection therewith or incidental hereto.

RESOLVED FURTHER THAT the board be and is hereby authorized to delegate all or any of the powers herein conferred to any Director(s) / Officer(s) / Authorized Representative(s) of the Company to give effect to the aforesaid resolution."

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed hereto.
3. The Register of Members and Share Transfer Book of the Company will remain closed from 21st August, 2006 to 28th August, 2006 (both days inclusive).
4. The Members can avail facility of nomination in terms of the legal provisions in this regard. On request, the necessary forms can be obtained from the Transfer Agent.
5. Pursuant to provisions of Section 205A (5) and 205C of the Companies Act, 1956 unclaimed / unpaid dividend / debenture First Annual Redemption instalment of the erstwhile The Indian Seamless Metal Tubes Limited (ISMTL) / the Company for the year 1997-98 was transferred to "The Investor Education & Protection Fund" (IEPF).

The following unclaimed/unpaid Debenture Annual Redemption instalment / dividend if any, will become due for transfer to the said fund as detailed below at the end of seven years. The Members of the Company / erstwhile ISMTL, who have not encashed Debenture Annual Redemption instalments / dividend warrant(s) may please contact the Company / R & T Agent for payment of such unclaimed / unpaid Debenture Annual Redemption instalment / Dividend.

Particulars	Date of Payment	Due date of
Second Annual Redemption instalment	16.09.1999	16.10.2006
Dividend - 1998	04.10.1999	13.12.2006
Third Annual Redemption instalment	30.06.2009	30.07.2009
Fourth Annual Redemption instalment	30.06.2010	30.07.2010
Fifth Annual Redemption instalment	31.03.2011	30.04.2011

As per Section 205 C of the Companies Act, 1956, after the unclaimed dividend and debenture redemption amount is transferred no person will be entitled to any money transferred to the said fund.

- 6 Members are further requested to;
 - i. Intimate changes, if any, in their registered addresses / bank mandate to the Transfer Agents for shares held in physical form and to their respective Depository Participants for shares held in electronic form.
 - ii. Quote Ledger folio number / DP ID / Client ID in all the correspondence.
 - iii. Intimate about consolidation of folios, if shareholdings are under multiple folios to the Transfer Agents.
 - iv. Members may kindly note that as per the SEBI / Stock Exchanges guidelines the Companies shares are traded in compulsory Demat form. As per the recent guideline issued by SEBI there are no Demat Account opening charges. In view of this Members are requested to convert their existing physical Share Certificate in Demat form.
 - v. Direct all correspondence to the Company at an early date seeking any information with regard to accounts so as to enable the management to keep the information ready.
 - vi. Bring their copies of the Annual Report and the Attendance Slips with them at the Annual General Meeting.
 - vii. Shareholders holding share certificate(s) of Indian Seamless Steels & Alloys Limited (ISSAL) in physical form are requested to surrender the same to our R & T Agent immediately in exchange for new share certificate(s) of ISMT Limited.
 - viii.
 - a) Consequent to the merger of erstwhile The Indian Seamless Metal Tubes Limited (ISMTL) with the Company, all shareholders of erstwhile ISMTL are issued and allotted new Equity Shares of ISMT Limited in the ratio of 5 Equity Shares of ISMT Limited of Rs. 5 each fully paid for every 4 Equity Shares of Rs. 10 each fully paid held in the erstwhile ISMTL.
 - b) The new shares of ISMT Limited has been credited to the demat account of the respective shareholders holding shares in demat form.
 - c) The new share certificates of ISMT Limited has been posted to all the shareholders of erstwhile The Indian Seamless Metal Tubes Limited holding shares in physical form. Shareholders who have not yet received the same, may contact our R & T Agent.

By Order of the Board of Directors

Registered office :

Lunkad Towers,
Viman Nagar,
Pune - 411 014.
29th July 2006

Jayan Nair
Chief Group Counsel &
Company Secretary

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

Item No 6 and 7

Consequent to the redemption of Preference Shares, the Company intends to reclassify the Authorised Capital and accordingly the Capital Clause in the Memorandum and Article 3 in the Articles of Association of the Company is being altered.

Your Directors recommend the Resolutions at Item No 6 and 7 for approval by the Members.

A copy of the Memorandum and Articles of Association of the Company and the proposed amended Memorandum / Articles of Association of the Company are available for inspection by the Members of the Company at the Registered Office of the Company on any working day till the date of Annual General Meeting during business hours.

None of the Directors is interested and/or concerned in the Resolution.

Item No 8

In order to mobilise resources for its various future plans the Company proposes to raise finance upto US \$ 75 Million either through Equity or Equity Linked Instruments which may include Global Depository Receipts (GDRs) / American Depository Receipts (ADRs) or Foreign Currency Convertible Bonds (FCCBs) under the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 as amended from time to time or public offer and / or rights issue and / or private placement including Qualified Institutional Placement pursuant to Chapter XIII A of the SEBI (Disclosure and Investor Protection) Guidelines 2000, as

amended from time to time and/or any other applicable laws and regulations in respect thereof.

Section 81 (1) of the Companies Act, 1956 provides, inter-alia, that whenever it is proposed to increase the subscribed capital of the Company by further issue / offer and allotment of shares, such shares will be offered to the existing shareholders of the Company in the manner laid down in the said Section, unless the shareholders decide otherwise by a Special Resolution.

Accordingly, under the said Special Resolution, consent of the shareholders is being sought pursuant to the provisions of Section 81 (1A) and all other applicable provisions of the Companies Act, 1956 and in terms of the provisions of the listing agreements executed by the Company with the Stock Exchanges, authorising the Board to issue and allot securities, as stated in the Resolution, to persons other than the existing shareholders of the Company in accordance with terms and nature of the securities.

Your Directors commend the Special Resolution at Item No 8 for approval of the Members.

By Order of the Board of Directors

Registered office :

Lunkad Towers,
Viman Nagar,
Pune - 411 014.
29th July 2006

Jayan Nair
Chief Group Counsel &
Company Secretary

ANNEXURE - I TO THE DIRECTORS REPORT

Information required under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended on 31st March, 2006.

I. CONSERVATION OF ENERGY :**Tube Segment**

[a] Energy conservation measures taken :

- i] PTD Heat treatment furnace was relined with ceramic wool lining.
- ii] Installation of pre-heating furnace.
- iii] Normalising & tempering is done in one cycle instead of two cycles.

Steel Segment

- i] Power factor stabilization at 0.99 level through installation of capacitor banks.
- ii] Replacement of compressed air pipelines eliminating leakages & reducing the operation of one compressor.

[b] Additional investment and proposals, if any, being implemented for reduction of consumption of energy.

Tube Segment

- i] Replacing brick lining with ceramic wool lining in two more Heat treatment furnaces.
- ii] Billet rotation in induction furnace.

Steel Segment

- i] Upgradation of fume exhaust system.
- ii] Reuse of processed slag in EAF
- iii] LPG firing for tundish & ladle heating

[c] Impact of measures listed in [a] & [b] above for reduction of energy consumption and consequent impact on the cost of production.

The measures listed in [a] above has resulted in reduction in the specific consumption of fuel and power. The measure listed at [b] above are under implementation.

FORM : A

[a] Power & Fuel consumption :

	2005-06	2004-05
1. Electricity		
a] Purchased Unit (KWH in "000")	2,47,283	2,31,621
Total amount (Rs. in Lacs)	8,670.37	7,983.62
Rate /KWH [Rs.]	3.51	3.45
b] Own generation		
i] Through diesel generator		
Units [KWH]	11,592	15,950
Unit per litre of diesel/oil	1.85	2.14
Cost per unit [Rs.]	18.91	14.13

ii] Through steam turbine/generator		
Unit	NA	NA
Unit per ltr. of oil / gas-	NA	NA
Cost per unit [Rs.]	NA	NA

2. Coal		
Quantity	NA	NA
Total cost	NA	NA
Average cost	NA	NA

3. Furnace Oil		
Quantity (K. Ltr.)	20,942	16,933
Total cost (Rs. in lacs)	3,085.90	1,746.23
Average cost (Rs. Per K. Ltr)	14,735	10,313

4. Others : LDO/LSHS		
Quantity (K. Ltr.)	4,539	4,363
Total cost (Rs. in lacs)	894.01	643.67
Average cost (Rs. Per K. Ltr)	19,698	14,754

5. Consumption per unit of production

	2005-06	
	Tube	Steel
Production (MT)	1,35,635 (1,10,184)	2,34,707 (2,13,303)
Electricity (KWH)	555 (615)	733 (768)
Furnace Oil (Ltr.)	77 (69)	45 (44)
Coal (MT)	NA (NA)	NA (NA)
Others : LDO/LSHS (Ltr.)	30 (36)	2 (2)

Figures in the brackets related to Previous Year.

Form : B

A] Research & Development [R & D]

1. Specific areas in which R & D is carried out by the Company and benefits derived therefrom :

Tube Segment

- i] Implemented the design changes in the CP dies based on the mathematical modeling to achieve increased feeds & control the ovality.
- ii] Spherodized micro structure on machinability to reduce the cycle time of machining at bearing customers premises.
- iii] Hot upset end tubes for oil & gas industry has been developed.

Steel Segment

- i] Enhanced use of imported lime in EAF
- ii] Use of Dead burnt magnesite in EAF enhancing EAF hearth life.
- iii] Increased refractory life in ladles.
- iv] Controlled heat treatment cycles in Boggie hearth furnace.

2. Future plan of action

Tube Segment

- i] Development of thick walled & large dia cold drawn tubes.
- ii] Through mathematical modeling to optimize the heating and cooling parameters to improve quality & productivity with reduced energy consumption.

3. Expenditure on R & D

	(Rs. in lacs)	
	2005-06	2004-05
i] Capital	253.46	506.72
ii] Recurring	17.50	20.56
iii] Total	270.96	527.28
iv] Total R & D as a % of Turnover	0.26	0.56

- B. Technology Absorption, Adaptation and innovation :
Development as mentioned in A 1 above have become functional and are fully absorbed. This has helped in improving the productivity.

- C. Imported technology : Not applicable,

III. FOREIGN EXCHANGE EARNINGS & OUTGO

- (a) Activities relating to exports, initiatives taken to increase exports substantially, development of new export market and new products through product focus strategy :
- Effective servicing of existing and potential customers in the North American and European Markets.
 - Special focus on increasing Value Added Business in North America, Europe, Australia & South America.
 - New products identification in line with customer requirement for expanding product range and customer base.
 - Focused approach in mining industry in South Africa, Australia & Europe.
- (b) The information on foreign exchange earnings and outgo is contained in Note No. 17 (F) of Notes on Accounts.

On behalf of the Board of Directors

Khushroo Rustumji
Chairman

Pune, 4th May, 2006

ANNEXURE - II TO THE DIRECTORS' REPORT

Statement of particulars of employees pursuant to the provisions of Section 217 (2A) of The Companies Act, 1956 and forming part of the Directors' Report for the year ended 31st March, 2006.

Sr. No.	Name	Designation/ Nature of duties	Age	Qualification	Experi- ence	Date of commence- ment of employment	Remune- ration (Rs.)	Last employment
Employed for full year 2005 - 06 :								
1.	Nirmal Chandra	President (International Business)	57	Graduate in Mech. Engg.	37	01-01-2003	44,53,496	Indian Seamless Steels & Alloys Ltd.
2.	Rajiv Goel	Chief Financial Officer	53	B. Com (Hons.) FCA, FCS	28	01-05-1999	46,39,141	Indian Seamless Financial Services Ltd.
3.	O.P. Kakkar	Managing Director	61	B.Sc (Mech. Engg) (Hons.) P.G.D.B.M.	39	12-06-1991	54,77,950	Kalyani Steels Limited
4.	B. R. Taneja	Chief Executive Officer	70	B.E. (Mech) P.G.D.B.M.	47	01-05-1978	1,04,15,310	Indian Tube Company Ltd.
5.	Salil Taneja	President (Corporate & Strategic Development)	39	B.Sc. (Engg.) (Ohio) MBA (Fin.) (Yale)	16	01-10-2004	32,75,807	The Indian Seamless Metal Tubes Ltd.

Notes :

- Nature of employment is contractual for all the above employees.
- Remuneration includes salary, contribution to Provident Fund & Superannuation Fund, House Rent allowance / Lease Rent, Leave Travel assistance, Medical Reimbursement, Commission and other allowances payable as per Rules of the Company.

On behalf of the Board of Directors

Khushroo Rustumji
Chairman

Pune, 4th May, 2006

To the Members of the Company**Abstract of the terms of re-appointment of Mr. V Balasubramanian as Whole time Director of the Company pursuant to Section 302 of the Companies Act, 1956**

The Board of Directors of the Company at its meeting held on 29th July 2006 have re-appointed Mr. V Balasubramanian as Whole time Director of the Company designated as Executive Director (Operations) for a further period of three years effective from 1st April 2006.

The abstract of the terms and conditions of appointment of Mr. V Balasubramanian are as under:

1) Salary

The Company shall pay to Mr. V Balasubramanian salary of Rs.90,000/- per month or as fixed by the Remuneration Committee of the Board from time to time in the scale of Rs.90,000 - 2,00,000 per month.

2) Commission

0.25% of the Net Profits payable annually.

3) Perquisites

In addition to the Salary and Commission, the Whole Time Director shall be entitled to perquisites like unfurnished accommodation, where accommodation is not provided 60% of salary as HRA, Gas, Electricity, Water, furnishings, medical reimbursement, LTA for Self and family, club fees, medical insurance etc. in accordance with the rules of the company, subject to a limit of 125% of his Annual Salary with an option to the said Whole Time Director to receive the perquisites in any lawful combination as mutually agreed between him and the Board.

Contribution to Provident Fund and Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites, to the extent these either singly or put together are not taxable under the Income Tax Act, 1961. The Whole time Director is entitled to Earned Leave on full pay and allowance as per the Rules of the Company, but not exceeding one month's leave for every eleven months of service, the encashment of which at the end of the tenure will not be included in the computation of the ceiling on perquisites.

Provision of company car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to Whole Time Directors.

The Whole time Director shall be paid Performance Linked Bonus/Ex-gratia payment as may be decided by the Board of Directors in a particular year but not exceeding Annual Salary of Whole Time Director.

Notwithstanding anything contained herein, in the event of any loss, absence or inadequacy of profits in any financial year, during the term of office of Whole Time Director, the remuneration by way of salary and perquisites, commission, performance linked bonus and other benefits shall not, without the approval of the Central Government (if required) exceed the limits prescribed under the Act and Rules made there under or any amendment, modification, variation or re-enactment thereof.

Mr. V Balasubramanian is liable to retire by rotation.

A Resolution to the effect will be submitted to the General Body for the approval of the members.

Mr. V Balasubramanian, Whole Time Director is concerned and interested in his re-appointment as Whole Time Director. No other Director of the company is concerned or interested in the re-appointment.

By Order of the Board

Registered Office:

Lunkad Towers
Viman Nagar
PUNE 411 014
Pune, 29th July, 2006

Jayan Nair

Chief Group Counsel &
Company Secretary

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FIVE YEAR FINANCIAL SUMMARY

(Rs. in Crore)					
	2005-06	2004-05	2003-04	2002-03	2001-02
	(6 months)				
A) Sales (Tonnes)					
Tubes	115726	98905	--	--	--
Steel	228078	214399	191430	167354	85519
B) Profitability					
Net Sales & Other Income	1,085	910	468	348	170
Raw Material	497	475	280	167	81
Energy Cost	137	111	71	76	35
Other Direct Expenses	120	101	44	50	22
Personnel Cost	52	42	12	13	6
Administrative Expenses	15	17	5	6	2
Profit from Operations (EBIDTA)	264	164	56	36	24
Finance Cost	88	94	36	40	20
Depreciation & Amortisation	51	44	14	14	7
Taxation	10	(7)	4	(10)	(1)
Net Profit / (Loss)	115	33	2	(8)	(2)
Cash Accruals	166	77	16	6	5
C) Balance Sheet					
Sources of Funds					
Share Capital	119	155	105	105	105
Reserves & Surplus	310	202	79	78	94
Net Worth	429	357	184	183	199
Term Debt	533	558	229	214	206
Working Capital Borrowings	140	158	60	63	65
Unsecured Loans	111	83	82	82	72
Total	1,213	1,156	555	542	542
Application of Funds					
Net Fixed Assets	821	858	374	375	386
Current Assets	535	474	218	193	179
Current Liabilities	(242)	(273)	(121)	(112)	(99)
Net Current Assets	293	201	97	81	80
Deferred Tax Asset & Miscellaneous Expenditure	99	97	84	86	76
Total	1,213	1,156	555	542	542

Note : Figures for 2001-02, 2002-03 and 2003-04 pertain to "Indian Seamless Steels & Alloys Limited" alone & not the merged company.



ISMT LIMITED

Registered Office : Lunkad Towers, Viman Nagar, Pune 411 014. India.
Tel.: +91 20 26630144, 26631461 Fax : +91 20 26630779 Website : www.ismt.co.in